

FISCAL ASSISTANCE TO STATE AND LOCAL GOVERNMENTS ACT OF 1972

The Legislative Council staff conducted research as followup to Budget Section member questions regarding the receipt of two installments of \$25 million in assistance to the state as a result of the Jobs and Growth Tax Relief Reconciliation Act of 2003. The only time the staff could identify that the state received significant federal funds without a designated specific purpose was from the Fiscal Assistance to State and Local Governments Act of 1972. The Fiscal Assistance to State and Local Governments Act of 1972 and the Jobs and Growth Tax Relief Reconciliation Act of 2003 are similar in that both Acts provide federal funds to the state with little restriction as to how the funds are to be utilized.

The Fiscal Assistance to State and Local Governments Act of 1972, which became law on October 20, 1972, provided state and local governments with a total of approximately \$30.2 billion in revenue sharing funds over a five-year period. State and local governments were required to create a trust fund in which to deposit all revenue sharing funds in order to facilitate proper federal auditing and accounting procedures. Amounts in the trust fund, including any interest earned while in the trust fund, had to be used within 24 months from the date of the receipt of the money, unless permission was obtained from the Secretary of the Treasury for an extension. The revenue sharing money was permitted to be commingled with other funds for investment purposes. There were no restrictions on the use of the state funds, and the local funds were to be used for certain "high priority expenditures" designed by Congress.

In 1973 the Legislative Assembly approved Senate Bill No. 2039 which established a revenue sharing trust

fund for the deposit of revenue sharing payments received by the state under the Fiscal Assistance to State and Local Governments Act. This bill provided that the interest earned on the deposits was to be deposited in the trust fund and disbursed in accordance with federal and state law and that money in the trust fund was to be disbursed as authorized by legislative appropriations and federal and state law upon vouchers prepared by the director of the Department of Accounts and Purchases.

The Legislative Assembly appropriated the money from the revenue sharing trust fund to the Department of Public Instruction as part of the state's funding for the foundation aid program. The appropriations totaled \$61.587 million from the 1973-75 biennium through the 1985-87 biennium, as shown in the following table:

| Biennium | Legislative Appropriation |
|----------|---------------------------|
| 1973-75 | \$25,300,000 |
| 1975-77 | 12,000,000 |
| 1977-79 | 11,000,000 |
| 1979-81 | 12,400,000 |
| 1981-83 | 700,000 |
| 1983-85 | |
| 1985-87 | 187,000 |
| Total | \$61,587,000 |

Because of the timing of the passage of the federal law, in October 1972, the Legislative Assembly was able to address the issue during the 1973 Legislative Assembly. The only interim process used was the creation of the Committee on Revenue Sharing that met and reviewed the federal requirements prior to the 1973 Legislative Assembly.