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AMERICAN FEDERATION OF STATE, COUNTY

AND MUNICIPAL EMPLOYEES (AFL-CIO)

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- Financing State and Local Government -

There are four essential elements of any financing strategy for state and local governments:

First, a healthy, booming economy.

If we are going to improve our cities, if we are going to forcefully attack the problems that plague our urban areas and our states, then we need an economy that will provide jobs for all who want to work.

We need an economy that fosters orderly and continued growth.

We need an economy that will provide the revenue base from which state and local governments can equitably levy taxes.

But what do we have?

We have an economy based on unemployment decreed by the Administration. We have workers without jobs, and teen-agers who walk the streets aimlessly.

We have an economy that is propelled by inflation.

We have an Administration that issues inflation alerts about price increases but neglects to alert people about profit increases.

We have an economy that might well produce massive firing of public employees -- 3000-4000 in New York City, 1000 in Detroit, 600 in Pittsburgh . . . the list continues.

In short, we are the victims of an economic policy based on a political decision that the way to fight inflation is to create unemployment.

It is time we rejected this policy and let the people be the master of the economy rather than the economy being the master of the people.

2. The need for a rational financing mechanism

The fiscal crisis of our states and cities has been abundantly documented.

They need hard cash, and they need it now.

And, they will need more in the future.

Listen to these fiscal projections:

-- State and local governments will need about \$150 billion by fiscal year 1975 for all their programs.

-- Education will require about 55 billion.

-- 17 billion will be needed for highways.

-- Police and fire services will take another \$10 billion.

Where are we going to get this money? How are we going to meet these demands?

There are a number of steps we can take to help bail out the states and local governments:

First, we can reform the tax system. We can de-emphasize the regressive sales and property tax and emphasize a more equitable local and state income tax.

This reform will not be easy. Methods of financing change slowly, and people will not eagerly embrace state and local income taxes.

Yet, look at what happens if we do not change our local tax structures:

-- Sales taxes in fiscal year 1975 will produce some \$28 billion.

-- Property taxes will account for \$39 billion.

-- Income taxes, on the other hand, will bring in only \$10 billion.

-- And, corporate taxes will produce only \$3.7 billion.

The regressiveness of the present tax system is apparent.

The taxpayer who can least afford to pay ends up paying.

I am pleased that your union has already taken a public position in favor of tax reform and the income tax. I want to commend you for this action.

We should also pass a revenue sharing bill.

I recognize that revenue sharing is not a panacea. And, I recognize that to be effective, the amount of money shared must be greater than the 5 billion dollars proposed by the Administration.

Revenue sharing should be part of any comprehensive financial package, and I am one Democrat who is for it.

the → But it is only a part of the required package. Revenue sharing ought not to be oversold or looked upon as a cure-all. It is, at best, an economic blood transfusion for local governments that are suffering from severe economic anemia.

The third change we can make is to enact the National Domestic Development Bank -- legislation I recently introduced. It would provide a major new source of funds and technical assistance for our state and local governments to enable them to undertake vitally needed public projects.

This legislation will allow cities to borrow money at low interest and for long terms for community facilities. It is an alternative source of funding for new schools, medical and hospital centers, police and fire training facilities, day care centers, parks, and waste disposal centers and many more needed public projects.

This legislation can begin to redress the imbalance that has made our country privately wealthy but publicly poor.

The fourth change we can make is to completely federalize the cost and administration of the welfare system.

Welfare is a national, not a local problem. It deserves a national answer.

Federal payment of welfare costs can release for state and local governments approximately \$5 billion.

Finally, we can enact a series of block grants -- money allocated to cities and states for functional purposes but with increased local discretion as to how the funds are used.

We can eliminate the matching requirements and the red tape.

And we can still maintain a federal presence as to civil rights protections and what goals these funds should accomplish.

3. Effective political leadership.

None of these reforms and mechanisms will work, however, if we do not have effective political leadership, in the Mayor's office, in the state house, and in Washington.

What we need from our leadership is straight talk -- a frank discussion of our problems, an end to the blame fixing, and a refusal to play politics with the fiscal life of our cities.

We need dedicated and diligent leadership -- leadership with the fortitude to say, "Here is what we are going to do; let's get it done."

We need leadership that can define the problems, propose bold solutions to those problems, and keep after those problems day after day.

But, what do we have?

We find some local leaders spending their time bickering with governors.

We have a Congress that fragments and diffuses responsibility for the urban areas by splitting policy jurisdiction between two Houses and a half-dozen major committees.

We have an Administration that says it has a commitment to urban areas, but then impounds billions of dollars in urban funds.

The conclusion is inescapable: The financing of our cities is a problem of political leadership. If we are going to make our cities work, then we must have aggressive, imaginative leaders.

We needed them yesterday.

We need them today.

We cannot wait until tomorrow.

4. The public employees.

The fourth essential element of a financing strategy is one of the most important: we have got to learn what the urban crisis is all about from those who know what it is all about -- the rank and file members you officials represent. *and that includes you too today.*

Your men and women are on the front lines of the urban crisis.

Your men and women fight the urban battle every day -- at the street level -- where it is most visible, and at times, most depressing.

Your men and women, better than anyone else, recognize that the key to the city is not held by visiting dignitaries but by those who maintain the basic services of the city.

Your union has clearly shown that the real urban questions are very basic: How do we keep cities going? How do we keep them operating? How do we finance adequate garbage collection or snow removal?

These are not sexy questions.

These are not great questions of urban philosophy.

But they are fundamental questions. And, if we cannot provide answers to them, if we cannot adequately finance our cities and states, we can forget urban philosophy, because our cities and states will cease to exist.

In short, if we neglect our public employees, if we fail to pay them decent wages, then we will ultimately run the risk of neglecting our cities and states.

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