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Revenue Pie Ignores Social Services

Second of Three Articles

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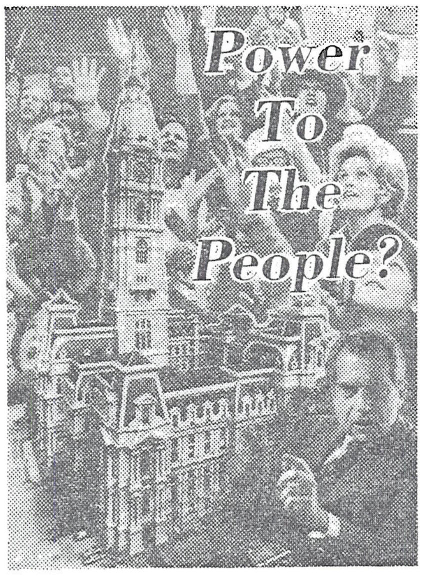
President Nixon went to Philadelphia two weeks before the 1972 presidential election to sign the long-delayed general revenue-sharing legislation and to proclaim that the "New American Revolution is truly under way."

Speaking before a beaming Mayor Frank Rizzo and a variety of government officials in a ceremony at Independence Hall, Mr. Nixon said: "What America wants today at the state level, at the city level and at the county level and, I believe, at the federal level, is not bigger government but better government, and that is what this is about.'

Eight months after the President spoke, the Federal Office of Revenue Sharing was still trying to track down 400 units of local government so that it could present them with their revenue-sharing checks.

The federal office has shown some diligence in reducing the number of missing governments to only 400. More than a thousand of America's less viable units of local government did not respond to the first notification that they were eligible for revenue sharing.

While the search for the missing governments continues, the first reports on revenue-sharing spending are



trickling into Washington. Despite significant exceptions, these reports appear to confirm the worst fears of revenue-sharing critics who said that cities and counties would fail to use the "new money" to fill the gap left in national social service programs now being reduced by the Nixon administration.

These reports also raise serious questions about the impact and direction of the New Federalism—the name given to the administration's attempt to reverse a 40-year trend of centralization in Washington and to redistribute both revenues and responsibilities to state and local governments.

Surveys made by the Federal Office of Revenue Sharing, by the National League of Cities and by Sen. Edmund Muskie's Senate Intergovernmental Relations Subcommittee show that most of the local government revenue-sharing money has been funneled into only two of the nine broad purposes allowed by the legislation—public safety and capital improvements.

"I have the feeling that Detroit must really love revenue sharing," commented one federal official. "Whatever the failings of the program, it's been great for the sale of police cars and fire trucks."

The most striking example is provided by a New Jersey survey of revenue-sharing spending in the state's 567 municipalities and 21 counties. Out of a total allocation of $188.5 million, $144.5 million was budgeted by these local governments. Of the budgeted amount, nearly two dollars in every three were spent for either public safety (45.5 per cent) or for capital projects (20 per cent).

Ten per cent of the revenue was spent on environmental protection, another 10 per cent for health services. 8

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per cent for public transportation, less than 4 per cent for recreation and 1 per cent for financial administration.

Social services for the poor and aged throughout New Jersey local government accounted for only $1.8 million of the spending — slightly more than 1 per cent.

The New Jersey reports are the most complete in the country. They are widely believed to be typical of the pattern of general revenue-sharing allocations, a pattern city officials say reflects the manner in which funds were allocated rather than local government insensitivity to social needs.

The first general revenue sharing checks were mailed out in December and January, containing retroactive payments for the entire 1972 calendar year. This was the mid-point of the fiscal year for most local governments, which were tempted to treat the money as a one-time windfall and spend it on deferred projects.

Many local officials also are uncertain about the permanence of general revenue sharing, which will supply $30.2 billion to state and local governments over a five-year period. Even local officials who favor diversion of revenue-sharing funds into social services are reluctant to saddle their communities with programs of indefinite and built-in rising costs without the assurance of long-term federal revenue.

Little Innovation Seen

Whatever the reasons, the first results of this experiment in the "New American Revolution" have clearly been a disappointment for those who expected local governments to show either a renewed capacity for innovation or a renewed interest in social services spending. The League of Cities sent out revenue-sharing spending questionnaires to 600 cities in March and received responses from 240 members. But the league never published its tabulation.

"We were convinced that by releasing the figures they might be misunderstood," said one league official.

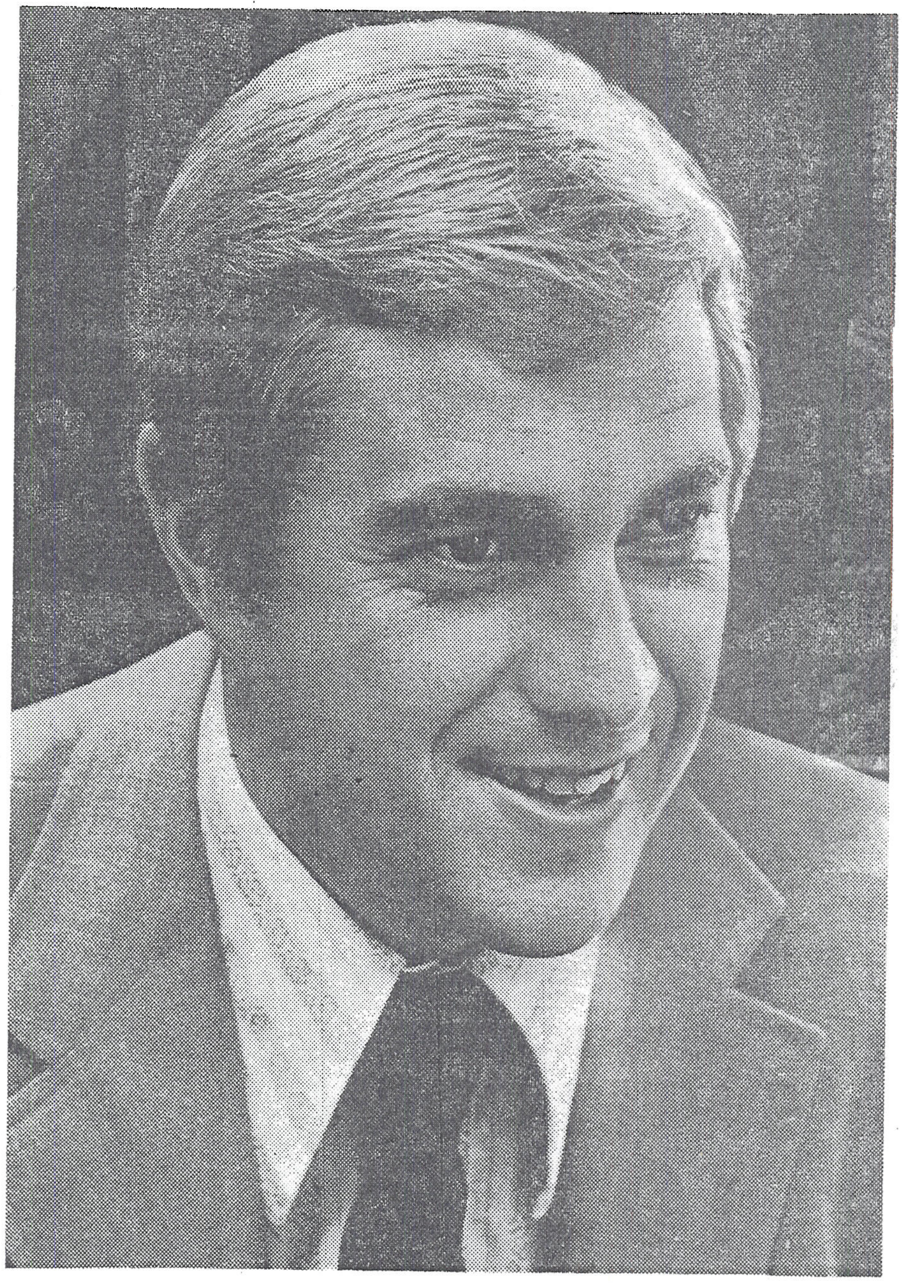
Some scattered results from small communities around the nation indicate why the revenue-sharing allocations might be subject to "misunderstanding."

Corpus Christi, Texas, spent $100,000 on tennis courts and $100,000 for landscaping the golf course. Burlington, Vt., spent $160,000 on an ice rink and bathhouse and $300,000 on uniforms for the municipal band. Pasadena, Calif., spent $498,000 for resurfacing and lighting tennis courts and Los Angeles spent $474,000 for a helicopter capable of transporting 15 firemen. Aurora, Colo., spent $536,000 on a golf course.

The golf course examples have been cited by revenue-sharing skeptics as proof of frivolous, at least low-priority, spending. Such expenditures seem perfectly appropriate, however, to the Nixon administration.

Kenneth R. Cole Jr. is director of the Domestic Council and the Nixon administration's chief spokesman for the New Federalism, since the Watergate-inspired departure of John Ehrlichman.

Cole says that spending revenue-sharing money on golf courses might be inappropriate in New York or Detroit but could help "foster a better community spirit" in other places.



Kenneth R. Cole Jr.: Revenue sharing for golf courses is all right.

"If that's what the citizens of that community want, who are we to sit here in Washington and say, 'That's not a good use of the money,'" Cole told an interviewer for Evaluation magazine.

This same spirit invests the Federal Office of Revenue Sharing. Director Graham Watt, a former District of Columbia deputy mayor, maintains that additional federal restrictions on uses of the revenue-sharing money would "destroy the concept."

"After a while you will have created just another very, very complex, highly-structured, regulated, guidelined federal program, which says if you want the money you've got to do all these things or you don't get it," Watt says. "And that isn't revenue sharing."

Looking for Sharers

The view that every one of the 38,000 general purpose units of government in the United States, however remote or powerless, is entitled to a share of the general revenue-sharing allocation was incorporated into the legislation and is the reason that Watt is now searching for the 400 missing governments.

But the inclusion of this concept in the revenue-sharing bill was based on political grounds, rather than the philosophical reasons now cited in defense of unrestricted revenue sharing.

"When we were developing these policies, there was a tremendous amount of disagreement about what units of local government were to participate in direct reception of these funds," Vice President Spiro Agnew said in a recent interview with The Washington Post. "And to be completely candid with you, some of the compromises that resulted came about because of the political necessity of bringing enough people aboard to accomplish any kind of revenue-sharing reform. In short, obviating the distribution of money to small, inefficient local government units would have aroused enough political hostility, possibly, to defeat the program."

One result of this inclusion may be to perpetuate useless, caretaker units of government that otherwise would disappear.

Citing the traditional ineffectiveness of county government in Massachusetts, Republican Gov. Francis Sargent says: "Revenue sharing should not be directed to counties. They kind of float out there without responsibility."

Across the country in California, counties are important multi-power units of government. There, revenue sharing is probably keeping alive some small cities that would otherwise merge with other governmental units.

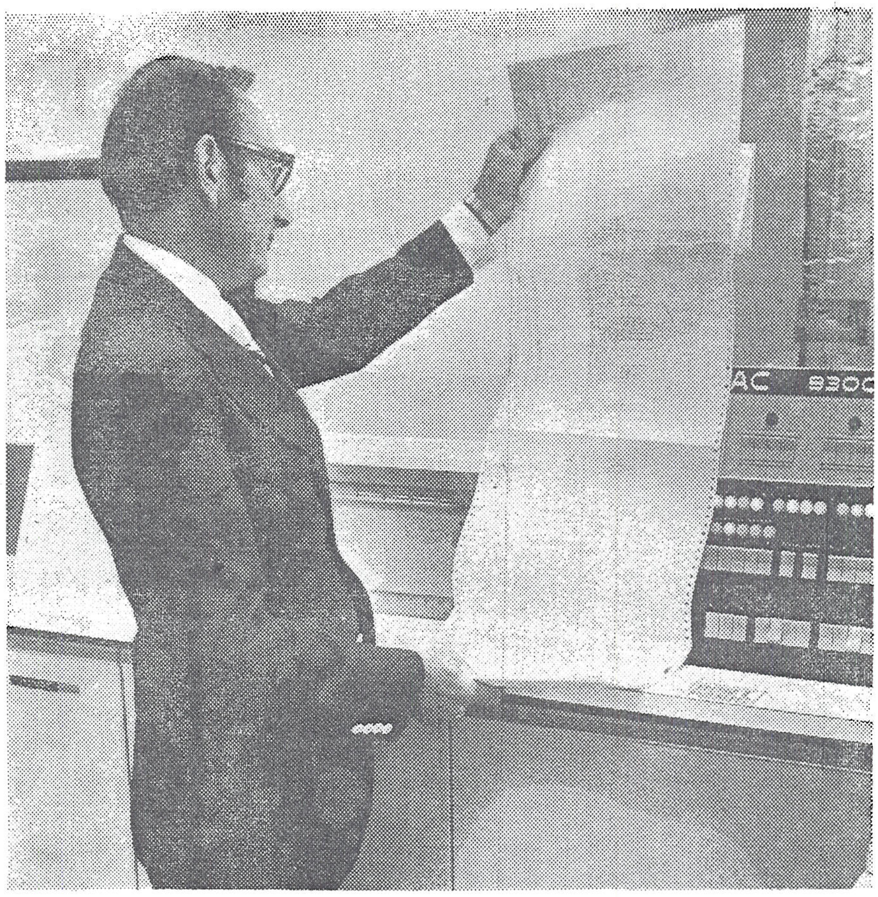
Howard Campen is county executive of Santa Clara County, Calif., a sprawling county at the south end of San Francisco Bay, with 15 cities, numerous special districts and 1.2 million people.

"Most of the cities and the counties, for that matter, are somewhat provincial and protective of their own little balliwicks," says Campen. "I think that the federal revenue-sharing concept will continue to do much to delay the functional consolidation of government. It's going to keep alive many small units of government that would have died on the vine because of their inability to support themselves from their own financing."

Another example of the preservation of governmental units whose disappearance would cause no irreperable loss is offered by Indianapolis Mayor Richard Lugar, who observers that 18 tiny towns and villages in the integrated Indianapolis-Marion County "uni-government" have applied for their own revenue-sharing funds. Watt says that under the law these units of government, one of which has only 65 people, will be entitled to their allocations.

Regional Districts Left Out

But there are no allocations in the general revenue-sharing legislation for special regional districts that perform important areawide functions.



By Frank Johnston—The Washington Post

Graham Watt: Looking for 400 missing governmental units.

The San Francisco Bay Area has five of these districts, providing the region with such functions as rapid transit, air and water pollution control, and preservation of the bay. None will get a penny from the revenue-sharing pot.

These contrasts point up a question that is virtually ignored by revenue sharing—the problem of distinguishing genuinely viable units of government from those which are mainly relics of the past. Cities and counties have different meanings and different functions in different regions of the country. So, too, do special districts.

The inability of the federal government to distinguish these differences and to find appropriate regional mechanisms for redistributing power has emerged as one of the central problems of New Federalism.

The sorting out process is complicated by the role of the states, which receive one-third of the revenue sharing money and which constitute an important link in the New Federalism planning process.

Boston Mayor Kevin White complains of both federal and state red tape in carrying out the Law Enforcement Assistance Administration (LEAA) programs.

"No level of government seems to have learned from its own experience," says White. "The state, having gone through this process, when it gets the opportunity, adopts the same kind of rules and regulations."

Despite such examples as Mississippi, where the governor was stopped by the legislature from using the state's entire revenue-sharing allocation for an amusement park, most states have taken a broader view of their responsibilities than have the cities and counties. In California, the most populous state's revenue-sharing money was allocated to education, under an agreement hammered out in tough and private negotiations between Republican Gov. Ronald Reagan and Democratic State Assembly Speaker Bob Maretti.

However, one aspect of the agreement imposed a rigid provision sought by Reagan that forbids cities and counties from raising their property tax rates without a direct vote of the people.

In the state of Washington the method was different but the result was the same. There, the legislature adopted a measure reducing the share of property tax income for local governments.

The restriction was reluctantly accepted by Gov. Daniel J. Evans, who hopes to improve the municipal share in a forthcoming tax reform proposal.

State Planning Is Key

Both Evans and Reagan, despite widely divergent social philosophies, see the states as playing a key planning role in the New Federalism. Both question whether this role is properly understood in Washington, D.C.

"I think there has been a failure to recognize the unique role the state plays in our whole federal system, and I think this is a failure at the national level, both in the Congress and the administration," Evans said. He believes that the federal government incorrectly views the states as being "merely an administative body of the federal government" for carrying out national goals.

"The role of the state is crucial," says Mary Newman, Massachusetts secretary of manpower affairs. "You can't run an army with one general at the top (the federal government) and a lot of privates (cities and towns) and nothing in between."

In California, Reagan has created a broadly based task force to study local government reform. The California governor does not like the idea of "regional government," which he sees as imposing a new layer of bureaucracy.

But Reagan talks his own brand of regionalism when he suggests, as a possible recommendation of the task force, that the seven counties in the San Francisco Bay Area might consolidate into a single areawide government.

Local officials in both California and Washington state complain angrily about the state restrictions on their taxing authority. They say that the combination of federal budget cuts and state restrictions outweighs the benefits of general revenue sharing and limits rather than extends the decision-making capacity of local government.

Says Santa Clara County executive Campen: "Because of the state restriction, because of federal revenue sharing, we are going to perpetuate the performance of functions of services in the traditional manner in which they've been provided for umpteen years in California by a city and county government and special district government, some of which is excessively costly, some of which is duplicated . . . "

Losses Exceed Gains

In all three states surveyed by The Washington Post — Massachusetts, California and Washington — the big cities, Boston, Los Angeles, San Francisco, San Jose, Oakland and Seattle, will lose more from reductions in the categorical grant programs than they will gain from general revenue sharing.

This experience has made officials in these cities apprehensive about the form of the special revenue sharing measures, particularly about the community development legislation now known as the Better Communities Act.

Though poverty is one of the factors in the allocation, most big cities with Model Cities programs will nonetheless receive substantially less money over a five-year period than they would get for housing and urban development under a continuing system of categorical grants.

"The Better Communities Act will have the effect of redistributing revenues from the poor to the rich," says Massachusetts Housing Secretary Thomas Atkins. "It penalizes the cities that have been aggressive in seeking aid. There is a clear tilt toward rural and suburban areas."

Perhaps the biggest losers in America under both general revenue sharing and the Better Communities Act are the blacks, who outside the South are concentrated in urban areas where the loss of categorical grant funds will be felt the most.

In Gary, Ind., black Mayor Richard G. Hatcher complains that New Federalism really functions as "the old conservative, states-rights program" that keeps federal funds from those who need them most. He says blacks view revenue sharing with suspicion.

"They suspect it is an attempt to insure that when blacks capture city halls they will find them empty," Hatcher told the National Urban Coalition conference earlier this month.

This black resentment is everywhere deepened by the pressure put upon the inner cities through the administration's brinksmanship strategy of closing down Model Cities, Urban Renewal and the Office of Economic Opportunity in hope of prodding Congress to action on the revenue-sharing bills.

". . . The notion of giving localities greater discretion is a sham, as are the predictions of rationally effective results," Newark Mayor Kenneth A. Gibson told a Senate committee earlier this year.

The National Association of County Officers, alone among the Washington public interest lobbies representing non-federal governments, supports most of the Nixon administration's budget reductions. But its executive director, Bernard F. Hillenbrand, warns:

"We've got enormous transition problems. We do not have a substitute for the water pollution program now... We do not have a substitute for the welfare mess. They didn't pass welfare reform."

Hillenbrand believes that "welfare reform or a guaranteed annual income is the big missing ingredient in the New Federalism." He blames the Senate, not the Nixon administration, but he says that New Federalism will not work adequately as long as public assistance remains a burden on state and county tax rolls.

These myriad apprehensions about the future of New Federalism are only dimly felt in the White House, as the Nixon administration struggles to free itself from the quicksand of Watergate.

But they are a persistent source of concern to a man who a year ago at this time was an aspirant for the presidency himself—Sen. Edmund Muskie of Maine. Democrat Muskie is a pioneer advocate of revenue sharing and many of the other programs now known as New Federalism. He believes that the relative unwillingness of local governments to make an investment in curing the social ills of America lies at the heart of the **problem.**

"The fact remains that few local authorities chose freely to put their first general revenue sharing distributions into improved health care, into anti-poverty programs, into equalizing opportunities for the less privileged, into the problems which, left unsolved, spread far beyond any local boundiares," Muskie says. ". . . And the fact is that, whether because of the law's restrictions or local choices of priority, if federal authorities no longer honor our national and social responsibilities, no one will."

NEXT: conflict and contradictions