STATEMENT OF JOSEPH A. PECHMAN, DIRECTOR OF ECONOMIC STUDIES, THE BROOKINGS INSTITUTION

Mr. PECHMAN. Madam Chairman, I don't know what motivated your seating arrangement, but I ought to call to your attention that this is the first time in my life that I have ever been to the right of Herbert Stein and to the left of Walter Heller at one time. [Laughter.]

I would like to pick up where Professor Heller has left off and discuss in more detail some ideas about the possibility of making sure that the funds allocated to States under the revenue sharing plan do pass through to the local units of government.

In an ideal world, I suppose one would leave it entirely up to the States. My own feeling is that, for the most part, the local governments would get their fair share even without Federal direction.

Nonetheless, there are obvious illustrations throughout the country where the State capitols and the major cities are at odds on particular issues, and there is no reason why the Federal Government should not assure itself that the large cities and other urban communities will get their share.

The trouble is that the term "local government" is an ambiguous term, and covers an awful lot of sins. A general formula could be devised if every State consisted only of county governments and city governments. But, because there are overlapping jurisdictions, one particular formula would do more harm than good.

It seems to me that there are three possibilities to assure ourselves that the money would get to the local governments. Any one of them would be consistent with the kind of plan that Walter Heller and I have suggested.

The first suggestion is borrowed from the education bill. The States might be required to officially draw up plans for the use of the funds in consultation with the heads of local governments and citizen groups. This requirement alone would make them think about how this money should be used for local governmental purposes, and will help see to it that the cities get a fair share.

A second and stricter method would be to require all States to pass through at least x percent of the funds they receive through revenue sharing to the local governments. The x percent might be, say, 40 or 50 percent. In the last 10 years or so, the States have—through their grants-in-aid—actually passed through about 40 percent of the additional money they have raised to the local governments.

I have no objection to such a minimum pass-through, except that one particular number may become a maximum as well as a minimum. In some States the State-local arrangements are such that you would want much more to go to the local government and in others much less. Writing a particular number into the law, even though it is only a minimum, might do more harm than good.

The third possibility is to write a formula into the bill requiring that cities of certain size should receive a minimum per capita grant revenue-sharing funds. One suggestion I have heard is that all cities with populations above 50,000 should receive this assistance.

The trouble is that no cutoff point would be equitable throughout the country. For example, if you took the 50,000 cutoff point, no city