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

Case Studies Of Revenue Sharing
In 26 Local Governments

ENCLOSURE R

✓ Newark, New Jersey 0.2790

*BY THE COMPTROLLER GENERAL
OF THE UNITED STATES*

C o n t e n t s

		<u>Page</u>
SUMMARY		i
CHAPTER		
1	INTRODUCTION	1
	Background information on Newark	2
	Governmental structure	2
	Governmental services	3
	Revenue sharing allocation	4
2	BUDGETING AND PUBLIC PARTICIPATION IN THE BUDGETARY PROCESS	6
	Relationship of revenue sharing to total budget	6
	Public involvement in budgetary process	8
3	PROGRAMS FUNDED WITH REVENUE SHARING	10
	Uses of revenue sharing	10
	Functional uses	10
	Specific uses	11
	Plans for unobligated funds	11
	Accounting for revenue sharing funds	12
	Audits of revenue sharing	13
4	COMPLIANCE PROVISIONS OF THE REVENUE SHARING ACT	14
	Nondiscrimination provision	15
	Civil rights enforcement	15
	Comparison of local government work force and civilian labor force	16
	Analysis of work force by city function	16
	Analysis of work force by job category	17
	Davis-Bacon provision	21
	Prevailing wage provision	22
5	FINANCIAL STATUS	23
	Trend of fund balances	23
	Indebtedness	24
	Borrowing procedures	25
	Borrowing restrictions	25

CHAPTER

Page

5

Taxation	26
Major taxes levied	26
Taxing limitations	29
Family tax burden	30
Revenue sharing impact	30

6

OTHER FEDERAL AID	32
Federal aid received	32
Trend of Federal aid to Newark	33

7

SCOPE OF REVIEW	34
-----------------	----

APPENDIX

I

City government work force, Newark, New Jersey, June 30, 1974	35
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SUMMARY

2172 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 Newark, New Jersey. S-18

For the period January 1, 1972, through June 30, 1974, revenue sharing allocations to Newark totaled \$22,997,666, or \$60.21 per capita. Of the amount allocated, \$20,530,096 was received by June 30, 1974, and \$2,467,570 was received in July 1974. Revenue sharing payments were equivalent to about 14.4 percent of Newark's own tax collections.

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

1. The specific operating and capital programs funded in part or in whole by general revenue sharing in each jurisdiction. Newark had designated \$20,863,788 as being expended through June 30, 1974, for public safety activities. The city's accounting records show that the entire \$20,863,788 was used for salaries in the police and fire departments. Nothing was designated as being spent or obligated for capital purposes.

2. The fiscal condition of each jurisdiction, including its surplus or debt status. An analysis of Newark's total fund balances at the end of its 1969-73 fiscal years revealed a decreasing trend, from \$14.9 million in 1969 to \$10 million in 1973. Its general obligation indebtedness had gradually increased from \$54 to \$65 million during the same period. The reserve for the payment of pensions dropped from \$861,000 in 1968 to \$511,000 at the end of 1973. The unfunded pension liability has risen from \$22 million in 1955 to \$53 million in 1971. Legislation creating the new fund in 1955, as well as legislation passed in 1966, called for a greater city contribution to the fund.

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. Newark's largest source of operating revenue is the real property tax; it also receives Federal and State funds. The school district, which encompasses the same boundaries as the city, is likewise supported by real property taxes and Federal and State aid. The mayor stated that, by using revenue sharing funds to pay municipal employees, he has been able to reduce the

combined property tax rate for the city, county, and school district from \$9.63 per \$100 of fair market value in 1972 to \$8.60 in 1974. For 1973, Newark's tax rate was \$9.39 per \$100. Without revenue sharing, the rate would have been \$10.19 for the same level of services.

The percentage of a family's income that is paid to Newark, other local governments--including the county and school district--and to the State government remains almost constant as family income increases. The tax burden for a family of four decreased from 25.5 percent of family income to 25.0 percent and remained at 25.0 percent as family income increased from \$7,500 to \$12,500 and \$17,500, respectively.

4. The percentage of the total local budget represented by general revenue sharing. During the 2-year period ended December 31, 1973, Newark received revenue sharing payments totaling about \$15.6 million, or about 4.4 percent of the budgets for these years. Newark did not budget revenue sharing funds in its 1972 budget. About 7.7 percent of the 1973 city budget consisted of revenue sharing funds, or about 4.9 percent of the combined 1973 city and school district budgets.

5. The impact of Federal cutbacks in three or four specific categorical programs and the degree, if any, that revenue sharing has been used to replace those cutbacks. In fiscal years 1973 and 1974, Newark's comptroller said, the city received \$20.9 and \$30.9 million, respectively, in Federal aid in addition to its Federal revenue sharing moneys.

The more significant changes in Federal aid programs in the last 2 years were as follows:

<u>Program</u>	<u>Federal aid received by fiscal year</u>		
	<u>1973</u>	<u>1974</u>	<u>Increase or decrease(-)</u>
	----- (000 omitted) -----		
Public Employment	\$7,769	\$ 2,051	\$-5,718
Model Cities	7,050	-	-7,050
Planned Variations	930	10,028	9,098
Concentrated Employment	-	2,108	2,108
Comprehensive Employment and Training Act, title I	-	2,420	2,420
Comprehensive Employment and Training Act, title II	-	3,273	3,273

The Comprehensive Employment and Training Act of 1973, which funds the last two programs above, operates work and training programs to continue Public Employment and Concentrated Employment programs formerly funded under previous legislation. On balance, manpower assistance programs have increased.

Planned Variations continues the types of activities previously funded by the Model Cities program. Consequently, total aid for these activities increased in 1974.

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, Newark's civilian labor force consisted of 146,681 persons, of which 48.9 percent were black, 5.1 percent Puerto Rican, and 41.7 percent female. As of June 30, 1974, the city employed 7,355 workers, of which 36.7 percent were black, 3 percent Spanish-surnamed, and 21.5 percent female. Blacks were underrepresented mostly in the fire and police departments and as technicians. Spanish-surnamed and female individuals were particularly low in representation in the fire department and Water Authority and as skilled craft workers.

According to city officials, Newark has no formal written policy regarding nondiscrimination in employment. Newark is developing an affirmative action program for its municipal departments.

Nine complaints alleging discrimination in employment were filed against the city between January 1, 1972, and November 11, 1974. In four, an investigation found no probable cause; four were under investigation; and probable cause was found on the remaining complaint.

On January 10, 1975, the Newark Corporation Counsel told us that two civil rights suits involving employment were pending against Newark--one involving the fire department and one the police department. In the case involving the police department, the U.S. District Court entered a preliminary injunction which, in part, ordered the department to hire one black or Hispanic applicant for every two white applicants hired. No decision had been rendered in the case involving the fire department.

Newark did not fund any construction projects with revenue sharing. Therefore, the Davis-Bacon provision of the Revenue Sharing Act was not applicable. The city complied with the prevailing wage provision of the act.

7. Public participation in the local budgetary process, and the impact of revenue sharing on that process. Normally beginning in August, the budgetary process calls for public hearings both before and after submission of the budget to the city council. Public participation by individuals and public interest groups is virtually nonexistent. The city publishes revenue sharing information in Newark's largest newspaper, plus a black-oriented and an Italian-American newspaper. City records indicate that the mayor has given some publicity to revenue sharing in his radio and television appearances.

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.

Newark, New Jersey, is one of the 26 selected local governments, which include large, medium, and small municipalities and counties as well as a midwestern township.

BACKGROUND INFORMATION ON NEWARK

Newark is New Jersey's largest city and leading industrial, financial, and transportation center. It is a major air and ocean terminal located 9 miles west of New York City. Its population has declined from 439,000 in 1950 to 381,930 in 1970.

Newark forms a main transportation center for northern New Jersey, with express highways and transit tubes linking it directly to New York City. It has been a major business service center for the northern New Jersey market. Insurance company headquarters have provided much employment, as have commercial banks, brokerage firms, and other financial institutions. However, the city's largest employer, the Prudential Insurance Company, has moved its regional headquarters out of Newark.

Manufacturing development in Newark is diversified. The electrical machinery industry employs about 20 percent of the manufacturing work force. Other important industries are food and food products, chemicals, fabricated metals, apparel, and machinery other than electrical. Bureau of the Census data for 1970 showed that manufacturing employed 37 percent of the civilian labor force of 147,000.

The Department of Labor describes Newark as an area of concentrated unemployment and underemployment. Its unskilled labor force is competing for employment in a decreasing labor market. Governmental employment was one of the city's few categories where employment increased. However, one bonding organization characterized the city-owned properties adjacent to Newark Airport as a large industrial area suitable for various industrial needs; hence, a potential source of new employment.

Governmental structure

Newark's municipal government is composed of a mayor and nine-member council elected for 4 years. The mayor and four members of the council are elected from the city at large. Each of the five other council members is elected from the city's five wards.

The mayor is responsible for overall and long-range planning. With the assistance of an appointed business administrator, he is directly responsible for all city departments.

The municipal council is the city's legislative body. It also confirms the mayor's appointments; approves the annual operating budget; investigates city operations and the conduct of municipal affairs; and has the authority to remove, for cause, any municipal officer other than the mayor and council members. Council legislation can be vetoed by the mayor.

Governmental services

Newark is responsible, either in whole or in part, for most governmental services provided to its citizens. It is fully responsible for providing police and fire protection, sanitation other than sewage treatment, water, and libraries.

Specific areas where Newark provides some, but not all service, are as follows:

- Newark maintains its own streets but does so with State aid money; the county maintains sections of several county roads.
- Public welfare (cash payments) is a county-administered program but Newark maintains a limited program for special and hardship cases.
- Providing health and hospital care is essentially a State and private undertaking, but Newark contributes to a system of neighborhood health care centers assisted by major hospitals.
- Newark operates most parks; the county maintains several large public parks (including safety patrols).
- Newark, as well as county, State, and private organizations, provides numerous social service programs for the poor, aged, and other groups.
- Newark maintains the sewerage system, but sewage treatment is the responsibility of a special regional agency.

Specific areas where the city is not involved are as follows:

- Education is the responsibility of the independent Newark school district; however, about 50 percent of the school districts's funding comes from Newark's real estate tax.
- Public transportation and utilities other than water are provided by State-regulated private companies.
- The air terminal and seaport are the responsibility of the Port Authority of New York and New Jersey.

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

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

Newark was lowered to the 145 percent maximum constraint in the first three entitlement periods (January 1, 1972,

through June 30, 1973), but was not lowered to the 145 percent constraint or raised to the 20 percent constraint in the fourth entitlement period (July 1, 1973, through June 30, 1974).

Our calculations showed that, if the allocation formula were applied in New Jersey without all the act's constraints, Newark's allocation for the period January 1, 1972, through June 30, 1974, would have been \$23,500,956. However, because these constraints were applied, Newark's final allocation was \$22,574,281. The initial allocations and payments to Newark for the same period were \$22,997,666, including \$2,467,570 received in July 1974. The payment for the next entitlement period will be reduced by \$423,385, the difference between initial and final allocations.

The following schedule shows revenue sharing per capita and revenue sharing as a percentage of adjusted taxes for Newark (population of 381,930) and the next two largest cities in New Jersey--Jersey City and Paterson, with populations of 260,350 and 144,824, respectively.

City	Revenue sharing funds received for the period January 1, 1972, through June 30, 1974		
	Received (note a)	Per capita share	As a percent of taxes (note b)
Newark	\$22,997,666	\$60.21	14.4
Jersey City	11,676,588	44.85	12.0
Paterson	6,325,798	43.68	15.9

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

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

For New Jersey, the 145 percent constraint for local governments for the same period was \$60.20 per capita. The 20 percent constraint was \$8.30 per capita. The difference between the \$60.20 maximum constraint and the \$60.21 shown above for Newark is due to rounding.

CHAPTER 2

BUDGETING AND PUBLIC PARTICIPATION

IN THE BUDGETARY PROCESS

Newark's fund structure includes a current fund, a pension fund, a water utility operating fund, and miscellaneous funds.

Current fund--finances normal city functions except the water utility. Its major revenue source is the real property tax. The Newark comptroller said Federal and State grants, to the extent known at the time of budget preparation, are also incorporated into the current fund. He also said that other such grants are inserted into the budget by municipal council action as they materialize during the year. A payroll tax also contributes to the current fund.

The sources of revenue and the activities and service financed by the water utility operating fund and pension funds are discussed in chapter 5.

City officials said the school district operating Newark's schools has the same boundaries as the city and operates schools through the high school level. About 75,000 pupils were enrolled in 1974. The schools are supported by a combination of real property taxes and State aid.

RELATIONSHIP OF REVENUE SHARING TO TOTAL BUDGET

During the 2-year period ended December 31, 1973, Newark received revenue sharing payments totaling about \$15.6 million, \$4.2 million of which was received in calendar year 1972. For 1972 the city did not budget any revenue sharing funds received. For 1973 the city budgeted about \$14.6 million of its total revenue sharing funds received.

The following table shows Newark's budget for calendar year 1971, the year preceding receipt of revenue sharing. It also shows revenue sharing funds received and budgeted for calendar years 1972 and 1973 and their relationship to Newark's budgets for these years.

<u>Newark</u>	Calendar year		
	<u>1971</u>	<u>1972</u>	<u>1973</u>
City budget	\$156,124,258	\$168,029,386	\$188,209,982
School district budget	<u>81,813,020</u>	<u>93,835,782</u>	<u>107,897,630</u>
Total	<u>\$237,937,278</u>	<u>\$261,865,168</u>	<u>\$296,107,612</u>
Revenue sharing payments received	-	\$4,246,878	\$11,348,084
Revenue sharing funds budgeted	-	-	\$14,563,788
Cumulative revenue sharing payments received but not budgeted	-	\$4,246,878	\$1,031,174
Percentage of city budget represented by revenue sharing	-	-	7.7
Percentage of city and school district budgets represented by revenue sharing	-	-	4.9

School district budget data is included in the foregoing table to make the budgets comparable with those of local governments whose responsibilities include operating local school systems. Although independent school districts do not receive revenue sharing funds directly from the Federal Government, the financing of public schools is a major responsibility at the local government level and represents a significant part of the local tax burden.

Newark used its revenue sharing funds exclusively to reduce the cost of municipal operations. It has designated patrolmen and firemen salaries as being funded by revenue sharing.

Budgeted departmental expenditures for Newark for the most recent 3-year period were as follows:

<u>Department or office</u>	<u>Budgeted expenditures</u>		
	<u>1972</u>	<u>1973</u>	<u>1974</u>
	————(000 omitted)————		
Office of the mayor and agencies	\$ 6,390	\$ 5,909	\$ 6,292
City clerk and municipal council	794	897	1,265
Department of administration	802	852	4,492
Department of law	464	489	484
Department of finance	2,737	2,879	3,862
Department of recreation and parks	1,274	2,565	3,212
Department of public works	16,223	17,343	18,611
Department of health and welfare	11,123	8,657	8,792
Department of engineering	-	910	1,124
Police department	24,187	25,132	24,826
Fire department	14,463	15,360	15,995
Other	59,810	65,841	77,292

Revenue sharing funds accounted for the following amounts and percentages of the above department budgets.

	<u>1972</u>	<u>1973</u>	<u>1974</u>
	————(000 omitted)————		
Police department:			
Amount	-	\$7,921	\$6,000
Amount as percentage of budget	-	31.5	24.2
Fire department:			
Amount	-	\$6,643	\$5,214
Amount as percentage of budget	-	43.2	32.6

It is Newark's policy, according to its budget director, to budget revenue sharing funds as soon as they are available.

PUBLIC INVOLVEMENT IN BUDGETARY PROCESS

The budgetary process normally begins in August with the distribution of a budget manual. During September, preliminary hearings are held so that October becomes a month of revision and refinement. During November, official budget hearings are held by the business administrator, and legal announcements of hearings are placed in the newspaper inviting the public to attend. In January, the budget is submitted to the municipal council. Before it adopts the budget, there are a series of advertisements and a required public meeting. The council must approve the budget by March 20.

The capital budgetary process also begins in August and follows the same pattern as the operating budget. It is financed by the current fund and/or bonds. The current fund must contribute at least 10 percent of a project's cost.

Information on Newark's revenue sharing activity appeared in the city's largest newspaper, The Star-Ledger, and in the New Jersey Afro-American and The Italian Tribune. City records indicate that the mayor, through television and radio appearances, discussed revenue sharing for the public's benefit in the summer of 1973. Finally, the budget office established a folder on revenue sharing for public use; however, citizen use of this folder has been sparse, according to one city official.

Public involvement in budget decisions regarding the use of revenue sharing or any other funds is extremely limited. Available records of public municipal council budget hearings for 1973 and 1974 show no public statement or comment regarding revenue sharing. In fact, the official abstract for 1974 budget hearings shows no public involvement in the year's budgetary process. Also, city officials said the public, although invited, did not participate at the hearings held at the business administrator's 1975 budget hearings.

Three out of five public interest groups contacted said they had not received any information concerning the use of revenue sharing funds. The other two groups said they had received such information, but one thought that the information was inadequate. Only one of the five groups said it had not received any information concerning other city funds.

CHAPTER 3

PROGRAMS FUNDED WITH REVENUE SHARING

Newark was allocated \$22,997,666 in revenue sharing funds for the period January 1, 1972, through June 30, 1974. Of the amount allocated, \$20,530,096 was received by June 30, 1974, and \$2,467,570 in July 1974. As of June 30, 1974, interest earned from investment of the funds totaled \$423,960. Of the funds allocated for the period ended June 30, 1974, and the interest earned thereon, the city has expended \$20,863,788.

USES OF REVENUE SHARING

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

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

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

Functional uses

All \$20,863,788 in Federal revenue sharing funds designated as being obligated and spent through June 30, 1974, were for public safety operations and maintenance. Nothing was designated as being spent for capital purposes.

Specific uses

The city has officially designated Federal revenue sharing funds to be used to pay part of its policemen and firemen salaries. The following schedule shows the police and fire departments' salaries and the budgeted amounts covered by revenue sharing funds. 1/

	1973		1974	
	<u>Police</u>	<u>Fire</u>	<u>Police</u>	<u>Fire</u>
	----- (millions) -----			
Salaries and wages-- entire department	\$23.3	\$14.7	\$23.6	\$15.4
Salaries and wages-- patrolmen and fire- men	\$15.0	\$9.4	\$15.4	\$9.8
Revenue sharing used for salaries and wages	\$7.9	\$6.6	\$6.0	\$5.2
Revenue sharing as per- centage of entire de- partment's salaries and wages	33.9	44.9	25.4	33.8
Revenue sharing as percentage of patrol- men/firemen salaries and wages	52.7	70.2	39.0	53.1

The mayor stated that, by using revenue sharing funds to pay municipal employees, he has been able to reduce the property tax rate from \$9.63 per \$100 in 1972 to \$8.60 in 1974.

Plans for unobligated funds

Newark plans to continue using Federal revenue sharing funds to pay a large part of the salaries of its policemen and firemen. The city received its eighth revenue sharing payment of \$2,467,570 on July 9, 1974. Most of this payment was used to reimburse the current fund. Current fund dollars were used for patrolmen and firemen salaries while awaiting this check. The rest went to the payroll clearing account for

1/Actual amounts not readily available at time of review.

patrolmen and firemen salaries. The \$90,268 balance of unobligated funds as of June 30, 1974, represents interest earned on revenue sharing funds in 1974. This amount is to be included in the 1975 budget for patrolmen and firemen salaries.

ACCOUNTING FOR REVENUE
SHARING FUNDS

City officials gave us the following information on the accounting for revenue sharing funds.

Revenue sharing funds are incorporated into the budget by resolution of the municipal council. Expenditures are authorized by the city adopting the budget and the State approving it. When received, revenue sharing checks are sent to the assistant treasurer for deposit in a separate revenue sharing bank account. The assistant treasurer makes transfers, by purchase order, from the special revenue sharing bank account to the payroll clearing account. The funds are considered spent when put into the clearing account.

On a quarterly basis, the assistant treasurer adjusts the cash transfers to the actual payroll expenditures for patrolmen and firemen salaries. The chief accountant makes the adjusting entry and posts to the revenue sharing ledger all the transactions mentioned.

Interest earned on investment of revenue sharing funds is held during the year earned and is budgeted for expenditure in the following year.

The June 14, 1974, and the June 28, 1974, policemen and firemen payrolls were paid entirely by the current fund. The difference between estimated and actual salaries was also paid by the current fund. When the eighth payment was received in July 1974, most of it was used to reimburse the current fund; the rest was sent to the payroll transfer account.

In the future, the current fund will pay patrolmen and firemen salaries directly and will be reimbursed by the revenue sharing account.

According to Newark officials, the accounting for revenue sharing funds is essentially the same as for other city funds.

AUDITS OF REVENUE SHARING

Revenue sharing funds were audited by Newark's independent auditor. He reported that the scope of the audit included accounting, reporting, civil rights, publication, and other specific revenue sharing compliance areas. The audit report included five complaints, in which Newark was the respondent, filed with the State Division on Civil Rights. However, the auditor was unable to determine whether these cases specifically involved revenue sharing funds, although we noticed that three involved the police department. These five complaints were the only instances of possible noncompliance noted by the auditor.

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.

According to city officials, Newark has no formal written policy regarding nondiscrimination in employment, but it is developing an affirmative action program for its municipal departments.

Civil rights enforcement

A city official said Newark's human rights commission, formed in 1952, is responsible for hearing complaints concerning housing, employment, and public accommodations. It has no enforcement power but uses its position within the office of the mayor to influence conciliation of problems. Those cases that it cannot satisfactorily settle are referred to the New Jersey Division on Civil Rights.

This division, created within New Jersey's Department of Law and Public Safety, has the power to prevent, eliminate, and take action against discrimination by employers, labor organizations, employment agencies, or others on the basis of race, creed, color, national origin, ancestry, age, marital status, sex, or liability for service in the Armed Forces. In recent years, the division has added real estate "blockbusting" and the rights of the physically handicapped.

The division includes the State Attorney General and a seven-member commission appointed by the Governor, with the advice and consent of the senate, for a term of 5 years. Commission members serve without compensation.

The State Attorney General reports annually to the Governor and the legislature. According to a division official, if a violation of the law is found, the division attempts to resolve the problem between the parties involved. If this fails, the matter goes to a public hearing. If not resolved there, the director issues an order to implement the law. Failure to comply with this order can result in imprisonment for not more than 1 year or a fine of not more than \$500.

Comparison of local government
work force and civilian labor force

The following schedule shows that the minority composition of the city government work force as of June 30, 1974, was less than the minority composition of the civilian labor force as shown by the 1970 census. (We compared the city government's category of Spanish surname to the census category of Puerto Rican.)

	<u>Male</u>		<u>Female</u>		<u>Total (note a)</u>	
	<u>Number</u>	<u>Per- cent</u>	<u>Number</u>	<u>Per- cent</u>	<u>Number</u>	<u>Per- cent</u>
Civilian labor force:						
Total	<u>85,456</u>	<u>58.3</u>	<u>61,225</u>	<u>41.7</u>	<u>146,681</u>	<u>100.0</u>
Black	39,891	27.2	31,947	21.7	71,838	48.9
Puerto Rican	5,223	3.6	2,180	1.5	7,403	5.1
City government work force:						
White	3,717	50.5	694	9.4	4,411	60.0
Black	1,862	25.3	835	11.4	2,697	36.7
Spanish surname	181	2.5	45	.6	226	3.0
Other	14	.2	7	.1	21	.3
Total	<u>5,774</u>	<u>78.5</u>	<u>1,581</u>	<u>21.5</u>	<u>7,355</u>	<u>100.0</u>

a/Percentage totals may not add due to rounding.

Analysis of work force
by city function

The city government grouped all employees into 10 departmental functions. Those functions employing significantly fewer blacks than the 36.7 percent average representation in the city government work force follow.

<u>Function</u>	<u>Total employees</u>	<u>Black employees</u>	
		<u>Number</u>	<u>Percent</u>
Fire department	1,079	58	5.4
Police department	1,836	422	23.0

Those functions employing significantly less than the 3 percent average Spanish-surnamed employee representation in the city government work force follow.

<u>Function</u>	<u>Total employees</u>	<u>Spanish-surnamed employees</u>	
		<u>Number</u>	<u>Percent</u>
Fire department	1,079	3	.3
Health and welfare	395	8	2.0
Water authority	313	4	1.3

Those functions which employed significantly fewer females than the 21.5 percent average representation in the city government work force follow.

<u>Function</u>	<u>Total employees</u>	<u>Female employees</u>	
		<u>Number</u>	<u>Percent</u>
Fire department	1,079	8	.7
Police department	1,836	65	3.5
Public works department	1,347	82	6.1
Water authority	313	9	2.9

Analysis of work force by job category

The city government work force was divided into eight job categories--officials/administrators; professionals; technicians; protective service; paraprofessionals; office/clerical; skilled craft; and service/maintenance. (See app. I.)

A comparison of the percentage of blacks employed in each job category to the 36.7 percent average black representation in the city government work force showed that significantly fewer blacks were employed in the following categories.

<u>Category</u>	<u>Total employees</u>	<u>Black employees</u>	
		<u>Number</u>	<u>Percent</u>
Technicians	281	54	19.2
Protective service	2,175	371	17.1

In the following job categories, significantly fewer Spanish-surnamed individuals were employed by the city government than the 3 percent representation in the total city government work force.

<u>Category</u>	<u>Total employees</u>	<u>Spanish-surnamed employees</u>	
		<u>Number</u>	<u>Percent</u>
Officials/administrators	273	1	.4
Technicians	281	4	1.4
Protective service	2,175	29	1.3
Skilled craft	347	-	-

Significantly fewer females were employed in the following job categories than the 21.5 percent female representation in the total city government work force.

<u>Category</u>	<u>Total employees</u>	<u>Female employees</u>	
		<u>Number</u>	<u>Percent</u>
Technicians	281	19	6.8
Protective service	2,175	9	.4
Skilled craft	347	-	-
Service/maintenance	1,522	53	3.5

Statistical information on promotions and new hires for the year ended June 30, 1974, was not available.

In summary, the city government does not have an equal pro rata representation of black, female, or Spanish-surnamed individuals in its work force. Blacks are low in representation primarily in the fire and police departments and as technicians. Females and Spanish-surnamed individuals are particularly low in the fire department and water authority and as skilled craft workers. Newark's manpower and personnel directors said traditional discriminatory practices have acted to bring about the current situation. Both added, however, that the present ratios of minorities and females on the city payroll represent an improvement over the last 5 years and especially over the last 15 years. Some of the traditional discriminatory practices referred to were

- job requirements not related to the job, such as entrance physical examinations in the police department versus the physical condition of older policemen;
- job examinations culturally biased against nonwhites;
- job examinations not written in examinee's language;
- difficulty of removing individuals entrenched in civil service positions;
- jobs, such as police officer, not being female oriented; and

--job announcement practices lending themselves to uneven dissemination of the news that jobs are available. The manpower director emphasized that any disparity involving blacks is greater than what we show because Newark alleges that the Bureau of the Census had undercounted blacks in 1970. Newark has a suit pending against the Federal Government concerning the undercount.

We asked why the community development agency employed 67.6 percent blacks (see app. I) as opposed to the 48.9 percent shown in the civilian labor force. We were told that most of the agency's funds were Federal and as such not subject to State civil service practices. Also, the agency was community-oriented and therefore attracted fewer whites. We were also told that these conditions presented Newark with an opportunity to narrow the gap between the percentage of minorities available for work and those employed.

Some of the actions taken which have improved and will continue to improve the race, color, and sex mix, according to the Newark officials, are the

- development of an affirmative action plan,
- elimination of the height requirement for police officers and fire fighters,
- personnel staff being given a course in conversational Spanish, and
- training of blacks as fire cadets using Federal funds.

The following table shows, by function and type, the number of employment complaints against Newark filed with the New Jersey Division on Civil Rights since January 1, 1972. The 9 complaints involve 13 persons.

	Nature of Complaint				Total
	Hiring	Firing	Pro-motion	Other	
Police department	3	-	-	-	3
Department of finance	-	1	-	-	1
Department of health and welfare	-	2	-	-	2
Department of public works	1	-	-	1	2
High-impact Anti-crime program	-	-	1	-	1
Total	<u>4</u>	<u>3</u>	<u>1</u>	<u>1</u>	<u>9</u>

A description of these complaints and their status as of November 11, 1974, follows.

<u>Date of complaint</u>	<u>Respondent</u>	<u>Nature of complaint</u> <u>Firing</u>	<u>Status at</u> <u>November 11, 1974</u>
Jan. 5, 1973	Department of finance	Complainant charged that he was fired without just cause. The finance department said he did not finish his work. He said that he was given too many jobs and not enough time.	Under investigation.
Mar. 15, 1974	Department of health and welfare	A Puerto Rican male was fired, allegedly for absenteeism. He said others had worse attendance records than he and were not fired. He alleges he was fired because of his national origin.	Under investigation.
June 4, 1974	Department of health and welfare	Complainant, a black woman, alleged she was laid off as a telephone operator and given negative references because of her race.	Field worker found no probable cause and recommended dismissal of complaint.
<u>Hiring</u>			
Oct. 17, 1972	Police department	Five black complainants alleged they were unlawfully discriminated against because of their race by being denied patrolmen's positions based on psychological exams.	Closed in March 1974; no probable cause.
Feb. 13, 1973	Police department	Complainant charged that he was refused a position because of his race.	Closed in November 1974; no probable cause.
Feb. 23, 1973	Police department	Complainant, a Puerto Rican, said he was refused a position as a police recruiter in violation of New Jersey's law against discrimination.	Probable cause for the allegation found to exist.
Aug. 19, 1974	Department of public works	The complainant alleged she was refused a position as an apprentice painter because of her sex.	Under investigation.
<u>Promotion</u>			
Mar. 14, 1973	High-impact Anti-crime program	A female employee charged she had more work and received less pay than her male coworkers.	Under investigation.
<u>Other</u>			
Mar. 27, 1973	Department of public works	Complainant, a black municipal garage supervisor, charged that he was unlawfully discriminated against by having his special work hours rescinded while a Caucasian remained on his special work hours.	Field representative found no probable cause.

On January 10, 1975, the Newark Corporation Counsel informed us that two civil rights suits were pending against Newark. Both challenged the civil service testing procedures, alleging that they were discriminatory, especially with respect to hiring.

In one case involving the fire department (Vulcan Pioneers v. the city of Newark), no order had been entered. Newark is awaiting a trial.

In the other case involving the police department (Bronze Shields, Inc. v. New Jersey Department of Civil Service, city of Newark, and others), the U.S. District Court entered a preliminary injunction on November 26, 1974. The provisions of the injunction were as follows:

- Defendants are ordered in all future appointments to the Newark police department to appoint, from the group of persons who have passed the police civil service examination, at least one black or Hispanic applicant for every two white applicants appointed.
- Defendants are ordered to submit to the court and to the plaintiffs' lawyers a complete criterion-related validity study covering all police examinations administered by the defendants on or before November 30, 1974.
- Defendants are directed to give written prior notice to the court and the plaintiffs' lawyers of any appointments to the Newark police department as soon as possible.
- Defendants are directed to prepare all current eligibility lists so that they accurately reflect the black, Hispanic, or white background of the applicants, and to prepare two lists (one with whites and one with blacks and Hispanics, in the order in which they passed), for the purpose of complying with the first paragraph of this preliminary injunction.

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.

No capital projects were funded by Federal revenue sharing in Newark. The budget director said the Davis-Bacon provision did not affect Newark's decision on how to spend Federal revenue sharing money.

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.

More than 25 percent of both the police and fire departments' patrolmen and firemen wages were paid with revenue sharing funds. Our review indicated that the city complied with the prevailing wage provision.

CHAPTER 5

FINANCIAL STATUS

TREND OF FUND BALANCES

The yearend balances of Newark's five major funds for the 5-year period ended June 30, 1973, were as follows:

<u>Type of fund</u>	<u>Fund balance as of December 31</u>				
	<u>1969</u>	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>
Current	\$10,893,275	\$ 6,835,080	\$6,194,444	\$ 9,568,871	\$ 7,649,050
Water utility operating	2,985,936	3,232,243	1,538,403	1,255,261	1,808,559
Water utility capital	421,831	425,811	425,811	54,922	5,297
Municipal capital	32,346	193,463	69,943	193,770	75,570
Pension	586,347	629,690	649,922	579,189	510,518
Total	<u>\$14,919,735</u>	<u>\$11,316,287</u>	<u>\$8,878,523</u>	<u>\$11,652,013</u>	<u>\$10,048,994</u>

We were told that New Jersey State law requires local governments to have a balanced budget. This means that Newark must show specifically where it expects to obtain the money to finance its proposed expenditures. The existence, therefore, of a "surplus" in the current fund, ranging between \$10.8 million and \$6.2 million over 5 years, is not necessarily indicative of financial health. If a year's anticipated revenues fall short of the proposed expenditures, Newark must raise taxes and/or cut programs.

Water utility officials said that a loss of paying customers caused the water utility operating fund surplus to decrease from \$3 million in 1969 to \$1.3 million in 1972. They cited two major examples: (1) the closing of a brewery which provided about \$150,000 a year in revenue and (2) the Newark Housing Authority's delinquency in paying its bills, so that it is \$1.8 million in arrears. To help remedy this situation, a temporary 15 percent rate increase was approved. Accordingly, the surplus jumped from \$1.3 million to \$1.8 million between 1972 and 1973.

The 1971-72 decrease in the surplus of the water utility capital fund was caused by transferring over \$400,000 to the water utility operating fund, according to a water utility official. He said this money remained from a capital project.

Finally, indicative of future trends, a private consulting firm has recommended that the city raise its water utility rates between 20 and 40 percent in order to meet future operations and capital maintenance costs.

Between 1968 and 1973 the reserve for the payment of pensions had dropped from \$861,000 to \$511,000. The chairman of Newark's employees retirement system said the system covers all nonuniformed city employees hired when under 45 years of age who pass a physical examination. Those falling outside this criterion may join the State Pension System, or, as appropriate, become members of the State pension fund for policemen and firemen.

Created in 1955, the Pension System was essentially the merger of three previously existing funds. At the time of the merger, the unfunded liability was \$22 million. Legislation creating the fund, as well as legislation passed in 1966, called for a greater city contribution to the fund; however, Newark's actuary told us that as of 1971 the unfunded liability had risen to \$53 million. An actuarial study of the system is completed every 3 years. The 1974 assessment will be available in late 1975.

INDEBTEDNESS

Newark's outstanding municipal debt position since 1969 has been as follows:

<u>Year ended</u> <u>December 31</u>	<u>Authorized</u>	<u>Unissued</u>	<u>Outstanding</u> <u>indebtedness</u>
	(millions)		
General obligation bonds:			
1969	\$ 68	\$14	\$54
1970	73	14	59
1971	74	13	61
1972	83	17	66
1973	88	23	65
Revenue bonds (water utility):			
1969	23	9	14
1970	22	9	13
1971	21	9	12
1972	22	10	12
1973	21	9	12
Revenue bonds (parking authority):			
1969	5	-	5
1970	5	-	5
1971	5	-	5
1972	5	-	5
1973	5	-	5
Total:			
1969	\$ 96	\$23	\$73
1970	100	23	77
1971	100	22	78
1972	110	27	83
1973	114	32	82

Borrowing procedures

By bond ordinance, Newark may incur indebtedness, borrow money, and authorize and issue negotiable obligations for financing capital improvements or property, or for any purpose for which it is required to make an appropriation (with the exception of current expenses and payment of obligations).

The bond approval process begins with introduction of a bond ordinance to Newark's governing body, the municipal council. After the first reading, the ordinance and the time and place for further consideration are published in a newspaper. A two-thirds majority of the full council is necessary to pass the ordinance, which is published in full after adoption. There is no requirement for public referendum.

The quality rating assigned to the city's bonds by Moody's Investors Service, Inc., declined from A (upper medium-grade obligations) to Baa (medium-grade obligations) in 1968 and has remained constant since then.

One official said Newark has had no problems with incomplete bond subscription. He added that Newark has had to pay about 0.5 percent more interest than other cities rated Baa because (1) the percentage of taxes collected is low, (2) property values have not kept pace with inflation, (3) family income is low, and (4) total debt is high in proportion to assessed valuation, population, and per capita income.

Borrowing restrictions

Municipal bonds

Restrictions on borrowing for municipal purposes are as follows: Newark may borrow

- up to 3.5 percent of equalized valuation of the real estate as adjusted,
- an additional \$15.7 million when the 3.5 percent limitation is reached, and finally
- up to two-thirds of the current year's bond retirement.

According to a Newark official, the city has already exhausted amounts equal to 3.5 percent of the equalized value of the real estate and has exhausted the \$15.7 million additional borrowing power available under the second item above.

School bonds

According to a city official, school bonds may be issued subject to the following restrictions.

- The schools may be authorized to use any remaining municipal debt capacity.
- The school district, through the city council, must petition the State for any additional borrowings. If State approval is obtained, the city council must approve an ordinance authorizing the borrowing and the citizens must approve the issuance of the bonds by a referendum.
- The initial ceiling is 8 percent of equalized real estate valuations.

We were told that the school district has approximately \$20 million borrowing capacity remaining under the 8 percent criterion. At December 31, 1973, gross debt for school purposes was \$128 million.

TAXATION

Major taxes levied

Newark receives most of its tax revenue from

- a real property tax (\$106 million),
- a business personal property tax replacement program (\$17 million), and
- a payroll tax (\$12 million).

A public utility gross receipts tax and several franchise taxes add about \$14 million more to revenues. Newark's tax collector said the school district has no taxing power but requests and receives its share of property taxes from the city and also receives revenues from the State through a prearranged formula.

Real property tax

The real property tax is designed to meet budgeted expenditures not covered by other revenues. The school district and the county notify the city of their budget requirements. Newark then adds its own requirements and levies taxes to raise the entire amount. In Newark, real property is assessed

at 100 percent of fair market value. The total property tax rates for the city, county, and school district for the most recent years have been as follows:

<u>Year</u>	<u>Percentage rate</u>
1974	8.60
1973	9.39
1972	9.63
1971	9.19
1970	8.44
1969	8.30

Business personal property
tax replacement program

This program is actually four taxes collected by the State and distributed to the taxing districts. It was designed to exempt business personal property from local taxation. A description of each of the four taxes, the base to which applied, and the rates follow.

The business personal property tax--is a tax on tangible personal property used in business in New Jersey. The tax is imposed on individuals, partnerships, corporations, and associations which own business personal property in the State. The tax base, or taxable value, is 50 percent of original cost, and the tax rate is 1.3 percent. There has been no change in this tax since 1966.

The corporation business tax--consists of a corporation net worth and a corporation net income tax. It imposes a franchise tax for the privilege of having or exercising a corporate charter or doing business, employing or owning capital or property, or maintaining an office in New Jersey. The tax applies to domestic and foreign corporations with certain exceptions, notably banking and nonprofit corporations and utilities which pay the public utility gross receipts tax.

The tax computation is done in two stages. First, the corporation is taxed at 5.5 percent of its net income or that part allocated to New Jersey. Secondly, the corporation is taxed on the net worth allocated to New Jersey as follows:

<u>Allocated net worth</u>	<u>Tax rate per dollar</u>
First \$100,000,000	.0020
Second 100,000,000	.0004
Third 100,000,000	.0003
Above 300,000,000	.0002

There is a minimum net worth tax of \$25 for domestic corporations and \$50 for foreign corporations. In 1972 the net income tax rate increased from 4.25 percent to the current 5.5 percent.

Of the tax collected on net income, 23 percent goes to the municipality. All the tax collected on net worth remains with the State.

The retail gross receipts tax--is an annual tax applicable to gross receipts in excess of \$150,000 for each person operating a retail store in the State. The tax rate is 0.05 percent. There has been no change in this tax since its adoption in 1966.

The unincorporated business tax--imposes an annual tax on the gross receipts of unincorporated businesses. The tax rate is 0.25 percent of gross receipts allocable to the State. There has been no change in this tax since its adoption in 1966.

Payroll tax

The payroll tax is imposed by Newark on employers' payrolls at a 1 percent rate. Insurance companies subject to the insurance premiums tax are exempt.

Newark began collecting the payroll tax in 1971. Originally, the tax was to expire after 1972. It was extended to January 1, 1975, and, according to city officials, later extended to January 1, 1976. Continuation of this tax requires State legislative action.

Collections from the property, business, and payroll taxes for the years 1969-73 were as follows:

<u>Year</u>	<u>Type of tax</u>		
	<u>Real property</u> <u>(note a)</u>	<u>Business</u> <u>personal property</u>	<u>Payroll</u>
	(millions)		
1973	\$105.8	\$16.9	\$11.7
1972	111.2	15.6	11.5
1971	108.5	15.2	8.3
1970	100.1	15.2	-
1969	100.7	15.2	-

a/In each year we included payments in lieu of taxes and delinquent collections.

Taxing limitations

Newark's taxing authority is generally limited to a local real property tax and a tangible personal property tax on telephone and telegraph companies for municipal, school, and county purposes. In addition, the State legislature in 1970 authorized Newark to impose the following taxes: payroll, sales, alcoholic beverage, commercial occupancy, motor fuel, and parking lot. Of these taxes, Newark has levied the payroll and parking lot taxes to the extent allowed.

Available taxing power not used

The four taxes allowed by the State legislature and not used are as follows:

1. A 1 percent retail sales tax could be added to the existing 5 percent levied by the State. Major exceptions are sales of cigarettes, clothing, food, motor fuels, and real estate.

2. An alcoholic beverage tax for on-premises consumption. The authorized rates are \$5 per gallon on liquor and \$1 per gallon on wine.

3. A motor fuel tax could be added to the 8 cents per gallon already levied by the State on gasoline. The enabling legislation did not specify or limit the amount or rate of this tax.

4. A commercial occupancy tax could be applied to those renting premises in Newark to carry on a business. The rates would be as follows:

<u>Annual rent</u>	<u>Tax rate per \$100</u>
First \$ 2,499	\$2.50
\$ 2,500 to \$ 4,999	5.00
\$ 5,000 to \$ 7,999	6.25
\$ 8,000 to \$10,999	7.00
\$11,000 and over	7.50

Family tax burden

We calculated the 1973 tax burden of city residents by assuming such things as level of income, size of family, and value of real property holdings for three hypothetical families. Each of the three families depicted below had four family members, had income solely from wages earned by the head of the household, and owned a home having a market value equal to 2-1/2 times that of the annual income. The annual incomes of families A, B, and C totaled \$7,500, \$12,500, and \$17,500, respectively. Families A and B each owned one automobile and used 1,000 gallons of gasoline. Family C owned two automobiles and used 1,500 gallons of gasoline.

<u>Tax</u>	<u>Tax burden</u>		
	<u>Family A</u>	<u>Family B</u>	<u>Family C</u>
City:			
Real property	\$ 442	\$ 737	\$1,031
School district:			
Real property	963	1,605	2,247
County:			
Real property	356	593	830
State:			
Sales	74	114	154
Gasoline	<u>80</u>	<u>80</u>	<u>120</u>
Total	<u>\$1,915</u>	<u>\$3,129</u>	<u>\$4,382</u>
Total as percentage of income	<u>25.5</u>	<u>25.0</u>	<u>25.0</u>

In addition, a 15 percent tax is levied on parking lot charges. There is a cigarette tax of 14 to 19 cents a pack. Alcohol is taxed at rates of \$2.80 per gallon on liquor and 30 cents per gallon on wine.

REVENUE SHARING IMPACT

The mayor has publicly stated that Federal revenue sharing has allowed Newark to stabilize property taxes and

break a rising property tax spiral. For 1973, Newark's tax rate was \$9.39 per \$100. Without revenue sharing, the rate for the same level of services would have been \$10.19, or 80 cents more, per \$100. In September 1974 the mayor repeated that revenue sharing has helped defray taxes of Newark property owners.

CHAPTER 6

OTHER FEDERAL AID

FEDERAL AID RECEIVED

Newark receives Federal aid directly through categorical grants and indirectly through the State. Newark's comptroller said the city received \$20.9 and \$30.9 million in fiscal years 1973 and 1974, respectively, in Federal aid other than revenue sharing money. Complete data for previous years was unavailable.

The following schedule shows, by agency, the Federal funds received in fiscal years 1973 and 1974. Estimates of Federal funds to be received in fiscal year 1975 were not readily available.

<u>Agency</u>	<u>FY 1973</u>	<u>FY 1974</u>	<u>Increase</u>	<u>Decrease</u>
	(000 omitted)			
Department of Labor	\$10,268	\$12,901	\$2,633	\$ -
Department of Housing and Urban Development	8,168	10,579	2,411	-
Department of Health, Education, and Welfare	1,392	2,062	670	-
Law Enforcement Assis- tance Administration	-	1,680	1,680	-
Department of Agricul- ture	331	950	619	-
Civil Service Commission	30	35	5	-
Office of Economic Oppor- tunity	406	5	-	401
Federal aid received in- directly through the State	<u>320</u>	<u>2,685</u>	<u>2,365</u>	<u>-</u>
Total	<u>\$20,915</u>	<u>\$30,897</u>	<u>\$10,383</u>	<u>\$401</u>

In fiscal years 1972, 1973, and 1974, the school district reported receiving \$18.2, \$17.9, and \$18 million, respectively, in Federal aid. The largest part of this aid came under title I of the Elementary and Secondary Education Act of 1965 and Department of Agriculture food programs. The district expected to receive about \$19.4 million in Federal aid in 1975.

CHAPTER 7

Our review was made at the city governmental offices in Newark, New Jersey. We examined regulations, records, statutes, and other documents related to revenue sharing and held discussions with representatives of the city, the school district, the State of New Jersey, public interest groups, and civil rights agencies. Our work was limited to gathering selected data relating to areas identified by the Subcommittee Chairman.

Officials of Newark reviewed this case study and we considered their comments in finalizing it.

TREND OF FEDERAL AID
TO NEWARK

From 1973 to 1974, Federal aid other than revenue sharing funds has increased. Aid to schools has remained relatively constant with about a \$1 million increase expected in fiscal year 1975 over the previous high in fiscal year 1972. The following list shows the more significant changes in Federal aid.

<u>Program</u>	<u>Federal aid received by fiscal year</u>		
	<u>1973</u>	<u>1974</u>	<u>Increase or decrease (-)</u>
	----- (000 omitted) -----		
Public Employment	\$7,769	\$ 2,051	\$-5,718
Model Cities	7,050	-	-7,050
Planned Variations	930	10,028	9,098
Concentrated Employment	-	2,108	2,108
Comprehensive Employment and Training Act, title I	-	2,420	2,420
Comprehensive Employment and Training Act, title III	-	3,273	3,273

The Comprehensive Employment and Training Act of 1973, which funds the last two programs above, operates work and training programs meant to continue Public Employment and Concentrated Employment programs formerly funded under previous legislation. On balance, manpower assistance programs have increased.

Planned Variations is a continuation of Model Cities type funding, reflecting, therefore, an increase in aid.

CITY GOVERNMENT WORK FORCE

NEWARK, NEW JERSEY

JUNE 30, 1974

Function/job category	Male					Female					Total				
	White	Black	Spanish surname	Other	Total	White	Black	Spanish surname	Other	Total	White	Black	Spanish surname	Other	Total
All functions:															
Officials/administrators	182	53	1	-	236	16	21	-	-	37	198	74	1	-	273
Professionals	564	216	16	7	803	178	209	12	3	402	742	425	28	10	1,205
Technicians	214	40	4	4	262	5	14	-	-	19	219	54	4	4	281
Protective service	1,768	369	29	-	2,166	7	2	-	-	9	1,775	371	29	-	2,175
Paraprofessionals	168	191	30	2	391	132	209	16	2	359	300	400	46	4	750
Office/clerical	52	43	5	-	100	313	370	17	2	702	365	413	22	2	802
Skilled craft	250	96	-	1	347	-	-	-	-	-	250	96	-	1	347
Service/maintenance	519	854	96	-	1,469	43	10	-	-	53	562	864	96	-	1,522
Total	3,717	1,862	181	14	5,774	694	835	45	7	1,581	4,411	2,697	226	21	7,355
Percent	50.5	25.3	2.5	.2	78.5	9.4	11.4	.6	.1	21.5	60.0	36.7	3.0	.3	100.0
Administration and general control:															
Officials/administrators	41	18	-	-	59	3	8	-	-	11	44	26	-	-	70
Professionals	106	84	7	3	200	85	82	8	2	177	191	166	15	5	377
Technicians	10	3	-	-	13	3	1	-	-	4	13	4	-	-	17
Protective service	1	1	1	-	3	-	-	-	-	-	1	1	1	-	3
Paraprofessionals	42	47	5	1	95	84	75	10	-	169	126	122	15	1	264
Office/clerical	33	32	5	-	70	148	145	10	1	304	181	177	15	1	374
Skilled craft	4	-	-	-	4	-	-	-	-	-	4	-	-	-	4
Service/maintenance	23	4	32	-	59	3	2	-	-	5	26	6	32	-	64
Total	260	189	50	4	503	326	313	28	3	670	586	502	78	7	1,173
Percent	22.2	16.1	4.3	.3	42.9	27.8	26.7	2.4	.2	57.1	50.0	42.8	6.6	.6	100.0
Community development agency:															
Officials/administrators	14	24	1	-	39	4	5	-	-	9	18	29	1	-	48
Professionals	26	51	5	1	83	23	67	2	-	92	49	118	7	1	175
Technicians	4	5	1	-	10	-	2	-	-	2	4	7	1	-	12
Protective service	1	9	1	-	11	-	-	-	-	-	1	9	1	-	11
Paraprofessionals	8	16	4	-	28	10	27	2	1	40	18	43	6	1	68
Office/clerical	1	6	-	-	7	22	68	3	-	93	23	74	3	-	100
Skilled craft	13	20	-	-	33	-	-	-	-	-	13	20	-	-	33
Service/maintenance	42	94	-	-	136	-	1	-	-	1	42	95	-	-	137
Total	109	225	12	1	347	59	170	7	1	237	168	395	19	2	584
Percent	18.7	38.5	2.0	.2	59.4	10.1	29.1	1.2	.2	40.6	28.8	67.6	3.1	.3	100.0
Engineering department:															
Officials/administrators	5	-	-	-	5	-	-	-	-	-	5	-	-	-	5
Professionals	6	2	-	1	9	1	-	-	-	1	7	2	-	1	10
Technicians	7	6	1	-	14	-	-	-	-	-	7	6	1	-	14
Protective service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paraprofessionals	3	4	-	1	8	-	-	-	-	-	3	4	-	1	8
Office/clerical	-	-	-	-	-	3	4	-	-	7	3	4	-	-	7
Skilled craft	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service/maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	21	12	1	2	36	4	4	-	-	8	25	16	1	2	44
Percent	47.7	27.3	2.3	4.5	81.8	9.1	9.1	-	-	18.2	56.8	36.4	2.3	4.5	100.0
Fire department:															
Officials/administrators	57	-	-	-	57	-	-	-	-	-	57	-	-	-	57
Professionals	189	4	1	-	194	-	-	-	-	-	189	4	1	-	194
Technicians	28	1	-	-	29	-	-	-	-	-	28	1	-	-	29
Protective service	728	47	2	-	777	-	-	-	-	-	728	47	2	-	777
Paraprofessionals	9	5	-	-	14	-	-	-	-	-	9	5	-	-	14
Office/clerical	-	-	-	-	-	7	1	-	-	8	7	1	-	-	8
Skilled craft	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service/maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1,011	57	3	-	1,071	7	1	-	-	8	1,018	58	3	-	1,079
Percent	93.7	5.3	.3	-	99.3	.6	.1	-	-	.7	94.3	5.4	.3	-	100.0
Health and welfare:															
Officials/administrators	12	5	-	-	17	2	6	-	-	8	14	11	-	-	25
Professionals	62	17	2	.2	83	32	18	-	1	51	94	35	2	3	134
Technicians	6	1	-	4	11	1	10	-	-	11	7	11	-	4	22
Protective service	2	1	-	-	3	-	-	-	-	-	2	1	-	-	3
Paraprofessionals	4	6	-	-	10	7	50	1	-	58	11	56	1	0	68
Office/clerical	1	3	-	-	4	44	64	1	-	109	45	67	1	-	113
Skilled craft	2	2	-	-	4	-	-	-	-	-	2	2	-	-	4
Service/maintenance	3	19	4	-	26	-	-	-	-	-	3	19	4	-	26
Total	92	54	6	6	158	86	148	2	1	237	178	202	8	7	395
Percent	23.3	13.7	1.5	1.5	40.0	21.8	37.5	.5	.2	60.0	45.1	51.2	2.0	1.7	100.0
Police department:															
Officials/administrators	12	-	-	-	12	-	-	-	-	-	12	-	-	-	12
Professionals	130	17	-	-	147	1	-	-	-	1	131	17	-	-	148
Technicians	114	9	2	-	125	1	1	-	-	2	115	10	2	-	127
Protective service	1,001	295	24	-	1,320	7	2	-	-	9	1,008	297	24	-	1,329
Paraprofessionals	77	74	16	-	167	-	-	-	-	-	77	74	16	-	167
Office/clerical	-	-	-	-	-	29	24	-	-	53	29	24	-	-	53
Skilled craft	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service/maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	1,334	395	42	-	1,771	38	27	-	-	65	1,372	422	42	-	1,836
Percent	72.7	21.5	2.3	-	96.5	2.0	1.5	-	-	3.5	74.7	23.0	2.3	-	100.0

Function/job category	Male					Female					Total				
	White	Black	Spanish surname	Other	Total	White	Black	Spanish surname	Other	Total	White	Black	Spanish surname	Other	Total
Public works department:															
Officials/administrators	31	-	-	-	31	-	-	-	-	-	31	-	-	-	31
Professionals	9	-	-	-	9	1	-	-	-	1	10	-	-	-	10
Technicians	43	15	-	-	58	-	-	-	-	-	43	15	-	-	58
Protective service	12	6	1	-	19	-	-	-	-	-	12	6	1	-	19
Paraprofessionals	-	8	-	-	8	-	-	-	-	-	-	8	-	-	8
Office/clerical	2	1	-	-	3	29	23	-	1	53	31	24	-	1	56
Skilled craft	206	73	-	-	279	-	-	-	-	-	206	73	-	-	279
Service/maintenance	236	568	54	-	858	23	5	-	-	28	259	573	54	-	886
Total	539	671	55	-	1,265	53	28	-	1	82	592	699	55	1	1,347
Percent	40.0	49.8	4.1	-	93.9	3.9	2.1	-	.1	6.1	43.9	51.9	4.1	.1	100.0
Recreation and parks:															
Officials/administrators	8	6	-	-	14	7	2	-	-	9	15	8	-	-	23
Professionals	28	32	1	-	61	24	25	-	-	49	52	57	1	-	110
Technicians	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Protective service	8	7	-	-	15	-	-	-	-	-	8	7	-	-	15
Paraprofessionals	23	30	5	-	58	31	57	3	1	92	54	87	8	1	150
Office/clerical	1	1	-	-	2	7	12	1	-	20	8	13	1	-	22
Skilled craft	3	-	-	1	4	-	-	-	-	-	3	-	-	1	14
Service/maintenance	76	70	2	-	148	17	2	-	-	19	93	72	2	-	167
Total	147	146	8	1	302	86	98	4	1	189	233	244	12	2	491
Percent	29.9	29.7	1.7	.2	61.5	17.5	20.0	.8	.2	38.5	47.4	49.7	2.4	.5	100.0
Water authority:															
Officials/administrators	1	-	-	-	1	-	-	-	-	-	1	-	-	-	1
Professionals	2	-	-	-	2	-	-	-	-	-	2	-	-	-	2
Technicians	2	-	-	-	2	-	-	-	-	-	2	-	-	-	2
Protective service	15	3	-	-	18	-	-	-	-	-	15	3	-	-	18
Paraprofessionals	2	1	-	-	3	-	-	-	-	-	2	1	-	-	3
Office/clerical	13	-	-	-	13	6	3	-	-	9	19	3	-	-	22
Skilled craft	22	1	-	-	23	-	-	-	-	-	22	1	-	-	23
Service/maintenance	139	99	4	-	242	-	-	-	-	-	139	99	4	-	242
Total	196	104	4	-	304	6	3	-	-	9	202	107	4	-	313
Percent	62.6	33.2	1.3	-	97.1	1.9	1.0	-	-	2.9	64.5	34.2	1.3	-	100.0
Welfare division:															
Officials/administrators	1	-	-	-	1	-	-	-	-	-	1	-	-	-	1
Professionals	6	9	-	-	15	11	17	2	-	30	17	26	2	-	45
Technicians	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Protective service	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Paraprofessionals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Office/clerical	1	-	-	-	1	18	26	2	-	46	19	26	2	-	47
Skilled craft	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Service/maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total	8	9	-	-	17	29	43	4	-	76	37	52	4	-	93
Percent	8.6	9.7	-	-	18.3	31.2	46.2	4.3	-	81.7	39.8	55.9	4.3	-	100.0

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

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