92D CONGRESS 2d Session } SENATE { REPORT No. 92-1229

STATE AND LOCAL FISCAL ASSISTANCE ACT OF 1972

SEPTEMBER 26 (legislative day, SEPTEMBER 25), 1972.—Ordered to be printed

Mr. Long, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany H.R. 14370]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 14370) to provide payments to localities for high-priority expenditures, to encourage the States to supplement their revenue sources, and to authorize Federal collection of State individual income taxes, having met after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its amendments numbered 11, 14, and 21.

That the House recede from its disagreement to the amendments of the Senate numbered 4, 5, 6, 7, 8, 9, 10, 12, 13, 15, 16, 17, and 18, and agree to the same.

Amendment numbered 1:

That the House recede from its disagreement to the amendment of the Senate numbered 1, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

TITLE I—FISCAL ASSISTANCE TO STATE AND LOCAL GOVERNMENTS

Subtitle A—Allocation and Payment of Funds

SEC. 101. SHORT TITLE.

This title may be cited as the "State and Local Fiscal Assistance Act of 1972".

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SEC. 102. PAYMENTS TO STATE AND LOCAL GOVERNMENTS.

Except as otherwise provided in this title, the Secretary shall, for each entitlement period, pay out of the Trust Fund to—

(1) each State government a total amount equal to the entitlement of such State government determined under section 107 for such period, and

(2) each unit of local government a total amount equal to the entitlement of such unit determined under section 108 for such period. In the case of entitlement periods ending after the date of the enactment of this Act, such payments shall be made in installments, but not less often than once for each quarter, and, in the case of quarters ending after September 30, 1972, shall be paid not later than 5 days after the close of each quarter. Such payments for any entitlement period may be initially made on the basis of estimates. Proper adjustment shall be made in the amount of any payment to a State government or a unit of local government to the extent that the payments previously made to such government under this subtitle were in excess of or less than the amounts required to be paid.

SEC. 103. USE OF FUNDS BY LOCAL GOVERNMENTS FOR PRIORITY EXPENDITURES.

(a) IN GENERAL.—Funds received by units of local government under this subtitle may be used only for priority expenditures. For purposes of this title, the term "priority expenditures" means only—

(1) ordinary and necessary maintenance and operating expenses for—

(A) public safety (including law enforcement, fire protection, and building code enforcement),

(B) environmental protection (including sewage disposal, sanitation, and pollution abatement),

(C) public transportation (including transit systems and streets and roads),

(D) health,

(E) recreation,

(F) libraries,

(G) social services for the poor or aged, and

(H) financial administration; and

(2) ordinary and necessary capital expenditures authorized by law.

(b) CERTIFICATES BY LOCAL GOVERNMENTS.—The Secretary is authorized to accept a certification by the chief executive officer of a unit of local government that the unit of local government has used the funds received by it under this subtitle for an entitlement period only for priority expenditures, unless he determines that such certification is not sufficiently reliable to enable him to carry out his duties under this title.

SEC. 104. PROHIBITION ON USE AS MATCHING FUNDS BY STATE OR LOCAL GOVERNMENTS.

(a) IN GENERAL.—No State government or unit of local government may use, directly or indirectly, any part of the funds it receives under this subtitle as a contribution for the purpose of obtaining Federal funds under any law of the United States which requires such government to make a contribution in order to receive Federal funds.

(b) *DETERMINATIONS BY SECRETARY OF THE TREASURY.—If the Secretary has reason to believe that a State government or unit of local government has used funds received under this subtitle in violation of subsection (a), he shall give reasonable notice and opportunity for hearing to such government. If, thereafter, the Secretary of the Treasury determines that such government has used funds in violation of subsection (a), he shall notify such government of his determination and shall request repayment to the United States of an amount equal to the funds so used. To the extent that such government fails to repay such amount, the Secretary shall withhold from subsequent payments to such government under this subtitle an amount equal to the funds so used.*

(c) *INCREASED STATE OR LOCAL GOVERNMENT REVENUES.—No State government or unit of local government shall be determined to have used funds in violation of subsection (a) with respect to any funds received for any entitlement period to the extent that the net revenues received by it from its own sources during such period exceed the net revenues received by it from its own sources during the one-year period beginning July 1, 1971 (or one-half of such net revenues, in the case of an entitlement period of 6 months).*

(d) *DEPOSITS AND TRANSFERS TO GENERAL FUND.—Any amount repaid by a State government or unit of local government under subsection (b) shall be deposited in the general fund of the Treasury. An amount equal to the reduction in payments to any State government or unit of local government which results from the application of this section (after any judicial review under section 143) shall be transferred from the Trust Fund to the general fund of the Treasury on the day on which such reduction becomes final.*

(e) *CERTIFICATES BY STATE AND LOCAL GOVERNMENTS.—The Secretary is authorized to accept a certification by the Governor of a State or the chief executive officer of a unit of local government that the State government or unit of local government has not used any funds received by it under this subtitle for an entitlement period in violation of subsection (a), unless he determines that such certification is not sufficiently reliable to enable him to carry out his duties under this title.*

SEC. 105. CREATION OF TRUST FUND; APPROPRIATIONS.

(a) *TRUST FUND.—*

(1) IN GENERAL.—There is hereby established on the books of the Treasury of the United States a trust fund to be known as the "State and Local Government Fiscal Assistance Trust Fund" (referred to in this subtitle as the "Trust Fund"). The Trust Fund shall remain available without fiscal year limitation and shall consist of such amounts as may be appropriated to it and deposited in it as provided in subsection (b). Except as provided in this title, amounts in the Trust Fund may be used only for the payments to State and local governments provided by this subtitle.

(2) TRUSTEE.—The Secretary of the Treasury shall be the trustee of the Trust Fund and shall report to the Congress not later than March 1 of each year on the operation and status of the Trust Fund during the preceding fiscal year.

(b) *APPROPRIATIONS.—*

(1) IN GENERAL.—There is appropriated to the Trust Fund, out of amounts in the general fund of the Treasury attributable to the collections of the Federal individual income taxes not otherwise appropriated—

(A) for the period beginning January 1, 1972, and ending June 30, 1972, $2,650,000,000;

(B) for the period beginning July 1, 1972, and ending December 31, 1972, $2,650,000,000;

(C) for the period beginning January 1, 1973, and ending June 30, 1973, $2,987,500,000;

(D) for the fiscal year beginning July 1, 1973, $6,050,000,000;

(E) for the fiscal year beginning July 1, 1974, $6,200,000,000;

(F) for the fiscal year beginning July 1, 1975, $6,350,000,000; and

(G) for the period beginning July 1, 1976, and ending December 31, 1976, $3,325,000,000.

(2) NONCONTIGUOUS STATES ADJUSTMENT AMOUNTS.—There is appropriated to the Trust Fund, out of amounts in the general fund of the Treasury attributable to the collections of the Federal individual income taxes not otherwise appropriated—

(A) for the period beginning January 1, 1972, and ending June 30, 1972, $2,390,000;

(B) for the period beginning July 1, 1972, and ending December 31, 1972, $2,390,000;

(C) for the period beginning January 1, 1973, and ending June 30, 1973, $2,390,000;

(D) for each of the fiscal years beginning July 1, 1973, July 1, 1974, and July 1, 1975, $4,780,000; and

(E) for the period beginning July 1, 1976, and ending December 31, 1976, $2,390,000.

(3) DEPOSITS.—Amounts appropriated by paragraph (1) or (2) for any fiscal year or other period shall be deposited in the Trust Fund on the later of (A) the first day of such year or period, or (B) the day after the date of enactment of this Act.

(c) TRANSFERS FROM TRUST FUND TO GENERAL FUND.—The Secretary shall from time to time transfer from the Trust Fund to the general fund of the Treasury any moneys in the Trust Fund which he determines will not be needed to make payments to State governments and units of local government under this subtitle.

SEC. 106. ALLOCATION AMONG STATES.

(a) IN GENERAL.—There shall be allocated to each State for each entitlement period, out of amounts appropriated under section 105(b)(1) for that entitlement period, an amount which bears the same ratio to the amount appropriated under that section for that period as the amount allocable to that State under subsection (b) bears to the sum of the amounts allocable to all States under subsection (b).

(b) DETERMINATION OF ALLOCABLE AMOUNT.—

(1) IN GENERAL.—For purposes of subsection (a), the amount allocable to a State under this subsection for any entitlement period shall be determined under paragraph (2), except that such amount shall be determined under paragraph (3) if the amount allocable to it under paragraph (3) is greater than the sum of the amounts allocable to it under paragraph (2) and subsection (c).

(2) THREE FACTOR FORMULA.—For purposes of paragraph (1), the amount allocable to a State under this paragraph for any entitlement period is the amount which bears the same ratio to $5,300,000,000 as—

(A) the population of that State, multiplied by the general tax effort factor of that State, multiplied by the relative income factor of that State, bears to

(B) the sum of the products determined under subparagraph (A) for all States.

(3) FIVE FACTOR FORMULA.—For purposes of paragraph (1), the amount allocable to a State under this paragraph for any entitlement period is the amount to which that State would be entitled if—

(A) ⅓ of $3,500,000,000 were allocated among the States on the basis of population,

(B) ⅓ of $3,500,000,000 were allocated among the States on the basis of urbanized population,

(C) ⅓ of $3,500,000,000 were allocated among the States on the basis of population inversely weighted for per capita income,

(D) ½ of $1,800,000,000 were allocated among the States on the basis of income tax collections, and

(E) ½ of $1,800,000,000 were allocated among the States on the basis of general tax effort.

(c) NONCONTIGUOUS STATES ADJUSTMENT.—

(1) IN GENERAL.—In addition to amounts allocated among the States under subsection (a), there shall be allocated for each entitlement period, out of amounts appropriated under section 105(b)(2), an additional amount to any State (A) whose allocation under subsection (b) is determined by the formula set forth in paragraph (2) of that subsection and (B) in which civilian employees of the United States Government receive an allowance under section 5941 of title 5, United States Code.

(2) DETERMINATION OF AMOUNT.—The additional amount allocable to any State under this subsection for any entitlement period is an amount equal to a percentage of the amount allocable to that State under subsection (b)(2) for that period which is the same as the percentage of basic pay received by such employees stationed in that State as an allowance under such section 5941. If the total amount appropriated under section 105(b)(2) for any entitlement period is not sufficient to pay in full the additional amounts allocable under this subsection for that period, the Secretary shall reduce proportionately the amounts so allocable.

SEC. 107. ENTITLEMENTS OF STATE GOVERNMENTS.

(a) DIVISION BETWEEN STATE AND LOCAL GOVERNMENTS.—The State government shall be entitled to receive one-third of the amount allocated to that State for each entitlement period. The remaining portion of each State's allocation shall be allocated among the units of local government of that State as provided in section 108.

(b) STATE MUST MAINTAIN TRANSFERS TO LOCAL GOVERNMENTS.—

(1) GENERAL RULE.—The entitlement of any State government for any entitlement period beginning on or after July 1, 1973, shall be reduced by the amount (if any) by which—

(A) the average of the aggregate amounts transferred by the State government (out of its own sources) during such period and the preceding entitlement period to all units of local government in such State, is less than,

(B) the similar aggregate amount for the one-year period beginning July 1, 1971.

For purposes of subparagraph (A), the amount of any reduction in the entitlement of a State government under this subsection for any entitlement period shall, for subsequent entitlement periods, be treated as an amount transferred by the State government (out of its own sources) during such period to units of local government in such State.

(2) ADJUSTMENT WHERE STATE ASSUMES RESPONSIBILITY FOR CATEGORY OF EXPENDITURES.—If the State government establishes to the satisfaction of the Secretary that since June 30, 1972, it has assumed responsibility for a category of expenditures which (before July 1, 1972) was the responsibility of local governments located in such State, then, under regulations prescribed by the Secretary, the aggregate amount taken into account under paragraph (1)(B) shall be reduced to the extent that increased State government spending (out of its own sources) for such category has replaced corresponding amounts which for the one-year period beginning July 1, 1971, it transferred to units of local government.

(3) ADJUSTMENT WHERE NEW TAXING POWERS ARE CONFERRED UPON LOCAL GOVERNMENTS.—If a State establishes to the satisfaction of the Secretary that since June 30, 1972, one or more units of local government within such State have had conferred upon them new taxing authority, then, under regulations prescribed by the Secretary, the aggregate amount taken into account under paragraph (1)(B) shall be reduced to the extent of the larger of—

(A) an amount equal to the amount of the taxes collected by reason of the exercise of such new taxing authority by such local governments, or

(B) an amount equal to the amount of the loss of revenue to the State by reason of such new taxing authority being conferred on such local governments.

No amount shall be taken into consideration under subparagraph (A) if such new taxing authority is an increase in the authorized rate of tax under a previously authorized kind of tax, unless the State is determined by the Secretary to have decreased a related State tax.

(4) SPECIAL RULE FOR PERIOD BEGINNING JULY 1, 1973.—In the case of the entitlement period beginning July 1, 1973, the preceding entitlement period for purposes of paragraph (1)(A) shall be treated as being the one-year period beginning July 1, 1972.

(5) SPECIAL RULE FOR PERIOD BEGINNING JULY 1, 1976.—In the case of the entitlement period beginning July 1, 1976, and ending December 31, 1976, the aggregate amount taken into account under paragraph (1)(A) for the preceding entitlement period and the aggregate amount taken into account under paragraph (1)(B) shall be one-half of the amounts which (but for this paragraph) would be taken into account.

(6) REDUCTION IN ENTITLEMENT.—If the Secretary has reason to believe that paragraph (1) requires a reduction in the entitlement of any State government for any entitlement period, he shall give reasonable notice and opportunity for hearing to the State. If, thereafter, he determines that paragraph (1) requires the reduction of such entitlement, he shall also determine the amount of such reduction and shall notify the Governor of such State of such determinations and shall withhold from subsequent payments to such

State government under this subtitle an amount equal to such reduction.

(7) TRANSFER TO GENERAL FUND.—An amount equal to the reduction in the entitlement of any State government which results from the application of this subsection (after any judicial review under section 143) shall be transferred from the Trust Fund to the general fund of the Treasury on the day on which such reduction becomes final.

SEC. 108. ENTITLEMENTS OF LOCAL GOVERNMENTS.

(a) ALLOCATION AMONG COUNTY AREAS.—The amount to be allocated to the units of local government within a State for any entitlement period shall be allocated among the county areas located in that State so that each county area will receive an amount which bears the same ratio to the total amount to be allocated to the units of local government within that State as—

(1) the population of that county area, multiplied by the general tax effort factor of that county area, multiplied by the relative income factor of that county area, bears to

(2) the sum of the products determined under paragraph (1) for all county areas within that State.

(b) ALLOCATION TO COUNTY GOVERNMENTS, MUNICIPALITIES, TOWNSHIPS, ETC.—

(1) COUNTY GOVERNMENTS.—The county government shall be allocated that portion of the amount allocated to the county area for the entitlement period under subsection (a) which bears the same ratio to such amount as the adjusted taxes of the county government bear to the adjusted taxes of the county government and all other units of local government located in the county area.

(2) OTHER UNITS OF LOCAL GOVERNMENT.—The amount remaining for allocation within a county area after the application of paragraph (1) shall be allocated among the units of local government (other than the county government and other than township governments) located in that county area so that each unit of local government will receive an amount which bears the same ratio to the total amount to be allocated to all such units as—

(A) the population of that local government, multiplied by the general tax effort factor of that local government, multiplied by the relative income factor of that local government, bears to

(B) the sum of the products determined under subparagraph (A) for all such units.

(3) TOWNSHIP GOVERNMENTS.—If the county area includes one or more township governments, then before applying paragraph (2)—

(A) there shall be set aside for allocation under subparagraph (B) to such township governments that portion of the amount allocated to the county area for the entitlement period which bears the same ratio to such amount as the sum of the adjusted taxes of all such township governments bears to the aggregate adjusted taxes of the county government, such township governments, and all other units of local government located in the county area, and

(B) that portion of each amount set aside under subparagraph (A) shall be allocated to each township government on the same basis as amounts are allocated to units of local government under paragraph (2).

If this paragraph applies with respect to any county area for any entitlement period, the remaining portion allocated under paragraph (2) to the units of local government located in the county area (other than the county government and the township governments) shall be appropriately reduced to reflect the amounts set aside under subparagraph (A).

(4) INDIAN TRIBES AND ALASKAN NATIVE VILLAGES.—If within a county area there is an Indian tribe or Alaskan native village which has a recognized governing body which performs substantial governmental functions, then before applying paragraph (1) there shall be allocated to such tribe or village a portion of the amount allocated to the county area for the entitlement period which bears the same ratio to such amount as the population of that tribe or village within that county area bears to the population of that county area. If this paragraph applies with respect to any county area for any entitlement period, the amount to be allocated under paragraph (1) shall be appropriately reduced to reflect the amount allocated under the preceding sentence. If the entitlement of any such tribe or village is waived for any entitlement period by the governing body of that tribe or village, then the provisions of this paragraph shall not apply with respect to the amount of such entitlement for such period.

(5) RULE FOR SMALL UNITS OF GOVERNMENT.—If the Secretary determines that in any county area the data available for any entitlement period are not adequate for the application of the formulas set forth in paragraphs (2) and (3)(B) with respect to units of local government (other than a county government) with a population below a number (not more than 500) prescribed for that county area by the Secretary, he may apply paragraph (2) or (3)(B) by allocating for such entitlement period to each such unit located in that county area an amount which bears the same ratio to the total amount to be allocated under paragraph (2) or (3)(B) for such entitlement period as the population of such unit bears to the population of all units of local government in that county area to which allocations are made under such paragraph. If the preceding sentence applies with respect to any county area, the total amount to be allocated under paragraph (2) or (3)(B) to other units of local government in that county area for the entitlement period shall be appropriately reduced to reflect the amounts allocated under the preceding sentence.

(6) ENTITLEMENT.—

(A) IN GENERAL.—Except as otherwise provided in this paragraph, the entitlement of any unit of local government for any entitlement period shall be the amount allocated to such unit under this subsection (after taking into account any applicable modification under subsection (c)).

(B) MAXIMUM AND MINIMUM PER CAPITA ENTITLEMENT.—Subject to the provisions of subparagraphs (C) and (D), the per capita amount allocated to any county area or any unit of local government (other than a county government) within a State under this section for any entitlement period shall not be less than 20 percent, nor more than 145 percent, of two-thirds of the amount allocated to the State under section 106, divided by the population of that State.

(C) LIMITATION.—The amount allocated to any unit of local government under this section for any entitlement period shall not exceed 50 percent of the sum of (i) such government's

adjusted taxes, and (ii) the intergovernmental transfers of revenue to such government (other than transfers to such government under this subtitle).

(D) ENTITLEMENT LESS THAN $200, OR GOVERNING BODY WAIVES ENTITLEMENT.—If (but for this subparagraph) the entitlement of any unit of local government below the level of the county government—

(i) would be less than $200 for any entitlement period ($100 for an entitlement period of 6 months), or

(ii) is waived for any entitlement period by the governing body of such unit,

then the amount of such entitlement for such period shall (in lieu of being paid to such unit) be added to, and shall become a part of, the entitlement for such period of the county government of the county area in which such unit is located.

(7) ADJUSTMENT OF ENTITLEMENT.—

(A) IN GENERAL.—In adjusting the allocation of any county area or unit of local government, the Secretary shall make any adjustment required under paragraph (6)(B) first, any adjustment required under paragraph (6)(C) next, and any adjustment required under paragraph (6)(D) last.

(B) ADJUSTMENT FOR APPLICATION OF MAXIMUM OR MINIMUM PER CAPITA ENTITLEMENT.—The Secretary shall adjust the allocations made under this section to county areas or to units of local governments in any State in order to bring those allocations into compliance with the provisions of paragraph (6)(B). In making such adjustments he shall make any necessary adjustments with respect to county areas before making any necessary adjustments with respect to units of local government.

(C) ADJUSTMENT FOR APPLICATION OF LIMITATION.—In any case in which the amount allocated to a unit of local government is reduced under paragraph (6)(C) by the Secretary, the amount of that reduction—

(i) in the case of a unit of local government (other than a county government), shall be added to and increase the allocation of the county government of the county area in which it is located, unless (on account of the application of paragraph (6)) that county government may not receive it, in which case the amount of the reduction shall be added to and increase the entitlement of the State government of the State in which that unit of local government is located; and

(ii) in the case of a county government, shall be added to and increase the entitlement of the State government of the State in which it is located.

(c) SPECIAL ALLOCATION RULES.—

(1) OPTIONAL FORMULA.—A State may by law provide for the allocation of funds among county areas, or among units of local government (other than county governments), on the basis of the population multiplied by the general tax effort factors of such areas or units of local government, on the basis of the population multiplied by the relative income factors of such areas or units of local government, or on the basis of a combination of those two factors. Any State which provides by law for such a variation in the allocation formula

provided by subsection (a), or by paragraphs (2) and (3) of subsection (b), shall notify the Secretary of such law not later than 30 days before the beginning of the first entitlement period to which such law is to apply. Any such law shall—

(A) provide for allocating 100 percent of the aggregate amount to be allocated under subsection (a), or under paragraphs (2) and (3) of subsection (b);

(B) apply uniformly throughout the State; and

(C) apply during the period beginning on the first day of the first entitlement period to which it applies and ending on December 31, 1976.

(2) CERTIFICATION.—Paragraph (1) shall apply within a State only if the Secretary certifies that the State law complies with the requirements of such paragraph. The Secretary shall not certify any such law with respect to which he receives notification later than 30 days prior to the first entitlement period during which it is to apply.

(d) GOVERNMENTAL DEFINITIONS AND RELATED RULES.—For purposes of this title—

(1) UNITS OF LOCAL GOVERNMENT.—The term "unit of local government" means the government of a county, municipality, township, or other unit of government below the State which is a unit of general government (determined on the basis of the same principles as are used by the Bureau of the Census for general statistical purposes). Such term also means, except for purposes of paragraphs (1), (2), (3), (5), (6)(C), and (6)(D) of subsection (b), and, except for purposes of subsection (c), the recognized governing body of an Indian tribe or Alaskan native village which performs substantial governmental functions.

(2) CERTAIN AREAS TREATED AS COUNTIES.—In any State in which any unit of local government (other than a county government) constitutes the next level of government below the State government level, then, except as provided in the next sentence, the geographic area of such unit of government shall be treated as a county area (and such unit of government shall be treated as a county government) with respect to that portion of the State's geographic area. In any State in which any county area is not governed by a county government but contains two or more units of local government, such units shall not be treated as county governments and the geographic areas of such units shall not be treated as county areas.

(3) TOWNSHIPS.—The term "township" includes equivalent subdivisions of government having different designations (such as "towns"), and shall be determined on the basis of the same principles as are used by the Bureau of the Census for general statistical purposes.

(4) UNITS OF LOCAL GOVERNMENT LOCATED IN LARGER ENTITY.—A unit of local government shall be treated as located in a larger entity if part or all of its geographic area is located in the larger entity.

(5) ONLY PART OF UNIT LOCATED IN LARGER ENTITY.—If only part of a unit of local government is located in a larger entity, such part shall be treated for allocation purposes as a separate unit of local government, and all computations shall, except as otherwise provided in regulations, be made on the basis of the ratio which the estimated population of such part bears to the population of the entirety of such unit.

(6) BOUNDARY CHANGES, GOVERNMENTAL REORGANIZATION, ETC.—If, by reason of boundary line changes, by reason of State statutory or constitutional changes, by reason of annexations or other governmental reorganizations, or by reason of other circumstances, the application of any provision of this section to units of local government does not carry out the purposes of this subtitle, the application of such provision shall be made, under regulations prescribed by the Secretary, in a manner which is consistent with such purposes.

SEC. 109. DEFINITIONS AND SPECIAL RULES FOR APPLICATION OF ALLOCATION FORMULAS.

(a) IN GENERAL.—For purposes of this subtitle—

(1) POPULATION.—Population shall be determined on the same basis as resident population is determined by the Bureau of the Census for general statistical purposes.

(2) URBANIZED POPULATION.—Urbanized population means the population of any area consisting of a central city or cities of 50,000 or more inhabitants (and of the surrounding closely settled territory for such city or cities) which is treated as an urbanized area by the Bureau of the Census for general statistical purposes.

(3) INCOME.—Income means total money income received from all sources, as determined by the Bureau of the Census for general statistical purposes.

(4) PERSONAL INCOME.—Personal income means the income of individuals, as determined by the Department of Commerce for national income accounts purposes.

(5) DATES FOR DETERMINING ALLOCATIONS AND ENTITLEMENTS.—Except as provided in regulations, the determination of allocations and entitlements for any entitlement period shall be made as of the first day of the third month immediately preceding the beginning of such period.

(6) INTERGOVERNMENTAL TRANSFERS.—The intergovernmental transfers of revenue to any government are the amounts of revenue received by that government from other governments as a share in financing (or as reimbursement for) the performance of governmental functions, as determined by the Bureau of the Census for general statistical purposes.

(7) DATA USED; UNIFORMITY OF DATA.—

(A) GENERAL RULE.—Except as provided in subparagraph (B), the data used shall be the most recently available data provided by the Bureau of the Census or the Department of Commerce, as the case may be.

(B) USE OF ESTIMATES, ETC.—Where the Secretary determines that the data referred to in subparagraph (A) are not current enough or are not comprehensive enough to provide for equitable allocations, he may use such additional data (including data based on estimates) as may be provided for in regulations.

(b) INCOME TAX AMOUNT OF STATES.—For purposes of this subtitle—

(1) IN GENERAL.—The income tax amount of any State for any entitlement period is the income tax amount of such State as determined under paragraphs (2) and (3).

(2) INCOME TAX AMOUNT.—The income tax amount of any State for any entitlement period is 15 percent of the net amount collected from the State individual income tax of such State during 1972 or (if later) during the last calendar year ending before the beginning of such entitlement period.

(3) CEILING AND FLOOR.—The income tax amount of any State for any entitlement period—

(A) shall not exceed 6 percent, and

(B) shall not be less than 1 percent,

of the Federal individual income tax liabilities attributed to such State for taxable years ending during 1971 or (if later) during the last calendar year ending before the beginning of such entitlement period.

(4) STATE INDIVIDUAL INCOME TAX.—The individual income tax of any State is the tax imposed upon the income of individuals by such State and described as a State income tax under section 164(a)(3) of the Internal Revenue Code of 1954.

(5) FEDERAL INDIVIDUAL INCOME TAX LIABILITIES.—Federal individual income tax liabilities attributed to any State for any period shall be determined on the same basis as such liabilities are determined for such period by the Internal Revenue Service for general statistical purposes.

(c) GENERAL TAX EFFORT OF STATES.—

(1) IN GENERAL.—For purposes of this subtitle—

(A) GENERAL TAX EFFORT FACTOR.—The general tax effort factor of any State for any entitlement period is (i) the net amount collected from the State and local taxes of such State during the most recent reporting year, divided by (ii) the aggregate personal income (as defined in paragraph (4) of subsection (a)) attributed to such State for the same period.

(B) GENERAL TAX EFFORT AMOUNT.—The general tax effort amount of any State for any entitlement period is the amount determined by multiplying—

(i) the net amount collected from the State and local taxes of such State during the most recent reporting year, by

(ii) the general tax effort factor of that State.

(2) STATE AND LOCAL TAXES.—

(A) TAXES TAKEN INTO ACCOUNT.—The State and local taxes taken into account under paragraph (1) are the compulsory contributions exacted by the State (or by any unit of local government or other political subdivision of the State) for public purposes (other than employee and employer assessments and contributions to finance retirement and social insurance systems, and other than special assessments for capital outlay), as such contributions are determined by the Bureau of the Census for general statistical purposes.

(B) MOST RECENT REPORTING YEAR.—The most recent reporting year with respect to any entitlement period consists of the years taken into account by the Bureau of the Census in its most recent general determination of State and local taxes made before the close of such period.

(d) GENERAL TAX EFFORT FACTOR OF COUNTY AREA.—For purposes of this subtitle, the general tax effort factor of any county area for any entitlement period is—

(1) the adjusted taxes of the county government plus the adjusted taxes of each other unit of local government within that county area, divided by

(2) the aggregate income (as defined in paragraph (3) of subsection (a)) attributed to that county area.

(e) GENERAL TAX EFFORT FACTOR OF UNIT OF LOCAL GOVERNMENT.—For purposes of this subtitle—

(1) IN GENERAL.—The general tax effort factor of any unit of local government for any entitlement period is—

(A) the adjusted taxes of that unit of local government, divided by

(B) the aggregate income (as defined in paragraph (3) of subsection (a)) attributed to that unit of local government.

(2) ADJUSTED TAXES.—

(A) IN GENERAL.—The adjusted taxes of any unit of local government are—

(i) the compulsory contributions exacted by such government for public purposes (other than employee and employer assessments and contributions to finance retirement and social insurance systems, and other than special assessments for capital outlay), as such contributions are determined by the Bureau of the Census for general statistical purposes,

(ii) adjusted (under regulations prescribed by the Secretary) by excluding an amount equal to that portion of such compulsory contributions which is properly allocable to expenses for education.

(B) CERTAIN SALES TAXES COLLECTED BY COUNTIES.—In any case where—

(i) a county government exacts sales taxes within the geographic area of a unit of local government and transfers part or all of such taxes of such unit without specifying the purposes for which such unit may spend the revenues, and

(ii) the Governor of the State notifies the Secretary that the requirements of this subparagraph have been met with respect to such taxes,

then the taxes so transferred shall be treated as the taxes of the unit of local government (and not the taxes of the county government).

(f) RELATIVE INCOME FACTOR.—For purposes of this subtitle, the relative income factor is a fraction—

(1) in the case of a State, the numerator of which is the per capita income of the United States and the denominator of which is the per capita income of that State;

(2) in the case of a county area, the numerator of which is the per capita income of the State in which it is located and the denominator of which is the per capita income of that county area; and

(3) in the case of a unit of local government, the numerator of which is the per capita income of the county area in which it is located and the denominator of which is the per capita income of the geographic area of that unit of local government.

For purposes of this subsection, per capita income shall be determined on the basis of income as defined in paragraph (3) of subsection (a).

(g) ALLOCATION RULES FOR FIVE FACTOR FORMULA.—For purposes of section 106(b)(3)—

(1) ALLOCATION ON BASIS OF POPULATION.—Any allocation among the States on the basis of population shall be made by allocating to each State an amount which bears the same ratio to the total amount to be allocated as the population of such State bears to the population of all the States.

(2) ALLOCATION ON BASIS OF URBANIZED POPULATION.—Any allocation among the States on the basis of urbanized population shall be made by allocating to each State an amount which bears the same ratio to the total amount to be allocated as the urbanized population of such State bears to the urbanized population of all the States.

(3) ALLOCATION ON BASIS OF POPULATION INVERSELY WEIGHTED FOR PER CAPITA INCOME.—Any allocation among the States on the basis of population inversely weighted for per capita income shall be made by allocating to each State an amount which bears the same ratio to the total amount to be allocated as—

(A) the population of such State, multiplied by a fraction the numerator of which is the per capita income of all the States and the denominator of which is the per capita income of such State, bears to

(B) the sum of the products determined under subparagraph (A) for all the States.

(4) ALLOCATION ON BASIS OF INCOME TAX COLLECTIONS.—Any allocation among the States on the basis of income tax collections shall be made by allocating to each State an amount which bears the same ratio to the total amount to be allocated as the income tax amount of such State bears to the sum of the income tax amounts of all the States.

(5) ALLOCATION ON BASIS OF GENERAL TAX EFFORT.—Any allocation among the States on the basis of general tax effort shall be made by allocating to each State an amount which bears the same ratio to the total amount to be allocated as the general tax effort amount of such State bears to the sum of the general tax effort amounts of all the States.

Subtitle B—Administrative Provisions

SEC. 121. REPORTS ON USE OF FUNDS; PUBLICATION.

(a) REPORTS ON USE OF FUNDS.—Each State government and unit of local government which receives funds under subtitle A shall, after the close of each entitlement period, submit a report to the Secretary setting forth the amounts and purposes for which funds received during such period have been spent or obligated. Such reports shall be in such form and detail and shall be submitted at such time as the Secretary may prescribe.

(b) REPORTS ON PLANNED USE OF FUNDS.—Each State government and unit of local government which expects to receive funds under subtitle A for any entitlement period beginning on or after January 1, 1973, shall submit a report to the Secretary setting forth the amounts and purposes for which it plans to spend or obligate the funds which it expects to receive

during such period. Such reports shall be in such form and detail as the Secretary may prescribe and shall be submitted at such time before the beginning of the entitlement period as the Secretary may prescribe.

(c) PUBLICATION AND PUBLICITY OF REPORTS.—Each State government and unit of local government shall have a copy of each report submitted by it under subsection (a) or (b) published in a newspaper which is published within the State and has general circulation within the geographic area of that government. Each State government and unit of local government shall advise the news media of the publication of its reports pursuant to this subsection.

SEC. 122. NONDISCRIMINATION PROVISION.

(a) IN GENERAL.—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 funds made available under subtitle A.

(b) AUTHORITY OF SECRETARY.—Whenever the Secretary determines that a State government or unit of local government has failed to comply with subsection (a) or an applicable regulation, he shall notify the Governor of the State (or, in the case of a unit of local government, the Governor of the State in which such unit is located) of the noncompliance and shall request the Governor to secure compliance. If within a reasonable period of time the Governor fails or refuses to secure compliance, the Secretary is authorized (1) to refer the matter to the Attorney General with a recommendation that an appropriate civil action be instituted; (2) to exercise the powers and functions provided by title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d); or (3) to take such other action as may be provided by law.

(c) AUTHORITY OF ATTORNEY GENERAL.—When a matter is referred to the Attorney General pursuant to subsection (b), or whenever he has reason to believe that a State government or unit of local government is engaged in a pattern or practice in violation of the provisions of this section, the Attorney General may bring a civil action in any appropriate United States district court for such relief as may be appropriate, including injunctive relief.

SEC. 123. MISCELLANEOUS PROVISIONS.

(a) ASSURANCES TO THE SECRETARY.—In order to qualify for any payment under subtitle A for any entitlement period beginning on or after January 1, 1973, a State government or unit of local government must establish (in accordance with regulations prescribed by the Secretary, and, with respect to a unit of local government, after an opportunity for review and comment by the Governor of the State in which such unit is located) to the satisfaction of the Secretary that—

(1) it will establish a trust fund in which it will deposit all payments it receives under subtitle A;

(2) it will use amounts in such trust fund (including any interest earned thereon while in such trust fund) during such reasonable period or periods as may be provided in such regulations;

(3) in the case of a unit of local government, it will use amounts in such trust fund (including any interest earned thereon while in such trust fund) only for priority expenditures (as defined in section 103 (a)), and will pay over to the Secretary (for deposit in the general fund of the Treasury) an amount equal to 110 percent of any amount

expended out of such trust fund in violation of this paragraph, unless such amount is promptly repaid to such trust fund (or the violation is otherwise corrected) after notice and opportunity for corrective action;

(4) it will provide for the expenditure of amounts received under subtitle A only in accordance with the laws and procedures applicable to the expenditure of its own revenues;

(5) it will—

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

(B) provide to the Secretary (and to the Comptroller General of the United States), on reasonable notice, access to, and the right to examine, such books, documents, papers, or records as the Secretary may reasonably require for purposes of reviewing compliance with this title (or, in the case of the Comptroller General, as the Comptroller General may reasonably require for purposes of reviewing compliance and operations under subsection (c)(2)), and

(C) make such annual and interim reports (other than reports required by section 121) to the Secretary as he may reasonably require;

(6) all laborers and mechanics employed by contractors or subcontractors in the performance of work on any construction project, 25 percent or more of the costs of which project are paid out of its trust fund established under paragraph (1), will be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a–276a–5), and that with respect to the labor standards specified in this paragraph the Secretary of Labor shall act in accordance with Reorganization Plan Numbered 14 of 1950 (15 F.R. 3176; 64 Stat. 1267) and section 2 of the Act of June 13, 1934, as amended (40 U.S.C. 276c);

(7) individuals employed by it whose wages are paid in whole or in part out of its trust fund established under paragraph (1) will be paid wages which are not lower than the prevailing rates of pay for persons employed in similar public occupations by the same employer; and

(8) in the case of a unit of local government as defined in the second sentence of section 108(d)(1) (relating to governments of Indian tribes and Alaskan native villages), it will expend funds received by it under subtitle A for the benefit of members of the tribe or village residing in the county area from the allocation of which funds are allocated to it under section 108(b)(4).

Paragraph (7) shall apply with respect to employees in any category only if 25 percent or more of the wages of all employees of the State government or unit of local government in such category are paid from the trust fund established by it under paragraph (1).

(b) WITHHOLDING OF PAYMENTS.—If the Secretary determines that a State government or unit of local government has failed to comply substantially with any provision of subsection (a) or any regulations prescribed thereunder, after giving reasonable notice and opportunity for

a hearing to the Governor of the State or the chief executive officer of the unit of local government, he shall notify the State government or unit of local government that if it fails to take corrective action within 60 days from the date of receipt of such notification further payments to it will be withheld for the remainder of the entitlement period and for any subsequent entitlement period until such time as the Secretary is satisfied that appropriate corrective action has been taken and that there will no longer be any failure to comply. Until he is satisfied, the Secretary shall make no further payments of such amounts.

(c) ACCOUNTING, AUDITING, AND EVALUATION.—

(1) IN GENERAL.—The Secretary shall provide for such accounting and auditing procedures, evaluations, and reviews as may be necessary to insure that the expenditures of funds received under subtitle A by State governments and units of local governments comply fully with the requirements of this title. The Secretary is authorized to accept an audit by a State of such expenditures of a State government or unit of local government if he determines that such audit and the audit procedures of that State are sufficiently reliable to enable him to carry out his duties under this title.

(2) COMPTROLLER GENERAL SHALL REVIEW COMPLIANCE.—The Comptroller General of the United States shall make such reviews of the work as done by the Secretary, the State governments, and the units of local government as may be necessary for the Congress to evaluate compliance and operations under this title.

And the Senate agree to the same.

Amendment numbered 2:

That the House recede from its disagreement to the amendment of the Senate numbered 2, and agree to the same with the following amendments:

Strike out the matter proposed to be stricken out by the Senate amendment, on page 35 of the House engrossed bill strike out lines 1 through 6, and in lieu of the matter proposed to be inserted by the Senate amendment insert the following:

(1) The period beginning January 1, 1972, and ending June 30, 1972.

(2) The period beginning July 1, 1972, and ending December 31, 1972.

(3) The period beginning January 1, 1973, and ending June 30, 1973.

(4) The one-year periods beginning on July 1 of 1973, 1974, and 1975.

(5) The period beginning July 1, 1976, and ending December 31, 1976.

(c) DISTRICT OF COLUMBIA.—

(1) TREATMENT AS STATE AND LOCAL GOVERNMENT.—For purposes of this title, the District of Columbia shall be treated both—

(A) as a State (and any reference to the Governor of a State shall, in the case of the District of Columbia, be treated as a reference to the Commissioner of the District of Columbia), and

(B) as a county area which has no units of local government (other than itself) within its geographic area.

(2) REDUCTION IN CASE OF INCOME TAX ON NONRESIDENT INDIVIDUALS.—If there is hereafter enacted a law imposing a tax on income earned in the District of Columbia by individuals who are not residents of the District of Columbia, then the entitlement of the District of Columbia under subtitle A for any entitlement period shall be reduced by an amount equal to the net collections from such tax during such entitlement period attributable to individuals who are not residents of the District of Columbia. The preceding sentence shall not apply if—

(A) the District of Columbia and Maryland enter into an agreement under which each State agrees to impose a tax on income earned in that State by individuals who are residents of the other State, and the District of Columbia and Virginia enter into an agreement under which each State agrees to impose a tax on income earned in that State by individuals who are residents of the other State, or

(B) the Congress enacts a law directly imposing a tax on income earned in the District of Columbia by individuals who are not residents of the District of Columbia.

On page 36, line 23, of the House engrossed bill, strike out "July 1, 1972" and insert: *January 1, 1973*

And the Senate agree to the same.

Amendment numbered 3:

That the House recede from its disagreement to the amendment of the Senate numbered 3, and agree to the same with the following amendments:

On page 37, line 9, of the Senate engrossed amendments, strike out "104(d)" and insert: *107(b)*

On page 37, line 11, of the Senate engrossed amendments, strike out "109(b) or 110(b)" and insert: *104(b) or 123(b)*

And the Senate agree to the same.

Amendment numbered 19:

That the House recede from its disagreement to the amendment of the Senate numbered 19, and agree to the same with an amendment, as follows:

On page 40, line 20, of the Senate engrossed amendments, strike out "one or more" and insert: *at least 2*

And the Senate agree to the same.

Amendment numbered 20:

The committee of conference reports amendment numbered 20 in disagreement.

AMENDMENT TO TITLE

That the House recede from its disagreement to the amendment of the Senate to the title of the bill, and agree to the same with an amendment, as follows:

Amend the title so as to read: "An Act to provide fiscal assistance to State and local governments, to authorize Federal collection of State individual income taxes, and for other purposes."

And the Senate agree to the same.

RUSSELL B. LONG,
CLINTON P. ANDERSON,
HERMAN E. TALMADGE,
WALLACE F. BENNETT,
CARL CURTIS,
Managers on the Part of the Senate.

W. D. MILLS,
AL ULLMAN,
JAMES A. BURKE,
MRS. GRIFFITHS,
JACKSON E. BETTS,
HERMAN T. SCHNEEBELI,
JOEL T. BROYHILL,
Managers on the Part of the House.

JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 14370) to provide payments to localities for high-priority expenditures, to encourage the States to supplement their revenue sources, and to authorize Federal collection of State individual income taxes, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report:

Amendment Numbered 1: The bill as passed the House contained a title I consisting of three subtitles: subtitle A (relating to local government high-priority assistance), subtitle B (relating to State tax supplements), and subtitle C (relating to general provisions).

Senate amendment numbered 1 struck out the text of subtitles A and B of title I and inserted in lieu thereof a subtitle A relating to allocation and payment of funds both to the States and to local governments, and a subtitle B relating to supplementary grants to State and local governments.

The House recedes with an amendment under which a new subtitle A and a new subtitle B of title I are substituted for both the provisions of the bill as passed the House and as passed the Senate. The principal differences in substance between the text of the bill as it would be under the action recommended in the accompanying conference report (referred to in this statement of managers as the "conference agreement") on the one hand, and the House bill and the Senate amendment on the other hand, are explained below, in the order in which the provision concerned appears in the conference agreement.

Subtitle A—Allocation and Payment of Funds

SEC. 101. SHORT TITLE.

Section 101 of the conference agreement provides that title I of the bill may be cited as the "State and Local Fiscal Assistance Act of 1972".

This short title is the short title which was provided for the bill by section 1 of the House bill. Section 101 under the Senate amendment provided that title I of the bill was to be cited as the "Revenue Sharing Act of 1972".

SEC. 102. PAYMENTS TO STATE AND LOCAL GOVERNMENTS.

Section 102 of the conference agreement provides for the payment out of the trust fund created by section 105 of the bill of the entitlements to the State governments and to local governments. In the case of entitlement periods ending after the date of the enactment, payments are to be made in installments, but not less often than once for each quarter, and, in the case of quarters ending after September

30, 1972, are to be paid not later than 5 days after the close of each quarter. There are some cases, however, where payment within this period is impossible because data are not available or because some action must be taken before the payments are made. In such cases the payments shall be made after the 5-day period as soon as it becomes possible to obtain such data or when such other action is taken. For example, it may not be possible to obtain sufficient data initially to make the division of payments in some county areas between Indian tribes and other units of local government, in which case partial payments may be made promptly on the basis of such information as is initially available with the remaining amounts paid as the necessary data are obtained. Similarly it is understood that in some States it may be necessary for the State governments to enact enabling legislation before local governments may receive assistance funds. The payments may be initially made on the basis of estimates.

For the corresponding provisions of the House bill, see section 101 (relating to payments to local governments) and section 121 (relating to payments to States). For the corresponding provisions of the Senate amendment, see section 103 (relating to payments to State and local governments).

SEC. 103. USE OF FUNDS BY LOCAL GOVERNMENTS FOR PRIORITY EXPENDITURES.

Section 103(a) of the conference agreement provides that funds received by units of local government pursuant to their entitlements under section 108 of the bill may be used only for priority expenditures. As defined in section 103(a), the term "priority expenditure" means only—

(1) ordinary and necessary maintenance and operating expenses for—

(A) public safety (including law enforcement, fire protection, and building code enforcement),

(B) environmental protection (including sewage disposal, sanitation, and pollution abatement),

(C) public transportation (including transit systems and streets and roads),

(D) health,

(E) recreation,

(F) libraries,

(G) social services for the poor or aged, and

(H) financial administration; and

(2) ordinary and necessary capital expenditures authorized by law.

The House bill (see section 102) contained a similar provision which set forth a list of "high-priority expenditures" which were the only expenditures for which the local governments could spend their entitlements. This list contained the items for public safety, environmental protection, and public transportation listed under subparagraphs (A), (B), and (C) of item 1 of the preceding paragraph, and limited capital expenditures to expenditures for sewage collection and treatment, refuse disposal systems, and public transportation (including transit systems and street construction). The House bill also contained a provision (see section 102(b) of the House bill) under which a State could by law exclude any category of items from the list of "high-

priority expenditures" under certain prescribed circumstances. The conference agreement does not include this provision for excluding categories of items.

The Senate amendment contained no limitations on the purposes for which a local government could expend its entitlements under the bill.

Section 103(b) of the conference agreement authorizes the Secretary of the Treasury to accept a certificate of compliance with section 103(a) unless he determines that the certificate is not sufficiently reliable to enable him to carry out his duties under title I of the bill.

SEC. 104. PROHIBITION ON USE AS MATCHING FUNDS BY STATE AND LOCAL GOVERNMENTS.

Section 104 of the conference agreement provides that no State government or unit of local government may use, directly or indirectly, any part of the funds it receives under subtitle A of title I of the bill as a contribution for the purpose of obtaining Federal funds under any law of the United States which requires such government to make a contribution in order to receive Federal funds.

This provision is the same in substance as section 109 of the Senate amendment.

The House bill (see section 101 thereof) contained a provision that a unit of local government was not to treat funds it received under the bill as a contribution made from non-Federal funds for purposes of any formula provided by a law of the United States under which non-Federal funds must be made available in order to receive Federal funds.

Section 104(e) of the conference agreement authorizes the Secretary of the Treasury to accept a certificate of compliance with the prohibition on the use of amounts as matching funds unless he determines that the certificate is not sufficiently reliable to carry out his duties under title I of the bill.

SEC. 105. CREATION OF TRUST FUND; APPROPRIATIONS.

Section 105(a) of the conference agreement creates a trust fund to be known as the "State and Local Government Fiscal Assistance Trust Fund". The Trust Fund is to remain available without fiscal year limitation.

Section 105(b)(1) of the conference agreement provides for the appropriation to this Trust Fund, out of amounts in the general fund of the Treasury attributable to the collection of the Federal individual income taxes not otherwise appropriated—

(1) for the period beginning January 1, 1972, and ending June 30, 1972, $2,650,000,000;

(2) for the period beginning July 1, 1972, and ending December 31, 1972, $2,650,000,000;

(3) for the period beginning January 1, 1973, and ending June 30, 1973, $2,987,500,000;

(4) for the fiscal year beginning July 1, 1973, $6,050,000,000;

(5) for the fiscal year beginning July 1, 1974, $6,200,000,000;

(6) for the fiscal year beginning July 1, 1975, $6,350,000,000; and

(7) for the period beginning July 1, 1976, and ending December 31, 1976, $3,325,000,000.

Section 105(b)(2) of the conference agreement provides for appropriations for certain adjustments necessitated by the provisions of the allocation formulas as they relate to noncontiguous States. The amounts appropriated for this purpose are—

(1) for each of the six-month periods beginning January 1, 1972, July 1, 1972, and January 1, 1973, $2,390,000;

(2) for each of the fiscal years beginning July 1, 1973, July 1, 1974, and July 1, 1975, $4,780,000; and

(3) for the period beginning July 1, 1976, and ending December 31, 1976, $2,390,000.

The House bill (in section 104) appropriated amounts for payments to the local governments which were at the level of $3,500,000,000 for each 12 month period of the five-year program, and appropriated (see section 123 of the House bill) amounts for payments to the States which began at an annual rate of $1,800,000,000 for the first entitlement period of the five-year program and then increased at the annual rate of $300,000,000 for each of the remaining periods after the first full year.

The Senate amendment (in section 104) appropriated amounts for the payment of State and local entitlements and also contained (see section 121) appropriations for supplemental payments to the State and local governments.

The comparison of the appropriations made by section 105(b) of the conference agreement, by the House bill, and by the Senate amendment for each period of the five-year program is shown by the following table (all amounts are shown in millions of dollars):

	Conference agreement	House bill	Senate amendment [1]
Period:			
Jan. 1, 1972, through June 30, 1972	2,652.39	2,650	2,652.39
Fiscal year beginning July 1, 1972	5,642.28	5,450	5,954.78
Fiscal year beginning July 1, 1973	6,054.78	5,750	6,754.78
Fiscal year beginning July 1, 1974	6,204.78	6,050	7,054.78
Fiscal year beginning July 1, 1975	6,354.78	6,350	7,354.78
July 1, 1976, through Dec. 31, 1976	3,327.39	3,325	3,827.39
Total	30,236.40	29,575	33,598.90

[1] These amounts are based on (1) the appropriations contained in sec. 102 of the Senate amendment as limited by sec. 104(a) thereof, and (2) the appropriations contained in sec. 121(a) of the Senate amendment.

SEC. 106. ALLOCATION AMONG STATES.

Section 106 of the conference agreement provides for the allocation to a State for each entitlement period on the basis of whichever of two formulas yields the greater amount for that State for that period. The first of these formulas is the three-factor formula which was contained in section 104(b) of the Senate amendment. This formula multiplies the population of the State by its general tax effort, multiplies this product by the relative income of the State, and then compares the resulting product for the State with the sum of the products similarly determined for all of the States.

The second of these formulas is based on the House bill. The House bill (see sections 103(a) and 122) in effect provided a five-factor formula under which the annual rate at the start of the program was (1) $3,500,000,000, divided among the States one-third on the basis of

population, one-third on the basis of urbanized population, and one-third on the basis of population inversely weighted for per capita income, and (2) $1,800,000,000, divided among the States one-half on the basis of individual income tax collections by State governments and one-half on the basis of the general tax effort of the State and local governments.

The conference agreement also contains a provision (in section 106 (c)) for those States in which civilian employees of the United States Government receive an allowance under section 5941 of title 5 of the United States Code. At present, these allowances are applicable only in the case of Alaska and Hawaii. Under the conference agreement, in determining whether any such State is to receive its allocations for any entitlement period under the three-factor formula or the five-factor formula, the amount allocable to it under the three-factor formula is increased by that percentage of increase which is applicable in the case of such State under such section 5941. Section 105(b)(2) of the conference agreement also sets up a separate appropriation for each entitlement period at the level of $4,780,000 for each full fiscal year. This special appropriation will be available for payment to any State to which such section 5941 applies if for the entitlement period the allocation to the State is determined under the three-factor formula rather than under the five-factor formula.

This is similar to a provision contained in the Senate amendment (see section 104(f)). There was no comparable provision in the House bill.

SEC. 107. ENTITLEMENTS OF STATE GOVERNMENTS.

Division between States and local governments.—Section 107(a) of the conference agreement provides that of the amounts allocated to each State for any entitlement period—

(1) the State government is entitled to one-third, and

(2) the remaining portion is to be allocated among the units of local government of that State.

This is the same division between the States and local governments as was contained in section 104(c) of the Senate amendment.

Under section 123(a) of the House bill, the States were to receive $900,000,000 for the period beginning January 1, 1972, and ending June 30, 1972, $1,950,000,000 for the fiscal year beginning July 1, 1972, $2,250,000,000 for the fiscal year beginning July 1, 1973, $2,550,000,000 for the fiscal year beginning July 1, 1974, $2,850,000,000 for the fiscal year beginning July 1, 1975, and $1,575,000,000 for the period beginning July 1, 1976, and ending December 31, 1976.

Maintenance of State efforts.—Section 107(b)(1) of the conference agreement provides that for any entitlement period beginning on or after July 1, 1973, the entitlement of any State government is to be reduced by the amount by which—

(1) the average of the aggregate amounts transferred by the State government (out of its own sources) during the entitlement period and the preceding entitlement period to all units of local government in the State, is less than

(2) the similar aggregate amount for the one-year period beginning July 1, 1971.

The substance of this provision is the same as the substance of the provision contained in section 104(d) of the Senate amendment. The House bill (see section 122(e)) contained a similar requirement

that the State maintain the level of transfers to the local governments, but under the House bill—

(1) the first period for which a reduction in entitlement could be made was the entitlement period beginning July 1, 1972, and

(2) the comparison for any entitlement period was made on the basis of the transfers during such period (rather than, as under the Senate amendment and the conference agreement, on the basis of the average of such transfers during the current entitlement period and the immediately preceding entitlement period).

New taxing authority.—Section 107(b)(3) of the conference agreement provides that if a State establishes to the satisfaction of the Secretary of the Treasury that after June 30, 1972, one or more local governments in such State have had conferred upon them new taxing authority then the aggregate amount of State transfers for the base period (the one-year period beginning July 1, 1971) is to be reduced by an amount equal to the larger of—

(1) the amount of the taxes collected by reason of the exercise of the new taxing authority by the local governments, or

(2) the amount of the loss of revenue to the State by reason of the new taxing authority being conferred on the local governments.

The substance of this provision is the same as the substance of section 104(d)(3) of the Senate amendment. There was no comparable provision in the House bill for new taxing power conferred on local governments.

Section 107(b)(3) of the conference agreement also makes it clear that for purposes of this provision no amount is to be treated as collected by a reason of the exercise of new taxing authority by local governments if the new taxing authority is an increase in the authorized rate of tax under a previously authorized kind of tax, unless the State is determined by the Secretary of the Treasury to have decreased a related State tax.

SEC. 108. ENTITLEMENTS OF LOCAL GOVERNMENTS.

Allocation among county areas.—Section 108(a) of the conference agreement provides for the allocation among the county areas of a State on the basis of the same three-factor formula which is used under section 106(b)(2) of the conference agreement as the first of the two alternative formulas for determining the allocations among the States. Thus, the amount allocated to a county area within a State is to bear the same ratio to the amount to be allocated among the units of local government within a State as—

(1) the population of that county area, multiplied by the general tax effort factor of that county area, and further multiplied by the relative income factor of that county area, bears to

(2) the sum of such products for all county areas within that State.

This is the formula for allocation among county areas contained in section 105(a) in the Senate amendment. Under the House bill (see section 103(b)) the allocations among the county areas were made on the same basis as the allocations among the States were made under the House bill. That is to say, amounts allocated among the States on the basis of population were allocated among the county areas on

the basis of population; amounts allocated among the States on the basis of urbanized population were allocated among the county areas on the basis of urbanized population; and amounts allocated among the States on the basis of population inversely weighted for per capita income were allocated among the county areas on the basis of population inversely weighted for per capita income.

Allocations to county governments.—Under section 108(b)(1) of the conference agreement, the county government's share of the county area's allocation is to be determined by the ratio which the adjusted taxes of the county government bear to the adjusted taxes of the county government and all other units of local government located in the county area. This is the same allocation formula as was used for county governments in the House bill (see section 103(c)(1)) and in the Senate amendment (see section 105(b)(1)).

Allocations to municipalities, etc.—Under section 108(b)(2) of the conference agreement, the allocations among the units of local government located in the county area (other than the county government and township governments) are to be made, out of amounts not allocated to the county government or to township governments, on the basis of the three-factor formula. That is to say, this allocation is to be made on the basis of population multiplied by general tax effort and multiplied again by the relative income factor.

This method of allocating among such units of local government is the method used in the Senate amendment (see section 105(b)(2)). Under the House bill (see section 103(c)(2)) the allocation among the units of local government (other than the county government) was made (1) on the basis of population, in the case of allocations to the county area based on population, (2) on the basis of population inversely weighted for per capita income, in the case of amounts allocated to the county area on that basis, and (3) in proportion to the amounts allocated to the unit under the two preceding methods, in the case of amounts allocated to the county area on the basis of urbanized population.

Allocations to township governments.—Under section 108(b)(3) of the conference agreement there is set aside for allocation to the township governments within any county area an amount based on the ratio which the adjusted taxes of the township governments bears to the adjusted taxes of the county government, the township governments, and all other units of local governments in the county area. This amount set aside for township governments is then divided among the township governments on the basis of the three-factor formula described above in connection with section 108(b)(2) of the conference agreement.

The substance of this provision is the same as section 105(b)(3) of the Senate amendment. Under the House bill (see section 103(c)(3)) the amount set aside for township governments was determined on the same basis as in the conference agreement (that is, on the basis of their respective adjusted taxes), but the amount so set aside was then divided among the township governments on the same basis as applied under the House bill in the case of divisions among municipalities.

Indian tribes and Alaskan native villages.—Section 108(b)(4) of the conference agreement contains a provision for allocating part of the county area allocation to the recognized governing body of an Indian tribe or Alaskan native village where that recognized governing body

performs substantial governmental functions. This allocation is to be made on the basis of population.

This provision is based on section 104(e) of the Senate amendment. Under the Senate amendment, one-fourth of one percent of the amount available for allocation among the States under section 104 of the Senate amendment was to be set aside for allocation and payment to Indian tribes, bands, groups, pueblos, communities, and Alaskan native villages which performed governmental functions. Under this provision, the Secretary of the Treasury was to prescribe regulations for dividing the funds, which regulations were to reflect the policies contained in subtitle A of the bill.

The House contained no provision comparable to section 108(b)(4) of the conference agreement.

Rule for small units of government.—Section 108(b)(5) of the conference agreement provides that if the Secretary of the Treasury determines that the data available with respect to units of local government with a population not in excess of 500 in any county area are not adequate for the application of the three-factor formula set forth in section 108(b)(2) of the conference agreement, he may allocate the amount available for allocation to such units solely on the basis of the ratio of their population to the population of the municipalities located in the county area. This authority applies equally to allocations under section 108(b)(3) among township governments, permitting a substitution of population for the three-factor formula where data as to township governments with population not in excess of 500 are inadequate.

Maximum and minimum per capita entitlement.—Section 108(b)(6)(B) of the conference agreement provides that, in general, the per capita amount allocated to any county area or to units of local government (other than a county government) within a State for any entitlement period is to be not less than 20 percent, and not more than 145 percent, of two-thirds of the per capita amount allocated to the State under section 106 of the conference agreement.

This provision for a maximum and minimum per capita entitlement is in substance the same as the provision contained in section 105(b)(4)(B) of the Senate amendment. There was no comparable provision in the House bill.

Optional formulas for allocations among county areas, municipalities, etc.—Section 108(c) of the conference agreement provides that a State may by law provide for the allocation of funds among county areas, or among units of local government (other than county governments)—

(1) on the basis of population multiplied by the general tax effort factor,

(2) on the basis of population multiplied by the relative income factor, or

(3) on the basis of a combination of these two factors.

Any such optional formula is to apply uniformly throughout the State and to apply for the remainder of the five-year program. Also, any such formula is to provide for allocating all of the amount to be allocated among the county areas of the State, or all of the amount to be allocated among the units of local government of the State (other than the county governments, and other than the Indian tribes and

Alaskan native villages to which section 108(b)(4) of the conference agreement applies).

This provision is the same in substance as section 105(c) of the Senate amendment.

The House bill (see section 103(d)) contained different special allocation rules. These included rules that the State could by law (1) provide that relative taxes were to be taken into account in allocating among county areas, (2) provide that relative taxes were to be taken into account in allocating below the county level, (3) vary (within prescribed percentage limits) the amounts to be allocated under each of the applicable factors among county areas, and (4) provide that certain amounts had to be used for area-wide projects. These special allocation rules of the House bill are not contained in the conference agreement.

SEC. 109. DEFINITIONS AND SPECIAL RULES FOR APPLICATION OF ALLOCATION FORMULAS.

Section 109(a) of the conference agreement provides definitions for the terms "population", "urbanized population", "income", and "personal income". The terms "population", "income", and "personal income" have the same meanings as used in both the House bill and the Senate amendment. The term "urbanized population" has the same meaning as used in the House bill.

Section 109(a) also provides rules relating to the dates for determining allocations and entitlements and defining intergovernmental transfers of revenue. Such section also provides that the data used shall be the most recently available data provided by the Bureau of the Census or the Department of Commerce, as the case may be. Where the Secretary of the Treasury determines that the data are not current enough or not comprehensive enough, he may use additional data, including data based on estimates, as may be provided for in regulations. These rules are substantially the same as contained in both the House bill and the Senate amendment.

Subsections (b), (c), (d), (e), and (f) of section 109 of the conference agreement set forth the factors necessary for application of the 3-factor and 5-factor allocation formulas contained in the conference agreement for allocations among States and for application of the formulas contained in the conference agreement for allocations to units of local government. These are the income tax amount of a State; the general tax effort amount of a State; the general tax effort factor of a State, county area, and unit of local government; the relative income factor of a State, county area, and unit of local government; and the adjusted taxes of units of local government. These are substantially the same as the rules contained in the House bill with respect to the 5-factor formula and in the Senate amendment with respect to the 3-factor formula and the formulas for making allocations to local governments.

Section 109(g) of the conference agreement sets forth the rules for applying the factors in the 5-factor formula. These are the same as the rules contained in the House bill.

Subtitle B—Administrative Provisions

SEC. 121. REPORTS ON USE OF FUNDS; PUBLICATION.

Section 121 of the conference agreement requires each State government and unit of local government which receives funds under

the bill to submit a report to the Secretary of the Treasury, after the close of each entitlement period, setting forth the amounts and purposes for which funds received during the entitlement period have been spent or obligated. Such section also requires each State government and unit of local government which expects to receive funds under the bill for any entitlement period beginning on or after January 1, 1973, to submit a report to the Secretary of the Treasury, before the beginning of the entitlement period, setting forth the amounts and purposes for which it plans to spend or obligate the funds which it expects to receive.

Section 121 of the conference agreement also requires each State government and unit of local government to publish a copy of each report referred to in the preceding paragraph in a newspaper which is published within the State and has general circulation within the geographic area of the government making the report, and to advise the news media of the publication of these reports.

This provision, except for the beginning date, is the same as section 107 of the Senate amendment. The House bill did not contain any similar provision.

SEC. 122. NONDISCRIMINATION PROVISION.

Section 122 of the conference agreement 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 any activity funded in whole or in part with funds made available under the bill. This section is substantially the same as section 106 of the House bill and section 108 of the Senate amendment, except that the House bill applied only to local governments.

SEC. 123. MISCELLANEOUS PROVISIONS.

Section 123(a) of the conference agreement provides that, in order to qualify for any payment under the bill for any entitlement period beginning on or after January 1, 1973, a State government or unit of local government must establish, to the satisfaction of the Secretary of the Treasury, that it will—

(1) establish a trust fund and deposit all payments received under the bill in that trust fund,

(2) use amounts in its trust fund within such reasonable periods as may be provided in regulations,

(3) in the case of a local government, use amounts in its trust fund only for priority expenditures,

(4) expend amounts received under the bill only in accordance with the laws and procedures applicable to the expenditure of its own revenues,

(5) use fiscal, accounting, and audit procedures conforming to guidelines established by the Secretary of the Treasury, provide access to and the right to examine books, documents, papers, or records required for purposes of reviewing compliance with the bill, and make reports (other than reports required by section 121) as the Secretary may reasonably require,

(6) comply with the provisions of the Davis-Bacon Act in the case of construction projects 25 percent or more of the costs of which are paid out of funds received under the bill,

(7) pay wages to individuals whose wages are paid in full or in part out of funds received under the bill at rates which are no lower than the prevailing rates of pay for individuals employed in similar public occupations by the same employer, if, with respect to any category of employees, 25 percent or more of the wages paid to all employees of the government concerned in that category are paid from funds received under the bill, and

(8) in the case of the governing body of an Indian tribe or Alaskan native village, expend funds received under the bill for the benefit of members of that tribe or village residing in the county area from the allocation of which it received such funds.

The committee of conference expects that, insofar as possible, guidelines established by the Secretary of the Treasury with respect to fiscal, accounting, and audit procedures (see item (5) of this paragraph) will permit State and local governments to use the fiscal, accounting, and audit procedures used by them with respect to expenditures made from revenues derived from their own sources.

Section 105 of the House bill contained provisions similar to the items enumerated in the preceding paragraph, other than items (4) and (8), but the House bill applied only with respect to local governments. Section 110 of the Senate amendment contained provisions similar to the items enumerated in the preceding paragraph, other than items (3) and (8).

Section 123(b) of the conference agreement authorizes the Secretary of the Treasury to withhold payments from any State government or unit of local government which he determines has failed to comply substantially with any provision of subsection (a) or any regulation prescribed thereunder until such time as he is satisfied that appropriate corrective action has been taken and there will no longer be any failure to comply. This provision is substantially the same as section 105(b) of the House bill and section 110(b) of the Senate amendment, except that the House bill applied only with respect to local governments.

Section 123(c) of the conference agreement directs the Secretary of the Treasury to provide for such accounting and auditing procedures, evaluations, and reviews as may be necessary to insure that expenditures of funds received under the bill comply fully with the requirements of the bill. Such section also directs the Comptroller General of the United States to make such reviews of the work as done by the Secretary, State governments, and units of local government as may be necessary for the Congress to evaluate compliance and operations under the bill. This section is substantially the same as section 105(c) of the House bill and section 110(c) of the Senate amendment, except that the House bill applied only with respect to local governments.

Amendment Numbered 2: The bill as passed by the House provided that if a law is enacted imposing a tax on income earned in the District of Columbia by nonresidents of the District, then the entitlements of the District of Columbia under the bill are to be reduced by an amount equal to the net collections from such tax. Senate amendment numbered 2 eliminated this provision.

The House recedes with amendments. Under the conference agreement, this provision of the House bill is restored but is not to apply if the District of Columbia enters into agreements with both Maryland

and Virginia providing reciprocal taxation of nonresidents who are residents of the other State. The House provision is also not to apply if a nonresident income tax on income earned in the District of Columbia is directly imposed by a law enacted by the Congress.

Amendments Numbered 3, 4, and 5: These are technical and clarifying amendments. The House recedes on amendment numbered 3 with clerical amendments and recedes on amendments numbered 4 and 5.

Amendments Numbered 6 and 10: The bill as passed by the House adds a new subchapter to the Internal Revenue Code of 1954 which provides for Federal collection of the individual income taxes imposed by those States which enter into an agreement with the United States under the new subchapter. In order to qualify for Federal collection, the State individual income tax law must meet certain requirements set forth in the new subchapter. In general, the State income tax must either be a tax based on the individual's taxable income as defined in section 63 of the Internal Revenue Code of 1954 or a tax which is a percentage of Federal income tax liability. In either case, certain adjustments in computing taxable income or Federal income tax liability are required and certain other adjustments are permitted.

Under the bill as passed by the House, one of the permitted adjustments was an adjustment for a nonrefundable credit for general sales taxes. Senate amendments numbered 6 and 10 eliminate this permitted adjustment. The House recedes.

Amendments Numbered 7, 8, 13, 15, 16, 17, and 18: These are technical and clerical amendments. The House recedes.

Amendment Numbered 9: Under the bill as passed by the House, in order to qualify for Federal collection, one of the required adjustments is that taxable income, as determined for Federal income tax purposes, must be increased for State tax purposes by an amount equal to the interest on State and local bonds which is exempt from Federal income tax under section 103(a)(1) of the Internal Revenue Code of 1954. In the case of a State income tax based on a percentage of Federal liability, this adjustment is required in computing Federal liability for purposes of the State tax. Under the bill as passed by the House, this adjustment applied with respect to the interest on obligations of the State imposing the tax and its political subdivisions as well as obligations issued by other States and their political subdivisions.

Under Senate amendment numbered 9, the adjustment must be made for interest on obligations issued by another State and its political subdivisions, but is required for interest on obligations issued by the State imposing the income tax and its political subdivisions only if the interest is, under the law of that State, subject to the individual income tax. The House recedes.

Amendments Numbered 11 and 14: Under the bill as passed by the House, among the requirements which must be met by a State individual income tax on nonresidents in order to qualify for Federal collection are that such tax applies (1) only to wage and other business income derived by an individual from sources within the State and (2) only if 25 percent or more of the individual's total wage and other business income is derived from sources within the State.

Amendment numbered 11 increased the 25 percent requirement to 50 percent in the case of certain employees engaged in interstate transportation. Amendment numbered 14 provided that, for with-

holding purposes, an employer could rely on a declaration filed by an employee in determining whether this 50 percent requirement for transportation employees was met. The Senate recedes.

Amendment Numbered 12: Under the bill as passed by the House, once a State individual income tax qualified for Federal collection, any change made by the State in its individual income tax law must be enacted before September 1 of a calendar year in order to be effective for taxable years beginning in that calendar year. Amendment numbered 12 changes the September 1 date to November 1. The House recedes.

Amendment Numbered 19: Under the bill as passed by the House, the new Internal Revenue Code provisions providing Federal collection of State individual income taxes are to become effective on January 1, 1974, or, if later, on the first January 1 which is more than one year after the first date on which at least 5 States having residents who in the aggregate filed 5 percent or more of the Federal individual income tax returns filed during 1972 have notified the Secretary of the Treasury or his delegate of an election to enter into an agreement for Federal collection. Senate amendment numbered 19 eliminated the 5-State requirement, but retained the 5 percent of Federal individual income tax returns requirement.

The House recedes with an amendment which provides that (in addition to the 5 percent requirement) at least two States must enter into agreements for Federal collection before the new Internal Revenue Code provisions become effective.

Amendment Numbered 20: In this amendment, the Senate added a new title III to the bill, which provided for the limitation of Federal funding for social services under State public assistance plans approved under titles I, X, XIV, and XVI, and part A of title IV, of the Social Security Act.

The Senate amendment provided that:

(a) Effective January 1, 1973, all authority for funding social services under programs of Aid to the Aged, Blind, and Disabled would be repealed;

(b) Effective January 1, 1973, Federal matching for social services under programs of Aid to Families with Dependent Children would be limited to—

(1) 75 percent matching for child care (limited to child care needed to enable a member of the family to work or to take job training, or to provide necessary supervision for a child whose mother is dead or incapacitated);

(2) 75 percent Federal matching for family planning services;

(3) Services necessary to enable AFDC recipients to participate in the Work Incentive Program (for which 90 percent matching would apply as under present law; funding of these services has been limited to the amounts appropriated); and

(4) Emergency social services, for which 50 percent matching will apply rather than 75 percent as under present law.

(c) Not more than 12½ percent of all Federal funds for child care and family planning services could go to any one State;

(d) Beginning July 1, 1973, no State could receive, for any fiscal year, more Federal funds for child care and family planning services than its share of $600,000,000 based on its proportion of urbanized population in the United States;

(e) For the period between July 1 and December 31, 1972, the State welfare agency would receive 75 percent of the cost of child care and family planning services and in addition would receive the higher of (1) its share of $500,000,000 distributed among the States on the basis of urbanized population, or (2) 75 percent of the cost of providing social services between July and December, 1972, excluding the cost of any new social services provided after August 9, 1972, and also excluding the cost of any expansion of ongoing social service programs after August 9, 1972.

The amendment would not apply to Puerto Rico, Guam, and the Virgin Islands, which are already subject to an appropriation ceiling under the Social Security Act.

This amendment is reported in technical disagreement. The managers on the part of the House will offer a motion to substitute, for the matter contained in the Senate amendment, the matter set forth below, and the managers on the part of the Senate will move to concur in the amendment of the House to the amendment of the Senate.

TEXT OF SUBSTITUTE

The substitute, referred to above, would add a new title III to the bill which would read as follows:

TITLE III—LIMITATION ON GRANTS FOR SOCIAL SERVICES UNDER PUBLIC ASSISTANCE PROGRAMS

SEC. 301. (a) Title XI of the Social Security Act is amended by adding at the end thereof the following new section:

"LIMITATION ON FUNDS FOR CERTAIN SOCIAL SERVICES

"SEC. 1130. (a) Notwithstanding the provisions of section 3(a) (4) and (5), 403(a)(3), 1003(a) (3) and (4), 1403(a) (3) and (4), or 1603 (a) (4) and (5), amounts payable for any fiscal year (commencing with the fiscal year beginning July 1, 1972) under such section (as determined without regard to this section) to any State with respect to expenditures made after June 30, 1972, for services referred to in such section (other than the services provided pursuant to section 402(a)(19)(G)), shall be reduced by such amounts as may be necessary to assure that—

"(1) the total amount paid to such State (under all of such sections) for such fiscal year for such services does not exceed the allotment of such State (as determined under subsection (b)); and allotment of such State (as determined under subsection (b)); and

"(2) of the amounts paid (under all of such sections) to such State for such fiscal year with respect to such expenditures, other than expenditures for—

"(A) services provided to meet the needs of a child for personal care, protection, and supervision, but only in the case of a child where the provision of such services is needed (i) in order to enable a member of such child's family to accept or continue in employment or to participate in training to prepare such member for employment, or (ii) because of the death, continued absence from the home, or incapacity

of the child's mother and the inability of any member of such child's family to provide adequate care and supervision for such child;

"(B) family planning services;

"(C) services provided to a mentally retarded individual (whether a child or an adult), but only if such services are needed (as determined in accordance with criteria prescribed by the Secretary) by such individual by reason of his condition of being mentally retarded;

"(D) services provided to an individual who is a drug addict or an alcoholic, but only if such services are needed (as determined in accordance with criteria prescribed by the Secretary) by such individual as part of a program of active treatment of his condition as a drug addict or an alcoholic; and

"(E) services provided to a child who is under foster care in a foster family home (as defined in section 408) or in a child-care institution (as defined in such section), or while awaiting placement in such a home or institution, but only if such services are needed (as determined in accordance with criteria prescribed by the Secretary) by such child because he is under foster care,

not more than 10 per centum thereof are paid with respect to expenditures incurred in providing services to individuals who are not recipients of aid or assistance (under State plans approved under titles I, X, XIV, XVI, or part A of title IV), or applicants (as defined under regulations of the Secretary) for such aid or assistance.

"(b)(1) For each fiscal year (commencing with the fiscal year beginning July 1, 1972) the Secretary shall allot to each State an amount which bears the same ratio to $2,500,000,000 as the population of such State bears to the population of all the States.

"(2) The allotment for each State shall be promulgated for each fiscal year by the Secretary between July 1 and August 31 of the calendar year immediately preceding such fiscal year on the basis of the population of each State and of all of the States as determined from the most recent satisfactory data available from the Department of Commerce at such time; except that the allotment for each State for the fiscal year beginning July 1, 1972, and the following fiscal year shall be promulgated at the earliest practicable date after the enactment of this section but not later than January 1, 1973.

"(c) For purposes of this section, the term 'State' means any one of the fifty States or the District of Columbia."

(b) Sections 3(a)(4)(E), 403(a)(3)(D), 1003(a)(3)(E), 1403(a)(3)(E), and 1603(a)(4)(E) of such Act are amended by striking out "subject to limitations" and inserting in lieu thereof "under conditions which shall be".

(c) Section 403(a)(5) of such Act is amended to read as follows:

"(5) in the case of any State, an amount equal to 50 per centum of the total amount expended under the State plan during such quarter as emergency assistance to needy families with children."

(d) Sections 3(a), 403(a), 1003(a), 1403(a), and 1603(a), of such Act are amended, in the matter preceding paragraph (1) of each

such section, by striking out "shall pay" and inserting in lieu thereof "shall (subject to section 1130) pay".

(e) The amendments made by this section (other than by subsection (b)) shall be effective July 1, 1972, and the amendments made by subsection (b) shall be effective January 1, 1973.

Under the substitute, Federal matching for social services under programs of aid to the aged, blind, and disabled and aid to families with dependent children would be subject to a State-by-State dollar limitation, effective beginning with fiscal year 1973. Each State would be limited to its share of $2,500,000,000 based on its proportion of population in the United States. Child care, family planning, services provided to a mentally retarded individual, services related to the treatment of drug addicts and alcoholics, and services provided a child in foster care could be provided to persons formerly on welfare or likely to become dependent on welfare as well as present recipients of welfare. At least 90 percent of expenditures for all other social services, however, would have to be provided to individuals receiving aid to the aged, blind, and disabled or aid to families with dependent children. Until a State reaches the limitation on Federal matching, 75 percent Federal matching would continue to be applicable for social services as under present law.

Under the substitute, services necessary to enable AFDC recipients to participate in the Work Incentive Program would not be subject to the limitation described above; they would continue as under present law, with 90 percent Federal matching and with funding of these services limited to the amounts appropriated. In addition, the conference substitute incorporates the provision of the Senate bill reducing Federal matching for emergency social services from 75 percent to 50 percent.

The conference substitute directs the Secretary of Health, Education, and Welfare to issue regulations prescribing the conditions under which State welfare agencies may purchase services they do not themselves provide.

The conferees were told that the Secretary of Health, Education, and Welfare has issued new regulations which require reporting of how social service funds are used. The conferees expect the Secretary to have available detailed information on how social service funds are being spent and on their effectiveness.

Amendment Numbered 21: This amendment added a new title to the bill which directed the Joint Committee on Internal Revenue Taxation to undertake a comprehensive examination of real estate tax administration and the property tax and to report back to the Congress by June 30, 1973. The Senate recedes.

Amendment to Title: The bill as passed by the House had the following title: "An Act to provide payments to localities for high-priority expenditures, to encourage the States to supplement their revenue sources, and to authorize Federal collection of State individual income taxes." Under the Senate amendment the title of the bill was "An Act to provide for sharing with State and local governments a portion of the revenues derived from Federal individual income taxes, and for other purposes." Under the conference agreement the title of the bill is "An Act to provide fiscal assistance to State and local governments, to authorize Federal collection of State individual income taxes, and for other purposes."

RUSSELL B. LONG,
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HERMAN E. TALMADGE,
WALLACE F. BENNETT,
CARL CURTIS,
Managers on the Part of the Senate.

W. D. MILLS,
AL ULLMAN,
JAMES A. BURKE,
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JOEL T. BROYHILL,
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