

## FEDERAL REVENUE SHARING

Item 94 from the Federal Revenue Sharing Fund

Budget p. 181

Requested 1976-77 .....	\$215,000,000
Estimated 1975-76.....	215,000,000
Actual 1974-75 .....	215,000,000 <sup>a</sup>
Total recommended reduction .....	None

<sup>a</sup> Authorized in Budget Act as a control section.

### ANALYSIS AND RECOMMENDATIONS

*We recommend approval.*

The State and Local Fiscal Assistance Act of 1972 (general revenue sharing) was enacted on October 20, 1972, with a federal appropriation of approximately \$30.2 billion for distribution to state and local governments over the five-year period January 1, 1972, to December 31, 1976.

The act was designed to give financial aid to state and local governments which were finding it increasingly difficult to pay for services they provided. The allocation of general revenue sharing among the recipient governments for each entitlement period is made according to statutory formulas using data such as population, general tax effort, and income tax collections.

Table 1 gives a breakdown of (1) the total federal revenue sharing funds generated and (2) state expenditures made since inception of the program. Local California governments receive about twice as much as the state government.

The decrease in estimated funds available for 1976-77 is based on the fact that the revenue sharing act is due to expire in December 1976. Thus, while the state's entitlements per period are estimated to rise based on the current formulas, there will be one less entitlement period in 1976-77.

No state appropriations were made in 1972-73, the first year of receipts. Since then the state school fund for public school apportionments has received \$215 million yearly. The only other appropriation was made in 1973-74 for welfare costs of Chapter 1216, Statutes of 1973.

As the end of 1976-77 there will be a balance of \$180.3 million in the Revenue Sharing Fund. If the State and Local Assistance Act is not continued, these surplus funds can be used to support the State School Fund in 1977-78. However, the state would still be in need of an additional \$34.7 million to transfer a total of \$215 million. In 1978-79 a source for the full \$215 million would be needed.

**Table 1**  
**Federal Revenue Sharing**

	<i>Actual 1972-73</i>	<i>Actual 1973-74</i>	<i>Actual 1974-75</i>	<i>Estimated 1975-76</i>	<i>Estimated 1976-77</i>
<b>A. State Receipts and Interest Earned</b>					
Receipts from federal government .....	\$234,833,484	\$219,008,366	\$217,012,192	\$218,750,000	\$171,350,000
Interest received on surplus money .....	251,393	12,371,343	13,406,539	8,700,000	9,570,000
<b>Total</b> .....	<b>\$235,084,877</b>	<b>\$231,379,709</b>	<b>\$230,418,731</b>	<b>\$227,450,000</b>	<b>\$180,920,000</b>
<b>B. State Expenditures</b>					
Budget Act appropriations (State School Fund) .....	—	\$215,000,000	\$215,000,000	\$215,000,000	\$215,000,000
Chapter 1200, Statutes of 1973 .....	—	6,000,000 <sup>a</sup>	—	—	—
Chapter 1216, Statutes of 1973 .....	—	65,000,000	—	—	—
Unexpended balance.....	—	-6,000,000	—	—	—
<b>Total</b> .....	<b>—</b>	<b>\$280,000,000</b>	<b>\$215,000,000</b>	<b>\$215,000,000</b>	<b>\$215,000,000</b>
<b>C. Surplus Funds</b>					
Surplus available for appropriation .....	\$235,084,877	\$186,464,586	\$201,883,317	\$214,333,317	\$180,253,317

<sup>a</sup> This money was appropriated but was not spent.