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REMARKS BY SENATOR EDMUND S. MUSKIE
MAINE MUNICIPAL ASSOCIATION CONVENTION
PORTLAND, MAINE
OCTOBER 19, 1970

I appreciate your invitation to be here today.

It gives me an opportunity to share with you some thoughts on an issue that concerns our state...our cities...and our towns -- an issue that has nationwide implications.

That issue is the financial survival of state and local governments.

We talk of "creative federalism"...of "new federalism"... of returning power from Washington to the States and cities.

All of that talk will be meaningless -- until we find a better way to make State and local governments fully responsive to the needs of their citizens.

We in Maine have long understood the value of keeping government close to the people.

You and I -- for many years -- have shared a commitment to support...to strengthen...and to improve local government.

And we know that without adequate financial resources -- and without a fair distribution of those resources among State and local governments -- those governments will be unable to meet the ever-increasing demand for public services.

Let me illustrate that problem with a story.

It concerns a resolution which was passed by the town council of a small municipality.

The resolution read as follows:

"Resolved by this Council --

- "1. That we build a new jail;
- "2. That we build the new jail from the materials of the old jail;
- "3. That we continue to use the old jail until the new jail is built."

That is not an uncommon predicament.

It reflects the problems many of our State and local officials face -- when they try to meet new and growing responsibilities with old and limited tools.

Our citizens expect --

- clean air and water;
- adequate health care facilities;
- decent housing;
- better elementary and secondary school programs;
- and effective law enforcement.

And our elected officials are charged with fulfilling those expectations -- to the best of their abilities.

That requires adequate planning.

It requires proper administration.

But it also requires enough money -- more money than property taxes and sales taxes can provide...and more money than property taxes and sales taxes should have to provide.

The question naturally follows -- where can we obtain the necessary revenues?

Can we expect to obtain them --

-- from State and local treasuries which are already hard-pressed to make ends meet?

-- from bond issues which voters are not eager to support?

-- from new taxes which are burdensome and practically impossible to sell?

Shouldn't we instead try to obtain those revenues from a more equitable distribution of our total financial resources on a national basis?

We have heard much about the growth of the Federal government.

But let us look at some facts.

Between 1960 and 1968, public employment in Maine increased -- in round numbers -- from 39,000 to 53,000 jobs.

State government jobs rose -- from 10,000 to 14,000.

Local government positions rose -- from 19,000 to 30,000.

And Federal employment declined -- from 9,600 to 9,300.

That increased burden on State and local governments is also reflected in the spending column.

In 1948, for example, the Federal share of spending for our domestic needs was 44 percent. The share of State and local governments was 56 percent.

Now -- more than 20 years later -- the Federal share is down -- from 44 to 30 percent. And the share of State and local governments is up -- from 56 to 70 percent.

That is not a sensible balance.

It is not a sound balance.

It is not a balance we can continue to afford.

For even as our economy continues to grow, the vast bulk of tax revenues it produces continues to flow to the Federal government in the form of Federal income taxes.

Returning a portion of those revenues to our State and local governments would be fair.

It would be equitable.

And it would be indispensable to the health of our Federal system.

That is why I helped introduce into the Senate last year a bill known as the Intergovernmental Revenue Act -- a bill that would fully incorporate -- for the first time -- the concept of Federal revenue sharing.

We have since conducted hearings on that and similar proposals.

Under the Intergovernmental Revenue Act, the Federal government would be required to distribute -- each year -- a fixed portion of its tax revenues to State and local governments -- without attaching any strings to the use of those funds.

I am convinced that such an approach --

--would promote a better allocation of public resources;

--would help local governments become more responsive to local citizens;

--would ultimately deliver improved public services more effectively.

And I want to emphasize here that these results would follow provided that States "pass through" an adequate portion of their shared revenue to local communities.

Our total capacity to meet our public needs -- in the fields of health...education...environmental protection...and public safety -- depends on the economic health of our entire country.

There is no good reason why -- if we pursue a consistent and sensible policy of national economic growth -- we should not be able to produce the Federal tax revenues to make revenue revenue sharing work -- for every state.

The Intergovernmental Revenue Act would do even more.

It would also provide a new Federal tax credit for State income taxes -- in recognition of the fact that Federal tax policies are self-defeating when they result in unnecessary competition with States for the same tax dollars.

We know that present Federal tax policies and inadequate Federal support for State and local governments add to the pressures --

--pressures for ever-higher sales and property taxes;

--pressures that bear down hardest on homeowners...on middle and lower income groups...and on the elderly;

--pressures that encourage unequal conditions among different communities and geographic areas.

I am therefore convinced that a combined policy of revenue sharing and tax credits offers the best hope for meeting the growing emergency of State and local finances.

I do not mean to imply that the Federal grant-in-aid programs -- upon which State and local governments have come to rely -- should be discarded or even reduced in scope.

I think the grant system can be made less confusing.

It can be made more manageable.

It can become more effective in serving people's needs.

And I have introduced legislation -- known as the Intergovernmental Cooperation Act -- to encourage just such reforms.

Federal grant programs have played an important role in establishing and maintaining a wide variety of public services in such areas as health...and education...and transportation -- services which Americans throughout the nation have become accustomed to...and which they are not prepared to do without.

And so the system of categorical grants should be retained.

But it should never become an excuse for failing to allocate revenues as well as programs to our State and local governments.

After all, who is more sensitive to particular State and local needs?

Who is more likely to understand those needs?

Who is more politically accountable to local citizens for meeting those needs?

Not the Federal bureaucracy.

But the Governors...the mayors...and the town councilmen in every one of our fifty States.

It is only logical that their resources should sufficiently match their responsibilities.

Thomas Jefferson once wrote that,

"Responsibility is a tremendous engine in a free government."

It is time we provide the fuel that engine needs on the State and local level.

Thank you.