

"MEMORANDUM ON DISTRIBUTION OF THE REVENUE SHARING FUND

"The total amount deposited in the Revenue-sharing trust fund is distributed among the fifty states and the District of Columbia on the basis of state need and state efforts to meet that need. State need for shared Federal revenue is measured in two ways: by population size and per capita personal income. State effort is measured by the ratio of the revenue each state and its localities have raised from their own sources to the personal income of the inhabitants of the state. The revenue is actually distributed in the following manner.

"First, 85 percent of the fund is divided among all the states and the District of Columbia by population share of the national population, the more populous states receiving greater allotments than the less populated. This unadjusted allotment is then adjusted up or down for each state depending on whether the state's revenue effort is above or below the average effort of all states. A state whose revenue effort ratio is 10 percent greater than the average of the states would receive a 10 percent greater allotment than it would be entitled to on the basis of its population size alone. Thus, it is to each state's advantage to increase its revenue from within the state, for a larger revenue effort ratio means a larger share of the Revenue-sharing fund.

"After this primary allotment has been decided for each of the states and the District of Columbia, a supplementary allotment is calculated for the relatively poorer states. This portion, 15 percent of the fund, is distributed among those states with per capita personal incomes below the average for all the states. Each state's allotment is decided by the idea that the lower a state's per capital income, the greater its need and the larger its share of the supplementary allotment.

"To decide the allocation of the supplementary allotment, a per capita income deficiency is calculated for each of the poorer states equal to the difference between the state's per capita income and the per capita income average for all the states. These deficiencies are then added together to obtain the total per capita income deficiency. Each state's share of the supplementary allotment is then calculated from its share of the total income deficiency. For example, if the total per capita income deficiency for all the poorer states equaled \$10,000, and an individual state has a deficiency of \$1,000, it would receive \$1,000/\$10,000 or 10 percent of the total supplementary allotment. The total amount received by each of the poorer states is then calculated by adding each state's primary allotment to its supplementary allotment."

Mr. JAVITS. Mr. President, the bill is a modified version of the tax-sharing bill of 1965, which I authored, and would return to the States 1 percent of the annual aggregate income the first year, 1½ percent the second year, and 2 percent thereafter. Using annual taxable income as reported in 1966 income tax returns, about \$3 billion would be returned to the States the first year after passage of the measure.

Under the bill, 85 percent of this fund would be distributed to the States on the basis of population. The remaining 15 percent would be distributed among the States with per capita income figures below the average State per capita income—the farther below this norm, the greater the allotment.

I point out that under the bill's formula, for example, New York would receive \$256.3 million; Pennsylvania, \$131.6 million; Kansas, \$30.3 million; Colorado, \$28.6 million. Under that portion of the formula used to distribute the additional 15 percent on the basis of per capita income, Kentucky would receive a basic allotment of \$37.2 million. Because the per capita income of the State in 1966 was \$544 below the average State figure, the State would receive an additional \$25 million, for a total of \$62.2 million. North Dakota with a per capita income \$440 below the norm, would receive an additional \$20.2 million for a total of \$32.4 million.