and plans marching under the banner of revenue sharing, many of which can't pass a paternity test and some of which can't even pass a saliva test, it may be worth a few moments of your time to restate the main elements of the plan as we conceive it.

Those elements are, first: That the Federal Government would permanently set aside, and I underscore the word "permanently," up to 2 percentage points of the Federal individual income tax base. In other words, one can think of it as the Internal Revenue Service collecting 12 to 68 percent under the present schedule for the Federal Government, and 2 percent across-the-board for the States and localities, and, by the way, whenever I say States I really mean, hyphenated, State-local government.

This, by the way, would be 10 percent of the revenues of the Federal individual income tax, about $6 billion, 2 percent of an individual income base that is about $300 billion this year.

As I will indicate in a moment, it would grow over the years.

Now, second, this would be channeled into a trust fund for the States, the trust fund emphasizing the fact that it wouldn't be part of the regular yearly appropriation process, so to speak, but that it would belong to the States as a matter of right, something that they could count on year in, year out.

Third, it would periodically be paid out primarily on a per capita basis; that is, on the basis of population. That will have a considerable equalizing effect, but if that were regarded as insufficient equalization, an additional 10 percent could be set aside for distribution to the lowest income States. As I remember our figures, that would raise the allocations to the lowest third of the States by about 50 percent.

Fourth, I have often said that it is essential to the plan to have no strings attached. I will modify that only to the point of saying I mean no hamstrings attached; that is, one would want to have the usual requirements for auditing and applications of the Civil Rights Act and so forth. But as to the object of the expenditure, with the possible exception of ruling out highways which are richly taken care of under the highway program, it would be left to the discretion of the States as to the objects of expenditure.

Next, if it were feared that the States might lower their tax efforts in response to the Federal shares one could put in a tax effort index which would take into account how much they were doing to tax themselves.

And, sixth and finally, Mr. Pechman and I have concluded that there should be a minimum pass-through to the local governments, a floor under that, and he will discuss that.

I want to underscore quickly three points: One, this would go to the States as a matter of right.

Secondly, it would be a supplement to grants-in-aid, not a substitute for grants-in-aid. I visualize that if grants-in-aid grow at the rate they have been growing, we might, by 1972, have something like $25 billion in grants-in-aid. Side by side would be nearly $8½ billion of tax sharing or unconditional grants, if the plan were put in at the 2-percentage-point level.

Third, I want to make very clear that it should not be returned to the point of collection. If it were simply returned to the point of collection it would be a case of "to him who hath shall be given," and it would miss one of the major objectives of the plan.