Where have all the dollars gone?

Implications of General Revenue Sharing for the Law Enforcement Assistance Administration

National Institute of Law Enforcement and
Law Enforcement Assistance Ad
U.S. Department of Ju

FOREWORD

This study was undertaken in the summer of 1976 to illuminate the Congressional and public debate on the reauthorization of the Law Enforcement Assistance Administration. The National Institute believed it would be helpful to look at the use of general revenue sharing funds for law enforcement purposes. We were pleased that the Brookings Institution was willing to analyze data from their ongoing monitoring of general revenue sharing from this perspective. Their findings are presented in this report.

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ABSTRACT

The basic question of this paper is whether general revenue sharing funds have <u>really</u> been used for law enforcement to the extent indicated by official Treasury Department statistics. This question goes to the heart of the fungibility issue which has been so central to the discussion of general revenue sharing since its enactment in 1972.

This study utilizes data developed by the Brookings Institution in its ongoing monitoring research on the general revenue sharing program and Actual-Use reports on revenue sharing submitted to the U.S. Office of Revenue Sharing by the recipient jurisdictions of these funds. The basic methodology is to compare what the sample jurisdictions reported to the Treasury Department as their uses of shared revenue and our field research assessments of the net fiscal effects of shared revenue in the same jurisdictions. Data for 1973 and 1974 are used in this study for approximately fifty local governments in the Brookings sample. The analysis of differences is related to the demographic and fiscal characteristics of these jurisdictions.

In sum, the results of this analysis show: <u>Officially reported expenditures of shared revenue on law enforcement compiled by the Treasury Department's Office of Revenue Sharing were six times greater than the new spending for this purpose out of revenue sharing identified in the Brookings field research in 1973 and four times greater in 1974. Differences are greatest for larger units, those under the greatest fiscal pressure, those located in the Northeast and for municipal governments generally.</u> The principal reason for this pattern of variation is the high substitution uses of shared revenue in the Brookings net-effects analysis.

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I. INTRODUCTION

In order to provide an understandable treatment of this subject, it is necessary in Part I of this paper to review a considerable amount of background information on: (1) the revenue sharing and LEAA programs, (2) the issue of fungibility, (3) the system for collecting the officially-reported data of the U.S. Treasury Department on the uses of general revenue sharing funds and (4) the purposes and design of the Brookings monitoring study of the general revenue sharing program. Part II presents our analysis for public safety, law enforcement and police protection for 1973 and 1974. A note on state uses of shared revenue for law enforcement is presented in Part III. Part IV contains conclusions and recommendations.

A. Central Question: The Use of General Revenue Sharing Funds for Law Enforcement

In the course of the Brookings monitoring study of the general revenue sharing program, we were told about the director of recreation of a small Pennsylvania township who was requested by the chief officer of his town to use general revenue sharing funds for his department. He refused. He said if the federal government ended the general revenue sharing program, this would provide a rationale for a 20 or 30 percent cut in his budget. The town fathers acceded to the director's wishes. They chose, instead, to assign all their shared revenue to the police department, even though police spending expanded only modestly as a result. This procedure, substituting shared revenue for general funds, released these funds for use elsewhere in the budget, some of which was spent to increase the size of the town's recreation program. The rationale of the decision to assign funds to police was: "It's not a big increment in the police budget; moreover, no amount of fiscal pressure could ever cause us to have to cut police spending if revenue sharing disappeared from the scene."

The reasons for this special study are indicated by this incident. A substantial amount of general revenue sharing funds have been officially attributed by recipient governments to public safety--both law enforcement and fire protection. The question is raised: Is there a reason for a separate block grant for law enforcement if, given their own heads, state and local officials use large amounts of their general revenue sharing funds for law enforcement activities?

The issue is very much an empirical one. We need to inquire about the extent to which these official "attributions" of the use of shared revenue for public safety involve new or additional spending for public safety. Or are they, as in the Pennsylvania township example above, essentially accounting decisions made for political or bookkeeping reasons? The findings of the ongoing Brookings monitoring research on general revenue sharing enable us to provide useful insights for examining these important policy issues, for both the revenue sharing and LEAA block grant programs.

B. Official Reporting Under The State and Local Assistance Act of 1972

The State and Local Fiscal Assistance Act of 1972 appropriated $30.2 billion to be distributed in semi-annual and quarterly payments over five years to nearly thirty-nine thousand state and local units of general-purpose government. The Act expires December 31, 1976.* As of April 1, 1976, $24 billion had been distributed.

Table 1

Total Shared Revenue by Entitlement Period

1.	January 1, 1972-June 30, 1972	$2,650,000,000
2.	July 1, 1972-December 31, 1972	$2,650,000,000
3.	January 1, 1973-June 30, 1973	$2,987,500,000
4.	July 1, 1973-June 30, 1974	$6,050,000,000
5.	July 1, 1974-June 30, 1975	$6,200,000,000
6.	July 1, 1975-June 30, 1976	$6,350,000,000
7.	July 1, 1976-December 31, 1976	$3,325,000,000

Source: Office of Revenue Sharing

Major types of recipient jurisdictions and their percentage of shared revenue in 1972 are shown in Table 2.

* President Ford, on April 25, 1975, proposed the extension of the general revenue sharing program for 5-3/4 years. As the final version of this report was written, a new revenue sharing bill was being marked up in the House Committee on Government Operations, where it will originate.

Table 2

Proportions of Shared Revenue by Type of Recipient Jurisdiction, 1972

Type of jurisdiction	Recipient jurisdictions: Number	Recipient jurisdictions: Percent	Shared revenue for 1972: Amount (millions of dollars)	Shared revenue for 1972: Percent
States	50	0.1	1,774	33.5
Counties	3,047	8.1	1,347	25.4
Municipalities	18,055	47.8	1,913	36.1
Townships	16,255	43.1	261	4.9
Indian tribes and Alaskan native villages	323	0.9	6	0.1
Total	37,730	100.0	5,301	100.0

Source: Monitoring Revenue Sharing, Brookings Institution, 1975, p.6

Although revenue sharing was originally conceived as essentially a "no-strings" program, the final legislation included limitations on the expenditure of these funds. One of the controls imposed by the 92nd Congress was the establishment of eight priority areas of expenditure in which local governments may use shared revenue for operating and maintenance purposes. The eight priority-expenditure categories are: public safety, environmental protection, public transportation, health, recreation, libraries, social services for the aged and the poor, and financial administration. No program restrictions are placed on capital uses of shared revenue by local governments, nor are there any program restrictions regarding either operating or capital uses of shared revenue by state governments.

All governments that receive shared revenue are required to submit to the Treasury Department's Office of Revenue Sharing an Actual-Use report showing how these funds have been used in each entitlement period. (See the appendix for a copy of the Actual-Use Report used by local governments for Entitlement Period 4.) Expenditures are broken into operating and capital uses, and within these two categories, functional areas must be identified. With respect to the eight priority-expenditure categories, it is noteworthy that public safety is listed first in the Actual-Use report.

In the Act itself, public safety is also listed first among the eight priority expenditure categories, although the language of the Act does not suggest that this ordering reflects a ranking according to relative importance of the eight program areas.

Summary reports issued by the Treasury Department show that recipient governments designated $2.2 billion in shared revenue for public safety purposes (for operations and maintenance) in the first 2-1/2 years of the 5-year general revenue sharing program. This amounted to 23 percent of all reported expenditures in this period. Overall, public safety ranked first among the reported uses; education (21.7 percent) was second;* transportation was third (14.7 percent).

* Education spending is an allowable use for state governments as they are not constrained by the priority expenditure categories. They must, however, report their planned and actual uses of shared revenue. Local units can designate their shared revenue for capital spending for education; capital spending is not constrained by the priority expenditure categories.

Table 3

Officially-Reported Expenditures for Public Safety by Type of Unit, January 1, 1972-June 30, 1974

(in millions of dollars)

	Total Public Safety		Operations		Capital	
Type	Amount	Percent	Amount	Percent	Amount	Percent
States	$ 44.9	1%	$ 37.9	84%	$ 7.0	16%
Counties	505.9	23%	327.4	65%	178.5	35%
Municipalities	1491.6	45%	1220.9	82%	270.7	18%
Townships	147.0	32%	103.2	70%	43.8	30%

Source: Derived from General Revenue Sharing - The First Actual Use Reports and General Revenue Sharing: Reported Uses 1973-74, Department of the Treasury, Office of Revenue Sharing, Washington, D.C.

As can be seen in Table 3, officially-reported operational expenditures of shared revenue for public safety exceeded capital outlays by about 3:1 in the aggregate. Table 4 shows that the largest jurisdictions tended to report to the Treasury relatively more expenditures for public safety for operations and maintenance, as opposed to capital spending. The tendency to attribute revenue sharing expenditures for public safety to operational expenditures decreased with size--down to about 1:1 for the smallest population class.

Table 4

Officially-Reported Expenditures for Local Governments, for Public Safety by Population Size, January 1, 1972-June 30, 1973*
(in millions of dollars)

	Total Public Safety		Operations		Capital	
Population	Amount	Percent	Amount	Percent	Amount	Percent
More than 250,000	$292.4	48%	$257.1	88%	$ 35.3	12%
25,000-250,000	211.3	33%	153.8	73%	57.5	27%
less than 25,000	131.0	23%	69.8	53%	61.2	47%

Source: Derived from General Revenue Sharing - The First Actual Use Reports, Department of the Treasury, Office of Revenue Sharing, Washington, D.C.

Not only is public safety first among the reported uses, it also stands out as a function that has over the years received substantial federal aid under a separate block grant program.

C. The LEAA Block Grant Program

Since it was created in 1968, the Law Enforcement Assistance Administration has distributed $4.2 billion to state and local law enforcement agencies. Most of these funds have been in the form of "action" grants to be used for law enforcement and criminal justice programs directly administered by state and local governments. Present statutes require that 85 percent of these action grants be distributed as block grants, allowing recipient governments considerable flexibility in deciding specific program areas in

* Population groupings were not provided in subsequent actual use summaries published by the Office of Revenue Sharing.

which to use the funds. The remaining 15 percent of the action grants are to be used as discretionary grants by LEAA to support and encourage the development of a variety of specific state and local law enforcement projects.

Unlike the general revenue sharing program, LEAA block grants are made only to state governments, and not to localities. Allocations are based strictly on population and receipt of these funds is dependent upon approval of a comprehensive state plan for law enforcement. Allocations of action grants are subject to a 90 percent match, except for capital uses which are subject to a 50 percent match.

A mandatory pass-through provision currently requires that states allocate to local governments a portion of the block grant equal to the local proportion of total state-local law enforcement expenditures in the preceding year. However, specific grants to local units are not based on a distribution formula contained in the Act; rather they are approved individually, generally by the state planning authority. States are required to provide approximately 1/2 of the non-federal funding of local projects.

D. <u>Summary Comment on Revenue Sharing and Block Grants</u>

Altogether, one can think of general revenue sharing and block grants as new forms of <u>broader</u> and less <u>conditional</u> federal aid programs for states and localities. Block grants are currently provided in four areas--community development,* manpower (the CETA program), social services

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* Under a contract with HUD, the Brookings Institution is currently engaged in a 62-unit monitoring study of the Community Development Block Grant program.

(Title XX),* and law enforcement. The latter is the only block grant that pre-dates Nixon's "New Federalism."

The general revenue sharing and LEAA programs have already been described. Looking at the others, only Title XX for social services is administered exclusively through the states as in the case of the LEAA block grant. The other two block grant programs (for community development and CETA) are administered mainly through local units.† In both cases, the legislation defines eligible recipient units by size and type and a formula is prescribed for allocations to these units. It is interesting that these two direct federal-local block grants are the ones for which the Nixon Administration, as part of its "New Federalism" program, was most responsible. Both go against the traditional concept of American federalism and deal directly with local units. Efforts are currently being made by organizations of local governments to have the LEAA program also provide direct grants to large local governments.

E. Brookings Monitoring Study of General Revenue Sharing

The continuing research project of the Brookings Institution, funded by the Ford Foundation, to monitor the general revenue sharing program was initiated in December 1972. Its purpose is to study three principal questions about the effects of this program: (1) What has been its distributional impact? (2) What has been the fiscal impact of general revenue sharing funds? (3) How has revenue sharing affected the political

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* The Ford Administration does not classify the Title XX program as a block grant. However, in many respects the existing Title XX program is similar to the other three block grants listed here, and is thus included in this category.

† States receive some CETA funds for the "balance of state" (outside of local prime sponsor areas). Their relative proportion is about one-third.

processes and structures of recipient governments? Major sources of data are field research observations, national statistics on state and local finances and employment, and reports from the Office of Revenue Sharing, the General Accounting Office (GAO), and various non-governmental research groups. Primary reliance in analyzing the fiscal and political effects of revenue sharing has been placed on field research data. Monitoring in the field is done by twenty-three Brookings Associates for a sample of sixty-five jurisdictions. The sample includes eight state governments, twenty-nine municipalities, twenty-one county governments, six townships, and one Indian tribe.* These jurisdictions received $1.1 billion of shared revenue for 1972, or 21 percent of the nationwide total. The eight state governments received 36 percent of the total for all fifty states; the fifty-seven local jurisdictions received 13 percent.

The sample jurisdictions were chosen to be representative on a geographical basis and in terms of their economic condition, size, and type of government. The sample was also designed to give emphasis to larger jurisdictions. Associates were selected for their knowledge of local public finances, political issues, and governmental processes, as well as their familiarity with national issues in the field of intergovernmental fiscal relations.

Field research data on the fiscal and political effects of general revenue sharing have been collected for two time periods. The first ran

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* See Monitoring Revenue Sharing, Appendix A, "Field Research Methodology," for information on characteristics of the sample units and the selection process.

through June 30, 1973. During this period, eligible governments received two semiannual payments and one quarterly payment--altogether, shared revenue for fifteen months--and knew of their prospective payment level for one additional quarter. Associates were asked to assess the fiscal effects of allocations made by the sample units and the major political consequences of these (mainly retroactive) allocations. Data for this period are presented in Monitoring Revenue Sharing, Brookings, 1975. The second period of field research was July 1, 1973 through June 30, 1974; these data will be presented in a second volume on this study, now in process. A third set of field data, and third volume, will cover the period July 1, 1974 through December 31, 1975.

F. Fungibility--All Money is Green

In this special report, the focus is on the fiscal effects of general revenue sharing. The challenge for research in this area is "fungibility," a subject which requires both general discussion and specific illustration.

Revenue sharing funds are not radioactive; they can be extremely difficult to trace. The first report on the Brookings monitoring project summarizes this problem specifically in relation to law enforcement.

> The attempt to follow the trail of these revenue-sharing funds to identify the net fiscal effects is complicated by their fungibility: that is, the ease with which they can be transferred within and among state and local budgetary accounts. Consider, for example, City X, in which the mayor and the council are keenly aware of public concern for improved police protection. In planning their budget, they increase appropriations for police protection by the full amount of the city's shared revenue, and in preparing the planned-use and actual-use reports that are required under the revenue-sharing law, they show all of the city's revenue sharing going for this purpose. But these public reports may well overstate the effect of revenue sharing on City X's spending for police protection. Assume that the mayor and council, in the absence of revenue sharing, would have

increased appropriations for this purpose in any case--by cutting other programs, by obtaining additional revenue, or by drawing down fund balances. Under these circumstances, the net effects of revenue sharing involve a smaller increase in police spending than is reflected in the publicly reported data from local officials, and budgetary changes in other areas actually account for some part, or even all, of the city's shared revenue.

The measurement of net effects therefore involves determining the difference between what actually happened and what would have happened in the absence of the revenue-sharing program. If, in the case of City X, police appropriations would have been raised just as much in the absence of shared revenue, but with the increase financed from a higher tax rate, then the entire difference attributable to the program would lie in the area of tax stabilization, with no spending impact involved.*

As the above quotation illustrates, the most important reason for the discrepancy between reported- and actual-uses of shared revenue is that the fungibility of these funds provides public officials with a simple and inexpensive way to demonstrate their support for favored programs. That considerable support is thus indicated for public safety is not surprising.

Another possible reason for reporting large public safety spending out of shared revenue involves the "strings" placed on the use of these funds. Shared revenue cannot be used to match federal grants; the Davis-Bacon Act applies to capital projects with more than 25 percent of the total cost supplied by revenue sharing; these funds must be used in a non-discriminatory manner. Officials may report the uses of shared revenue in one large program category--or in a single department--because they feel that in this way they are least likely to raise questions which federal officials might see fit to investigate; or, if there is a Federal

* Monitoring Revenue Sharing, page 7.

audit, it will be made simpler by this tactic.*

Focusing on these displacement or substitution effects, a specific example from the field research is useful here. Newark, New Jersey was found in the Brookings field research to have used all of the shared revenue which it allocated in fiscal years 1973 and 1974 for tax stabilization and tax reduction. The Act requires that functional designations, according to the priority expenditure categories, be provided even in these cases. Newark, therefore, reported that all of the shared revenue which it allocated in the two periods of the Brookings field research went to public safety, although, according to our analysis, no <u>new</u> or <u>additional</u> expenditures for public safety were undertaken out of or because of the availability of general revenue sharing funds from the federal government.†

Similarly, the Associate for New York State reported that the figures in the Actual-Use report were "contrived" to fill out the required forms.

> "I don't feel the Actual-Use report is at all useful except to spell out how much revenue sharing the state received for a period that related to a federal, not state, fiscal year. The way the sums are divided into categories, and the percentage attributed to maintenance of existing services and expansion are purely arbitrary, arithmetic calculations that don't tell you anything about the impact of the federal money."‡

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* It should be noted in this connection that the biggest and most important suit holding up the payment of revenue sharing funds involved the Chicago police department.

† It should be noted that the Actual-Use and Planned-Use reports include check-off boxes for reporting the effects of shared revenue on taxes (See forms in Appendix). Newark did report that the effect of revenue sharing in 1973 had been to prevent an increase in the rate of a major tax. Newark officials have always been candid about their use of shared revenue for tax relief.

‡ Field Research report.

GAO reports that New York State budget officials considered the entire exercise to be academic.* One New York official is quoted in the Brookings field research report for 1973 as saying, "Accounting for revenue sharing is like asking what would you have done if you hadn't married your wife?" New York State for the most part has officially allocated shared revenue on a pro-rated basis according to the proportion of spending in the state budget by major functional area.

This problem of fungibility for the analyst is not unique to revenue sharing. It applies to all fiscal subventions, both federal and state. This subject was discussed at an April 17, 1975 hearing of the Senate Finance Committee on general revenue sharing in reference to the Brookings study. The Chairman of the Subcommittee on Revenue Sharing, Senator William D. Hathaway of Maine, asked specifically about education grants.

> Senator Hathaway. Well, pursuing this question of fungibility seems to be one of the problems of the entire act. You indicate that a lot of categorical programs are fungible also; are you advocating that we take all strings off categorical revenue sharing as well, unless we can find some way to juggle the amounts? It does not make that much difference, although I should footnote that by saying that in many of the acts, such as the Elementary and Secondary Education Act, there is a requirement that the State and local efforts be maintained in order to get the Federal funds.
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> Mr. Nathan. The Elementary and Secondary Education Act is a good illustration. The NAACP several years ago did a study in which they found that despite the maintenance of effort requirement, many governments used Title I money to replace money that otherwise would have been provided by the States as part of its foundation aid to local school districts. This is a complex area, and the reason I made the point is, there has been a tendency to look at data about revenue sharing, particularly the kinds of

* General Accounting Office, Revenue Sharing: Its Use by and Impact on State Governments (August 2, 1973).

fiscal effects data that has been generated by our study, and criticize these high substitution effects.

...Revenue sharing is not the only program that has these kinds of substitution effects. Many categorical grants involve the same opportunities for State and local budget officials, among the most innovative and sagacious of men, to develop their budgets in a way that puts Federal grants at the bottom in their budget, if they so choose.

Later, substitution effects, per se, were discussed.

Mr. Nathan. Substitution effects can be good. Mayor Gibson [of Newark, New Jersey] would say that the substitution effects of revenue sharing are highly desirable, and so would a lot of other people who are very concerned ... about the pressure on local property taxes in this current period. Our research really is designed to amplify and try to give intellectual content to these very hard policy questions.

The final part of the discussion on this subject focused on the relative fungibility of different kinds of federal grants.

Senator Hathaway. So we really have to go over each of these categorical programs one at a time to determine just whether it should be made general or whether it is going to be carried on the way it has been carried on and whether the substitution effect is a good effect or a bad effect.

Mr. Nathan. ...Generally speaking, I think we can say that new programs have more new spending effects than old programs. As programs get established, they have a lower stimulation effect. One of the ideas now current in intergovernmental fiscal affairs is that as programs age, we should move toward special revenue sharing, giving more discretion to local and State units in these areas for precisely this kind of reason.

I also think that project grants are the most stimulative, that, a grant with a high matching ratio--if you require 50 percent matching, for example--that would be most stimulative.

We need to recognize in addition that over the years as grants become less stimulative and functions more established, people who are particularly concerned about giving a significant measure of discretion to State and local governments may feel that these grants can be changed into more general kinds of grant instruments, such as block grants, special revenue sharing, or ultimately perhaps also general revenue sharing.

The literature on this subject is extensive. The discussion here simply sets the scene for the consideration of the Brookings data on the fiscal effects of revenue sharing in relation to official reports about the uses of these funds for public safety and law enforcement. In short, the basic question pertaining to fiscal effects is "What did revenue sharing allow a government to do that it would not have done otherwise?"

G. Net-Effect Categories in the Brookings Study

In an effort to answer this question for the Brookings field research jurisdictions, each Associate has been asked to assess the uses of shared revenue for each sample unit according to nine categories of net fiscal effects. These effects are significantly different from the priority-expenditure categories in the Act which pertain to functional areas of spending by local governments. Of the Brookings net-effect categories, three are "New Spending" effects, and six are "Substitution Effects."

New Spending

New capital expenditures: Spending for capital purposes (facility construction and land acquisition) or the purchase of major equipment that, without shared revenue, would not have occurred at all, or would have occurred at least one year later.

New or expanded operations: Operating expenditures begun or expanded with shared revenue (excluding pay and benefit increases).

Increased pay and benefits: Using shared revenue for pay and fringe benefit increases that otherwise would not have been authorized either at all or at the levels approved.

Substitution Effects

Program maintenance: Allocating shared revenue to ongoing programs for which the alternative course, without revenue sharing, would have been to eliminate programs or cut their scope.

Tax cut: Using shared revenue to finance ongoing programs, with a consequent freeing of the jurisdiction's own resources to permit a reduction in tax rates.

Tax stabilization: Using shared revenue to finance ongoing programs, with a consequent avoidance of an increase in tax rates that otherwise would have been approved.

Avoidance of borrowing: Substituting shared revenue for borrowing that otherwise would have been undertaken.

Increased fund balances: Allocating shared revenue to ongoing programs, with a consequent net effect of increasing fund balances.

Restoration of federal aid: Using shared revenue to offset actual or anticipated reductions in federal grants-in-aid.

It should be emphasized that the findings according to these net-effect categories represent the "best judgments" of informed, on-the-scene observers (none of them officials of the governments studied). Since the Brookings sample is a stratified, and not a random sample, the aim of the research has been to identify, not precise, but major and general tendencies regarding the real uses of shared revenue, and to provide an understanding of the behavior of state and local officials with respect to this new form of fiscal subvention from the federal government to states and localities.

The data from the field reports have been analyzed in terms of unweighted means, i.e. unweighted for differences in the size of sample units. This measure compensates for the skewing effect that a few very large jurisdictions can have for a sample of the size used. It can be regarded as accounting for revenue-sharing decisions, rather than revenue-sharing dollars. For example, if a city of 100,000 population used 20 percent of the shared revenue that it had allocated as of a certain cut-off date for what the Associate classified as new capital purposes, and a city of 1 million used 10 percent in this way, the former counts twice as heavily in the unweighted mean even though the amount involved for the larger city is several times greater.

Associates were also asked to classify (using a set of uniform definitions) the fiscal pressure on their jurisdictions as--extreme, moderate, relatively little, or none.

H. Comparative Data

This paper concentrates on differences between data officially-reported to ORS and data on new spending out of shared revenue as reported in the Brookings field data. Since local governments directly expend approximately 84 percent of the state-local total for police protection (and 72% of police plus corrections), the focus of this report is on local governments.

One problem in working with ORS data is that the definition of "Public Safety" used includes police protection and other law enforcement activities, as well as fire protection and code enforcement. This has required certain adjustments in ORS data in order to compare these data with findings from the Brookings field research on new spending for law enforcement out of general revenue sharing funds. The publicly-reported data on the Actual Uses of shared revenue for fiscal years 1973 and 1974 have been divided among (1) total law enforcement, (2) police protection, and (3) fire protection using a system of approximate weights developed from national expenditure totals reported in Census data.* Table 5 shows the weights used:

Table 5

Weights for Analysing ORS Actual-Use Data

(Applied as a percentage of total ORS Actual-Use data for "Public Safety")

	Law Enforcement		Fire
	Total	Police	
Counties	90%	55%	10%
Cities	65%	60%	35%
Towns	65%	65%	35%

Several qualifications need to be added here about comparisons of ORS and Brookings field data. ORS Actual-Use reports cover "expenditures"; Brookings data deals with "allocations." In the first case, the aim (although not clearly defined in the regulations) is to report how funds have been expended.† In the second case, the data indicate how funds have

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* These weights were developed from 1972 Census of Governments data (Volume 4, Numbers 3 and 4). Each weight represents the approximate national percentage of direct expenditure by each type of government for each function. Public Safety is defined as police and fire protection and corrections; law enforcement as police protection and corrections.

Other weighting schemes are obviously possible. For example, it might be desirable to divide each type of government into several population classes (although this cannot be directly done with Census of Governments data); or, alternatively, it would be possible to use other revenue sharing studies, particularly those involving large surveys of government officials, where greater detail of reported data is requested, as the basis for the weighting of ORS Actual-Use report amounts for "Public Safety."

† Treasury regulations confuse the definition of "expenditure" because these data can include "amounts spent...or otherwide transferred from the trust fund" (Section 51.11). The inclusion of the words, "otherwise transferred from the trust fund," means that these data include some indeterminate amount of unpaid obligations or commitments.

been allocated or appropriated, although not necessarily expended. Time horizons may vary as a result. For example, it is not uncommon for a jurisdiction to allocate during a fiscal year (using the Brookings definition) more than twelve-months-worth of shared revenue; whereas the Actual-Use reports cannot include amounts not yet received or amounts allocated but not yet expended. Further, it should be emphasized that the time periods in the Brookings' research are "study" periods which do not necessarily conform to jurisdictional fiscal years, and within these periods, the data collected is not restricted to a particular fiscal year. For example, in the data for 1974, any decisions made concerning the uses of shared revenue in fiscal year 1975 are included.

In a number of cases, the Brookings field research reports for the first period of the field research (December 1972 through June 1973) did not divide public safety uses between police and fire. It was necessary therefore to re-code these reports. In doing this, four sample jurisdictions in Oregon had to be eliminated. In several other cases, the entire amount of public safety spending--all fairly small magnitudes--was attributed to law enforcement even though it was clear that some spending for fire protection was involved, because a breakdown was not possible. Thus, new spending for law enforcement may be slightly overestimated in the Brookings data for fiscal year 1973 in Section B of Part II.

II. ANALYSIS OF THE USES OF GENERAL REVENUE SHARING FUNDS FOR LAW ENFORCEMENT

Part II, comparing ORS and Brookings data, is divided into two sections: (A) Public Safety and (B) Law Enforcement. The first section on public safety is presented in less detail than the analysis for law enforcement spending in Section B. We have included comparisons for public safety because so much of the analysis of the impact of the general revenue sharing program which has appeared in newspapers and various public reports and documents is presented on this basis.

A. Public Safety

In Table 6, pages 23-25, public safety expenditures on the Actual-Use forms submitted to ORS by the local units in the Brookings sample for fiscal year 1974 are compared with decisions on the new uses of shared revenue for public safety according to the field research data for these same local governments in fiscal year 1974. Column (1) displays public safety expenditures reported to ORS for FY 74; Column (2) the corresponding percent of the total reported. The amounts of shared revenue allocated to new public safety uses in the Brookings field research data are shown in Column (3) with the percent of the total allocated in Column (4). The final entry is the percentage point difference between ORS-reported and Brookings new uses. Unweighted means are used in both cases.

The reader is reminded in considering Table 6, which is the data format used consistently in the remainder of this report, that the two series of data are not strictly comparable; the totals upon which the proportions are based are not equal. Time horizons can be significantly

Table 6

Comparison of Proportions of RS Funds Devoted to Public Safety, (1) by Governments' Actual-Use reports and (2) by Field Research Estimates of New Spending Allocations for the Sample Jurisdictions, 1974
(Unweighted Mean Percentages)

Jurisdiction (alphabetical by state)	RS expenditures for Public Safety, as indicated by actual-use reports: Amount (1)	Percent of total RS expenditures (2)	RS allocations for new Public Safety, according to field research estimates: Amount (3)	Percent of total RS allocations (4)	Difference in percentage (Column 2 minus Column 4) (5)
Maricopa County, Arizona	6,342,668	67.1	308,423	1.7	65.4
Phoenix, Arizona	3,433,093	33.6	5,760,213	29.9	3.7
Scottsdale, Arizona	0	0.0	3,750	0.2	-0.2
Tempe, Arizona	6,449	0.6	0	0.0	0.6
Little Rock, Arkansas	889,368	43.4	1,288,971	31.4	12.0
No. Little Rock, Arkansas	469,014	39.7	21,172	1.2	38.6
Pulaski County, Arkansas	661,464	29.7	874,956	44.8	-15.1
Saline County, Arkansas	0	0.0	0	0.0	0.0
Carson, California	240,273	80.1	112,000	21.4	58.7
Los Angeles, California	49,320,000	82.7	72,726	0.2	82.5
LA County, California	14,855,348	30.8	3,065,600	1.4	29.4
Longmont, Colorado	0	0.0	144,689	11.7	-11.7
Orange County, Florida	1,100,261	34.9	0	0.0	34.9
Seminole County, Florida	102,144	28.8	50,000	6.7	22.0
Baton Rouge, Louisiana	2,032,373	24.7	1,434,397	8.9	15.8
Bangor, Maine	325,278	28.2	45,000	3.1	25.1

Table 6 (continued)

	RS expenditures for public safety, as indicated by actual-use reports		RS allocations for new public safety, according to field research estimates		Difference in Percentage (Column 2 minus Column 4)
	Amount (1)	Percent of total RS expenditures (2)	Amount (3)	Percent of total RS allocations (4)	(5)
Baltimore, Maryland	31,282,325	89.0	0	0.0	89.0
Baltimore Co., Maryland	16,385,206	95.3	0	0.0	95.3
Harford Co., Maryland	987,729	61.6	0	0.0	61.6
Holden Township, Mass.	33,999	25.9	17,514	10.7	15.2
Worcester, Mass.	6,010,173	75.3	128,690	1.8	73.5
St. Louis, Missouri	2,055,644	23.9	0	0.0	23.9
Essex County, N.J.	0	0.0	0	0.0	0.0
Livingston Township, N.J.	0	0.0	0	0.0	0.0
Newark, New Jersey	15,087,144	100.0	0	0.0	100.0
West Orange, New Jersey	3,499	0.9	0	0.0	0.9
Greece Town, New York	100,000	29.7	0	0.0	29.7
Irondequoit Town, N.Y.	23,958	7.0	15,000	2.3	4.7
Monroe County, New York	875,158	16.5	500,000	4.8	11.7
New York City	214,310,695	73.4	0	0.0	73.4
Rochester, New York	2,996,594	100.0	0	0.0	100.0
Orange County, N.C.	100,000	42.2	25,500	7.2	35.0
Butler County, Ohio	9,701	0.9	0	0.0	0.9
Cincinnati, Ohio	4,883,053	49.0	0	0.0	49.0
Hamilton, Ohio	423,043	43.6	160,000	16.5	27.1

Table 6 (concluded)

	RS expenditures for public safety, as indicated by actual-use reports		RS allocations for new public safety, according to field research estimates		Difference in Percentage (Column 2 minus Column 4)
	Amount (1)	Percent of total RS expenditures (2)	Amount (3)	Percent of total RS allocations (4)	(5)
Hamilton County, Ohio	1,562,950	26.5	1,562,950	26.5	-0.0
Cottage Grove, Oregon	101,544	56.9	3,415	1.8	55.2
Eugene, Oregon	504,862	27.9	353,452	13.9	14.0
Lane County, Oregon	0	0.0	0	0.0	0.0
Springfield, Oregon	519,956	49.6	76,800	12.3	37.3
Camden, South Carolina	203,313	49.5	191,554	43.9	5.6
Fairfield County, S.C.	85,798	36.4	204,167	31.2	5.2
Kershaw County, S.C.	180,237	40.6	93,700	10.0	30.6
Winnsboro, South Carolina	7,505	7.4	21,500	10.0	-2.6
Minnehaha County, S.D.	53,501	50.2	209,740	39.9	10.4
Sioux Falls, S.D.	145,861	12.6	102,000	8.1	4.4
Tripp County, S.D.	0	0.0	900	0.7	-0.7
Turner County, S.D.	0	0.0	0	0.0	0.0
Beaver Dam, Wisconsin	48,983	52.0	0	0.0	52.0
Dodge County, Wisconsin	41,460	5.6	0	0.0	0.0
Lowell Town, Wisconsin	0	0.0	0	0.0	0.0
Theresa Town, Wisconsin	0	0.0	0	0.0	0.0
Unweighted Means		34.1		7.9	26.2

different for particular jurisdictions for the reporting period for ORS purposes, and the study periods for the Brookings monitoring research. The officially-reported data are for expenditures whereas Brookings' data are on decisions or allocations. Nevertheless, the consistency observed in the data and the substantial divergence between these two data sets give us a high degree of confidence in the principal finding of this study.

This analysis reveals significant differences. On the average, in 1974, the fifty-two jurisdictions "officially" attributed 34.1 percent of revenue sharing to public safety. In contrast, Associates reported that 7.9 percent of shared revenue was used for new public safety purposes. Looked at in another way, the Brookings' associates concluded that in the absence of general revenue sharing, spending on public safety on the average for the sample units would have been only 7.9 percent less than what it was with the general revenue sharing program in effect. Thus, new spending for public safety, according to the Brookings net-effects analysis, was less than one-quarter of the officially-reported expenditures of these funds for public safety. There is nothing improper or illegal about these variances. They show different things. Nevertheless, this difference between official reports on the expenditure of revenue sharing funds and their net effects has produced considerable confusion. While it is understandable that many observers of the revenue sharing scene have drawn the conclusion from the available official Treasury data that revenue sharing funds have been used in significant measure for law enforcement (especially police spending), our analysis, as shown in Table 6, strongly indicates that most of these attributions do not involve new and additional police spending that took place because of the general revenue sharing program.

With these discrepancies in mind, the first report on the Brookings monitoring study of general revenue sharing warns against misinterpretation of official Treasury Department data on the uses of revenue sharing funds.

> An appropriate admonition to introduce a review of the available sources of data on the fiscal effects of revenue sharing might be: "Caution: overreliance on publicly reported data on the uses of shared revenue can be dangerous to your health." Unfortunately--and, perhaps, inevitably--certain features of the program are quite conducive to misinterpretation. This is especially true of data that result from the reporting requirements, which were built into the law to promote official and public awareness of the uses of shared revenue. In a strictly accounting sense, they serve this purpose--by providing data on those amounts of shared revenue which state and local public officials report to be officially allocated for various expenditure purposes permitted under the act.
>
> Such data, however, may fail to reflect real, or net, fiscal effects.*

Using the same approach as shown in Table 6, the corresponding data for fiscal 1973 are very similar, with values of 29.1 percent for ORS-reported public safety spending and 7.2 percent for new public safety spending according to the Brookings field research data, a ratio of 4:1.

In essence, these comparisons show that new public safety spending out of shared revenue is significantly overstated if ORS Actual-Use data are relied upon for an analysis of the net or real fiscal effects of general revenue sharing. Five types of cases can be identified in the 1974 data. The first three include all of the units for which some public safety expenditure was officially reported to ORS. The three sub-groups are:

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* Monitoring Revenue Sharing, p. 234.

(1) more shared revenue allocated to public safety in the net-effects analysis for the field research sample than was reported to ORS (five cases);

(2) less shared revenue allocated to public safety in the net-effects analysis for the field sample than was reported to ORS (24 cases); and

(3) no public safety allocations in the net-effects analysis for the field sample (14 cases) although public safety expenditures were reported to ORS.

There are two other categories. The fourth includes one unit for which ORS-reported uses and new uses according to the Brookings data are the same. Group five includes eight units for which no public safety uses are shown in either data set.

Table 7

Five Categories of Local Units According to Differences in Officially-Reported and Net Uses of Shared Revenue For Public Safety, 1974

	Percentage Point Difference [Same as Column 5, Table 6]	Population (1970)	Fiscal Pressure
Category 1--More in Net Effects for Public Safety than in ORS Data (5 cases).			
Pulaski County, Arkansas	-15.1	287,189	RL
Longmont, Colorado	-11.7	23,209	RL
Winnsboro, South Carolina	-2.6	3,411	RL
Tripp County, S.D.	-.7	8,171	RL
Scottsdale, Arizona	-.2	67,839	N
Category 2--More in ORS Data for Public Safety than in Net Effects Data (24 cases).			
Los Angeles, California	82.5	2,809,813	M
Worcester, Mass.	73.5	176,603	E
Maricopa County, Arizona	65.4	967,522	M
Carson, California	58.7	71,150	RL
Cottage Grove, Oregon	55.2	6,004	M
No. Little Rock, Arkansas	38.6	60,040	RL
Springfield, Oregon	37.3	27,130	M
Orange County, N.C.	35.0	57,707	M
Kershaw County, S.C.	30.6	34,727	RL
LA County, California	29.4	7,040,697	M
Hamilton, Ohio	27.1	67,617	M
Bangor, Maine	25.1	33,168	RL
Seminole County, Florida	22.0	83,692	RL
Baton Rouge, Louisiana	15.8	271,922	RL
Holden Township, Mass.	15.2	12,564	RL
Eugene, Oregon	14.0	76,341	M
Little Rock, Arkansas	12.0	132,482	M
Monroe County, New York	11.7	711,917	N

Table 7 (continued)

	Percentage Point Difference [Same as Column 5, Table 6]	Population (1970)	Fiscal Pressure
Minnehaha County, S.D.	10.4	95,209	RL
Camden, South Carolina	5.6	8,532	RL
Fairfield County, S.C.	5.2	19,999	M
Irondequoit Town, N.Y.	4.7	63,675	N
Sioux Falls, So. Dakota	4.4	72,488	RL
Phoenix, Arizona	3.7	581,600	RL

Category 3--ORS Reported Uses Shown for Public Safety but Not in Net Effects Analysis (14 cases).

Newark, New Jersey	100.0	382,377	E
Rochester, New York	100.0	296,233	E
Baltimore Co., Maryland	95.3	621,077	N
Baltimore, Maryland	89.0	905,759	E
New York City	73.4	7,894,851	E
Harford County, Md.	61.6	115,378	M
Beaver Dam, Wisconsin	52.0	14,265	RL
Cincinnati, Ohio	49.0	452,550	M
Orange County, Florida	34.9	344,311	N
Greece Town, N.Y.	29.7	75,136	N
St. Louis, Missouri	23.9	622,236	E
Dodge County, Wisconsin	5.6	69,004	RL
West Orange, New Jersey	.9	43,787	N
Butler County, Ohio	.9	226,207	RL

Category 4--ORS Reported and Net Effects the Same for Public Safety

Hamilton County, Ohio	0.0	924,018	N

Category 5--No Public Safety Uses, Either Data Set (8 cases).

Tempe, Arizona	0.0	62,876	RL
Saline County, Arkansas	0.0	36,107	N
Essex Co., N.J.	0.0	929,986	N
Livingston Township, N.J.	0.0	30,127	N
Lane County, Oregon	0.0	213,358	RL
Turner County, So. Dakota	0.0	9,872	N
Lowell Town, Wisconsin	0.0	1,254	RL
Theresa Town, Wisconsin	0.0	1,174	RL

The most interesting group in Table 7 is category number three, the 14 cases for which no allocations for new public safety purposes were identified by the Brookings associates, but where expenditures for public safety were officially reported to ORS. Over half the jurisdictions in this group were classified in the Brookings field data for fiscal 1974 as facing "extreme" or "moderate" fiscal pressure. Field associates for eleven of these fourteen units reported no new allocations for <u>any</u> program; that is to say, these jurisdictions were found to have used all of the revenue sharing allocated in 1974 for substitution purposes.

The difference between the officially-reported uses and net effects exceeded 75 percentage points for six jurisdictions in categories two and three in Table 7--Los Angeles, Baltimore, Newark, Rochester, Baltimore County, and Orange County, North Carolina. The four cities were found in the Brookings analysis to have used the shared revenue allocated in 1974 almost exclusively for substitution purposes. On the average 74 percent went to tax stabilization; that is 3/4 of shared revenue was used to finance ongoing programs, with a consequent avoidance of an increase in tax rates that otherwise would have been approved.

Table 8 shows that as a general point the more fiscal pressure, the greater the difference tends to be between officially-reported and field research data. The high-fiscal pressure units tended also to be the largest substitution-users of shared revenue in the field analysis. As noted in <u>Monitoring Revenue Sharing</u>, "An analysis of the data reveals a strong tendency on the part of relatively hard-pressed local jurisdictions to devote a great portion of their revenue sharing funds to substitution--as opposed to new uses."* Such fiscal constraints do not allow major new expenditures for public safety--or for that matter, any other program. Jurisdictions experiencing no fiscal pressure tended to invest in new capital goods. These generally smaller governments expressed a fear that revenue sharing would not be continued beyond the original five-year period. Thus they were inclined to finance capital construction and "one-shot" items rather than new programs the cost of which would have to be born locally should the Congress fail to continue revenue sharing.

Table 8

Comparison of Proportions of Revenue Sharing Funds Devoted to Public Safety, (1) by Governments' Actual-Use reports and (2) by Field Research Estimates of New Spending Allocations for the Sample Jurisdictions, by Fiscal Pressure, 1974.
(Unweighted Mean Percentages)

Fiscal Pressure of Local Governments		RS expenditures for Public Safety, as indicated by actual-use reports (1)	RS allocations for new Public Safety, according to field research estimates (2)	Difference in percentage (Col. 1 minus Col. 2) (3)
None	(12)	17.5	2.8	14.7
Little	(22)	23.1	11.4	11.7
Moderate	(12)	49.3	10.1	39.2
Extreme	(6)	76.9	.3	76.6

* Monitoring Revenue Sharing, p. 229.

The analysis so far brings us to the point where we can generalize further about the Actual-Use data. It can be seen from Tables 8 and 9 that the Actual-Use data for the smaller, fiscally less-strained jurisdictions tend to be a much better indication of the real uses of shared revenue than is the case for larger, more hard-pressed units. Differences between the two data sets (ORS and Brookings) are largest for the fiscally most hard-pressed and most populous units.

Table 9

Comparison of Proportions of the Revenue Sharing Funds Devoted to Public Safety, (1) by Governments' Actual-Use reports and (2) by Field Research Estimates of New Spending Allocations for the Sample Jurisdictions, by Population Groups, 1974
(Unweighted Mean Percentages)

Population of Local Governments		RS expenditures for Public Safety, as indicated by actual-use reports (1)	RS allocations for new Public Safety according to field research estimates (2)	Difference in percentage; (Col.1 minus Col.2) (3)
Less than 10,000	(7)	16.3	8.0	8.2
10,000-50,000	(10)	23.4	7.9	15.5
50,000-100,000	(13)	28.3	9.0	19.3
100,000-500,000	(11)	47.1	8.2	38.9
500,000-1,000,000	(8)	44.0	7.9	36.1
More than 1,000,000	(3)	62.3	.5	61.8

The City of Los Angeles offers a good illustration of what can happen in larger cities. In 1973 (an election year), Mayor Samuel Yorty attributed 84 percent of shared revenue to public safety. In turn, Thomas Bradley, who won this election, later highlighted this same functional area in relation to revenue sharing, reporting that 83 percent of the shared revenue expended in 1974 was used for public safety. Nevertheless, the primary net effect for both years, according to the net effects analysis in the Brookings field research, was substitution, roughly split between program maintenance and tax stabilization.

The Los Angeles associate reported, "the fact that it was an election year, the fact that law and order was an issue, and the fact that the Mayor and City Council Members were running for office, surely suggest that the disproportionate [reported] expenditures for public safety were influenced by politics." He concludes, "...this [Actual-Use] report that a majority of revenue sharing funds are being allocated for public safety is quite misleading."

The case of Orange County, North Carolina is also interesting. All but 3 percent of the 1974 entitlement was assigned in the field research for new operations and new capital purposes (24 percent and 73 percent respectively). However, the associate reported that very little (7.3 percent) of this new spending was for public safety. Nevertheless, Orange County officials chose to report that 42 percent of these funds went for public safety.

B. <u>Law Enforcement</u>

The analysis in Section B is similar to that in Section A, but here the focus is specifically on law enforcement. Besides police protection, law enforcement as defined here includes prosecution, courts, and corrections. The big difference between public safety and law enforcement is that the former includes fire protection. Brookings associates were asked to distinguish between police, fire and other public safety purposes in analysing allocations of shared revenue for new spending purposes. Using the weights described in Table 5 on page 21 for the ORS data, it is possible to compare ORS officially-reported expenditures for law enforcement with new spending out of shared revenue based on the Brookings field research analysis.

(1) Summary Analysis

Turning first to the field research data, eighteen local governments in the sample were found to have allocated shared revenue for new law enforcement operational and capital spending in fiscal 1973. There were twenty-seven sample localities in this category in 1974. Of these jurisdictions, almost all included some police spending (fifteen in 1973 and twenty-five in 1974).

As shown in Table 10, new allocations for law enforcement in the net-effects analysis constituted less than one-half of total public safety allocations of shared revenue in 1973.

Table 10

Proportion of RS Funds Devoted to Law Enforcement According to Field Research Estimates of New Spending Allocations for the Sample Jurisdictions, 1973 and 1974
(Unweighted Mean Percentages)*

	1973	1974
Public Safety	7.2	7.9
Total Law Enforcement	3.4	6.3
Police	2.3	4.7
Fire	3.8	1.6

* Applies in all cases with net-effect allocations and reported expenditures; 46 localities in 1973, 52 in 1974.

A review of the field reports indicates that new fire protection spending out of shared revenue in 1973 was almost entirely for equipment, that is, "one-shot", non-recurring expenditures that officials in many cases indicated should be stressed under revenue sharing. Total public safety increased slightly in 1974, and fire was no longer predominant.

Officially-reported expenditures for law enforcement and police were considerably greater in both years, as shown in Table 11.

Table 11

Proportion of RS devoted to Law Enforcement According to Governments' Actual-Use Reports for the Sample Jurisdictions, 1973 and 1974
(Unweighted Mean Percentages)*

	1973	1974
Public Safety	29.1	34.1
Total Law Enforcement	20.8	24.9
Police	17.2	20.0
Fire	8.3	9.1

* Applies to all cases with net-effect allocations and reported expenditures; 46 localities in 1973, 52 in 1974.

Analysis of these data reveals patterns similar to those indicated for public safety. Sample jurisdictions under the greatest fiscal pressure tended to show the largest differences. They frequently reported substantial law enforcement spending out of shared revenue but were found in the field analysis to have allocated much smaller amounts for new or expended law enforcement activities--50.7 percent and 0.3 percent respectively in 1974 for the six local jurisdictions classified as under extreme fiscal pressure.

The same holds true for the three largest jurisdictions in the sample. Governments with a population exceeding 1,000,000 officially reported law enforcement expenditures that accounted for 43.1 percent of all reported expenditures out of shared revenue. This compares to only 0.5 percent of shared revenue allocations found to have been devoted to new-spending purposes in the net effects analysis of the Brookings' field data.

Table 12

Comparison of Proportions of Revenue Sharing Funds Devoted to Law Enforcement, (1) by Governments' Actual-Use reports and (2) by Field Research Estimates of New Spending Allocations for the Sample Jurisdictions, by Region, 1974
(Unweighted Mean Percentages)

Local Units By Region		RS expenditures for Law Enforcement, as indicated by actual-use reports	RS allocations for new Law Enforcement, according to field research estimates	Difference in percentage (Col. 1 minus Col.2)
		Percent of total RS expenditures (1)	Percent of total RS allocations (2)	(3)
North Central	(13)	14.8	5.7	9.1
Northeast	(12)	25.1	1.6	23.5
South	(15)	33.1	10.4	22.7
West	(12)	24.9	6.6	18.3

Jurisdictions in the Northeast exhibit the greatest spread between officially-reported and new uses for law enforcement--not because they reported the most to ORS, but because they allocated the least. This result is due in part to the make-up of the sample; of the eleven jurisdictions in the northeast, six have a population of over 100,000 with three in excess of 500,000. Larger cities, as already noted, tended to have the greatest differences between these two sets of data. Of the three types of local governments, municipalities tended in both years to report more expenditures for law enforcement to ORS and allocate the least according to the field analysis. As shown in Table 13, the percentage point differences are large for all three classes, slightly less than 5-to-1 for municipalities, and about 3-to-1 for counties and townships.

Table 13

Comparison of Proportions of Revenue Sharing Funds Devoted to Law Enforcement, (1) by Governments' Actual-Use Reports and (2) by Field Research Estimates of New Spending Allocations for the Sample Jurisdictions, by Type of Unit, 1974
(Unweighted Mean Percentages)

Type of Local Unit		RS expenditures for Law Enforcement, as indicated by actual-use reports	RS allocations for new Law Enforcement, according to field research estimates	Difference in percentage (Col. 1 minus Col. 2)
		Percent of total RS expenditures (1)	Percent of total RS allocations (2)	(3)
Counties	(20)	25.4	8.2	17.2
Municipalities	(26)	28.6	5.8	22.8
Townships	(6)	6.8	2.2	4.6

In sum, officially-reported expenditures for law enforcement amounted to more than <u>six times</u> the Brookings' new allocations in 1973, and approximately <u>four times</u> as much in 1974. Differences are greatest for the larger units, those under the greatest fiscal pressure, those located in the Northeast, and for municipal governments generally. The principal reason for this is that these types of units tend to have especially high <u>substitution uses</u> of shared revenue in the net-effects analysis. Although these data cannot be projected to the nation in specific terms, the general point is clear: <u>much less shared revenue is being used for new or expanded law enforcement activities than much of the public discussion based on Treasury data would have one believe</u>.

Table 14 shows a comparison for the individual sample jurisdictions of officially-reported expenditures and allocations for new spending purposes on law enforcement in 1974. This table has the same format as Table 6, which shows similar data by individual sample units according to their use of shared revenue for public safety purposes in 1974. In comparing the two tables, the reader should be reminded that the principal differences are attributable to the treatment of fire protection. Expenditures for fire protection have been removed from the ORS Actual-Use data by the weighting process described earlier, and are not included in the Brookings net-effects data, which in this case only show new spending for law enforcement purposes.

Table 14

Comparison of Proportions of RS Funds Devoted to Law Enforcement, (1) by Governments' Actual-Use reports and (2) by Field Research Estimates of New Spending Allocations for the Sample Jurisdictions, 1974
(Unweighted Mean Percentages)

Jurisdiction (alphabetical by state)	RS expenditures for Law Enforcement, as indicated by actual-use reports		RS allocations for new Law Enforcement, according to field research estimates		Difference in percentage (Column 2 minus Column 4)
	Amount (1)	Percent of total RS expenditures (2)	Amount (3)	Percent of total RS allocations (4)	(5)
Maricopa County, Arizona	5,708,401	60.3	308,423	1.7	58.7
Phoenix, Arizona	2,231,510	21.8	4,920,213	25.6	- 3.8
Scottsdale, Arizona	0 0	0.0	3,750	.2	- .2
Tempe, Arizona	4,224	.4	0	0.0	.4
Little Rock, Arkansas	578,089	28.2	0	0.0	28.2
No. Little Rock, Ark.	304,859	25.8	21,172	1.2	24.7
Pulaski County, Arkansas	595,318	26.7	874,956	44.8	-18.1
Saline County, Arkansas	0	0.0	0	0.0	0.0
Carson, California	156,177	52.1	112,000	21.4	30.6
Los Angeles, California	32,058,000	53.7	72,726	0.2	53.5
LA County, California	13,369,813	27.8	3,065,600	1.4	26.4
Longmont, Colorado	0	0.0	106,089	8.6	- 8.6
Orange County, Florida	990,235	31.4	0	0.0	31.4
Seminole County, Fla.	91,930	25.9	0	0.0	25.9
Baton Rouge, Louisiana	1,321,042	16.0	1,278,597	7.9	8.1
Bangor, Maine	211,431	18.3	45,000	3.1	15.2
Baltimore, Maryland	20,333,511	57.8	0	0.0	57.8

Table 14 (continued)

Comparison of Proportions of RS Funds Devoted to Law Enforcement, (1) by Governments' Actual-Use reports and (2) by Field Research Estimates of New Spending Allocations for the Sample Jurisdictions, 1974
(Unweighted Mean Percentages)

	RS expenditures for Law Enforcement, as indicated by actual-use reports		RS allocations for new Law Enforcement, according to field research estimates		Difference in percentage (Column 2 minus Column 4)
	Amount (1)	Percent of total RS expenditures (2)	Amount (3)	Percent of total RS allocations (4)	(5)
Baltimore County, Md.	14,786,685	85.8	0	0.0	55.4
Harford County, Md.	888,956	55.4	0	0.0	55.4
Holden Township, Mass.	22,099	16.8	17,514	10.7	6.1
Worcester, Mass.	3,906,612	49.0	128,690	1.8	47.2
St. Louis, Missouri	1,336,169	15.5	0	0.0	15.5
Essex County, N.J.	0	0.0	0	0.0	0.0
Livingston Township, N.J.	0	0.0	0	0.0	0.0
Newark, New Jersey	9,806,644	65.0	0	0.0	65.0
West Orange, New Jersey	2,274	0.6	0	0.0	0.6
Greece Town, New York	65,000	19.3	0	0.0	19.3
Irondequoit Town, N.Y.	15,339	4.5	15,000	2.3	2.3
Monroe County, New York	787,642	14.9	100,000	1.0	13.9
New York City	139,301,952	47.7	0	0.0	47.7
Rochester, New York	1,947,786	65.0	0	0.0	65.0
Orange County, N.C.	90,000	38.0	25,500	7.2	30.8
Butler County, Ohio	8,731	0.8	0	0.0	0.8
Cincinnati, Ohio	3,173,984	31.9	485,000	3.2	28.7
Hamilton, Ohio	274,978	28.3	40,000	4.1	24.2
Hamilton County, Ohio	1,406,655	23.8	1,562,950	26.5	- 2.6

Table 14 (concluded)

Comparison of Proportions of RS Funds Devoted to Law Enforcement, (1) by Governments' Actual-Use reports and (2) by Field Research Estimates of New Spending Allocations for the Sample Jurisdictions, 1974
(Unweighted Mean Percentages)

	RS expenditures for Law Enforcement, as indicated by actual-use reports		RS allocations for new Law Enforcement, according to field research estimates		Difference in percentage (Column 2 minus Column 4)
	Amount (1)	Percent of total RS expenditures (2)	Amount (3)	Percent of total RS allocations (4)	(5)
Cottage Grove, Oregon	66,004	37.0	3,415	1.8	35.2
Eugene, Oregon	328,160	18.2	195,598	7.7	10.5
Lane County, Oregon	0	0	0	0.0	0.0
Springfield, Oregon	337,971	32.2	66,490	10.6	21.6
Camden, South Carolina	132,153	32.2	191,554	43.9	-11.7
Fairfield County, S.C.	77,218	32.8	204,167	31.2	1.6
Kershaw County, S.C.	162,213	36.5	93,700	10.0	26.5
Winnsboro, S.C.	4,878	4.8	21,500	10.0	- 5.2
Minnehaha County, S.D.	48.151	45.2	209,740	39.9	5.3
Sioux Falls, S.D.	94,810	8.2	0	0.0	8.2
Tripp County, S.D.	0	0.0	900	0.7	- 0.7
Turner County, S.D.	0	0.0	0	0.0	0.0
Beaver Dam, Wisconsin	31,839	33.8	0	0.0	33.8
Dodge County, Wisconsin	37,314	5.0	0	0.0	5.0
Lowell Town, Wisconsin	0	0.0	0	0.0	0.0
Theresa Town, Wisconsin	0	0.0	0	0.0	0.0
Unweighted Means		24.9		6.3	18.6

2) New Allocations for Law Enforcement

The next questions we need to consider are: What are the principal uses of the revenue sharing funds for new allocations for law enforcement? What governments, and types of governments, chose to expand these services? What did they buy?

In this analysis, new spending for law enforcement out of shared revenue according to the field research data is examined two ways. Consideration is first given to the demographic characteristics of the jurisdictions with new allocations of shared revenue for law enforcement; second, the type of allocation is examined. This analysis is presented separately for fiscal 1973 and 1974.

Fiscal 1973. Recall that on the average law enforcement received only 3.4 percent of shared revenue for new purposes in fiscal 1973. Counties are the biggest new spenders of shared revenue for law enforcement.

Table 15

Proportion of Revenue Sharing Funds Devoted to Law Enforcement According to Field Research Estimates of New Spending Allocations for the Sample Jurisdictions, by Type of Unit, 1973 (Unweighted Mean Percentages)*

Type of Local Unit		Law Enforcement Total	Law Enforcement Police
Counties	(16)	4.7	3.3
Municipalities	(24)	3.0	2.7
Townships	(6)	1.3	1.3

* Applies to all cases with net effects allocations and reported expenditures; forty-six localities in 1973.

Law enforcement functions <u>other</u> than police received a significant amount of shared revenue for new spending <u>only</u> at the county level (1.4 percent). This is not surprising. As a general rule, only counties have major law enforcement responsibilities outside of the provision of police protection, e.g. corrections and courts.

Capital items clearly predominated in 1973 among new uses of shared revenue for law enforcement purposes.

Table 16

<u>Proportion of Revenue Sharing Funds Devoted to Law Enforcement for New Capital and New Operations According to Field Research Estimates of New Spending Allocations for the Sample Jurisdictions, 1973</u>
(Unweighted Mean Percentages)*

	Law Enforcement	
	Total	Police
Capital	2.2	1.5
Operations	1.2	.8

* Applies to all cases with net effects allocations and reported expenditures; forty-six localities in 1973.

Capital spending is defined here to include vehicles and equipment, construction and renovation of buildings and facilities, and land acquisition. By far the most common item of expenditure out of shared revenue was vehicles, especially police cars. The City of Los Angeles purchased eight helicopters. Small equipment items were also common, primarily for police operations (radio, radar, bomb disposal, etc.), but some allocations were also made for office items and non-police programs in the law enforcement field. Even though police vehicles were frequently mentioned, in dollar terms construction and renovation dominated new capital uses of shared revenue for law enforcement for the local governments in the Brookings sample. Among major new construction projects were a police headquarters building and two new juvenile detention facilities. Revenue sharing was also used for the renovation of courthouses and one city jail. Baton Rouge reported land purchases through the sheriff's office for the future construction of law enforcement facilities.

Table 17 shows new spending for law enforcement for the eighteen units in this group in 1973, listed in order of their proportional magnitude of new allocations for law enforcement. Seven jurisdictions used more than 10 percent of the revenue sharing which they allocated in 1973 for new law enforcement activities. In eleven of the eighteen jurisdictions, the entire amount of new law enforcement spending was allocated to police activities, while in three cases, none of the spending occurred in this area. Each of these units is discussed individually in the text sections which follow.

Table 17

Sample Jurisdictions with New Law Enforcement Allocations out of RS According to the Field Research Estimates, 1973

Jurisdictions (Descending Proportion of New Spending Allocations, for Law Enforcement, 1973)		Law Enforcement					
			Police				
	Amount (1)	Percent of total RS allocations (2)	Percent of total RS allocations (3)	Capital as a percent of total RS allocations (4)	Operations as a percent of total RS allocations (5)	Population (6)	Fiscal Pressure[b] (7)
North Little Rock, Ark.	96,274	22.2	22.2	22.2	0.0	60,040	RL
Monroe County, N.Y.	1,562,000	19.9	0.0	0.0	0.0	711,917	M
Los Angeles, Calif.	10,001,000	13.2	13.2	2.4	10.8	2,809,813	M
LA County, Calif.	14,800,000	12.8	0.0	0.0	0.0	7,040,697	M
Orange County, N.C.	50,000	11.6	11.6	0.0	11.6	57,707	RL
Fairfield County, S.C.	37,000	10.7	3.5	3.5	0.0	19,999	M
Baton Rouge, La.[a]	1,086,804	10.3	8.3	4.5	3.8	271,922	RL
Tripp County, S.D.	15,000	7.0	7.0	7.0	0.0	8,171	RL
Pulaski County, Ark.	95,000	6.9	6.9	0.0	6.9	287,189	RL
Seminole County, Fla.	68,537	6.8	4.3	4.3	0.0	83,692	RL
Little Rock, Ark.[a]	143,512	6.3	6.3	6.3	0.0	132,482	M
Tempe, Arizona[a]	55,000	6.2	6.2	6.2	0.0	62,876	RL

Table 17 (continued)

Sample Jurisdictions with New Law Enforcement Allocations out of RS According to the Field Research Estimates, 1973

Jurisdictions (Descending Proportion of New Spending Allocations, for Law Enforcement, 1973)	Law Enforcement		Police				
	Amount (1)	Percent of total RS allocations (2)	Percent of total RS allocations (3)	Capital as a percent of total RS allocations (4)	Operations as a percent of total RS allocations (5)	Population (6)	Fiscal Pressure b/ (7)
Cincinnati, Ohio	565,810	5.9	5.1	0.0	5.1	452,550	M
Phoenix, Ariz. a/	545,300	4.4	4.4	3.9	.5	581,600	N
Irondequoit Town, N.Y.	17,464	4.1	4.1	4.1	0.0	63,675	RL
Holden Township, Mass.	6,000	3.6	3.6	3.6	0.0	12,564	N
St. Louis, Mo.	510,000	2.0	0.0	0.0	0.0	622,236	E
Worcester, Mass.	135,000	1.5	1.5	1.5	0.0	176,603	M

a/ Includes some public safety allocations that were not distinguishable between law enforcement and fire protection.

b/ N-None; RL-Relatively Little; M-Moderate; E-Extreme.

North Little Rock ranks first in Table 17 with 22.2 percent of the amount of shared revenue it allocated in 1973 being used for new law enforcement purposes. It allocated the entire amount ($96,274) for more police cars. According to the associate, "the greatest beneficiaries of revenue sharing will be public safety (police cars) and public transportation. The city would have done without these expenditures now had revenue sharing not been available."

Monroe County authorized $1,090 thousand in new expenditures for operation of the county jail and $72,000 for new jail equipment. The associate indicated that the use of shared revenue for public safety involved the <u>acceleration</u> of spending based on recommendations by the county manager to implement his priorities for public safety programs.

The City of Los Angeles chose to increase spending for its police department by $8.2 million, allocating $1.8 million of this amount for capital purposes (helicopters). Aside from vehicles, the associate said increased police spending was department-wide; no specific expenditures were indicated. There are strong indications that much of the remainder was used for expansion of the police force. Los Angeles County, on the other hand, dedicated $14.8 million to new juvenile detention facilities--none to police. This was in keeping with a policy established by the County Board of Supervisors to "use the funds for one-time expenditures to improve the County's operational and financial (by avoiding long-term costs) capability." Juvenile detention facilities were part of the county's five-year construction plan, but, prior to revenue sharing, funds were not available for this purpose.

The commissioners of Orange County, North Carolina elected to expand the sheriff's office, adding eight deputies with $50,000 in shared revenue. Orange County was classified as facing "relatively little" fiscal pressure in 1973. The county used 95 percent of the shared revenue it allocated in 1973 for new spending, most of it for a sanitary landfill.

Revenue sharing helped to fund a new detention center ($25,000) for Fairfield County, South Carolina, as well as to provide additional patrol cars ($12,000). Most of Fairfield's shared revenue (78 percent) was allocated to new capital uses conforming to the general plan of county officials to invest their shared revenue in non-recurring expenditures.

For Baton Rouge, new capital items for the police department included office renovation ($50,000), microfilm equipment ($35,000), radio equipment ($17,000), and radar ($15,000). The sheriff's office also received $155 thousand for the acquisition of land and buildings and the judicial system received $140,000 for courthouse repairs and renovations as well as $50,000 for a new "family court" detention center.

Of the eleven remaining jurisdictions listed in Table 17, which used less than 10 percent of their 1973 allocations of shared revenue for new law enforcement purposes according to the Brookings net-effects analysis, only three used these funds for non-police functions. Police allocations were devoted to new capital spending to an even greater extent for this group than the seven units just discussed. The eleven units in the under 10 percent group in Table 17 are:

Tripp County, South Dakota

Although Tripp County used all of its shared revenue for new capital projects in 1973, only $15,000 (for radio equipment) was allocated to law enforcement. Most revenue sharing funds were used to purchase additional road equipment. The Actual-Use report closely conforms to the field research findings.

Pulaski County, Arkansas

Pulaski County chose to allocate much of its revenue sharing funds to new operations in 1973. However, the lion's share went to transportation and new social programs with the sheriff's department receiving 6.9 percent for expanded operations.

Seminole County, Florida

The County Commission of Seminole County, Florida attributed one-fourth of its shared revenue to law enforcement, reporting funding for items such as furniture for a new juvenile detention home. However, the associate for Seminole County found that most of these expenditures had been planned, with revenues to come from city funds before the final passage of revenue sharing. The only new spending effects of shared revenue for law enforcement was the purchase of new equipment for a bomb disposal unit ($43,500) and funds for the operation of a new emergency phone number ($25,000).

Tempe, Arizona

Capital projects for public transportation received the most attention from Tempe's city council. 94 percent of the $888 thousand of shared revenue was allocated for that purpose. Of the remainder, public safety received the only grant funds for new or expanded operations.

Little Rock, Arkansas

The city of Little Rock depends on non-tax sources for approximately 50 percent of its revenues. Slow growth in both tax and non-tax revenues left Little Rock in a fiscal condition characterized by the Brookings' associate as extreme. Revenue sharing, constituting 20 percent of the 1973 budget, allowed the city to meet deficits in the operating budget as well as finance delayed capital projects. Of the shared revenue used for capital ($1.5 million or approximately two-thirds of the total), $143 thousand was allocated for new police and fire vehicles. As the associate noted, revenue sharing promoted a large annexation as these funds allowed the capital expansion necessary to offer major public services to the residents of the annexed territory.

<u>Cincinnati, Ohio</u>

"The primary accomplishments attributable to revenue sharing are improvements at the workhouse ($81,000) and the addition of 72 policemen ($485,000). Otherwise, the money was used primarily to maintain present programs; for personnel already on the payroll." Although Cincinnati was experiencing considerable fiscal pressure at the time, thereby restricting the amount of shared revenue available for new programs, expansion of the police force was viewed as essential by city officials. "Cincinnati has long been low in its ratio of police to population."

<u>Phoenix, Arizona</u>

Phoenix used much of its shared revenue in 1973 for new capital projects which, according to the Associate, "had been identified but not accomplished due to financial limitations." City officials also concentrated on capital items in order to provide "...a safeguard against the possibility of the program's termination in 1976-77." Included in those capital projects was $489,000 for police and fire vehicle replacement. In addition, $56,000 was allocated for a new recruitment program to train 50 minority recruits to qualify for the Police Academy entrance examination.

<u>Irondequoit, New York</u>

Irondequoit, similar to other New York townships, has special districts for fire protection, sewers, and street repairs. The only public safety function of the township is the provision of police protection; it is clearly the largest single program, consuming 41 percent of the fiscal 1973 budget. Irondequoit's government used revenue sharing primarily for new capital purposes; town officials said they "did not want to become dependent on revenue sharing funds which may expire after five years." The police department was allocated $17,000 for new police cars.

<u>Holden Township, Mass.</u>

Road construction and maintenance was the primary area of new uses of Holden's shared revenue. The Town Manager recommended this allocation so as "...not to disturb the allocation of expenditures for the more continuous functions." The only new law enforcement expenditure was the purchase of an additional police car.

<u>St. Louis, Missouri</u>

St. Louis originally intended to spend revenue sharing "...as much as possible for capital improvements." This was done with most of the first year funds (those for calendar 1972), but the city's "dwindling" revenue forced the use of the second year funding under revenue sharing for regular budget purposes (program maintenance). In the first year new capital expenditures for law enforcement included $486,000 for renovation of the city jail and $24,000 for a workhouse fence.

<u>Worcester, Massachusetts</u>

Program maintenance and federal aid restoration was found to have consumed over 80 percent of Worcester's shared revenue in the first round of the field research. "The greatest benefit will accrue to existing police, fire, and health services which might well have been cut back without revenue sharing." The few allocations for new purposes included a new police building ($100,000) and additional police ambulances ($35,000).

To summarize, new allocations of shared revenue for law enforcement in 1973 consisted primarily of capital spending. This outcome was not unique to public safety. As noted in Monitoring Revenue Sharing, "of new spending in aggregate terms by local governments in the sample, by far the major share was for capital projects."* Several reasons were offered for this finding. The revenue sharing Act was not signed until October 20, 1972, retroactive to January 1, 1972. Thus, when the first checks were mailed in December 1972, January 1973, and April 1973, recipient jurisdictions received fifteen months of shared revenue in five months. Both the timing of the payments (mailed after most governments had approved their budget for 1973) and the relatively large amounts involved were said to be a stimulus to using shared revenue to fund capital expenditures "on the shelf" as a method of getting underway immediately and spreading these funds over several budgets. In addition, because many local officials indicated uncertainty about the continuation of the general revenue sharing program, they were (at least this is what they said) reluctant to fund new programs that might require increasing own-source revenue to pay for the continuation of these programs and activities at the completion of the five-year revenue sharing program. However, this interpretation that the five-year limit of shared revenue was a major reason for the predominance of capital projects can be questioned.

* Monitoring Revenue Sharing, p. 232. The period covered in this volume is the same as for the 1973 field research data discussed in this report.

> Many observers of the revenue-sharing have questioned whether the five-year limit is the real reason for an emphasis on capital expenditures. To the extent that state and local officials have an edifice complex, the five-year limit offers a convenient rationale for allocating shared revenue for new capital purposes. Even under normal conditions, capital projects can be difficult to finance. Bond issues often are defeated in referendums, and capital items tend to be treated as a residual category in state and local budgets. But when shared revenue is used for capital purposes, officials need not go to the voters for approval of a bond issue. Although the associates reported a relatively high level of impact for the five-year limitation, a systematic probe by the field researchers into questions of motivation obviously was not possible.*

In any event, the law enforcement projects funded with shared revenue in 1973 appear to have been "one-shot" items--renovation, equipment, small construction projects.

Fiscal 1974. Brookings' field associates reported that allocations of shared revenue for new law enforcement spending in fiscal 1974 were almost twice those of the previous year on an unweighted mean basis (6.3% in FY 74 versus 3.5% in FY 73). Use of these funds for police protection more than doubled (from 2.3% to 4.7%), non-police allocations increased slightly.

Table 18

Proportion of RS Funds Devoted to Law Enforcement According to Field Research Estimates of New Spending Allocations for the Sample Jurisdictions, by Type of Unit, 1974 (Unweighted Mean Percentages)†

Type of Local Unit		Law Enforcement Total	Police
Counties	(20)	8.2	4.9
Municipalities	(26)	5.9	5.3
Townships	(6)	2.2	2.2

† Applies to all cases with net effects allocations and reported expenditures;; fifty-two localities in 1974.

* Monitoring Revenue Sharing, pp. 204-5.

Table 20

Allocations of Shared Revenue for New Capital and Operational Spending for Law Enforcement by Local Units in the Sample, 1974
(Unweighted Mean Percentages)*

	Law Enforcement	
	Total	Police
Capital	3.5	2.0
Operations	2.8	2.7

* Applies to all cases with net effects allocations and reported expenditures; fifty-two localities in 1974.

Table 21

Sample Jurisdictions with New Law Enforcement Allocations out of RS According to the Field Research Estimates, 1973

Jurisdictions (Descending Proportion of New Spending Allocations, for Law Enforcement, 1974)	Amount (1)	Law Enforcement: Percent of total RS allocations (2)	Police: Percent of total RS allocations (3)	Police: Capital as a percent of total RS allocations (4)	Police: Operations as a percent of total RS allocations (5)	Population (6)	Fiscal Pressure[a/] (7)
Pulaski County, Ark.	874,956	44.8	44.8	17.4	27.4	287,189	RL
Camden, S.C.	191,554	43.9	43.9	24.3	19.5	8,532	RL
Minnehaha County, S.D.	209,740	39.9	-	-	-	95,209	RL
Fairfield County, S.C.	204,167	31.2	31.2	8.8	22.4	19,999	M
Hamilton County, Ohio	1,562,950	26.5	-	-	-	924,018	N
Phoenix, Arizona	4,920,213	25.6	25.6	-	25.6	581,600	RL
Carson, California	112,000	21.4	21.4	2.9	18.5	71,150	RL
Holden Township, Mass.	17,514	10.7	10.7	9.3	1.4	12,564	RL
Springfield, Ore.	66,490	10.6	10.3	10.3	-	27,130	M
Kershaw County, S.C.	93,700	10.0	10.0	2.2	7.8	34,727	RL
Winnsboro, S.C.	21,500	10.0	5.6	5.6	-	3,411	RL
Longmont, Colorado	106,089	8.6	3.1	-	3.1	23,204	RL
Baton Rouge, La.	1,278,597	7.9	7.6	4.0	3.6	271,922	RL
Eugene, Oregon	194,898	7.7	6.0	-	6.0	76,341	M
Orange County, N.C.	25,500	7.2	7.2	7.2	-	57,707	M

Table 21 (continued)

		Law Enforcement					
			Police				
	Amount (1)	Percent of total RS allocations (2)	Percent of total RS allocations (3)	Capital as a percent of total RS allocations (4)	Operations as a percent of total RS allocations (5)	Population (6)	Fiscal Pressure[a/] (7)
Hamilton, Ohio	40,000	4.1	4.1	4.1	-	67,617	M
Cincinnati, Ohio	485,000	3.2	3.2	-	-	452,550	M
Bangor, Maine	45,000	3.1	-	-	-	33,168	RL
Irondequoit Town, N.Y.	15,000	2.3	2.3	2.3	-	63,675	N
Worcester, Mass.	128,690	1.8	1.8	1.8	-	176,603	E
Cottage Grove, Ore.	3,415	1.8	1.1	1.1	-	6,004	M
Maricopa County, Arizona	308,423	1.7	1.1	1.1	-	967,522	M
LA County, Calif.	3,065,600	1.4	1.4	1.4	-	7,040,697	M
No. Little Rock, Ark.	21,172	1.2	1.2	1.2	-	60,040	RL
Monroe County, N.Y.	100,000	1.0	1.0	-	1.0	711,917	N
Tripp County, S.D.	900	.7	.7	.7	-	8,171	RL
Scottsdale, Ariz.	3,750	.2	.2	-	-	67,839	N
Los Angeles, Calif.	72,756	.2	.2	.2	-	2,809,813	M

a/ N-None; RL-Relatively Little; M-Moderate; E-Extreme.

In fiscal 1974, twenty-eight sample governments as shown in Table 21 allocated shared revenue for new law enforcement purposes, compared to eighteen in 1973. Seven jurisdictions were found to have used over 20 percent of the shared revenue which they allocated in 1974 for law enforcement, compared to only one such case reported in 1973.

Of the seven jurisdictions with the largest allocations, two used the entire amount for non-police, capital projects. New or expanded operations for police were favored 2-1 over new capital for the other five units, reflecting a general reduction in the importance of new capital spending out of shared revenue in 1974.

The eleven sample units with ten percent or more of their shared revenue allocated in 1974 used for new law enforcement spending are discussed below listed essentially in the order shown in Table 21.

Pulaski County adopted a policy of not initiating any program which could not be easily terminated in the event that revenue sharing is discontinued. Officials of Pulaski County, however, did use some revenue sharing funds for administrative services for law enforcement in 1974. The sheriff's department received $340,000 for capital items, and additional funds for police administration amounting to $535,000.

The South Carolina sample jurisdictions were among the largest users of shared revenue for new law enforcement in 1974. Camden and Fairfield County used more than 30 percent for this function. Camden used a majority of these funds for new capital expenditures for the police ($262,000).

Fairfield County, South Carolina, officials said they "didn't want to be caught holding the bag if revenue sharing ended and that they had also been extremely careful to spend these funds in areas where there are no federal grants" (so as not to violate anti-matching requirements). Law enforcement is one of the primary responsibilities of South Carolina counties. Revenue sharing funds in 1974 were used for additional deputies and the attendant capital support. County commissioners apparently do not feel an obligation to continue this expanded police service should revenue sharing be terminated.

Essentially the same situation was found in Kershaw County, South Carolina in 1974. Although funding was at a lower level, the same approach was used of adding deputies and police cars.

A general fiscal conservatism of South Carolina local governments is also reflected in Winnsboro's use of shared revenue in 1974. Possible termination of the revenue sharing program led to allocations for "one-shot" items. The city of Winnsboro purchased police cars in 1974 out of shared revenue. One councilman said he thought revenue sharing resembled the "Roosevelt days, ...the effects should be visible to the people and provide jobs. Buying tractors and police cars is good, because people can see them. As long as we have the money, there are more jobs for people. If we run out of money and there is no federal money, we can park them."

Minnehaha County, South Dakota used most of its revenue sharing funds in 1973 and 1974 for a new public safety building. This project had been planned previous to revenue sharing, with the city of Sioux Falls sharing the costs of construction. County financing was to be through a combination of borrowing, increased taxes, and LEAA funding. However, revenue sharing eliminated the necessity for borrowing or taxing, and, as a result, the net effects for part of this allocation were reported as borrowing avoidance and tax stabilization. In addition, because revenue sharing funds more than covered anticipated revenues, the building plans were expanded, with $210,000 of shared revenue used for new capital purposes.

Revenue sharing funds prompted Hamilton County, Ohio to establish a 5-year capital imporvement program. "Approximately twelve of the fifteen capital projects would never have gotten off the ground without revenue sharing." Experiencing no fiscal pressure, the county commissioners were able to use shared revenue almost exclusively for new and expanded programs. They opted for capital, rather than operational, expenditures for essentially two reasons: (1) the uncertainty of the continuation of funding, and (2) the relatively small impact shared revenue would have on the County's major program area, welfare. The major law enforcement item in the capital program is a new corrections facility.

Although several city officials expressed concern for the possible termination of the revenue sharing program, Phoenix allocated $9.8 million (51%) of shared revenue to new operations and an additional $6.6 million to new capital. Thirty percent of these funds were for law enforcement.

Carson, California is a classic case of the fungibility issue. The Associate reported: "Carson is placing most of its 1973-74 and all of the 1974-75 shared revenue in public safety. It is then using the extra money from the general fund caused by this budgeting procedure to cover other expenses of the city." Such a procedure was adopted in "...response to the reporting, auditing and accounting requirements of revenue sharing...and to save time in the required bookkeeping." Police protection did however receive a substantial amount of shared revenue to finance new spending: $15,000 for vehicles and $97,000 to increase contracted police protection from Los Angeles County.

Holden (township) Massachusetts, a middle-income residential suburb of Worcester, has an expanding tax base and does not face exceptional pressures for new services. New capital spending accounted for 83 percent of the shared revenue allocated by the town in 1974. Most of these funds were earmarked for a general-purpose building with small amounts for law enforcement and streets.

Springfield, Oregon used most of the shared revenue which it allocated in 1973 for new capital purposes. In 1974, increasing budgetary pressures were said to have caused a reversal of that policy. Budget officials were faced with the choice of using more shared revenue for operating expenses or reducing certain operations. New capital spending out of shared revenue dropped from 60 percent in 1973 to just over 25 percent in 1974. The police department received 40 percent of these new capital funds ($64,000).

The sample units briefly discussed below were found in the field research to have allocated some amounts of shared revenue for new law enforcement spending in 1974, but less than ten percent of the total amount allocated.

Longmont, Colorado

Longmont, Colorado, under relatively little fiscal pressure in 1974 and concerned with the continuation of revenue sharing, used the majority of the revenue sharing funds which it allocated in 1974 for various new capital purposes. Among these items was $67,000 for courthouse equipment; police operations were expanded by $38,000.

Baton Rouge, Louisiana

Police protection was the primary beneficiary of the relatively small amount of revenue sharing funds allocated for new operations by Baton Rouge, Louisiana in 1974. Most of these funds were allocated to operate sheriff substations. In addition to the capital requirements of these substations, shared revenue was used for the purchase of computer terminals to tie in with statewide criminal justice information systems ($100,000). Non-police capital ($45,000) consisted mostly of equipment for the district attorney's office.

Eugene, Oregon

Police allocations out of shared revenue by Eugene, Oregon in 1974 ($151,700) were almost exclusively for operational purposes. These funds were used to establish a "Major Crime Team." According to the city officials this unit has been so successful that police courtroom appearances now require additional manpower. Additional revenue sharing ($41,000) was therefore provided for the municipal court and the city attorney.

Orange County, N.C.

Fiscal conditions for Orange County, North Carolina changed markedly "from fiscal flexibility in 1973 to increased fiscal constraint in 1974." The altered fiscal conditions apparently prompted the county executive and Board of Supervisors to adopt a new policy, "...<u>not</u> to finance health and sheriff department activities out of general revenue sharing, as was done previously." The county executive commented that the future of revenue sharing was "not at all clear;" as a result the county allocated all of these funds to non-recurring items. Among these capital allocations was $25,000 for law enforcement.

Hamilton, Ohio

The City of Hamilton, Ohio is another case where the stated policy has been to use shared revenue for "non-recurring" items, but where the funds have been increasingly relied upon for maintenance of existing operations and meeting public demands for new or expanded operations." If it were not for revenue sharing funds, the county would be in a considerable jam." One such "maintenance" effect has been the assignment of these funds to police and fire pension funds, clearly, an expenditure that would have occurred sans revenue sharing. Of the shared revenue that was still available for new expenditures, police and fire protection received 45 percent, all in the form of new capital spending. As the associate noted, "The police and fire departments continue to be very influential, not only in the allocation of revenue sharing money but in the normal budget process itself."

Cincinnati, Ohio

Cincinnati continued the first-year support of additional policemen--$485,000 (3.2 percent). Although the associate recalled the pressure to expand the police force in the previous year, fiscal conditions were such that an expansion still would not have taken place in the absence of revenue sharing.

Bangor, Maine

Bangor, Maine used its shared revenue primarily for program maintenance and tax stabilization in 1974. Officials have tended not to fund new programs out of shared revenue and as one councilman put it, "we want to have our house in order and be in good shape by the time the program runs out." The only law enforcement allocation in 1974 was for the operation of the Youth Aid Bureau within the police department.

Irondequoit Township, N.Y.

Township officials of Irondequoit, New York expressed a frequently-heard preference for using shared revenue for tax stabilization and "one-shot" items. Interest was also expressed in funding projects that could be "...pointed at to say revenue sharing was responsible." As a result of both views, Irondequoit adopted a long-range capital development plan with "undertakings projected to be completely capitalized in the event that revenue sharing is not renewed." Included in the plan are "public safety capital equipment expenditures designed to result in a modern equipment inventory by the end of 1976." The amount used for this purpose in 1974 was $15,000.

Worcester, Mass.

Worcester, Mass is a case of an old, Northeastern city experiencing fiscal pressure. Much of this government's shared revenue has been used to forestall major tax increases. Allocations for new capital or new operations were small relative to the total. Law enforcement's share of these two categories amounted to $128,000 for police capital items.

Cottage Grove, Oregon

Although officials of Cottage Grove, Oregon were reluctant to fund continuing expenditures out of revenue sharing, it served as a partial replacement for a proposed mill levy increase, rejected earlier by the voters. Opponents of the increase in the mill levy criticized, among other things, the size of the police department. In resulting budget cuts, several police clerical positions were eliminated; only a small amount of revenue sharing was allocated to new law enforcement capital spending--police equipment and courthouse furniture.

Maricopa County, Arizona

Maricopa County, Arizona is one of the few jurisdictions in the sample experiencing considerable fiscal pressure that allocated a significant amount of shared revenue to new capital uses. The primary cause for Maricopa's financial constraints is summarized by the Associate: "County revenues are limited by state law, both with regard to sources and rates. At the same time, the state continues to mandate increased county services without providing additional funding." Approximately 60 percent of the county's expenditures are "mandated"--primarily for social services. For example, a recent (1974) state statute requires more frequent review of all juvenile cases--the cost to Maricopa County, $100,000 a year. Because of tight finances, the county has "...substantial unmet needs in criminal justice." The Board of Supervisors, fearing that revenue sharing will not be reenacted, operates under the self-imposed restriction that shared revenue be treated as earmarked monies for capital expenditures and/or debt retirement. Law enforcement allocations out of shared revenue were entirely for capital purposes, police improvements, small amounts for the courts, legal services, the public defender, county prosecution, and adult probation.

Los Angeles County

"The county philosophy is to use these funds for one-time projects, rather than be dependent upon them as a source of general revenue...and to avoid interest costs on long-term financing. Although in theory, this is the use criteria, in practice for the past six months the board has allocated funds to on-going programs, or programs they will have difficulty in dropping." A prime example is the allocations made to juvenile justice in 1974, "the current hot issue." Substantial sums of shared revenue were used for both operations and capital in the field of juvenile justice. But, as the Associate notes, there was so much public pressure to improve juvenile justice that, without revenue sharing, taxes would have been raised or other programs cut to offset increases in this area. Therefore revenue sharing was classified by the Associate not to have stimulated juvenile justice spending, but rather to have allowed Los Angeles County to maintain a relatively stable level of taxation. The police did receive revenue sharing funds in 1974 for some new capital projects; $3,000,000 was allocated for land acquisition, building construction and renovation, and equipment.

North Little Rock, Arkansas

"As a policy, the city of North Little Rock, Arkansas initially announced its intention to use revenue sharing funds for non-recurring expenditures such as capital expenditures. This has not been the case in 1974 as substantial sums have been expended in operational areas. North Little Rock is becoming increasingly dependent on revenue sharing." As a consequence, new allocations for law enforcement dropped from 22 percent of shared revenue in 1973 to slightly more than 1 percent in 1974. The entire amount ($21,172) was used for additional police cars.

Monroe County, N.Y.

Monroe County's manager, although expressing concern for possible termination, noted, "...the day of reckoning is coming, and the federal government will want to see that revenue sharing is being spent for high priority problems." This rationale, coupled with inflationary pressures, reduced the previous reluctance to fund continuing programs out of shared revenue. Police operations received $100,000 for operational expansion. Although not new spending, Monroe's 1974 budget included $100,000 for probation services previously funded by a federal categorical grant.

Tripp County, South Dakota

Although Tripp County, South Dakota had used most of its 1973 shared revenue for "non-recurring" items, 1974 allocations reflected a major shift to program maintenance. The county commissioners were reluctant to finance new or expanded operations out of shared revenue, including law enforcement. The county sheriff was one of the few who appealed for more shared revenue, specifically for operations. He was told simply, "You can't have it." One percent of the shared revenue allocated by Tripp County in 1974 was used for new law enforcement purposes.

Scottsdale, Arizona

"As a general policy, Scottsdale, Arizona has reserved revenue sharing monies for capital improvements." The Associate describes Scottsdale as a "wealthy suburb of Phoenix" under no fiscal pressure. The majority of revenue sharing funds have been committed to street and traffic improvements. The only new law enforcement allocation was the purchase of an additional police car.

Los Angeles, Cali California

As the previous text noted, officials of Los Angeles reported that a large portion of revenue sharing funds was expended for law enforcement. However very little expansion actually took place. In 1973, $72,756 was allocated for new police vehicles.

Based on the field research, the two significant points that emerged in 1974 for the sample units are that new spending for law enforcement increased and there was a shift in relative importance in favor of operational and away from capital items. The largest new users of shared revenue for this function continued to be counties and units which are relatively well off fiscally. The shift to operating uses may reflect a tendency in the early period of the revenue sharing program to concentrate on capital items to the point where these units in ensuing years did not have as many unmet needs for law enforcement capital items, and therefore shifted to operational spending for this function. In many instances, associates noted a reluctance to undertake operational expenditures out of shared revenue because of the commonly-referred to concern that if the program is not continued, they would have to fund these programs out of their own revenues. In some cases, associates noted that where new operational spending for law enforcement was undertaken out of shared revenue in 1974, it was done with the explicit proviso that these operations would have to be cut if the revenue sharing programs was not extended.

The field reports for many of the units covered in this section tell quite a lot about the revenue sharing program. The program was consciously designed to provide grants to all general-purpose units of state and local government. This, of course, includes a great many suburban governments and small rural units. They typically do not face the kinds of fiscal problems confronting large cities and urban counties. These units as a result have less pressure on them to use shared revenue for substitution purposes (to make ends meet and stave off tax increases). Where they have law enforcement functions, new law enforcement spending tends to be a strong claimant for shared revenue.

III. A NOTE ON STATE USES OF SHARED REVENUE FOR LAW ENFORCEMENT

Emphasis in this paper is placed on the uses of shared revenue for new law enforcement purposes on the part of local governments. State governments also receive shared revenue, except in a few cases amounting to one-third of the funds allocated for the particular state area. State governments as already noted, do not have to account for their shared revenue according to the priority expenditure areas in the Act, although they must report on their uses of these funds. Compared to local units, state governments in the Brookings sample were found in 1973 to have had generally higher substitution uses of shared revenue and to have allocated relatively more of these funds for educational purposes.

The eight states of the Brookings sample reported little and appropriated even less for public safety and law enforcement. According to ORS Actual-Use reports, two states reported public safety expenditures in 1973--Louisiana and New York. The unweighted mean of these reported expenditures for public safety was .8 percent for 1973. In 1974, four states--Colorado, Massachusetts, New York and North Carolina--reported public safety expenditures with only 1.9 percent attributed to law enforcement on the average.

The associates, on the other hand, reported that only two states, Louisiana and North Carolina, allocated shared revenue for new law enforcement in 1973. North Carolina was the only such case in 1974. Louisiana allocated $2.3 million of shared revenue to new law enforcement operations in 1973. Of this $1 million was for expansion of the state police force, $800,000 for new operations at four state correctional institutions, and $500,000 for motor vehicle safety. North Carolina chose to invest $6 million in new capital projects for corrections in 1973, supplemented by an additional $10 million in 1974.

One of the Associates for the Brookings study, Professor Deil S. Wright, has conducted a research project at the University of North Carolina on this subject, namely the uses of shared revenue by state governments for law enforcement purposes. A study recently completed for LEAA* reported that 44 Criminal Justice agencies in twenty-one states specifically requested allocations of GRS funds.† Seventeen agencies in fourteen states, some of which had not requested revenue sharing funds, reported a favorable outcome with an additional eleven directors in nine states perceiving a positive influence on agency financing, even though no shared revenue was allocated directly to their agencies. The author, upon comparing his findings with recent ACIR results, concluded that "There are sixteen states in which it appears highly likely that general revenue sharing did have <u>some</u> perceived and detectable impact on criminal justice finances. (Emphasis is given to the word 'some' to denote the qualitative rather than quantitative character to the impact assessment)." In respect to officially reported expenditures, the author notes, "this poor correspondence...confirms our serious reservations about the Actual-Use report as a valid indicator of general revenue sharing fiscal impact on state criminal justice activities."

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* Deil S. Wright, <u>The Effects of General Revenue Sharing on State Criminal Justice Agencies</u> (March 15, 1976).

† These results are based on a 54 percent response rate of 2,909 surveys sent to state administrators.

IV. CONCLUSION

Although the Brookings monitoring study of the general revenue sharing program was not specifically designed to focus on law enforcement, a considerable amount of the data collected can be used in this way. Taking into account the methodology and aims of the Brookings study, the initial question raised by the National Institute of Law Enforcement and Criminal Justice can be answered as follows: Officially-reported expenditures of shared revenue on law enforcement compiled by the Treasury Department's Office of Revenue Sharing were six times greater than new allocations for this purpose identified in the Brookings field research in 1973; the ratio for 1974 was 4:1. Differences are greatest for larger units, those under the greatest fiscal pressure, those located in the Northeast, and for municipal governments generally. The principal reason for this pattern of variation is that the classes of units just described tended to have especially high substitution uses of shared revenue in the Brookings' net-effects analysis.

These ratios are illustrative and not meant to be definitive. But the discrepancies are large enough that the point is clearly made. Revenue sharing dollars have not gone for new law enforcement purposes in anything like the amounts indicated by Treasury data. This does not mean that the Treasury data are wrong (although they generally have not been well presented), only that law enforcement is an area in which the official designations for general revenue sharing funds reflect especially high substitution effects. This outcome is, of course, traceable to the fungibility of this new form (at least new in the twentieth century) of fiscal subvention from the federal government to states and localities.

What are the implications of these findings for the LEAA block grant program? So far we have only looked at one side of the equation. We know something about the relationship between shared revenue and law enforcement, but the next question is, compared to what? We need data on the extent to which LEAA block grants have similar substitution effects in that these funds are used to replace funds that otherwise would have been allocated for law enforcement purposes. Unfortunately data on the net effects of LEAA block grant funds are not available. On the whole, however, our expectation is that these block grant funds have less of a substitution effect than general revenue sharing funds. They are provided essentially on a project-by-project basis to local governments. Research done on the effects of different kinds of fiscal subventions suggests that project grants are generally more stimulative than formula grants or revenue sharing. ACIR's forthcoming report on the Safe Streets Act supports this contention. Conclusions, based on national surveys of LEAA officials and local governments and case studies of ten states, conclude: "Safe Streets funds have supported many law enforcement and criminal justice activities that recipients otherwise would have been unable or unwilling to undertake...the available evidence indicates that most Safe Streets dollars have been used for new programs that would not have been launched without Federal aid."*

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* Carl Stenberg, "The Safe Streets Act: Seven Years Later," Intergovernmental Perspective, Vol. 2, No. 1 (Winter 1976) pp. 6-10. The ACIR study, of necessity, is retrospective; it fills an important gap in the current literature on federal grant studies.

This general subject, variations in the stimulative effects of different kinds of fiscal subventions, has been an area of extensive study in public finance.* Such variations can be thought of as reflecting the different aims of grant programs. Many of the original proponents of general revenue sharing, including President Nixon, argued for this program as a means of reducing the pressure on state and local taxes, particularly property taxes. Walter Heller, among others, also advocated revenue sharing, partially as a means of shifting towards the greater use of the more progressive federal income tax as opposed to state and local taxes, generally regarded as less progressive, even regressive. In this context, a substitution effect for general revenue sharing is fully within the ambit of the law.

Other purposes of federal grants are: (1) to stimulate specific kinds of activities, (2) to equalize services levels on the basis of need or fiscal capacity, and (3) to support functions with high spillover effects. Often federal grants, once the political pulling and hauling is completed, are unclear about their goals or reflect an amalgam of goals. The LEAA block grant is a case in point. By its breadth, it has the character of a support-type grant, with a shift to more reliance on nationally-raised taxes. At the same time its project-by-project distribution to local units was no doubt envisioned to have a stimulative effect (Type 1 above).

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* See, for example, Edward M. Gramlich, "Intergovernmental Grants: A Review of the Empirical Literature," prepared for the International Seminar on Public Economics, Berlin, January 1976 (processed), also the National Tax Journal, which has had a long-standing interest in this subject.

Revenue sharing also has a split personality. Proponents sought several objectives--to decentralize, or in other words to stimulate efforts to meet public needs at the state-local level; to equalize on the basis of need and capacity among states and cities; and importantly, to reduce pressures on state and local taxes. This set of purposes suggests that the conclusion stated here, that in the law enforcement area general revenue sharing has a higher substitutability than LEAA block grants, is consonant with differences in aims of the two programs.

The lack of comparable data on the LEAA block grant program leads to the principal recommendation of this report, namely that a monitoring study be initiated assuming the LEAA program, especially the block grant portion, is extended. Several points should be made about the scope and methodology of such a study. The Brookings monitoring studies of the general revenue sharing and community development block grant programs cover three areas--(1) distributional effects, (2) fiscal or program effects, and (3) political effects. Ideally, all three areas should be covered in a similar monitoring study of a new LEAA program.

With regard to the first of these three research areas--distributional effects--one of the most serious deficiencies of information about the present LEAA program is a lack of data as to the intra-state distribution of funds. What amounts are distributed by the states to local units? What kinds of local units receive grants--cities, counties, towns? Are these grants relatively larger for units with certain characteristics--high crime, low income, high density, large size, medium size?

Under the heading of fiscal and program effects, such a study should examine both the net effects (new vs. substitution) and the types of uses of LEAA block grant funds for new purposes--vehicles, construction, additional personnel--and for various areas of expenditure--the courts, corrections, police.

Political effects are also important on this research agenda. How do states set up and carry out their LEAA planning role? What kinds of officials are involved--planners, managers, legislators? At the local level, what are the different kinds of arrangements used by governments that receive LEAA funds to undertake new projects? Do different types of political organization in relation to the use of these funds correlate with different patterns of use in terms of new versus substitution effects or types of new uses?

Some of these questions are dealt with in the ACIR study cited above. Nevertheless, it is important to take steps to establish such a monitoring capability at the beginning of the period for the next LEAA program. Such a research program should also include the use of Census of Governments data which can provide the basis for a more general analysis of the program effects. In addition, as this study has demonstrated, there are important interprogram (e.g. LEAA and revenue sharing) effects, which can only be understood within the context of a systematic monitoring effort. Under various aegis, longitudinal monitoring research is underway on all of the existing block grants, as well as, of course, the general revenue sharing program. These studies, in turning attention to <u>implementation</u> research, are breaking new ground in methodological terms in a number of areas. It is important that these various studies be coordinated and that they consider not just individual programs, but