

funds shall be used for administrative expenses, except that each State may procure the services of special consultants and experts, or organizations thereof, as necessary to carry out the research, planning, and development authorized herein and may establish and operate programs for the training of its employees in order to increase economy and efficiency in the operations of State government and to raise the standards of performance by employees of their official duties to the maximum possible level of proficiency.

"(b) (1) In order to insure that each State shall give maximum consideration to the needs of local governments within such State, the Governor of each State shall, after consultation with officials of such local governments, develop a plan prior to the beginning of each fiscal year, for sharing the anticipated funds which such State will receive under this Act in such fiscal year with its local governments. In determining the anticipated allotments of such funds by such State to its local governments, the Governor shall take into consideration the population and population density of each such local government, the per capita annual income of individuals residing therein, local costs, and other relevant factors.

"(2) On or before such date prior to the beginning of each fiscal year as the Secretary may prescribe, the Governor of each State shall submit to the Secretary a detailed statement showing the intended use of the anticipated funds which such State will receive during such fiscal year, including a report of such State's plan for sharing its funds with its local governments. Any State desiring to amend its reported plan for sharing its anticipated funds with its local governments may do so only after due consultation with officials of such local governments. After such consultation, any State may modify the allocation of its funds for any fiscal year by filing a statement of its amended plan with the Secretary.

"(c) Whenever the Secretary, after giving reasonable notice and opportunity for hearing to a State, finds that such State, or any local government to which such State has apportioned part of any allotment or reallocation—

"(1) has used any amount of such allotment or reallocation for purposes not within the scope of subsection (a),

"(2) has not apportioned any amount of such allotment or reallocation to its local governments in accordance with the provisions of its plan, as filed with the Secretary, for sharing its funds, or

"(3) has not obligated any amount of such allotment or reallocation within five fiscal years immediately following the fiscal year in which such allotment or reallocation was made

the Secretary shall subtract, from any subsequent allotment or reallocation to such State, a total amount equal to the amount referred to in paragraph (1), (2), or (3). In the event of any reduction of a State's allotment or reallocation in any fiscal year under this subsection, the Secretary shall reallocate and pay, from time to time during such fiscal year, the amount of such reduction to other States in proportion to the original allotment to such States under subsection (b) of section 3 for such year.

"(d) For purposes of this section—

"(1) The term 'health, education, and welfare' shall be construed in its broadest sense so as to provide the greatest possible coverage of activities, programs, projects, and services related directly or indirectly to the fields of health, education, and welfare; except that such term shall not include any activity, program, project, or service designed to provide—

"(A) administrative expenses for State and local government;

"(B) highway programs;

"(C) State payments in lieu of property taxes;

"(D) debt service; and

"(E) disaster relief.

"(2) The term 'local government' means any city, township, village, school district, municipality, county, parish, or similar territorial subdivision of a State, but shall not include any department, agency, commission, or independent instrumentality of a State.

"SEC. 5. (a) (1) In addition to the requirements of section 4 any State desiring to receive any allotment or reallocation in any fiscal year under this Act shall, on behalf of itself and any local government which may receive any apportionment thereof, certify and provide satisfactory assurance to the Secretary that such State and local government will—

"(A) use such fiscal control and fund accounting procedures as may be necessary to assure proper disbursement of and accounting for any allotment or re-