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## Opening Statement of Senator Edmund S. Muskie at the Revenue Sharing Hearings of June 1, 1971

Edmund S. Muskie

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OPENING STATEMENT OF EDMUND S. MUSKIE AT THE REVENUE SHARING  
HEARINGS OF JUNE 1, 1971

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Today we begin hearings on the important subject of revenue sharing legislation. Specifically, the Subcommittee has before it S.1770, the general revenue sharing bill I introduced last month, and S.241, the revenue sharing legislation introduced earlier this year by Senator Humphrey and Congressman Reuss.

I would like to address myself for a moment to S.1770, a bill that would provide \$6 billion in Federal assistance with no strings attached to State and local governments. This legislation is a substantially revised version of the revenue sharing bill I introduced in the last Congress with former Senator Goodell and which was heard for seven days during 1969 by this Subcommittee.

The purpose of this legislation is to provide financial assistance to revenue starved State and local governments. This assistance is to be used by those governments to provide those services which are best provided by the levels of government closest to the people - services like police and fire protection, public health, education, and garbage collection. An increasing numbers, State and local governments cannot find the financial resources to pay for these services.

This legislation will attack the financial crises of State and local governments head-on by providing them money they need now to carry out their responsibilities and

by providing them incentives to improve their own systems of raising revenues. It will allow State and local governments to share with the Federal government the most lucrative source of government revenue -- the Federal income tax.

The \$6 billion in general revenue sharing funds provided in this legislation is intended as a supplement to and not a substitute for the grant programs currently financed by the Federal government. Those grant programs must be continued and expanded. The grant programs are directed at critical programs, national in scope, which must be attacked by the Federal government and cannot be solved by State and local governments alone. State and local governments need revenue sharing, in addition, to help pay for those services which are rightly the responsibilities of State and local governments.

S.1770 includes several provisions that I believe are essential to any revenue sharing proposal that is passed by the Congress.

First, it apportions financial assistance to local governments on the basis of need, as well as population and tax effort. In that way, it channels the most assistance to those cities with the greatest need.

Second, it provides needed incentives to State and local governments to improve their own systems of raising revenues. It offers a bonus to those States which have an income tax of their own -- a bonus equal to 10% of the State

income tax collected by those States for the previous year. In addition, it gives the States the option of using the facilities of the Federal government to collect their State income tax, thereby eliminating the cost of duplicating systems of income tax collection. Revenue sharing without such incentives would be a carte blanche to State and local governments to continue the systems of raising revenue that have gotten them into the financial bind which they are in today.

Third, it contains adequate safeguards against shared revenues being used in a discriminatory manner by providing a mechanism for individual or class action suits against offending jurisdictions.

Fourth, by authorizing a five-year appropriation, it both provides State and local governments with the certainty they need to plan productive use of the shared revenues, while, at the same time, it guarantees a Congressional review of the revenue sharing program after it has been in effect for a substantial period of time.

I view the hearings we are beginning today as critical for the enactment of revenue sharing legislation by this Congress. Tomorrow, equally critical hearings will be begun by the Committee on Ways and Means of the House of Representatives.

There are different views as to how the Federal government should assist State and local governments. The President has a revenue sharing plan of his own, which has many similarities

and some important differences from the plan I introduced. The distinguished Chairman and the distinguished ranking minority member of the House Ways and Means Committee have their own views on how we should meet the financial crises facing State and local governments. I have discussed these differences with Administration representatives and with Chairman Mills. I believe, though there are honest differences, all of us are bound by a common desire to do what is best for the survival of our Federal system.

It is my hope that out of these hearings and out of the hearings in the other chamber will emerge a program that will satisfy that common desire -- a program that will provide adequate assistance to State and local governments.

We are indeed privileged to have as our first witness this morning the distinguished Senior Senator from the State of Tennessee, Senator Howard Baker. Senator Baker has eloquently pleaded the case for revenue sharing as the principal sponsor of the Administration's general revenue sharing measure.

We are also privileged to have with us this morning two distinguished economists who bear a major share of the credit for the development of the concept of revenue sharing, Dr. Walter Heller, Chairman of the Council of Economic Advisers to the President Johnson, and Dr. Joseph Pechman, Director of Economic Studies at the Brookings Institution.

We shall also hear this morning from the National Citizens Committee for Revenue Sharing, a citizens lobby for general revenue sharing, co-chaired by former governors Albert Brewer of Alabama and William Scranton of Pennsylvania. The National Citizens Committee for Revenue Sharing is organizing local citizens groups in nearly every state to press for the enactment of revenue sharing legislation.

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