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Economics Newsletter

Economics Department

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GENERAL REVENUE SHARING

The State and Local Fiscal Assistance Act of 1972, H. R. 14370, became law on October 20th. This legislation appropriates \$30.2 billion to a special fund for distribution among state and local governments. The program, retroactive to January 1, 1972, at an initial annual level of \$5.3 billion, will run until December 31, 1976. The annual distribution after the first year will be increased by \$150 million a year.

This issue of the Economics Newsletter summarizes the main provisions of this Act and shows the estimated amounts going to local governments in South Dakota during calendar 1972.

Eligibility

All states and all general purpose local governments (organized counties, townships and incorporated municipalities) are eligible to receive the funds. There is no population cut-off for local governments. Local jurisdictions may not receive over 50% of their adjusted taxes (excluding taxes levied for education) plus intergovernmental transfers. The minimum allocation is \$200. In addition, a local government may not receive less than 20 percent, nor more than 145 percent of the per capita allocation to all local governments in that state.

Allocation Among States

The Act allocates to each state for each entitlement period the greater of two amounts computed by the following methods:

1. A three-factor formula allocating to each state an amount in the same ratio to \$5.3 billion as the figure produced by the state's population, multiplied by its state and local government tax effort, multiplied by its relative income is to the figure produced by the same factors for the nation as a whole.

2. A five-factor formula allocating \$3.5 billion among the states according to population (one-third), urbanized population (one-third), and population weighted by per capita income (one-third); and the remaining \$1.8 billion according to individual income tax collections by state governments (one-half) and the general tax effort of the state and local governments (one-half).

South Dakota's allocation for the 1972 calendar year is based on the three-factor formula.

Allocation Within States

The Act also allocates one-third of each state's entitlement to the state government and the remaining two-thirds to local governments within the state. The local governments' portion is divided as follows:

1. Allocated to each county area within a state is an amount computed on the basis of population, tax effort and relative income.

2. Allocated to each county government is an amount determined by the ratio of its tax collections to total tax collections by all governments in the county.

3. Allocated among all township governments within a county is a total amount determined by their combined share of tax collections, with each township's amount determined by population, tax effort, and relative income.

4. Allocated to municipal governments is the remainder of the county's share determined according to population, tax effort and relative income.

There are also monies allocated to the governing bodies of local Indian tribes on the basis of population.

States are permitted to legislate optional formulas for distributing local government funds by population and tax effort, or by population and relative income, or by both.

A state government's revenue-sharing entitlement is reduced if it reduces transfers of state funds to local governments. (The penalty could be reduced or offset if the state assumed responsibility for expenditures previously made by local governments or has conferred new taxing authority on local governments to provide the funds.)

Use of Shared Funds

The Act requires local governments to use revenue-sharing funds only for "priority expenditures": capital expenditures authorized by law or maintenance and operating expenditures on public safety (including, but not limited to, law enforcement, fire protection and building code enforcement), environmental protection (including, but not limited to, sewage disposal, sanitation

and pollution abatement), public transportation (including, but not limited to, transit systems and streets and roads), health, recreation, libraries, social services for the poor and aged, and financial administration. There are no restrictions on use of funds received by the state governments.

The Act also contains other provisions --- including those pertaining to the handling and reporting on use of shared monies, prohibition of discrimination, wages to be paid out of shared funds, federal collection of state income taxes, and various ceilings on grants for social services.

CALENDAR 1972 GENERAL REVENUE SHARING IN SOUTH DAKOTA

For calendar year 1972, \$25.1 million is to be distributed in South Dakota, with approximately \$8.4 million going to state government and \$16.7 million going to local governments.

In the following table Column (1) presents the total amounts going to all local governmental units within each county itself. Column (2) presents the total amounts going to county governments. Column (3) presents the total amount going to all townships in the county. Where there are no townships, or township governments do not raise any revenue, a "0" is shown. Column (4) presents the total amount going to all municipalities with populations of under 2,500. Column (5) presents the amounts going to each municipality within the county with a population of over 2,500. Names of the municipalities appear after the amounts. All amounts are preliminary estimates that may be revised when the United States Treasury finalizes plans to issue revenue-sharing checks to state and local governments. Distributions to Indian tribes are not reflected in the table.

CALENDAR 1972 GENERAL REVENUE SHARING IN SOUTH DAKOTA

Amounts in Dollars

	(1)	(2)	(3)	(4)	(5)
County	County Area	County Gov't.	All Townships	All Cities Under 2,500	All Cities Over 2,500
Aurora	152,556	118,181	14,204	20,170	0
Beadle	567,942	310,444	31,536	19,308	206,653 - Huron
Bennett	74,627	50,310	2,096	22,221	0
Bon Homme	312,807	247,764	0	65,043	0
Brookings	437,702	284,060	48,237	16,834	88,572 - Brookings
Brown	978,351	477,928	49,919	36,942	413,562 - Aberdeen
Brule	214,082	131,270	14,465	19,296	49,051 - Chamberlain
Buffalo	63,422	61,486	1,937	0	0
Butte	200,189	163,275	2,130	6,067	28,717 - Belle Fourche
Campbell	80,278	69,251	0	11,027	0
Charles Mix	344,610	204,580	61,426	78,604	0
Clark	201,135	148,862	24,242	28,030	0
Clay	199,595 ^a	132,588	27,801	39,206	37,999 - Vermillion
Codington	380,009	231,310	17,457	7,348	123,894 - Watertown
Corson	174,175	108,000	22,463	43,712	0
Custer	116,042	77,162	0	38,880	0
Davison	475,927	236,640	13,239	11,309	214,740 - Mitchell
Day	317,767	266,218	27,187	24,362	0
Deuel	134,533	94,852	22,558	17,122	0
Dewey	47,171	39,547	1,191	6,432	0
Douglas	166,634	129,461	18,800	18,372	0
Edmunds	202,338	141,672	23,144	37,522	0
Fall River	188,370	121,656	2,943	14,303	49,468 - Hot Springs
Faulk	131,119	102,888	13,802	14,429	0
Grant	255,302	173,253	30,175	13,338	38,536 - Milbank
Gregory	244,717	179,282	21,812	43,623	0
Haakon	74,642	59,078	0	15,564	0
Hamlin	184,739	112,367	26,663	45,709	0
Hand	194,698	136,427	24,855	33,416	0
Hanson	137,895	108,194	15,204	14,497	0
Harding	67,653	65,608	558	1,487	0
Hughes	204,772	127,644	5,864	4,340	66,924 - Pierre
Hutchinson	371,469	262,782	40,093	68,594	0
Hyde	91,723	68,423	10,726	12,575	0
Jackson	42,558	30,500	2,128	9,930	0
Jerauld	120,717	91,566	10,838	18,313	0
Jones	68,637	42,614	8,783	17,241	0
Kingsbury	279,254	207,245	35,126	36,883	0
Lake	280,243 ^a	227,055	42,908	10,280	9,364 - Madison
Lawrence	400,903	200,994	723	48,966	99,502 - Lead
Lincoln	381,479	291,043	47,685	22,127	50,718 - Spearfish
Lyman	110,109	83,551	11,936	14,621	20,625 - Canton
McCook	264,265	177,505	40,724	46,036	0
McPherson	183,155	154,602	3,134	25,419	0
Marshall	217,546	173,977	26,858	16,711	0
Meade	264,773	205,592	2,053	6,437	50,691 - Sturgis
Mellette	88,048	71,500	9,528	7,021	0
Miner	162,439	107,219	23,469	31,752	0
Minnehaha	1,616,254	504,843	44,791	77,277	989,343 - Sioux Falls
Moody	277,978	218,213	39,380	20,385	0
Pennington	1,016,457	449,378	11,999	29,154	525,926 - Rapid City
Perkins	173,928	145,391	8,411	20,126	0
Potter	162,257	56,916	88,442	14,900	0
Roberts	380,480	206,529	88,798	35,153	50,000 - Sisseton

(continued)

County	(1) County Area	(2) County Gov't.	(3) All Townships	(4) All Cities Under 2,500	(5) All Cities Over 2,500
Sanborn	134,831	111,289	12,841	10,701	0
Shannon	0	0	0	0	0
Spink	386,405	278,148	38,719	26,225	43,312 - Redfield
Stanley	89,608	84,892	0	4,716	0
Sully	86,143	80,688	682	4,773	0
Todd	0	0	0	0	0
Tripp	217,493	168,956	21,196	3,153	24,187 - Winner
Turner	360,036	281,355	27,860	50,821	0
Union	191,444	136,005	23,833	31,605	0
Walworth	286,001	216,173	0	17,509	52,320 - Mobridge
Washabaugh	0	0	0	0	0
Yankton	335,807	203,959	15,907	7,777	108,165 - Yankton
Ziebach	75,741	67,000	0	8,741	0

^aAmounts for Columns (2), (3), (4) and (5) do not add to total for this county area.
Source: Letter and enclosures from Philip Dearborn, Consultant, Advisory Commission on Intergovernmental Relations, Washington, D.C., dated October 12, 1972.

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