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TESTIMONY OF SENATOR HUBERT H. HUMPHREY (D-MINN)
BEFORE THE INTERGOVERNMENTAL RELATIONS SUBCOMMITTEE
OF THE
SENATE GOVERNMENT OPERATIONS COMMITTEE

JUNE 8, 1971

MR. CHAIRMAN, I AM DELIGHTED TO BE HERE THIS MORNING,
WITH MY DISTINGUISHED COLLEAGUE, CONGRESSMAN REUSS, TO
TESTIFY ON THE VARIOUS REVENUE-SHARING AND GOVERNMENT
MODERNIZATION BILLS PRESENTLY BEFORE THIS SUBCOMMITTEE.

I AM HERE BECAUSE I AM CONVINCED REVENUE-SHARING
IS NOT DEAD.

THE WELFARE REFORM BILL REPORTED BY THE HOUSE
WAYS AND MEANS COMMITTEE, CONTAINING A PHASED ASSUMPTION
OF WELFARE COSTS, IS LEGISLATION THAT WILL BE OF SUBSTANTIAL
FINANCIAL HELP AND FISCAL RELIEF TO STATE AND LOCAL
GOVERNMENTS. I COMMEND THE COMMITTEE AND ITS CHAIRMAN
FOR THEIR WORK. SUBSTANTIALLY INCREASED AID TO EDUCATION
WOULD ALSO BE OF GREAT HELP.

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I ALSO BELIEVE THE HEARINGS THE COMMITTEE IS HOLDING PRESENTLY WILL PERMIT US TO LOOK AT ALL THE RAMIFICATIONS OF REVENUE-SHARING. I BELIEVE THESE HEARINGS WILL PROVE OF POSITIVE WORTH IN PROVIDING A MEANS AND A METHOD FOR CHANNELING ADDITIONAL, VITALLY NEEDED FUNDS TO STATE AND LOCAL GOVERNMENTAL UNITS.

I AM PLEASED TO SEE THAT THERE IS A CLEAR UNDERSTANDING IN THE OTHER BODY THAT OUR STATES AND LOCALITIES ARE IN A STATE OF CHRONIC FISCAL CRISIS. THIS FACT IS SO SELF-EVIDENT IT NEEDS NO CORROBORATIVE TESTIMONY FROM ME.

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MR. CHAIRMAN, EVEN BEFORE INTRODUCTION OF S. 241, AND ITS AMENDMENT #35, I HAVE DECLARED MY WILLINGNESS TO SERVE AS A BROKER OF THE VARIOUS REVENUE-SHARING PROPOSALS.

THE FINANCIAL NEEDS OF LOCAL GOVERNMENTS THROUGHOUT THE NATION ARE SUCH THAT WE SIMPLY CANNOT AFFORD TO INDULGE IN COMPETITION BY PUSHING ONE PROPOSAL TO THE EXCLUSION OF OTHERS.

THERE ARE GOOD FEATURES IN THE ADMINISTRATION'S BILL. THE HUMPHREY-REUSS BILL BOTH PROVIDES FISCAL RELIEF AND INDICATES WAYS IN WHICH STATE AND LOCAL GOVERNMENTS CAN BECOME MORE EFFICIENT IN ADMINISTRATIVE AND REVENUE-RAISING METHODS.

THE BILL ALSO PROVIDES GENEROUS PASS-THROUGH OF FUNDS TO THE CITIES AND COUNTIES -- WHERE THE REAL FINANCIAL PINCH IS BEING FELT. THE BILL INTRODUCED BY THE DISTINGUISHED CHAIRMAN OF THIS SUBCOMMITTEE ALSO HAS CONSIDERABLE MERIT.

WHAT WE MUST DO IS PLACE PARTISAN AND INDIVIDUAL PRIDE OF AUTHORSHIP ASIDE TO SEE THAT THE BEST AND MOST RESPONSIBLE AND RESPONSIVE PROVISIONS OF ALL PROPOSALS BE INCORPORATED IN LEGISLATION THAT WE MUST PASS THIS CONGRESS.

CLOSE AND CONTINUAL SCRUTINY OF THE PROS AND CONS OF REVENUE-SHARING IS ONLY FITTING. WE MUST EXPLORE THE ISSUE THOROUGHLY BEFORE DECIDING THE SPECIFICS OF A PROGRAM.

BUT TALK AND DEBATE ARE NOT ENOUGH. OUR STATES
AND LOCALITIES ARE IN GRAVE FINANCIAL CONDITION. WHAT
THEY NEED IS NOT AN ELABORATE DIAGNOSIS OF THEIR ILLS.
THEY DON'T NEED TO BE TOLD WHO IS TO BLAME FOR THEIR FISCAL
MESS. WHAT THEY NEED, AND NEED NOW, IS CASH.

THE MAYOR OF A LARGE CITY APPEARED BEFORE THE CONGRESS
NOT LONG AGO. WHEN ASKED ABOUT HIS MOST PRESSING PROBLEMS --
ABOUT WHAT WAS GIVING HIM THE MOST DIFFICULTY IN
ADMINISTERING HIS CITY EFFICIENTLY AND WELL -- HE GAVE
THIS CLASSIC REPLY: "I HAVE THREE MAJOR PROBLEMS: REVENUE,
FUNDS AND MONEY."

WHEN WE SEE CITY AFTER CITY SINKING INTO A STATE OF ADMINISTRATIVE PARALYSIS -- WHEN FIRE HOUSES ARE CLOSED FOR LACK OF FUNDS -- WHEN ADEQUATE POLICE PROTECTION IS LACKING -- WHEN GARBAGE COLLECTIONS BECOME LESS AND LESS FREQUENT -- WHEN BASIC HOUSE-KEEPING FUNCTIONS OF LOCAL GOVERNMENT ARE BEGINNING TO BE ERODED AND DISAPPEAR, THEN WE MUST ACT AND ACT SOON.

STATE AND LOCAL GOVERNMENTS NEED AN IMMEDIATE FINANCIAL TRANSFUSION TO KEEP THEM ALIVE LONG ENOUGH FOR US TO DEVELOP A PROGRAM FOR FISCAL REHABILITATION.

WHEN A CITIZEN SPEAKS OF GOVERNMENT, MORE OFTEN THAN NOT HE IS SPEAKING OF THAT GOVERNMENT THAT IS CLOSEST TO HIM AND MOST DIRECTLY AFFECTS HIS LIFE AND THE LIVES OF HIS FAMILY.

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THAT GOVERNMENT THAT EDUCATES HIS CHILDREN, PICKS UP
HIS GARBAGE, PROVIDES FIRE AND POLICE PROTECTION -- THE
GOVERNMENT THAT HE DEALS WITH DAY IN AND DAY OUT -- THAT
IS WHAT A MAN USUALLY MEANS WHEN HE SAYS GOVERNMENT. NINE
OUT OF 10 DECISIONS DIRECTLY AFFECTING AN AMERICAN AND
HIS FAMILY ARE MADE IN CITY HALL OR IN THE COUNTY COURT
HOUSE AND NOT IN WASHINGTON. THIS IS THE GOVERNMENT --
LOCAL GOVERNMENT -- THAT WE MUST HELP THROUGH REVENUE-SHARING.

THE ECONOMY CONTINUES IN RECESSION -- UNEMPLOYMENT
IS 6.2 PER CENT -- THE WHOLESALE PRICE INDEX IS WAY UP
AGAIN. THIS SLUMP IS NOT ONLY COSTING AMERICANS MILLIONS
OF JOBS, BUT IT IS COSTING EMPLOYERS, EMPLOYEES, BUSINESS
AND LABOR ALIKE, BILLIONS OF DOLLARS IN INCOME.

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IT IS COSTING THE FEDERAL GOVERNMENT ABOUT \$15 BILLION EVERY YEAR IN LOST TAX REVENUES. AND, BY THE END OF 1971, THE RECESSION WILL HAVE COST STATES, CITIES AND COUNTIES OVER \$6 BILLION IN LOCAL TAX REVENUES.

STATES AND LOCALITIES ARE SUFFERING A FINANCIAL PINCH CAUSED BY THE RECESSION. BUT ANOTHER FACTOR IN THEIR INCREASING INABILITY TO PROVIDE NECESSARY SERVICES IS LACK OF MODERNIZATION, LOW EFFICIENCY AND UNSOUND STRUCTURES IN SOME GOVERNMENTAL SYSTEMS.

I REALIZE THAT SOME CRITICS OF REVENUE-SHARING SAY IT MAKES NO SENSE TO GIVE STATE AND LOCAL GOVERNMENTS MORE MONEY. THEY SAY THAT STATES AND LOCALITIES CANNOT MANAGE WHAT THEY HAVE NOW AND THAT INCREASED FEDERAL FUNDING WILL ONLY PROP UP OUT-DATED AND INEFFICIENT GOVERNMENTAL SYSTEMS.

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THIS IS ONE OF THE REASONS THAT THE REVENUE-SHARING BILL (S. 241) THAT CONGRESSMAN HENRY REUSS (D-WIS) AND I INTRODUCED SHOULD GAIN THE SUPPORT OF THESE REFORM-MINDED CRITICS.

THE HUMPHREY-REUSS BILL INCLUDES A SECTION ON REFORM OF STATE AND LOCAL GOVERNMENTS. THE BILL ITSELF CONTAINS A CATALOGUE OF SUGGESTED REFORM STEPS THAT THESE GOVERNMENTS CAN TAKE TO MAKE THEIR SYSTEMS MORE EFFICIENT AND RESPONSIVE TO THE NEEDS OF THEIR PEOPLE.

THE BILL ALSO REQUIRES THAT GOVERNORS FILE A MASTER REFORM PLAN FOR THEIR RESPECTIVE GOVERNMENTS AND A TIMETABLE FOR IMPLEMENTATION OF THAT PLAN.

THE FUNDS INCLUDED IN THE BILL RANGE FROM \$3 TO \$9 BILLION OVER A FOUR-YEAR SPAN. APPROPRIATIONS WILL BE ON AN ANNUAL BASIS TO GIVE THE CONGRESS A CHANCE TO SEE HOW THE PROGRAM IS WORKING, AND TO ENCOURAGE ACTIVE PARTICIPATION OF THE STATES AND LOCALITIES IN THE REFORMS CONTAINED IN THE MASTER PLAN. AN INCENTIVE IS INCLUDED TO ESTABLISH PROGRESSIVE STATE INCOME TAXES AS A SUBSTITUTE FOR REGRESSIVE SALES AND PROPERTY TAXES.

I AM, OF COURSE, COMMITTED TO THE REFORM THRUST OF THE HUMPHREY-REUSS BILL. HOWEVER, IT IS CRUCIAL THAT ALL OF US INTERESTED IN REVENUE-SHARING SUPPORT THE CONCEPT AND RECOGNIZE THE PRESSING NEED TO CHANNEL FUNDS TO THE STATES AND LOCALITIES IMMEDIATELY.

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WE MUST NOT PERMIT OURSELVES TO GET BOGGED DOWN
IN DETAIL OR BOXED-IN BY INTRANSIGENT COMMITMENT TO ONE
PLAN TO THE EXCLUSION OF ALL OTHERS. THERE MUST BE A
FLEXIBILITY -- A FLEXIBILITY THAT WILL PERMIT US TO JOIN
TOGETHER IN SECURING THESE VITALLY NEEDED FUNDS TO SAVE
OUR LOCAL GOVERNMENTS.

MR. CHAIRMAN, FOR THE PURPOSES OF DISCUSSION, I
WOULD LIKE TO OUTLINE A BILL WHICH COULD MEET THE
REQUIREMENTS OF REVENUE-SHARING AND GOVERNMENT MODERNIZATION.

FIRST, THE BILL SHOULD PROVIDE SUBSTANTIAL FISCAL
RELIEF TO STATES AND LOCALITIES -- CITIES AND COUNTIES.

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AN INITIAL FIGURE OF ABOUT \$5 BILLION WOULD GIVE US A START;

IT WOULD BE ENOUGH TO BE OF SOME REAL HELP WHEN DISTRIBUTED

NATIONALLY. ANNUAL APPROPRIATIONS OF THESE FUNDS WOULD

RETAIN CONGRESSIONAL OVERSIGHT OF THE SHARING AND PERMIT

FUNDING AT A LEVEL CONSISTENT WITH LOCAL GOVERNMENTAL NEEDS

IN PROVIDING GOVERNMENT SERVICES AND ORDERING OF NATIONAL

PRIORITIES BY CONGRESS.

SECOND, DISTRIBUTION TO THE STATES AND THE PASS

THROUGH PROVISIONS SHOULD BOTH REWARD LOCAL REVENUE-RAISING

EFFORTS AND RECOGNIZE THE NEEDS OF LESS WEALTHY

LOCALITIES.

SOME JURISDICTIONS ARE HEAVILY AND REGRESSIVELY TAXED,
AND ALL TOO OFTEN THE AREA WITH THE WEAKEST TAX BASE IS
REQUIRED TO PROVIDE ENORMOUSLY EXPENSIVE SOCIAL SERVICES.

THIRD, TO MEET THE OBJECTIONS OF THOSE WHO SAY
MORE FEDERAL FUNDS SIMPLY REWARD AND PROP UP GOVERNMENTAL
UNITS THAT NO LONGER HAVE ANY JUSTIFICATION FOR THEIR
EXISTENCE, I URGE THAT THE FINAL LEGISLATION CONTAIN
REFORM AND REVENUE-RAISING STANDARDS SUCH AS THOSE CONTAINED
IN THE HUMPHREY-REUSS PROPOSAL. THEY NEEDN'T BE ONEROUS.
THEY SHOULD PROVIDE A RARE OPPORTUNITY TO UP-DATE
STATE AND LOCAL GOVERNMENTAL UNITS.

FINALLY, THIS COMPOSITE BILL MUST CONTAIN STRONG
ANTI-DISCRIMINATION PROVISIONS, INCLUDING THE RIGHT TO
BRING SUIT FOR NON-COMPLIANCE, AS CONTAINED IN THE
CHAIRMAN'S BILL.

MR. CHAIRMAN, I SUBMIT SUCH A BILL WOULD MEET THE
OBJECTIONS OF PRESENT CRITICS OF REVENUE-SHARING. WITH
THEIR HELP I AM SURE WE COULD PASS A REVENUE-SHARING BILL
NOT ONLY IN THIS CONGRESS BUT IN THIS SESSION OF THE
92D CONGRESS.

WHETHER WE FINALLY DEVISE A REVENUE-SHARING PACKAGE
IN CONJUNCTION WITH FEDERALIZATION OF WELFARE PROGRAMS, OR
SOME OTHER PLAN, IS LESS IMPORTANT THAN RECOGNIZING THE
CRITICAL NATURE OF THIS PROBLEM AND WORKING TO SOLVE IT
NOW.

WE HEAR THAT REVENUE-SHARING IS AN IDEA WHOSE TIME
HAS COME. I TRUST THAT WE WILL TAKE ADVANTAGE OF WHAT
THE POLLS SAY IS OVERWHELMING PUBLIC SUPPORT FOR
REVENUE-SHARING AND ENACT A SOUND BILL BEFORE THE IDEA'S
TIME HAS PASSED AND OUR STATES' AND LOCALITIES' TIME
HAS PASSED.

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