

ANTIRECESSION AND SUPPLEMENTARY FISCAL
ASSISTANCE FOR STATE AND LOCAL GOVERNMENTS

SEPTEMBER 7 (legislative day, AUGUST 16), 1978.—Ordered to be printed

Mr. LONG, from the Committee on Finance,
submitted the following

REPORT

[To accompany H.R. 2852]

The Committee on Finance, to which was referred the bill (H.R. 2852), having considered the same, reports favorably thereon with an amendment and an amendment to the title and recommends that the bill (as amended) do pass.

I. SUMMARY

H.R. 2852, as passed by the House, provided an exemption from the excise taxes imposed on gasoline and special fuels if such fuels are used for farming purposes. The substance of the bill was enacted as part of other legislation. The committee struck the original provisions from the bill and added an amendment relating to antirecession and supplementary fiscal assistance for State and local governments.

The extension and amendment of title II of the Public Works Employment Act of 1976, the Intergovernmental Antirecession and Supplementary Fiscal Assistance Amendments of 1978, extends antirecession assistance and establishes a supplementary fiscal assistance program for State and local governments which continue to have high unemployment. The committee has affirmed its support for the distribution of funds under an antirecession program—the targeting Federal fiscal assistance to those State and local governments which are most distressed as measured by the rates of unemployment prevailing within their jurisdictions. The bill, as adopted by the committee, also is designed to achieve a more equitable national distribution of supplementary assistance by giving greater weight to the factors used in the distribution formula of the general revenue sharing program (that is, tax effort, need and population), thereby achieving a better regional balance of distribution without disturbing the basic objective

of targeting assistance. The committee believes the program of countercyclical and supplementary fiscal assistance constitutes an essential element of sound Federal fiscal policy.

The committee has amended the funding provisions of the antirecession program in recognition of the need for continued assistance to State and local governments that have not fully participated in the national economic recovery by providing supplementary fiscal relief when national unemployment rates are below 6 percent. The committee has retained the general administrative provisions of the existing program.

Extension, funding, and amounts

The antirecession assistance and supplementary fiscal assistance programs are authorized for an additional 2 years, until September 30, 1980. The amount of funds to be distributed will be determined quarterly based on the most recently available unemployment data. The amount of funds to be authorized will depend upon whether subtitle A, the antirecession program, or subtitle B, the supplementary fiscal assistance program, is in effect. When the average rate of unemployment for the United States (seasonally adjusted)¹ equals or exceeds 6 percent, subtitle A will be in effect and \$125 million, plus an additional \$30 million for each one-tenth of 1 percent by which that rate of unemployment exceeds 6 percent, will be distributed quarterly.

When the national unemployment rate has been less than 6 percent for two consecutive calendar quarters but exceeds 5 percent, the supplementary fiscal assistance program will be in effect and \$125 million will be distributed during each calendar quarter, plus additional funds to allow State and local governments within a State area which would receive a larger allocation if the same amount of funds were distributed under the general revenue-sharing allocation formula, to receive up to twice the amount of funds they would otherwise receive under the program's distribution formula.

Additional funds will be distributed under both subtitles to allow local governments whose rates of unemployment would be higher if calculated using current population survey data to receive funds based on such higher rates. An additional 1 percent of the total funds authorized for each quarter will be distributed to Puerto Rico, Guam, American Samoa, and the Virgin Islands. The total funds authorized during the 2-year extension may not exceed \$2.25 billion.

Distribution of funds

The distribution of funds during periods when subtitle A is in effect will continue to be based on the antirecession formula which refers to the degree by which each State and local government unemployment rate exceeds 4.5 percent. The committee has found that this distribution of funds has been effective in targeting assistance to those

¹ References in this report to "the average rate of unemployment for the United States" and similar references to national unemployment, are intended to refer to such rates seasonally adjusted as provided by the Bureau of Labor Statistics on a quarterly basis.

governments most in need. State governments will continue to receive one-third of the total funds allocated during such periods. Each local government in a standard Metropolitan Statistical Area that has a higher rate of unemployment when determined on the basis of current population survey methodology used before January 1, 1978 will be assigned such higher rate in determining its allocation.

When the national rate of unemployment has been less than 6 percent for two consecutive calendar quarters but exceeds 5 percent, the committee has determined to continue funding the program and to preserve the basic pattern of distribution based on State and local government rates of unemployment in excess of 4.5 percent, but to incorporate certain important modifications. No State government will be entitled to receive more supplementary fiscal assistance funds than it received during the last calendar quarter during which subtitle A (antirecession assistance) was in effect. To reflect the committee's concern about the regional distribution of funds and the importance the committee attaches to the use of tax effort, need and population as bases for the allocation of funds, a comparison will be made between total funds which would be distributed to a State area if the same amount of money were distributed nationally using the general revenue-sharing formula and the total funds which would be distributed to such area under the antirecession allocation formula. For State areas which would receive more funds under the antirecession formula, the funds will be distributed on that basis. For State areas which would receive more funds under the general revenue-sharing formula, funds will be distributed to the State government and each local government within the State in an amount equal to its antirecession allocation multiplied by the ratio of the amount the State area would have received under the general revenue-sharing formula divided by the amount it would receive under the countercyclical formula, provided that the multiple may in no case exceed two. Unemployment rates will be assigned on the basis of current population survey data for those local governments which would benefit from such assignment.

Other provisions

Most of the administrative provisions of the current law will be continued, including provisions relating to the use of payments, nondiscrimination and labor standards. Special reports, which have been found to create an excessive paperwork burden for recipients, and program studies and recommendations are eliminated. The Secretary of Labor is directed to provide information and other necessary data and to determine and assign unemployment rates necessary for the administration of the act.

In cases where a local government is scheduled to receive not more than \$10,000 for any calendar quarter, that government will receive a single payment which includes its entitlement under the State and Local Fiscal Assistance Act of 1972, as amended. In such cases, the Secretary of the Treasury will provide the government with a notice which states the portion of such single payment which is attributable to the supplementary fiscal assistance program.

II. REASONS FOR THE BILL

Fiscal problems of State and local governments

Despite the national economic recovery since the antirecession program was first adopted, many State and local governments continue to require fiscal relief. If the antirecession program were to terminate, as the current law provides, when the national rate of unemployment falls to 6 percent, these State and local governments would suffer fiscal hardships which in some cases would be severe. Accordingly, the committee has determined that a supplementary fiscal assistance program is a necessary element of sound Federal fiscal policy.

The committee is also of the view that relief to State and local governments based exclusively on unemployment rates results in an undesirable regional distribution of funds with insufficient weight assigned to the tax effort, need, and population of particular communities. Accordingly, the committee determined to reflect these latter factors by adjusting the distribution of funds to certain State areas to reflect the general revenue-sharing formula when subtitle B of the program is in effect.

**ESTIMATED ALLOCATION OF ANTIRECESSION AND SUPPLEMENTARY FISCAL ASSISTANCE FUNDS PER
CALENDAR QUARTER BY STATE AREA ¹**

State	Scaling factor ²	ARFA amount ³	State government ⁴	Local government ⁵	Total allocation
Alabama.....	1.271927247	1,589,039	553,339	1,371,436	1,924,775
Alaska.....		754,959	288,105	486,030	774,135
Arizona.....	1.261666805	1,085,430	367,398	943,139	1,310,537
Arkansas.....		1,463,584	509,736	993,035	1,502,771
California.....		19,428,692	6,392,424	13,571,836	19,964,260
Colorado.....	1.278784734	1,075,353	321,223	1,003,993	1,325,216
Connecticut.....	1.325291045	1,178,769	392,244	1,085,202	1,477,446
Delaware.....		646,831	216,892	447,605	664,497
District of Columbia.....		640,036	0	666,330	666,330
Florida.....	1.173583554	3,172,501	1,110,306	2,519,592	3,629,898
Georgia.....	1.600951268	1,682,386	547,145	1,892,151	2,439,296
Hawaii.....	1.424497431	403,079	143,690	384,679	528,369
Idaho.....	1.057608902	405,111	130,913	301,912	432,825
Illinois.....		7,334,185	2,277,209	5,264,724	7,541,933
Indiana.....	1.229966228	2,157,095	620,427	1,967,700	2,588,127
Iowa.....	2.000000000	389,775	83,715	637,268	720,983
Kansas.....	2.000000000	80,158	0	166,905	166,905
Kentucky.....	1.491195319	1,367,568	466,351	1,399,092	1,865,443
Louisiana.....		3,253,472	1,101,041	2,240,856	3,341,897
Maine.....		918,390	318,830	624,195	943,025
Maryland.....		3,202,776	889,853	2,407,945	3,297,798
Massachusetts.....		4,498,928	1,300,326	3,330,008	4,630,334
Michigan.....		7,379,023	2,104,993	5,490,685	7,595,678
Minnesota.....	2.000000000	879,515	137,844	1,544,293	1,682,137

See footnotes at end of table.

ESTIMATED ALLOCATION OF ANTIRECESSION AND SUPPLEMENTARY FISCAL ASSISTANCE FUNDS PER
CALENDAR QUARTER BY STATE AREA ¹—Continued

State	Scaling factor ²	ARFA amount ³	State government ⁴	Local government ⁵	Total allocation ⁶
Mississippi.....		2,286,441	783,926	1,564,245	2,348,171
Missouri.....	1.038737507	2,290,674	676,744	1,745,340	2,422,084
Montana.....		683,097	244,970	456,131	701,101
Nebraska.....	2.000000000	64,153	0	133,577	133,577
Nevada.....	2.000000000	142,310	49,731	192,767	242,498
New Hampshire.....	2.000000000	71,978	16,507	115,497	132,004
New Jersey.....		5,449,413	1,716,620	3,886,152	5,602,772
New Mexico.....	1.349663233	632,337	217,220	583,288	800,508
New York.....		23,017,136	7,904,617	15,733,364	23,637,981
North Carolina.....	1.717469055	1,791,963	510,618	2,291,084	2,801,702
North Dakota.....	1.586659813	173,131	60,275	186,422	246,697
Ohio.....	1.354091730	3,733,445	1,173,301	3,609,072	4,782,373
Oklahoma.....	2.000000000	204,124	0	425,017	425,017
Oregon.....	1.760102305	774,155	277,442	910,181	1,187,623
Pennsylvania.....		9,354,631	2,969,135	6,647,847	9,616,982
Rhode Island.....		869,408	316,228	575,906	892,134
South Carolina.....	1.252074182	1,317,628	458,039	1,120,489	1,578,528
South Dakota.....	2.000000000	33,933	0	70,654	70,654
Tennessee.....	1.318108633	1,721,654	601,936	1,536,530	2,138,466
Texas.....	1.881790893	3,288,393	603,445	5,260,072	5,863,517
Utah.....	2.000000000	295,987	95,722	416,984	512,706
Vermont.....	1.075165915	353,192	131,688	247,938	379,626
Virginia.....	1.100285651	2,328,718	727,485	1,834,191	2,561,676
Washington.....	1.044366562	1,784,159	611,740	1,274,743	1,886,483
West Virginia.....		2,065,008	911,497	1,200,902	2,112,399

Wisconsin.....	1.785845056	1,624,987	333,778	2,400,613	2,734,391
Wyoming.....	2.000000000	11,029	0	22,966	22,966
American Samoa.....		11,545	0	0	12,908
Guam.....		36,765	0	0	41,103
Puerto Rico.....		1,228,813	0	0	1,373,805
Virgin Islands.....		36,384	0	0	40,677
National.....		132,663,236	41,666,668	105,182,583	148,317,744

¹ Source: Department of the Treasury, Office of Revenue Sharing. (The estimates assume that State and local government unemployment rates for the calendar quarter ending March 31, 1978 continue. For governments which have a higher rate of unemployment when determined on the basis of current population survey methodology, that methodology has been used.)

² Multiple by which a State area's antirecession fiscal assistance (ARFA) allocation is increased in determining the supplementary fiscal assistance distribution for a State area.

³ Total antirecession fiscal assistance allocation for each eligible State and unit of local government within the State based on the unemployment rates for State and local governments for the period Jan. 1, 1978, through Mar. 31, 1978.

⁴ Total supplementary fiscal assistance allocation for each eligible State government.

⁵ Total supplementary fiscal assistance allocation for each eligible unit of local government within the State.

⁶ Total supplementary fiscal assistance allocation for each eligible State and unit of local government within the State.

III. GENERAL EXPLANATION

A. ANTIRECESSION FISCAL ASSISTANCE

1. *Extension, Funding, Amounts and Suspension (section 4 of committee amendment, section 202 of present law).*—Payments to State and local governments under title II of the Public Works Employment Act of 1976, as amended, ended with the calendar quarter beginning July 1, 1978. The payments under that act for the five calendar quarters beginning July 1, 1977, totaled \$1.835 billion.

In considering the extension and amendment of the antirecession program, the committee has taken into account the fact that the improvement in national unemployment has not eliminated the fiscal hardships faced by many State and local governments suffering from high unemployment. Accordingly, the committee amendment extends for an additional 2 years the antirecession program enacted in 1976 and renewed in 1977, by extending the period during which funds are authorized to be spent from five calendar quarters beginning on July 1, 1977, to 13 calendar quarters beginning with that date. The program will thus end on September 30, 1980.

The amount of money authorized to be spent under subtitle A remains approximately the same as it is under the current program: \$125 million per calendar quarter plus \$30 million for each whole one-tenth percentage point by which the average rate of national unemployment for the most recent calendar quarter which ended 3 months before the beginning of such quarter exceeded 6 percent. An additional amount, however, is authorized to be appropriated to account for additional payments necessitated by adjusting unemployment rates upward under section 7 of the committee amendment (new section 206). An aggregate limitation of \$2,250 million is established on the amount that may be appropriated for the 2 years for which the program is extended.

The administration's projections of national unemployment are as follows:

Federal fiscal year 1979	Applicable unemployment rate period for determination of authorized expenditures	Administration's midsession estimates for unemployment rate period (percent)
Quarter:		
I.....	A-M-J, 1978.....	¹ 5.9
II.....	J-A-S, 1978.....	6.0
III.....	O-N-D, 1978.....	5.9
IV.....	J-F-M, 1979.....	5.8

¹ Actual.

Federal fiscal year 1980	Unemployment rate period	Extension of midsession estimates (not forecast) (percent)
Quarter:		
I.....	A-M-J, 1979.....	5.7
II.....	J-A-S, 1979.....	5.7
III.....	O-N-D, 1979.....	5.6
IV.....	J-F-M, 1980.....	5.5

Subtitle A of the renewed program differs from the present program in that under a new section 202(d), the program will continue to distribute \$125 million per quarter if the national unemployment rate equals 6 percent. Additionally, subtitle A will not be suspended unless the national unemployment rate falls below 6 percent for two consecutive calendar quarters.

Payments are to be resumed under subtitle A after a suspension for any calendar quarter beginning 3 months after a calendar quarter in which unemployment rises to 6 percent or more.

Effective date

The committee amendment is effective for calendar quarters beginning on or after October 1, 1978.

2. *Reservation and Allocation to States (section 203 of present law).*—The current allocation formula with respect to State governments will continue under subtitle A without amendment. One-third of the amount authorized to be appropriated under subtitle A is to be reserved for the States. From this amount, the Secretary of the Treasury allocates to each individual State government a percentage of the amount reserved for all States equal to the quotient resulting from the division of the product of the amount by which the State's unemployment rate exceeds 4.5 percent multiplied by that State's share of amounts reserved for all States under the general revenue sharing program by the sum of such products for all States.

3. *Reservation and Allocation to Local Governments (section 203 of present law).*—The current allocation formula with respect to local governments will continue under subtitle A without amendment. The remaining two-thirds of the amount authorized to be appropriated under subtitle A will be distributed to each local government as a percentage of the amount reserved for all local governments equal to the quotient resulting from the division of the product of the amount by which the local government's unemployment rate exceeds 4.5 percent multiplied by that local government's share of amounts reserved for all local governments under the general revenue sharing program by the sum of all such products for all units of local government.

4. *Definition of Local Unemployment Rates, Allocations and Retroactive Payments Based on Pre-1978 Methodology (sections 5 and 7 of the committee amendment, sections 203(c)(3)(B) and 206, as amended, of present law).*—Section 203 (c)(3)(B) defines the term “local government unemployment rates” used to make allocations under subtitles A and B, as well as to determine whether payments to individual governments are suspended pursuant to amended section 202(d). That definition is amended to provide that local unemployment rates for governments which encompass, or are located within, a standard metropolitan statistical area or central city are to be adjusted whenever the application of the current population survey methodology for calculating unemployment rates used before January 1, 1978 applicable to those SMSA’s and cities would result in a higher unemployment rate.

As of January 1, 1978, the Bureau of Labor Statistics terminated the use of current population survey (CPS) data on an annual average basis as the method of determining unemployment rates for the above-referenced areas. The change in methodology resulted in the determination of significantly reduced unemployment rates for some areas. The reduction in some instances was very substantial. In the case of Milwaukee, Wis., for example, the change in methodology resulted in a 45-percent decrease in that city’s rate of unemployment. Consequently, allocations under subtitles A and B to some governments would be reduced simply as a result of this change in methodology.

To “hold harmless” those jurisdictions adversely affected by this change in methodology by the Bureau of Labor Statistics, section 206 of the present law is amended to provide that the Secretary must adjust a local government’s allocation sufficiently to assure that affected governments do not receive less than they otherwise would have been allocated if their unemployment rates were calculated by the CPS methodology used prior to January 1, 1978.

A National Commission of Unemployment Statistics has been established to assess the current procedures and methods used in the collection and analysis of labor market statistics. The Commission is to submit a report to the President and the Congress by September 1979. After that Commission has made its recommendations and appropriate action has been taken by the Congress and the Bureau of Labor Statistics, the need for this “hold harmless” provision can be reexamined.

In addition, section 206(b)(2) provides that the Secretary shall make a lump sum supplemental payment to local governments within an SMSA or central city which had been affected by the termination of the use of CPS methodology prior to October 1, 1978. That payment will be in an amount such that the total prior allocations made under the current law will not be less than the amount that otherwise would have been allocated to such local government if their unemployment rates were calculated by the CPS methodology used before January 1, 1978.

5. *Repeal of Special Reports Requirement (section 6 of committee amendment and sections 209 and 205(6) of present law).*—Under present law, each State and unit of local government that receives payments is required to report to the Secretary of the Treasury any change in any tax that it imposes, and any substantial reduction in the number of its employees or the services it provides; in addition, each State

receiving payments under present law must report any decrease in State aid to local governments. The committee amendment repeals these reporting requirements, and deletes them from the list of assurances that recipient governments must make under section 205 as a precondition to receiving payments under the program.

6. *Payments and Suspension of Payments to Individual Jurisdictions (section 8 of committee amendment and section 210 of present law).*—As in present law, the Secretary shall make payments to eligible State and local governments within 5 days of the commencement of a calendar quarter, except for the calendar quarter beginning October 1, 1978 for which payments under subtitles A or B may be made on or before November 30, 1978, because of anticipated difficulties in completing the administrative functions necessary to make the allocations.

Also as under present law, a State or unit of local government is entitled to receive payments only so long as its unemployment rate is above 4.5 percent. If that rate is equal to or is less than 4.5 percent for a calendar quarter, then payments to that government are suspended for the calendar quarter beginning 3 months later. If unemployment thereafter increases to a rate above 4.5 percent for a calendar quarter, payments are to be resumed for the quarter beginning 3 months after the calendar quarter with the increased unemployment rate.

The committee amendment changes present law in that payments are not suspended if the rate of unemployment equals or is less than 4.5 percent during just the last month of the next preceding calendar quarter, but only if the average rate of unemployment for the entire calendar quarter does not exceed 4.5 percent.

7. *Data Provision Responsibilities and Program Studies (section 9 of the committee amendment and section 215 of present law).*—The committee amendment requires the Secretary of Labor, through the Bureau of Labor Statistics, to provide the Secretary of the Treasury with all the necessary unemployment rates and other data, and to calculate and designate all the necessary unemployment rates required for administration of the program. The committee has also concluded that there is no further need to require the Comptroller General, the Congressional Budget Office and the Advisory Committee on Intergovernmental Relations to make the studies required by section 215 of the present law. The committee amendment, therefore, substitutes in section 215 the data provision responsibilities imposed on the Secretary of Labor in place of the requirements in present law that certain studies be made.

8. *Territorial Allotment (section 10 of committee amendment and section 216(a) of present law).*—Section 10 of the committee amendment includes Puerto Rico, Guam, American Samoa, and the Virgin Islands in the 2-year extension of the program on the same basis on which such governments participate under present law.

B. SUPPLEMENTARY FISCAL ASSISTANCE

Although unemployment rates are declining on a national basis, unemployment remains severe in many States and local communities. The committee has, therefore, recognized the need to continue supplementary fiscal assistance to hard-pressed State and local governments whose unemployment rates continue to exceed 4.5 percent when the national unemployment rate falls below 6 percent.

Subtitle B of the committee amendment establishes a program of supplementary fiscal assistance to States and units of local government similar to the program under present law (as extended in subtitle A), but differing in certain respects. For example, the maximum amounts authorized to be appropriated for each calendar quarter for such payments is \$125 million plus the sums necessary to take into account adjustments made for calculating unemployment rates on the basis of CPS data and additional payments pursuant to section 232(d). The program becomes operative only if the average rate of national unemployment has been less than 6 percent for two consecutive calendar quarters but is not less than 5 percent.

1. *Authorization, Funding and Suspension (section 11 of committee amendment, section 231 of new law).*—Whenever the average rate of national unemployment is less than 6 percent but not less than 5 percent and subtitle A is suspended, the Secretary is authorized to distribute supplementary fiscal assistance to States and units of local governments experiencing unemployment rates above 4.5 percent. As in present law, the Secretary shall make payments to eligible State and local governments within 5 days of the commencement of a calendar quarter.

Under subsection (c), the sum of \$125 million per calendar quarter is authorized to be appropriated, plus whatever additional sums will be necessary because of any additional payments under section 232(d), and any increases in allocations necessitated by the use of the adjusted unemployment rates required by section 206.

Under subsection (d), all payments under the program are suspended if the national unemployment rate falls below 5 percent or equals or exceeds 5 percent during a single calendar quarter. This differs from the program under subtitle A which requires two consecutive calendar quarters with unemployment rates below the statutory level before all payments under that subtitle are suspended. Payments are to be resumed after the unemployment rate again exceeds 5 percent but is less than 6 percent.

2. *Reservation and Allocation to States (section 11 of committee amendment, section 232 (a), (b) of new law).*—As under subtitle A, one-third of the amount authorized to be appropriated under subtitle B is reserved to the States; the remaining two-thirds is reserved for eligible units of local government. From the one-third set aside for State governments, the Secretary shall allocate to each individual State government, subject to the supplemental allocation in section 232(d) and the limitation in section 233, an amount proportionately equal to what the government would receive under the formula in the present law and its extension under subtitle A.

“Unemployment rate,” “excess unemployment percentage,” and other terms defined in subtitle A and in present law, are incorporated in subtitle B under section 232(a)(3). These definitions incorporate the adjustment in unemployment rates required by sections 5 and 7 of the committee amendment, amending sections 203(c)(3)(B) and 206 of the present law.

3. *Reservation and Allocation to Local Governments (section 11 of committee amendment, section 232 (a), (c) of new law).*—As under subtitle A, two-thirds of the amount authorized to be appropriated under subtitle B is reserved to units of local governments. From this amount the Secretary is to allocate to each unit of local government, subject

to the supplemental allocation in section 232(d) and the adjustment provided under section 206, an amount proportionately equal to what the government would receive under the formula in the present law and its extension under subtitle A.

4. *Supplemental Allocation (section 11 of committee amendment, section 232(d) of new law).*—In addition to amounts allocated to State and local governments under new subsections 232 (b) and (c), the committee amendment requires another computation to determine whether a State or local government will receive a supplemental allocation of funds. This provision for a supplemental allocation reflects the committee's concern about the regional distribution of funds and the importance the committee attaches to the use of tax effort, need and population as a basis for the allocation of funds. The supplemental allocation based on the computation will be made without disturbing the basic pattern of distributing funds to State and local governments based on unemployment rates in excess of 4.5 percent.

The determination of whether a government will receive a supplemental allocation is computed on a State area basis. First, the Secre-

3. *Reservation and Allocation to Local Governments (section 11 of committee amendment, section 232 (a), (c) of new law).*—As under subtitle A, tary determines the amount which would be allocated to a State area using the allocation formula in subsections 232 (b) and (c)—the sum of the funds allocated to the State government and each unit of local government with an unemployment rate in excess of 4.5 percent. Next, a State area general revenue sharing allocation is determined for each State by scaling the national general revenue sharing allocation for the most recently completed entitlement down to a level of \$125 million. (The general revenue sharing amount must be scaled down since approximately \$6.82 billion is distributed for each annual entitlement period, while payments under subtitle B will be substantially less.) To accomplish this, the general revenue sharing allocation to each State area is multiplied by the quotient of \$125 million divided by the revenue sharing allocations for all State and local governments which received funds for such entitlement period but without making an adjustment for noncontiguous States.

The State area allocation under subsections 232 (b) and (c) is then compared to the State area general revenue sharing allocation. If the revenue sharing allocation for a particular State area exceeds the State area allocation under subsections 232 (b) and (c), that State area is eligible for a supplemental allocation. Trial allocations based on unemployment rates and revenue sharing allocation data for the July 1, 1978, payment quarter indicate that 33 State areas would have been eligible for a supplemental allocation had subtitle B been in effect.

The supplemental allocation of a government is the amount by which the government's allocation under subsections 232 (b) or (c) will be increased so that its total allocation will equal the product of the allocation of that government under the excess unemployment rate formula of subsections 232 (b) or (c), multiplied by its State area "revenue sharing multiple." The revenue sharing multiple for each State area is equal to the quotient of its State area antirecession revenue sharing allocation divided by its State area allocation under subsections 232 (b) and (c), provided such quotient exceeds one and is not more than two. If the quotient is more than 2, then the multiple is limited to 2.

Example 1: City X is allocated \$10,000 under the formula in section 232(c), and it is in a State area with a revenue sharing multiple of 1.2. The supplemental allocation of city X is \$2,000 and the total allocation is \$12,000 (\$10,000 times 1.2).

Example 2: City Y is allocated \$10,000 under the formula in section 232(c), and it is in a State area where the quotient is 2.4. In that event, the multiple is limited to 2, the supplemental allocation to city X is \$10,000, and its total allocation is \$20,000 (\$10,000 times 2).

Example 3: City Z, also allocated \$10,000 under the formula in section 232(c), is in a State area where the quotient is 0.8; that is, its proportional general revenue sharing allocation is less than its allocation under section 232(c). In that event, no supplemental allocation is made. Instead, city Z receives \$10,000 under section 232(c).

5. *Special Limitations (section 11 of the committee amendment and section 232 (c)(3), (4) of the new law).*—As under the present law no amount is to be allocated to a unit of local government which would be allocated less than \$100 for a particular calendar quarter. In addition, a new provision has been added by the committee so that in cases where a local government is scheduled to receive not more than \$10,000 under section 232(c) as adjusted by sections 206 and 232(d) for any calendar quarter, that government will receive a single payment which includes its entitlement under the State and Local Fiscal Assistance Act of 1972, as amended. In such cases the Secretary of the Treasury will provide the government with a notice which states the portion of such single payment which is attributable to subtitle B. The committee adopted this provision to reduce the administrative burdens imposed on recipient governments and to consolidate the distribution of Federal funds.

6. *Suspension of Payment to Individual Jurisdictions (section 11 of committee amendment, section 232(e) of the new law).*—As under subtitle A and present law, a State or unit of local government is entitled to receive payments only so long as its unemployment rate is above 4.5 percent. If that rate is equal to or is less than 4.5 percent for a calendar quarter, then payments to that government are suspended for the calendar quarter beginning 3 months later. If unemployment thereafter increases to a rate above 4.5 percent for a calendar quarter, payments are to be resumed for the quarter beginning 3 months after the calendar quarter with the increased unemployment rate.

7. *Limitations on Payments (section 11 of the committee amendment and section 233 of the new law).*—State government allocations are constrained by section 233(a). That section limits quarterly payments under subtitle B to the amount that a State government received under subtitle A for the most recent calendar quarter for which payments were made under that subtitle. The funds which would be allocated to State governments but for this limitation are to be re-allocated to units of local government on a national basis.

8. *Administrative Provisions (section 11 of committee amendment, section 234 of the new law).*—The various administrative provisions of present law, as amended by the committee's action, are made applicable to allocations pursuant to subtitle B.

ESTIMATED ALLOCATION OF ANTIRECESSION (ARFA) AND SUPPLEMENTARY ASSISTANCE FUNDS (SFA) FOR
THE 200 LARGEST PLACES ¹

Unit of government	Subtitle A quarterly allocation (ARFA)	Subtitle B quarterly allocation (SFA)	Fiscal year 1979 ² allocation	Fiscal year 1980 ² allocation
State of Alabama	553,339	553,339	2,213,356	2,213,356
Jefferson County.....	49,177	65,120	212,651	260,480
Mobile County.....	47,985	63,540	207,495	254,160
State of Alaska.....	288,105	288,105	1,152,420	1,152,420
State of Arizona.....	367,398	367,398	1,469,592	1,469,592
Maricopa County.....	69,589	91,405	300,172	365,620
Phoenix City.....	70,094	92,068	302,350	368,272
Pima County.....	53,479	70,245	230,682	280,980
State of Arkansas.....	509,736	509,736	2,038,944	2,038,944
State of California.....	6,392,424	6,392,424	25,569,696	25,569,696
Alameda County.....	246,134	256,246	994,648	1,024,984
Oakland City.....	179,753	187,138	726,397	748,552
Contra Costa County.....	92,585	96,389	374,144	385,556
Fresno County.....	371,614	386,881	1,501,723	1,547,524
Kern County.....	312,005	324,823	1,260,838	1,299,292
Los Angeles County.....	2,087,116	2,172,860	8,434,208	8,691,440
Long Beach City.....	89,976	93,672	363,600	374,688
Los Angeles City.....	1,218,968	1,269,046	4,925,950	5,076,184
Orange County.....	62,699	65,275	253,372	261,100
Riverside County.....	203,382	211,737	821,883	846,948
Sacramento County.....	260,363	271,059	1,052,148	1,084,236
San Bernardino County.....	333,289	346,981	1,346,848	1,387,924

See footnotes at end of table.

ESTIMATED ALLOCATION OF ANTIRECESSION (ARFA) AND SUPPLEMENTARY ASSISTANCE FUNDS (SFA) FOR
THE 200 LARGEST PLACES ¹—Continued

Unit of government	Subtitle A quarterly allocation (ARFA)	Subtitle B quarterly allocation (SFA)	Fiscal year 1979 ² allocation	Fiscal year 1980 ² allocation
State of California—Continued				
San Diego County.....	425,487	442,967	1,719,428	1,771,868
San Diego City.....	243,624	253,633	984,505	1,014,532
San Francisco City.....	397,684	414,022	1,607,074	1,656,088
San Mateo County.....	12,414	12,924	50,166	51,696
Santa Clara County.....	145,034	150,992	586,094	603,968
San Jose City.....	110,629	115,174	447,061	460,696
Ventura County.....	173,823	180,964	702,433	723,856
State of Colorado.....				
Denver City.....	223,208	297,161	966,785	1,188,644
State of Connecticut.....				
State of Delaware.....	392,244	392,244	1,568,976	1,568,976
New Castle County.....	216,892	216,892	867,568	867,568
District of Columbia.....	175,672	182,889	709,905	731,556
District of Columbia.....	640,036	666,330	2,586,438	2,665,320
State of Florida.....				
Broward County.....	1,110,306	1,110,306	4,441,224	4,441,224
Dade County.....	58,758	71,790	248,064	287,160
Miami City.....	270,147	330,065	1,140,506	1,320,260
Jacksonville City.....	211,186	258,026	891,584	1,032,104
Hillsborough County.....	93,933	114,767	396,566	459,068
Orange County.....	34,477	42,124	145,555	168,496
Palm Beach County.....	37,413	45,711	157,950	182,844
Pinellas County.....	38,247	46,730	161,471	186,920
Pinellas County.....	48,086	58,751	203,009	235,004

State of Georgia.....	547,145	547,145	2,188,580	2,188,580
De Kalb County.....	33,493	55,824	156,303	223,296
Fulton County.....	144,763	241,280	675,569	965,120
Atlanta City.....	147,932	246,562	690,358	986,248
State of Hawaii.....	143,690	143,690	574,760	574,760
Honolulu City.....	168,363	249,686	754,775	998,744
State of Idaho.....	130,913	130,913	523,652	523,652
State of Illinois.....	2,277,209	2,277,209	9,108,836	9,108,836
Cook County.....	289,913	301,823	1,171,562	1,207,292
Chicago City.....	2,547,129	2,651,772	10,293,159	10,607,088
Du Page County.....	5,633	5,864	22,763	23,456
Lake County.....	11,479	11,951	46,388	47,804
State of Indiana.....	620,427	620,427	2,481,708	2,481,708
Lake County.....	49,962	63,977	213,863	255,908
Indianapolis City.....	405,413	519,130	1,735,369	2,076,520
State of Iowa.....	83,715	83,715	334,860	334,860
State of Kansas.....	0	0	0	0
Sedgwick County.....	0	0	0	0
State of Kentucky.....	466,351	466,351	1,865,404	1,865,404
Jefferson County.....	33,144	51,454	150,886	205,816
Louisville City.....	92,064	142,925	419,117	571,700
State of Louisiana.....	1,101,041	1,101,041	4,404,164	4,404,164
Jefferson Parish.....	117,396	122,219	474,407	488,876
New Orleans City.....	327,715	341,178	1,324,323	1,364,712
State of Maine.....	318,830	318,830	1,275,320	1,275,320
State of Maryland.....	889,853	889,853	3,559,412	3,559,412
Anne Arundel County.....	32,921	34,273	133,036	137,092
Baltimore County.....	212,713	221,452	859,591	885,808
Baltimore City.....	1,224,862	1,275,183	4,949,769	5,100,732
Montgomery County.....	0	0	0	0
Prince Georges County.....	0	0	0	0

See footnotes at end of table.

ESTIMATED ALLOCATION OF ANTIRECESSION (ARFA) AND SUPPLEMENTARY ASSISTANCE FUNDS (SFA) FOR
THE 200 LARGEST PLACES ¹—Continued

Unit of government	Subtitle A quarterly allocation (ARFA)	Subtitle B quarterly allocation (SFA)	Fiscal year 1979 ² allocation	Fiscal year 1980 ² allocation
State of Massachusetts	1,300,326	1,300,326	5,201,304	5,201,304
Bristol County	15,629	16,271	63,158	65,084
Essex County	16,204	16,870	65,482	67,480
Hampden County	10,238	10,659	41,373	42,636
Middlesex County	23,003	23,948	92,957	95,792
Norfolk County	4,198	4,370	16,964	17,480
Plymouth County	17,431	18,147	70,440	72,588
Boston City	766,910	798,417	3,099,147	3,193,668
Worcester County	14,618	15,219	59,073	60,876
State of Michigan	2,104,993	2,104,993	8,419,972	8,419,972
Genesee County	56,854	59,190	229,752	236,760
Kent County	12,756	13,280	51,548	53,120
Macomb County	41,941	43,664	169,487	174,656
Oakland County	56,965	59,305	230,200	237,220
Wayne County	372,293	387,588	1,504,467	1,550,352
Detroit City	1,936,328	2,015,878	7,824,862	8,063,512
State of Minnesota	137,844	137,844	551,376	551,376
Hennepin County	0	0	0	0
Minneapolis City	0	0	0	0
Ramsey County	0	0	0	0
State of Mississippi	783,926	783,926	3,135,704	3,135,704

State of Missouri.....	676,744	676,744	2,706,976	2,706,976
Jackson County.....	30,268	32,733	123,537	130,932
Kansas City.....	133,237	144,084	543,795	576,336
St. Louis County.....	54,822	59,285	223,751	237,140
St. Louis City.....	596,778	645,363	2,435,697	2,581,452
State of Montana.....	244,970	244,970	979,880	979,880
State of Nebraska.....	0	0	0	0
Douglas County.....	5,525	11,504	28,079	46,016
Omaha City.....	23,837	49,633	121,144	198,532
State of Nevada.....	49,731	49,731	198,924	198,924
State of New Hampshire.....	16,507	16,507	66,028	66,028
State of New Jersey.....	1,716,620	1,716,620	6,866,480	6,866,480
Bergen County.....	37,936	39,495	153,303	157,980
Burlington County.....	41,517	43,223	167,774	172,892
Camden County.....	92,074	95,857	372,079	383,428
Essex County.....	234,861	244,510	949,093	978,040
Newark City.....	498,963	519,462	2,016,351	2,077,848
Hudson County.....	218,109	227,069	881,396	908,276
Mercer County.....	17,591	18,314	71,087	73,256
Middlesex County.....	47,390	49,337	191,507	197,348
Monmouth County.....	62,515	65,083	252,628	260,332
Morris County.....	11,253	11,715	45,474	46,860
Passaic County.....	86,240	89,783	348,503	359,132
Union County.....	29,465	30,676	119,071	122,704
State of New Mexico.....	217,220	217,220	868,880	868,880
Bernalillo County.....	37,468	52,647	165,051	210,588

See footnotes at end of table.

ESTIMATED ALLOCATION OF ANTIRECESSION (ARFA) AND SUPPLEMENTARY ASSISTANCE FUNDS (SFA) FOR
THE 200 LARGEST PLACES ¹—Continued

Unit of government	Subtitle A quarterly allocation (ARFA)	Subtitle B quarterly allocation (SFA)	Fiscal year 1979 ² allocation	Fiscal year 1980 ² allocation
State of New York.....	7,904,617	7,904,617	31,618,468	31,618,468
Erie County.....	307,425	320,055	1,242,330	1,280,220
Buffalo City.....	366,798	381,858	1,482,225	1,527,432
Monroe County.....	49,194	51,215	198,797	204,860
Nassau County.....	290,326	302,253	1,173,231	1,209,012
Hemstead Town.....	79,692	82,966	322,042	331,864
Oyster Bay Town.....	28,699	29,878	115,975	119,512
New York City.....	9,865,723	10,271,033	39,868,202	41,084,132
Onondaga County.....	66,885	69,633	270,288	278,532
Suffolk County.....	351,810	366,263	1,421,693	1,465,052
Westchester County.....	77,844	81,042	314,574	324,168
State of North Carolina.....	510,618	510,618	2,042,472	2,042,472
Mecklenburg County.....	0	0	0	0
State of North Dakota.....	60,275	60,275	241,100	241,100
State of Ohio.....	1,173,301	1,173,301	4,693,204	4,693,204
Cuyahoga County.....	77,230	108,873	340,563	435,492
Cleveland City.....	341,901	481,985	1,507,688	1,927,940
Franklin County.....	14,337	20,212	63,223	80,848
Columbus City.....	75,678	106,685	333,719	426,740
Hamilton County.....	68,617	96,731	302,582	386,924
Cincinnati City.....	222,454	313,598	980,960	1,254,392
Lucas County.....	33,090	46,648	145,918	186,592
Toledo City.....	93,527	131,847	412,428	527,388
Montgomery County.....	10,892	15,355	48,031	61,420
Stark County.....	16,317	23,003	71,954	92,012
Summit County.....	29,986	42,272	132,230	169,088

State of Oklahoma.....	0	0	0	0
Oklahoma County.....	0	0	0	0
Oklahoma City.....	0	0	0	0
Tulsa County.....	0	0	0	0
Tulsa City.....	0	0	0	0
State of Oregon.....	277,442	277,442	1,109,768	1,109,768
Multnomah County.....	30,272	55,471	146,287	221,884
Portland City.....	60,719	111,263	293,420	445,052
State of Pennsylvania.....	2,969,135	2,969,135	11,876,540	11,876,540
Allegheny County.....	271,580	282,737	1,097,477	1,130,948
Pittsburgh City.....	437,878	455,867	1,769,501	1,823,468
Bucks County.....	48,285	50,269	195,124	201,076
Delaware County.....	83,501	86,931	337,434	347,724
Lancaster County.....	6,964	7,250	28,142	29,000
Luzerne County.....	72,542	75,522	293,148	302,088
Montgomery County.....	41,063	42,750	165,939	171,000
Philadelphia City.....	1,877,085	1,954,201	7,585,456	7,816,804
Westmoreland County.....	75,527	78,630	305,211	314,520
State of Rhode Island.....	316,228	316,228	1,264,912	1,264,912
State of South Carolina.....	458,039	458,039	1,832,156	1,832,156
State of South Dakota.....	0	0	0	0
State of Tennessee.....	601,936	601,936	2,407,744	2,407,744
Metro Nashville-Davidson.....	0	0	0	0
Shelby County.....	55,327	75,923	241,904	303,692
Memphis City.....	72,712	99,779	317,915	399,116

See footnotes at end of table.

ESTIMATED ALLOCATION OF ANTIRECESSION (ARFA) AND SUPPLEMENTARY ASSISTANCE FUNDS (SFA) FOR
THE 200 LARGEST PLACES ¹—Continued

Unit of government	Subtitle A quarterly allocation (ARFA)	Subtitle B quarterly allocation (SFA)	Fiscal year 1979 ² allocation	Fiscal year 1980 ² allocation
State of Texas.....	603,445	603,445	2,413,780	2,413,780
Bexar County.....	80,034	156,794	396,896	627,176
San Antonio City.....	155,461	304,564	770,947	1,218,256
Dallas County.....	0	0	0	0
Dallas City.....	0	0	0	0
El Paso County.....	69,172	135,515	343,031	542,060
El Paso City.....	235,017	460,422	1,165,473	1,841,688
Harris County.....	106,128	207,916	526,300	831,664
Houston City.....	236,704	463,726	1,173,838	1,854,904
Tarrant County.....	17,969	35,203	89,110	140,812
Fort Worth City.....	45,622	89,378	226,244	357,512
Travis County.....	0	0	0	0
State of Utah.....	95,722	95,722	382,888	382,888
Salt Lake County.....	23,900	49,764	121,464	199,056
State of Vermont.....	131,688	131,688	526,752	526,752
State of Virginia.....	727,485	727,485	2,909,940	2,909,940
Fairfax County.....	0	0	0	0
State of Washington.....	611,740	611,740	2,446,960	2,446,960
King County.....	61,343	66,697	250,726	266,788
Seattle City.....	86,804	94,379	354,791	377,516
Pierce County.....	51,663	56,172	211,161	224,688
State of West Virginia.....	911,497	911,497	3,645,988	3,645,988

State of Wisconsin.....	333,778	333,778	1,335,112	1,335,112
Milwaukee County.....	167,210	310,879	812,509	1,243,516
Milwaukee City.....	382,189	710,570	1,857,137	2,842,280
State of Wyoming.....	0	0	0	0

¹ Source: Department of the Treasury Office of Revenue Sharing. (The estimates assume that State and local government unemployment rates for the calendar quarter ending March 31, 1978 continue. For governments which have a higher rate of unemployment when determined on the basis of current population survey methodology, that methodology has been used.)

² Estimate based on the distribution of ARFA funds for 3 calendar quarters and SFA funds for the final quarter of fiscal year 1979. The fiscal year 1980 allocation assumes distribution of SFA funds for 4 calendar quarters.

IV. REGULATORY IMPACT OF THE BILL

In compliance with paragraph 5 of rule XXIX of the Standing Rules of the Senate, the following statements are made concerning the regulatory impact of the bill.

The bill represents a continuation of a fiscal assistance program for State and local governments. This program does not involve the regulation of individuals or businesses. While the bill makes some changes in the formulas for providing fiscal assistance, the Committee does not anticipate that there will be any significant change in the paperwork requirements directly related to the claiming of grants. The bill does, however, eliminate certain unnecessary studies and reports so that the overall net impact of the bill should be a reduction in paperwork. The bill has no impact on privacy and no direct economic impact on individuals or businesses. Indirectly, however, it should benefit individuals and businesses by enabling States and localities to maintain healthier local economies.

V. BUDGETARY IMPACT OF THE BILL

In compliance with section 252(a) of the Legislative Reorganization Act of 1970 and section 403 of the Congressional Budget Act of 1974, the following statements are made concerning the budgetary impact of the bill.

The bill contains an authorization for the appropriation of funds to provide grants to States and localities according to formulas specified in the bill. While all funding under the bill would be available only to that extent that appropriations are actually provided, the committee anticipates that the full amount authorized will, in fact, be appropriated. The committee accepts the estimates of the Congressional Budget Office that the authorization and expenditure amounts will be \$0.55 billion for fiscal year 1979 and \$0.60 billion for fiscal year 1980. The bill has no budgetary impact beyond fiscal year 1980. The estimate of the cost of the bill prepared by the Congressional Budget Office appears below.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, D.C., August 25, 1978.

HON. RUSSELL B. LONG,
Chairman, Committee on Finance,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: Pursuant to section 403 of the Congressional Budget Act of 1974, the Congressional Budget Office has prepared the attached cost estimate for H.R. 2852, the Intergovernmental Antirecession and Fiscal Assistance Amendments of 1978.

Should the committee so desire, we would be pleased to provide further details on the attached cost estimate.

Sincerely,

ROBERT A. LEVINE
(For Alice M. Rivlin, Director).

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 25, 1978.

1. Bill No. H.R. 2852.

2. Bill title: "Intergovernmental Antirecession and Fiscal Assistance Amendments of 1978."

3. Bill status: As ordered reported by the Senate Committee on Finance on August 10, 1978.

4. Bill purpose: This bill provides for an extension of the countercyclical revenue sharing program for 2 additional years beginning October 1, 1978. The program is designed to be two-tiered to avoid sudden cessation of funds to local areas of high unemployment because of a drop in the national unemployment rate.

Subtitle A will continue to allocate funds to state and local units of government with unemployment rates of over 4.5 percent when the national unemployment rate is 6 percent and above. In the event that the national unemployment rate is below 6 percent for two consecutive quarters, the following (third) quarter will be paid and the subtitle A funds will be suspended. Subtitle B will then become operative. State and local governments with an unemployment rate over 4.5 percent are entitled to receive funds while the national unemployment rate is equal to or more than 5 percent and less than 6 percent. If the national unemployment rate falls below 5 percent for 1 calendar year, one additional quarter will be paid and the funds will be suspended.

5. Cost estimate: It is assumed that this program will continue to be administered out of the Office of General Revenue Sharing and that such sums as may be necessary to cover the costs of administering the program will be provided.

Under subtitle A, section 202(b) authorizes for distribution to State and local governments \$125 million for each quarter beginning after September 30, 1978. In addition, there is authorized \$30 million for each 0.1 percent that the national unemployment is in excess of 6 percent. To insure that no unit of government receives a reduction in funding, subtitle B, section 231(c), authorizes funds to be allocated for quarterly payments based on either the general revenue sharing formula or the countercyclical formula, whichever is greater for each State area. The bill authorizes such sums as may be necessary to cover costs in excess of the quarterly payment of \$125 million. State governments cannot receive a greater amount under subtitle B than they received under the most recent payment under subtitle A.

Section 106 of the bill provides for supplemental payments to be made to local governments whose allocations have been reduced because the current population survey method of calculating local unemployment rates is no longer used. The supplemental payments can only be made to local governments encompassing or within a standard metropolitan statistical area (SMSA) or a central city that used the current population survey in their method of calculating unemployment rates. Payments are adjusted so that the allocations are not less than what would have been allocated under the method used prior to January 1, 1978. In addition, a retroactive supplemental payment is authorized for the period from January 1 to September 30, 1978. According to the Office of General Revenue Sharing the amount for current payments will be approximately \$12

million per year and the amount for prior payments will be a one-time payment of approximately \$15 million.

The budget impact of the bill is summarized in the following table.

[In millions of dollars]

	Fiscal years				
	1979	1980	1981	1982	1983
Authorization amounts ¹ ..	550.3	601.4	.....	.....	.....
Estimated costs:					
Subtitle A.....	375.0	.....	.....	.....	.....
Subtitle B.....	147.0	588.0	.....	.....	.....
Supplemental pay- ments.....	27.0	12.0	.....	.....	.....
Administrative costs..	1.3	1.4	.....	.....	.....
Total costs.....	550.3	601.4	.....	.....	.....

¹ Authorization amounts are determined by the formulas in subtitle A and subtitle B of the bill, plus estimated administrative costs.

The costs of this bill fall within function 850.

6. Basis of estimate: Estimates for subtitle A are based on the formula as stated in the bill and the national unemployment rate as assumed by CBO. It is assumed that there will be three quarters of subtitle A payments in fiscal year 1979.

Estimates for subtitle B are based on analysis prepared by the Office of General Revenue Sharing, U.S. Department of the Treasury because CBO does not have the data necessary to provide an estimate for this section of the bill. The calculations were based on State and local governments' general revenue-sharing payments and countercyclical revenue-sharing payments made in July 1978. It is assumed that the payments will be the same for each of the five quarters during which funds are allocated under subtitle B.

The amounts assumed for this bill and the relevant unemployment rates are shown in the following table.

PAYMENTS BASED ON UNEMPLOYMENT RATES

Fiscal year quarter in which payments are made	Calendar year quarter on which payments are based	Relevant calendar year quarter unemploy- ment rates	Funding (millions)
79:1	78:2	5.88	\$125
79:2	78:3	5.82	125
79:3	78:4	5.82	125
79:4	79:1	5.66	147
80:1	79:2	5.70	147
80:2	79:3	5.67	147
80:3	79:4	5.57	147
80:4	80:1	5.55	147

Administrative costs are estimated based on experience under the expiring antirecession financial assistance program. Fifty-nine percent of the cost is inflated using a specialized price index for Federal pay-raises developed by the Congressional Budget Office (CBO) and 41 percent of the cost is inflated using a specialized price index for Federal purchases of services.

7. Estimate comparison: None.
8. Previous CBO estimate: None.
9. Estimate prepared by Bianca DeLille.
10. Estimate approved by Robert D. Harris, for James L. Blum, Assistant Director for Budget Analysis.

VI. VOTE OF THE COMMITTEE IN REPORTING THE BILL

In compliance with section 133 of the Legislative Reorganization Act of 1946, the following statement is made concerning the vote of the committee to report the bill.

The bill was ordered reported by a rollcall vote as follows: In favor (10): Messrs. Long, Talmadge, Ribicoff, Nelson, Gravel, Bentsen, Hathaway, Matsunaga, Moynihan, and Dole; opposed (4): Byrd (Va.), Curtis, Hansen, and Danforth.

VII. CHANGES IN EXISTING LAW

In compliance with paragraph 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

**PUBLIC WORKS EMPLOYMENT ACT, OF 1976, AS
AMENDED**

* * * * *

TITLE II—ANTIRECESSION PROVISIONS

FINDINGS OF FACT AND DECLARATION OF REPORT

SEC. 201. FINDINGS.—The Congress finds—

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

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

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

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

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

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

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

(8) that both an *antirecession fiscal assistance program* and a *supplementary antirecession fiscal assistance program which aid State and local governments requiring fiscal relief constitute essential elements of a sound Federal fiscal policy.*

Subtitle A—Antirecession Fiscal Assistance

FINANCIAL ASSISTANCE AUTHORIZED

SEC. 202. (a) PAYMENTS TO STATE AND LOCAL GOVERNMENTS.—The Secretary of the Treasury (hereafter in this title referred to as the

“Secretary”) shall, in accordance with the provisions of this title, make payments to States and to local governments to coordinate budget-related actions by such governments with Federal Government efforts to stimulate economic recovery.

(b) **AUTHORIZATION OF APPROPRIATIONS.**—Subject to the provisions of [subsections (c) and (d)] subsection (c) of this section, there are authorized to be appropriated for each of the [five] 13 succeeding calendar quarters (beginning with the calendar quarter which begins on July 1, 1977) for the purpose of payments under this title *the sum of—*

- (1) \$125,000,000, [plus]
- (2) \$30,000,000 multiplied by the number of whole one-tenth percentage points by which the rate of seasonally adjusted national unemployment for the most recent calendar quarter which ended three months before the beginning of such quarter exceeded 6 per centum [.] , and

(3) *such sums as may be necessary to carry out the provisions of section 206.*

(c) **AGGREGATE AUTHORIZATION.**—In no case shall the aggregate amount authorized to be appropriated under the provisions of subsection (b) of this section for the [five] 8 successive calendar quarters beginning with the calendar quarter which begins [July 1, 1977] October 1, 1978, exceed \$2,250,000,000.

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

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

(d) **SUSPENSION OF ASSISTANCE.**—

(1) *SUSPENSION.*—*If the average rate of unemployment for the United States is less than 6 percent for each of 2 consecutive quarters, no amount may be paid under this subtitle for the fourth calendar quarter of the 4 calendar-quarter period which began with the first of such 2 calendar quarters, or for any subsequent calendar quarter.*

(2) *TERMINATION OF SUSPENSION.*—*Notwithstanding paragraph (1) of this subsection, amounts may be paid under this subtitle for calendar quarters beginning after any calendar quarter for which the average rate of unemployment for the United States equals or exceeds 6 percent until such time as paragraph (1) may require another suspension of payments.*

ALLOCATION

SEC. 203. (a) **RESERVATIONS.**—

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

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

(b) STATE ALLOCATION.—

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

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

(A) the State excess unemployment percentage, multiplied by

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

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

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

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

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

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

(c) LOCAL GOVERNMENT ALLOCATION.—

(1) IN GENERAL.—[The Secretary] *Except as provided in section 206(b), the Secretary* shall allocate from amounts reserved under subsection (a)(2) an amount for the purpose of making payments to each local government, subject to the provisions of paragraph (4), equal to the total amount reserved under such subsection for calendar quarter multiplied by the local government percentage.

(2) LOCAL GOVERNMENT PERCENTAGE.—For purposes of this subsection, the local government percentage is equal to the quotient resulting from the division of the product of—

(A) the local excess unemployment percentage, multiplied by

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

(3) SPECIAL RULE.—

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

(B) the local unemployment rate is equal to the rate of unemployment in the jurisdiction of the local government during the appropriate calendar quarter, as determined or assigned by the Secretary of Labor and reported to the

Secretary (in the case of a local government for which the Secretary of Labor cannot determine a local unemployment rate, he shall assign such local government the local unemployment rate of the smallest unit or subunit of local government for which he has determined a local unemployment rate and within the jurisdiction of which such local government is located, unless—

(i) the Governor of the State in which such local government is located has provided the Secretary of Labor with a local unemployment rate for such local government, and

(ii) the Secretary of Labor finds that such local unemployment rate provided by the Governor has been determined in a manner consistent with the procedures and methodologies used by the Secretary of Labor in determining local unemployment rates,

in which case the Secretary of Labor shall assign such local government the local unemployment rate provided by such Governor).

(C) the local revenue sharing amount is the amount determined under section 1227 of Title 31 for the most recently completed entitlement period, as defined under section 1261(b) of Title 31.

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

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

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

(4) *STATISTICAL METHODOLOGY FOR UNEMPLOYMENT RATES.*—Notwithstanding any provision of paragraph (3) to the contrary, in the case of a unit of local government which encompasses, or is within a standard metropolitan statistical area or central city for which current population surveys were used to determine annual unemployment rates before January 1, 1978, the Secretary of Labor shall determine or assign the unemployment rates for such government calculated by the current population survey methodology used prior to January 1, 1978, if such rates are higher than rates determined or assigned by the Secretary of Labor for that government without applying the current population survey methodology.

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

USES OF PAYMENTS

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

STATEMENT OF ASSURANCES

SEC. 205. Each State and unit of local government may receive payments under this title only upon filing with the Secretary, at such time and in such manner as the Secretary prescribes by rule, a statement of assurances. Such rules shall be prescribed by the Secretary not later than ninety days after July 22, 1976. The Secretary may not require any State or local government to file more than one such statement during each fiscal year. Each such statement shall contain—

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

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

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

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

(3) an assurance that reasonable reports will be furnished to the Secretary in such form and containing such information as the Secretary may reasonably require to carry out the purposes of this title and that such report shall be published in a newspaper of general circulation in the jurisdiction of such government unless the cost of such publication is excessive in relation to the amount of the payments received by such government under this title or other means of publicizing such report is more appropriate, in which case such report shall be publicized pursuant to rules prescribed by the Secretary;

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

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

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

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

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

ADJUSTMENTS FOR PAYMENTS

SEC. 206. *Adjustments.*—

(a) *IN GENERAL.*—*Payments under this subtitle and subtitle B may be made with necessary adjustments on account of overpayments or underpayments.*

(b) *CHANGES IN METHODOLOGY.*—

(1) *SUPPLEMENTAL ALLOCATIONS FOR REDUCTIONS ATTRIBUTABLE TO CHANGE IN METHODOLOGY.*—*For any quarterly payment allocated pursuant to section 202, 203, 231, or 232 in which a local government's allocation would be reduced as a result of the termination of the use of current population survey data on an annual average basis to calculate the local unemployment rate as determined or assigned by the Secretary of Labor, the Secretary shall adjust the allocation made pursuant to this subtitle and subtitle B sufficiently to assure that such allocations are not less than the amount that otherwise would have been allocated to such local government under the unemployment rates calculated by the current population survey methodology used before January 1, 1978.*

(2) *LUMP SUM SUPPLEMENTAL PAYMENTS FOR PREVIOUS UNDERPAYMENT.*—*For any previous quarterly payment allocated pursuant to sections 202 and 203 in which a local government's allocation has been reduced as a result of the termination of the use of current population survey data on an annual average basis to calculate the local unemployment rate as determined or assigned by the Secretary of Labor, the Secretary shall make a lump sum supplemental payment such that the total prior allocations made pursuant to this subtitle are not less than the amount that otherwise could have been allocated to such local government under the unemployment rates calculated by the current population survey methodology used before January 1, 1978.*

(3) *SUPPLEMENTAL PAYMENTS LIMITED TO UNITS OF GOVERNMENT WITHIN STANDARD METROPOLITAN STATISTICAL AREAS AND CENTRAL CITIES.*—*No funds shall be made available under paragraphs (1) or (2) to any unit of government which does not encompass, or is not within, a standard metropolitan statistical area or central city for which current population survey methodology was used to determine annual unemployment rates before January 1, 1978.*

NONDISCRIMINATION

SEC. 207. (a)(1) IN GENERAL.—No person in the United States shall, on the grounds 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 of a State government or unit of local government, which government or unit receives funds made available under this subchapter. Any prohibition against discrimination on the basis of age under the Age Discrimination Act of 1975 or with respect to an otherwise qualified handicapped individual as provided in section 504 of the Rehabilitation Act of 1973 shall also apply to any such program or activity. Any prohibition against discrimination on the basis of religion, or any exemption, from such prohibition, as provided in the Civil Rights Act of 1964 or title VIII of the Act of April 11, 1968, commonly referred to as Civil Rights Act of 1968, shall also apply to any such program or activity.

(2)(A) The provisions of paragraph (1) of this subsection shall not apply where any State government or unit of local government demonstrates, by clear and convincing evidence, that the program or activity with respect to which the allegation of discrimination has been made is not funded in whole or in part with funds made available under this title.

(B) The provisions of paragraph (1), relating to discrimination on the basis of handicapped status, shall not apply with respect to construction projects commenced prior to January 1, 1977.

(b) AUTHORITY OF THE SECRETARY.—The provisions of subsection (a) of this section shall be enforced by the Secretary in the same manner and in accordance with the same procedures as are required by sections 122, 124, and 125 of the State and Local Fiscal Assistance Act of 1972 to enforce compliance with section 122(a) of such Act. The Attorney General shall have the same authority, functions, and duties with respect to funds made available under this title as the Attorney General has under sections 122 (g) and (h) and 124(c) of such Act with respect to funds made available under that Act. Any person aggrieved by a violation of subsection (a) of this section shall have the same rights and remedies as a person aggrieved by a violation of subsection (a) of section 122 of such Act, including the rights provided under section 124(c) of such Act.

LABOR STANDARDS

SEC. 208. All laborers and mechanics employed by contractors on all construction projects funded in whole or in part by payments under this title shall be paid wages at rates not less than those prevailing on similar projects in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act. The Secretary of Labor shall have, with respect to the labor standards specified in this section, the authority and functions set forth in Reorganization Plan Numbered 14 of 1950 and section 276c of title 40.

[SPECIAL REPORTS

[SEC. 209. Each State and unit of local government which receives a payment under the provisions of this title shall report to the Secretary any increase or decrease in any tax which it imposes and any sub-

stantial reduction in the number of individuals it employs or in services which such State or local government provides. Each State which receives a payment under the provisions of this title shall report to the Secretary any decrease in the amount of financial assistance which the State provides to the units of local governments during the twelve-month period which ends on the last day of the calendar quarter immediately preceding the date of enactment of this title, together with an explanation of the reasons for such decrease. Such reports shall be made as soon as it is practical and, in any case, not more than six months after the date on which the decision to impose such tax increase or decrease, such reductions in employment or services, or such decrease in State financial assistance is made public.】

PAYMENTS

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

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

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

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

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

(b) **SUSPENSION OF PAYMENTS FOR LOW UNEMPLOYMENT.**—

(1) **SUSPENSION.**—*No amount shall be paid to any State or local government under the provisions of this section for any calendar quarter if the average rate of unemployment within the jurisdiction of such State or local government during the second most recent calendar quarter which ended before the beginning of such calendar quarter did not exceed 4.5 percent.*

(2) **TERMINATION OF SUSPENSION.**—*Amounts may be paid under this subtitle to any State or local government for which payments were suspended under paragraph (1) beginning with any calendar quarter following such suspension which follows a calendar quarter for which the average rate of unemployment within the jurisdiction of the State or local government exceeds 4.5 percent, until such time as paragraph (1) may require another suspension of payments.*

STATE AND LOCAL GOVERNMENT ECONOMIZATION

SEC. 211. Each State or unit of local government which receives payments under this title shall provide assurances in writing to the Secretary, at such time and in such manner and form as the Secretary may prescribe by rule, that it has made substantial economies in its

operations and that payments under this title are necessary to maintain essential services without weakening Federal Government efforts to stimulate the economy through reductions in Federal tax obligations.

WITHHOLDING

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

REPORTS

SEC. 213. The Secretary shall report to the Congress as soon as is practical after the end of each calendar quarter during which payments are made under the provisions of this title. Such report shall include information on the amounts paid to each State and units of local government and a description of any action which the Secretary has taken under the provisions of section 212 during the previous calendar quarter. The Secretary shall report to Congress as soon as is practical after the end of each calendar year during which payments are made under the provisions of this title. Such reports shall include detailed information on the amounts paid to State and units of local government under the provisions of this title, any actions with which the Secretary has taken under the provisions of section 212, and an evaluation of the purposes to which amounts paid under this title were put by State and units of local government and economic impact of such expenditures during the previous calendar year.

ADMINISTRATION

SEC. 214. (a) RULES.—The Secretary is authorized to prescribe, after consultation with the Secretary of Labor, such rules as may be necessary for the purpose of carrying out his functions under this title. Such rules should be prescribed by the Secretary not later than ninety days of July 22, 1976.

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

PROGRAM STUDIES AND RECOMMENDATIONS

SEC. 215. (a) EVALUATION.—The Comptroller General of the United States shall conduct an investigation of the impact which emergency support grants have on the operations of State and local governments and on the national economy. Before and during the course of such investigation the Comptroller General shall consult with and coordinate his activities with the Congressional Budget Office and the Advisory Commission on Intergovernmental Relations. The Comp-

troller General shall report the results of such investigation to the Congress within one year after July 22, 1976, together with an evaluation of the macroeconomic effect of the program established under this title and any recommendations for improving the effectiveness of similar programs. All officers and employees of the United States shall make available all information, reports, data, and any other material necessary to carry out the provisions of this subsection to the Comptroller General upon a reasonable request.

【(b) COUNTERCYCLICAL STUDY.—The Congressional Budget Office and the Advisory Commission on Intergovernmental Relations shall conduct a study to determine the most effective means by which the Federal Government can stabilize the national economy during periods of rapid economic growth and high inflation through programs directed toward State and local governments. Such study shall include a comparison of the effectiveness of alternative factors for triggering and measuring the extent of the fiscal coordination problem addressed by this program, and the effect of the recession on State and local expenditures. Before and during the course of such study, the Congressional Budget Office and the Advisory Commission shall consult with and coordinate their activities with the Comptroller General of the United States. The Congressional Budget Office and the Advisory Commission shall report the results of such study to Congress within two years after July 22, 1976. Such study shall include the opinions of the Comptroller General with respect to such study.

【(c) The Secretary shall, in consultation with the Secretary of Commerce, conduct an investigation of—

(1) the extent to which allocations of funds provided under this section might be more precisely related to true economic conditions by the use of data on aggregate declines in private real wages and salaries;

(2) the extent to which other factors, such as relative tax effort, should also be made part of the allocation system provided by this section; and

(3) the availability and reliability of data concerning Puerto Rico, Guam, the Virgin Islands, American Samoa, and the Trust Territory of the Pacific Islands, and the extent to which such territories may properly be made part of the regular allocation system applicable to the several States.

The results of such investigation shall be submitted to the Congress not later than March 1, 1978, in order that such results may be available during congressional consideration of any extension of this section beyond the fiscal year ending September 30, 1978.】

DATA PROVISION RESPONSIBILITIES

SEC. 215. The Secretary of Labor shall provide information and other necessary data and shall determine and assign unemployment rates necessary for the administration of this title. Such information, data, and rates shall be provided for each State and local government, and shall be made available to the Secretary to assist him in carrying out the provisions of this title. The Secretary of Labor shall also advise the Secretary as to the availability and reliability of relevant information and data.

APPROPRIATIONS

SEC. 216 (a) AUTHORIZATIONS.—There is hereby authorized to be appropriated for each of the [five] 13 succeeding calendar quarters (beginning with the calendar quarter which begins on July 1, 1977) for the purpose of making payments under this title to Puerto Rico, Guam, American Samoa, and the Virgin Islands, an amount equal to 1 percent of the [amount] amounts authorized for each such quarter under [section 202(b)] sections 202(b) and 231(c).

(b)(1) ALLOCATIONS.—The Secretary shall allocate from the amount authorized under subsection (a) of this section an amount for the purpose of making payments to such governments equal to the total authorized for the calendar quarter multiplied by the applicable territorial percentage.

(2) For the purposes of this title, the applicable territorial percentage is equal to the quotient resulting from the division of the territorial population by the sum of the territorial population for all territories.

(3) For purposes of the section—

(A) The term “territory” means Puerto Rico, Guam, American Samoa, and the Virgin Islands.

(B) The term “territorial population” means the most recent population for each territory as determined by the Bureau of Census.

(C) The provisions of sections 203(c)(4), 204, 205, 206, 207, 208, [209,] 210, 211, 212, and 213 of this title shall apply to the funds authorized under this section.

(c) PAYMENT TO LOCAL GOVERNMENTS.—The governments of the territories are authorized to make payments to local governments within their jurisdiction from sums received under this section as they deem appropriate.

Subtitle B—Supplementary Antirecession Fiscal Assistance

FINANCIAL ASSISTANCE AUTHORIZED

SEC. 231. (a) IN GENERAL.—Whenever the average rate of unemployment for the United States equals or exceeds 5 percent and payments under subtitle A of this title are suspended under section 202(d), the Secretary shall, in accordance with the provisions of this subtitle, make payments to State and local governments with unemployment rates above 4.5 percent.

(b) PAYMENTS TO RECIPIENT GOVERNMENTS.—The Secretary shall pay, not later than 5 days after the beginning of each calendar quarter for which payments are authorized under subsection (a), to each State and local government which has filed a statement of assurances under section 205, an amount equal to the amount allocated to such government under section 232.

(c) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated for each of the first 8 calendar quarters beginning after September 30, 1978, \$125,000,000, plus such additional amounts as may be necessary to carry out the provisions of this subtitle and section 206(b)(1), for the purpose of making payments to State and local governments under this subtitle.

(d) *SUSPENSION OF ASSISTANCE.*—

(1) *SUSPENSION.*—If payments are being made under subtitle A or the average rate of unemployment for the United States is below 5 percent during a calendar quarter, no amount may be paid under this subtitle for the third calendar quarter of the 3 calendar-quarter period which begins with such calendar quarter, or for any subsequent calendar quarter.

(2) *TERMINATION OF SUSPENSION.*—Amounts may be paid under this subtitle for any calendar quarter beginning after a calendar quarter for which payments are suspended under paragraph (1) and for which the average rate of unemployment for the United States equals or exceeds 5 percent but is less than 6 percent.

ALLOCATION OF SUPPLEMENTARY AMOUNTS

SEC. 232. (a) *RESERVATIONS FOR ELIGIBLE STATES AND UNITS OF LOCAL GOVERNMENT.*—

(1) *STATE GOVERNMENT AMOUNTS.*—The Secretary shall reserve one-third of the amounts appropriated pursuant to authorization under section 231 for each calendar quarter for the purpose of making payments to eligible State governments under subsection (b) of this section.

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

(3) *DEFINITIONS.*—For purposes of this subtitle, each term used in the section which is defined or described in paragraph (3) of subsection (b) or (c) of section 203 shall have the meaning given to it in that paragraph.

(b) *ALLOCATIONS TO STATE GOVERNMENTS.*—

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

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

(A) the State excess unemployment percentage, multiplied by

(B) the State revenue sharing amount,

by the sum of such products for all the States.

(c) *ALLOCATIONS TO LOCAL GOVERNMENTS.*—

(1) *IN GENERAL.*—The Secretary shall allocate from amounts reserved under subsection (a)(2) an amount for the purpose of making a payment to each local government, equal to the sum of—

(A) the total amount reserved under subsection (a)(2) for the calendar quarter multiplied by the applicable local government percentage, and (B) any supplemental allocation under section 206.

(2) *APPLICABLE LOCAL GOVERNMENT PERCENTAGE.*—For purposes of this subsection, the local government percentage is equal to the percentage resulting from the division of the product of—

(A) the local excess unemployment percentage, multiplied by

(B) the local revenue sharing amount,

by the sum of such products for all local governments.

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

(4) *SUPPLEMENTARY ANTIRECESSION FISCAL ASSISTANCE PAYMENT NOT IN EXCESS OF \$10,000 TO BE COMBINED WITH GENERAL REVENUE SHARING PAYMENT.*—If the amount of any payment to be made under this subtitle to a unit of local government is not more than \$10,000 for a calendar quarter, the Secretary shall combine the amount of such payment with the amount of any payment to be made to such unit under the State and Local Fiscal Assistance Act of 1972 (31 U.S.C. 1221 et seq.), and shall make a single payment to such unit at the time payments are made under that Act. Whenever the Secretary makes a single, combined payment to a unit of local government under this paragraph, he shall notify the unit as to which portion of the payment is allocable to amounts payable under this subtitle and which portion is allocable to amounts payable under that Act.

(d) *SUPPLEMENTAL ALLOCATION.*—

(1) *IN GENERAL.*—Subject to the limitations of section 233(a) the amount allocated to a State government under subsection (b), and the amount allocated to a local government under subsection (c), as adjusted pursuant to section 206, shall be increased to an amount equal to such government's revenue sharing multiple multiplied by the amount allocated to it under such subsection.

(2) *REVENUE SHARING MULTIPLE.*—A government's revenue sharing multiple is the quotient of the State area revenue sharing allocation applicable to such government divided by its State area antirecession allocation. For purposes of paragraph (1), if such quotient is less than 1, then it shall be considered to be 1; if it is more than 2, then it shall be considered to be 2.

(3) *STATE AREA REVENUE SHARING ALLOCATION.*—For each calendar quarter for which payments are to be made under this subtitle, the Secretary shall determine a State area revenue sharing allocation for each of the 50 States. Such allocations shall be the amount computed for each State area pursuant to section 106 of the State and Local Fiscal Assistance Act 1972 (31 U.S.C. 1225), for the most recently completed entitlement period (as defined in section 141(b) of that Act (31 U.S.C. 1262(b))), multiplied by the quotient of \$125,000,000 divided by such revenue sharing allocations for all State and local governments in such entitlement period.

(4) *STATE AREA ANTIRECESSION ALLOCATION.*—For each calendar quarter for which payments are to be made under this subtitle, the Secretary shall determine a State area antirecession allocation for every State. Such allocations shall be computed by adding the amount allocated under subsection (b) to a State government to the amounts allocated under subsection (c), as adjusted pursuant to section 206, to each local government within the jurisdiction of that State.

(e) *SUSPENSION OF PAYMENTS FOR LOW UNEMPLOYMENT.*—

(1) *SUSPENSION.*—No amount shall be paid to any State or unit of local government under the provisions of this section for any calendar quarter if the average rate of unemployment within the jurisdiction of such State or local government during the second most recent calendar quarter which ended before the beginning of such calendar quarter was equal to or less than 4.5 percent.

(2) *TERMINATION OF SUSPENSION.*—Notwithstanding paragraph (1), amounts may be paid under this subtitle to any State or local government for which payments were suspended under paragraph (1) beginning with any calendar quarter following such suspension which follows a calendar quarter for which the average rate of unemployment within the jurisdiction of the State or local government exceeds 4.5 percent.

LIMITATION OF PAYMENTS

SEC. 233. (a) STATE GOVERNMENTS.—No State government shall receive a payment for any calendar quarter under this subtitle which exceeds the amount of the payment such State government received under subtitle A of this title for the most recent calendar quarter for which payments were made under subtitle A.

(b) *REALLOCATION.*—The Secretary shall reallocate any amounts withheld from payment under subsection (a) to units of local government in accordance with the provisions of section 232(c).

APPLICATION OF CERTAIN SUBTITLE A PROVISIONS TO THIS SUBTITLE

SEC. 234. The provisions of sections 204, 205, 206, 207, 208, 211, 212, 213, 214, 215, and 216 shall apply to funds authorized under this subtitle.



ANTIRECESSION AND SUPPLEMENTAL FISCAL ASSIST- ANCE FOR STATE AND LOCAL GOVERNMENTS

SEPTEMBER 15 (legislative day, AUGUST 16), 1978.—Ordered to be printed

Mr. LONG, from the Committee on Finance,
submitted the following

REPORT

together with

ADDITIONAL VIEWS

[To accompany H.R. 2852]

The Committee on Finance, to which was referred the bill (H.R. 2852), having considered the same, reports favorably thereon with an amendment and an amendment to the title and recommends that the bill as amended do pass.

ADDITIONAL VIEWS ON H.R. 2852

We believe that this bill, as currently drafted, represents Federal policy making at its worst. It is an excellent example of why Washington is unable to get control over a \$500 billion budget with annual deficits of \$40 to \$50 billion.

The countercyclical revenue-sharing program was born from laudatory goal—most Federal programs are. It was originally intended to help local governments overcome the unanticipated financial pressures created by national recession. Program funds were supposed to help replace local revenues which had declined because of a downswing in the national business cycle. So the logic went.

However, during the course of translating a good idea into law, the idea was so mangled by parochial political considerations that the original purposes of the program were seriously diluted. With this bill, we go from bad to worse.

To summarize, in order to provide \$300 to \$400 million of Federal assistance to State and local governments with legitimate need, the committee has reported a bill costing \$550 to \$600 million which would provide some amount of assistance to over 18,000 State and local governments.

The most discouraging aspect of this process is that we had an opportunity to improve the program—to modify it in ways which would redirect Federal funds to depressed areas with legitimate need. The committee took several actions which move the program in the opposite direction.

The committee rejected amendments to do the following:

- (1) RESTRICT AID ONLY TO THOSE STATE AND LOCAL GOVERNMENTS WITH UNEMPLOYMENT RATES ABOVE 7 PERCENT

There is no errorproof way to determine objectively what local jurisdictions are hurt most by national recession or local disaster. Unemployment data, with all their imperfections, were chosen for this purpose. We have no particular quarrel with such a use of unemployment data.

The problem is with the unemployment level which triggers eligibility for antirecession assistance. Under current law, any jurisdiction that experiences unemployment of 4.5 percent or more for two consecutive calendar quarters can qualify for assistance. Such a level is clearly too low and defies reason.

This provision guarantees that many healthy and prosperous local governments across the country are receiving assistance. This giveaway undermines the credibility of the program and is a waste of the taxpayers' money.

The committee rejected an amendment to increase to 7 percent the unemployment rate required to qualify for Federal funds.

(2) CREATE A POOL OF ANTI-RECESSION FUNDS TO BE DISTRIBUTED IF
NATIONAL UNEMPLOYMENT FALLS BELOW 6 PERCENT

The countercyclical revenue-sharing program distributes funds only when national unemployment stays above 6 percent. Since the economy is currently somewhere near the peak of its postrecession recovery, and since unemployment nationwide is hovering around 6 percent, it is arguable whether or not there should be any countercyclical funds at this time.

In fact, there was a significant amount of sentiment on the committee to let the program expire on September 30. There was also concern, however, for those parts of the country that are still suffering severe economic distress—due either to the recession or to other factors.

Given the sentiment for providing at least 2 more years of “countercyclical” assistance to still-depressed areas, it seemed to make the most sense just to provide a given sum of money for these purposes. The bill provides a specific sum, but it does so through a formula which is superficially linked to national unemployment.

The mistake in this is that by linking “antirecession” assistance to a national unemployment rate as low as 5 percent, we have taken the “recession” out of the program (The Council of Economic Advisers now says that “full employment” is a 4.9-percent unemployment rate). If the program is truly antirecessionary, it should be designed in a countercyclical way. Otherwise, we run the risk of undermining the credibility of the entire concept.

The program incorporated in the committee bill is really addressed to local structural—not national—problems. Therefore, it makes most sense to decide how many resources to devote to this purpose, and create the fund.

The committee rejected an amendment to create a fixed pool of \$300 million per year to finance this program.

OTHER COMMITTEE ACTION

In addition to its rejection of these two amendments, the committee passed another amendment which will add to the program's cost for no substantive benefit. The committee amended the funding distribution formula in a manner which will scatter a larger proportion of funds to areas with the least need.

The committee's amendment—which carries with it an estimated additional cost of about \$100 million—permits eligible jurisdictions to calculate their payment under both the countercyclical formula and the general revenue-sharing formula. Then, through a complex adjustment mechanism, the jurisdictions with less countercyclical need are granted bonus funds.

The reason this was done was simply to spread more money to more jurisdictions in order to develop broader political support. The debate on this subject included a discussion of “pockets of unemployment” within areas of relative prosperity. “They need help, too,” it was argued. But such logic misses the point. The program is not intended to attack unemployment per se. It is supposed to replace revenues lost to the local jurisdiction because of an erosion in the local tax base and a resultant revenue shortfall. We have instead a bill which gives a little something to almost everyone.

It is bad policy. It is a disservice to the taxpayer who ultimately must foot the bill, and it speaks poorly of our ability to legislate in the best interests of the public.

CARL T. CURTIS.
JOHN C. DANFORTH.

