Federal Revenue Sharing: A Standing Counter-Cyclical Fiscal Policy Mechanism for State and Local Aid

Mary Schulz

Associate Director, MSUE Center for Local Government Finance and Policy

Sarah Klammer

Specialist, MSUE Center for Local Government Finance and Policy

Department of Agricultural, Food, and Resource Economics

Michigan State University

August 2022

Federal grants-in-aid programs provide fundamental support to state and local government programs in the modern era. The recent Coronavirus Aid Relief, and Economic Security (CARES) Act, enacted in March 2020, allocated $150 billion in federal payments to state and large local governments through the establishment of Coronavirus State and Local Fiscal Recovery Funds (Congress.gov, 2020). A second round of assistance was enacted via the American Rescue Plan Act of 2021[1], which allocated $350 billion in general assistance payments to state and local units (MI Department of Treasury, 2022). A grant fund of this size and breadth to local governments has not been seen since the passage and implementation of the State and Local Fiscal Assistance Act of 1972– more commonly known as the General Revenue Sharing program (GRS). In its more than decade and a half run, the United States' GRS program transferred more than $83 billion in funds from the federal government to state and local governments. Like general revenue sharing, a large proportion of CARES and ARPA money is given to local governments based on population size and other factors (with notably simpler formulas for disbursements of state and local ARPA funds)[2]. Unlike revenue sharing, however, expenditures must be related to impacts of the COVID-19 pandemic (and not used to cover budget deficits existing pre-COVID). With changes in the Treasury's Final Rule for ARPA fund usage, however, local governments can now opt to put $10 million of their funds (or the localities entire allocation, whichever is less) towards "revenue replacement", a deliberately broad category that puts ARPA money much more in line with the GRS than initially anticipated[3]. How this will play out, however, and whether ARPA funding could spark renewed support for general revenue sharing, remains to be seen. In the following pages we consider the history of the GRS of the 1970s and 1980s, its highlights and criticisms, followed by brief exploration of the potential for a "permanent" new federal revenue sharing program in the wake of COVID-19 related stimulus.

---

[1] Text - H.R.1319 - 117th Congress (2021-2022): American Rescue Plan Act of 2021, H.R.1319, 117th Cong. (2021), https://www.congress.gov/bill/117th-congress/house-bill/1319/text.

[2] See the companion report to this piece on the specifics of the American Rescue Plan Act Coronavirus State and Local Fiscal Relief Funds.

[3] The Standard Allowance allows a local government to assign and spend up to $10 million of its CSLFRF funds in the Revenue Replacement category without having to demonstrate any actual lost revenue. The US Treasury has stated that a local government must elect either the Standard Allowance or the Formula Approach for Revenue Replacement in the April 30, 2022 Project and Expenditure Report. This is a one-time election that cannot be changed. This does not convert CSLFRF funds into general revenue funds. They must be expended in compliance with grant terms.

Background: Grants-in-aid

Federal grants-in-aid programs have been around as long as there have been projects for which there was great national interest. In the early years of nationhood, federal grants to state and local governments primarily concerned land, specifically the granting of lands and the legal use of funds from its sale. The federal government wanted to foster local education systems and fund highways across the states (Maxwell, 1952). By the first Morrill Act in 1862, Congress was giving both land and money to establish colleges in all states (ibid; CRS, 2019).

The nature and scope of federal grant programs are determined largely at the congressional level. For a federal grant program to come into being, some official or committee brings a need to the attention of congress. Congress then determines the goals of the potential program and the best means to achieve those goals. Grant-in-aid programs are but one avenue. Alternatives to grants-in-aid include cooperative agreements, direct appropriations, and loans. If the grants-in-aid is the federal financial assistance mechanism deemed most suitable, Congress then selects which of six grant mechanisms (detailed below) to use. They then draft legislation incorporating the chosen grant instrument to accomplish their purpose (CRS, 2019).

Congressional decisions about whether to provide fiscal assistance to state and local governments ultimately depend on what role policymakers believe the federal government should take in ensuring state and local fiscal health and the providing of public services. This decision making territory is fraught with issues, ranging from concerns over federal coercion through the funding or defunding of state budget items, to arguments for greater federal involvement in social provisioning (CRS, 2019; Susskind, 1974). Since the New Deal, the use of grants-in-aid has played an increasing role in encouraging (or coercing) states to administer federal policies.

There are three broad categories through which Congress can allocate funds to state and local governments. With the exception of the years of general revenue sharing (1972-1986), all federal grants to state and local governments have fallen into two categories: categorical grants

or block grants. The vast majority have been categorical grants (U.S. Department of Treasury, 1973; CRS, 2009). There has only been one instance of the third grant option: general (federal) revenue sharing (GRS) as enacted in 1972 and extended through 1986. Each of these grant mechanisms has it processes and restrictions:

- Categorical Grants: Program specific with significant restrictions and narrowly defined allowed activities/expenditures (i.e., policy 'categories'). Often awarded through a competitive application process.

  - Project categorical grant: awarded on a competitive basis through an application process specified by the federal agency making the grant

  - Formula categorical grant: allocated among recipients according to factors specified within enabling legislation or administrative regulations (population, income, etc.)

  - Formula-project categorical grant: use a mixture of funds allocation means involving a formula to allocate funds among the states followed by an application process specified by each recipient state to allocate available funds on a competitive basis among local governments or other eligible applicants

  - Open-end reimbursement categorical grant: provide a reimbursement of a specified proportion of recipient program costs (eliminating competition and the need for an allocation formula).

  Example: The federal Aid to Families with Dependent Children (AFDC) program was federally administered, had federal requirements and standards, and positioned federal assistance as an ongoing entitlement.

- Block grant: Program specific but not limited to narrowly defined activities. Allow states considerable discretion (with broad limits) as to how funds may be spent. This grant structure gives greater flexibility to state political actors to tailor programs to the state's particular needs than do categorical grants.

Example: Temporary Assistance for Needy Families (TANF) replaced the AFDC with block grants to states to administer aid to the poor. The states are free to tailor programs and impose added restrictions on recipients and added state expectations that recipients move off welfare on a state-determined schedule.

- General revenue sharing (GRS): pertains to funding with no particular designation. The total grant amount is fixed annually, sometimes called "closed-ended," and allocated to the recipient governments by formula (CRS, 2009; U.S. Senate Committee on Finance, 1972).

Table 1 provides an overview of the defining traits of each grant type.

Table 1. Classification of Grant Types by Three Defining Traits

Federal Administrator's Funding Discretion		
Low	Medium	High
Formula Categorical Grant	Block Grant—Formula-Project Categorical Grant	Project Categorical Grant
Open-ended Reimbursement Categorical Grant		
General Revenue Sharing		
Range of Recipient's Discretion in Use of Funds		
Low	Medium	High
Project Categorical Grant	Block Grant	General Revenue Sharing
Formula-Project Categorical Grant		
Formula Categorical Grant		
Open-ended Reimbursement Categorical Grant		
Extent of Performance Conditions		
Low	Medium	High
General Revenue Sharing	Block Grant	Project Categorical Grant
		Formula Categorical Grant
		Formula-Project Categorical Grant
		Open-ended Reimbursement Categorical Grant

(Source: CRS 2019, pg 3).

In recent years, Federal grants have accounted for around one third of total state government funding (Lav & Leachman, 2017; CRS, 2019), including more than half of state government funding for health care and public assistance (CRS, 2019). Considering state and local budgets together, federal funding comprises upwards of 22 percent of state and local expenditures since 2005 (The White House, 2021; NASBO, 2016; U.S. Census Bureau, 2016). As of 2020, federal grants made up 27 percent of state and local expenditures (The White House, 2021), with recent aid via ARPA and other fiscal relief in wake of a global pandemic and economic slowdown likely inflating this number in the near term.

It is challenging to conduct econometric analysis of a robust and changing federal grant system on the whole. Historically In terms of fiscal impact, grants-in-aid programs in aggregate have been found to be stimulative (rather than substitutive), with more than one dollar of state-local spending occurring for every dollar of federal aid received (ACIR, 1977; Schwallie, 1989). Of course, these metrics vary greatly when analyzed across time and program by program, highlighting the importance of grant design (i.e. grant type), and institutional considerations (i.e. state-local fiscal arrangements). Perhaps wanting to be the first swimmer off the block, a recent NBER working paper estimated that there were modest (if any) spillover effects into the broader economy from pandemic fiscal relief programs including the CARES Act, the Families First Coronavirus Response Act, the Response and Relief Act, and ARPA (Clemens et al., 2022). Notably, however, the effects of federal fiscal relief are unlikely to be fully realized so soon following their release, especially in the case of ARPA. Moreover, maximizing broader economic activity is not always the only goal of grants-in-aid programs.

Historically, federal grant programs have been as specific as serving a distinct population, or as broad as providing resources for local education and research. By 1902, for instance, there were five federal grants to states and local governments (in addition to funding for the National Guard). These included the provision of teaching materials for the blind, funding for agricultural experiment stations, funding for the care of disabled veterans, support for resident instruction in the land grant colleges, and funding to the District of Columbia (CRS, 2019, pg 16; Maxwell, 1952). These grants were relatively small, however, at only 1% of total federal outlays at the time (ibid). By 1970, the percentage of total federal outlays going to state and local governments rose to over 10% (more than 400 grants funded). In the last two decades up to 2019, this number has always fluctuated between 15-17% (CRS, 2019, table 3, pg 7). While percentages of total outlays have stabilized somewhat, the number of grants funded has jumped considerably in recent years, from 557 in 1991 to 1274 in 2018 (CRS, 2019, table 4, pg 10). These grants today support health care, public education, housing, community development, child care, job training, transportation, and clean water, among other programs.

These early grants were essentially donations– there were few, if any, requirements or supervisory systems in place to manage expenditure. As grant programs grew, so too did requirements for their management and award. In the early 20th century, following the conditions of the Great Depression, grant programs targeted social relief, financial reform, as well as economic recovery. This expansion came with the grant mechanisms such as matching requirements that we are familiar with today. By the 1960s, the Nixon administration expanded the grant-in-aid system to include general revenue sharing, a program that would distribute funds to state and local governments without programmatic requirements. The Reagan administration would subsequently consolidate many of the more specific categorical grant programs into broader block grants (while also ending GRS), slowing the growth of the grants-in-aid system and situating it where it largely stands today.

While size of grants has decreased over the years in general, restrictions and requirements for award and use ebbed and flowed with administrations, but have on average grown since the Hatch Act of 1887 first required annual operations and expenditure reports for federally-funded agricultural experiment stations. The Morrill Act of 1890 authorized the Treasury to withhold federal payments to a state failing to comply with federal requirements, granting congress one of its most powerful control devices (Putney, 1940). Both categorical grants and block grants are tied to specific purposes, with specific reporting standards, and are not to be used to fill gaps in state and local funding at the unit’s discretion. This separates these grants from a general revenue sharing program, which bears more resemblance to early ‘no strings' federal allotments than the specific categorical and block grant programs common today.

General Revenue Sharing

The State and Local Fiscal Assistance Act of 1972 (Public Law 92-512) commonly known as the Revenue Sharing Act, provided for distributing approximately $30.2 billion to State and local governments for a 5-year program period beginning January 1, 1972. The Act was in response to severe financial issues faced by State and local governments and was intended to help them remain financially sound (CRS, 2009; Department of Treasury, 1973; ACIR, 1967). It was also

championed by the Advisory Commission on Intergovernmental Relations (1970) as "essential to the cause of decentralized government." This fit in with the "New Federalism" of the Nixon administration, built around the idea of shifting decision making back to local units from the federal government while providing general fiscal relief and the redistribution of resources to those localities that needed them most. It established that State and local governments would have guaranteed, albeit limited, access to a portion of the Federal personal income tax revenue to be used by them in accordance with local needs and priorities and without the attachment of strings by the Federal Government (U.S. Senate Committee on Finance, 1972; ACIR, 1970).

Wallin (1998) outlines the 16 stated objectives for GRS:

1. To reduce the direct involvement of the federal government in domestic problems
2. To reduce the amount of "red tape" associated with federal domestic programs
3. To stimulate the creation and expansion of innovative local programs
4. To increase the influence of each citizen as to how the money is used, make government more responsive to taxpayer pressures, and enhance accountability
5. To increase the involvement of local citizens in governmental decision-making processes
6. To stimulate the development of effective and responsive planning and priority-setting mechanisms at the local level
7. To help improve the management and administration of state and local governments, including the consolidation of units
8. To allocate to the states and local governments on a permanent basis a portion of the very productive and highly "growth-elastic" receipts of the federal government
9. To compensate for the federal government's use of the best tax sources
10. To use more equitable tax systems by substituting federal for state and local taxes as a way of financing state and local services
11. To provide relief to state and local taxpayers
12. To stabilize spiraling local tax rates
13. To moderate the variation that now exists in state and local tax rates and public service levels

14. To improve the quality and quantity of services offered at the local level and to equalize their distribution
15. To redistribute resources among states and localities so as to enable the poorer ones to raise the level of public services they provide
16. To alleviate some of the intense fiscal pressures on local, and particularly urban, governments

The wide, vague, and often conflicting nature of these policy goals are indicative of the turbulent economic and political climate of the 60s and 70s (CRS, 2003), as well as the widespread and bipartisan support for GRS at the time. A Gallup poll at the time indicated strong public support– 71% of the American people favored a GRS program, including 71% of democrats, 76% of republicans and 68% of independents (ACIR, 1970). In Congress, over 30% of members had either introduced or co-sponsored revenue sharing bills (ibid). The Act was popular enough that it was extended in 1976 through 1980, with states and the District of Columbia receiving around one-third of the grant funds and local governments receiving two-thirds (CRS, 2009; 2003; U.S. Department of Treasury, 1973; 1974). The GRS program was then extended for local governments only until 1986 (CRS, 2009; 2003; Wallin, 1998, pg 6). Over its life, the program transferred more than $83 billion[4] in funds from the federal government to state and local governments (Table 1) (CRS, 2003).

[4] Nominal amounts for years listed, unadjusted.

Table 1: U.S. General Revenue Sharing Budget Outlays in Billions of Dollars, Fiscal Years 1972-86

1972	$2.2**	1977	$6.7	1982	$4.6*
1973	$6.6	1978	$6.8	1983	$4.6*
1974	$6.1	1979	$6.8	1984	$4.6*
1975	$6.2	1980	$6.8	1985	$4.6*
1976	$6.2	1981	$5.1*	1986	$4.6*

*Local governments only

**retroactive to January 1st, 1972

(Source: Congressional Quarterly Almanac, vol. 1972-86. Accessed at Center for the Study of Federalism, n.d.)

There are multiple functional reasons GRS may be appealing to some policymakers or advocates. Of the three funding types, general revenue sharing is considered the least administratively stringent (CRS, 2020; 2019). GRS funds awarded to states can be used for any purpose not expressly prohibited by federal or state law and is not limited to narrowly defined activities (CRS, 2019). The other eight conditions were as follows (from ACIR, 1974):

- Recipients must not use revenue sharing directly or indirectly as the non-Federal matching share under a Federal grant.
- Each state must maintain the amount of aid to local units at a level not less than the amount of aid given by the state in fiscal year 1972, except where the state strengthens the revenue raising capability of local government or assumes responsibility for local expenditures.
- Reports on the planned use and actual use of revenue sharing must be filed with ORS and published in newspapers.

- Recipients must provide for the expenditure of revenue sharing funds only in accordance with the laws and procedures applicable to the expenditure of their own revenue.
- Recipients must not discriminate in employment and in the provision of services financed from revenue sharing funds.
- Recipients must require contractors or subcontractors on projects financed at least 25 percent by revenue sharing funds to pay laborers and mechanics wage rates no less than those determined by the Secretary of Labor under the Davis-Bacon act.
- Recipients must pay individuals, whose wages are paid by revenue sharing funds, wages which are not lower than the prevailing rates of pay for its other employees in similar occupational categories where 25 percent or more of the wages of all employees in the occupational categories are paid from revenue sharing funds.
- Recipients must use revenue sharing funds within a reasonable period of time as provided by regulation (within 24 months of the end of the entitlement period).

Cities, counties, and other local units had some additional restrictions, but nothing like other grants-in-aid programs. While funds could be used for all types of capital outlays, to repay outstanding bonded indebtedness and most operating and maintenance expenses, they could not be used for operations and maintenance related to education[5], cash payments to welfare recipients, or general administration so broad as to be impossible to assign to designated functions (ACIR, 1974; CRC, 1975; Wallin, 1998, pg 45-47). Local governments were also required to use GRS funds for “priority expenditures”, which included several broad categories (Wallin, 1998, pg 45-46). The priority spending areas that were allowed for local governments were as follows (from CRC, 1975):

[5] While categories like education and welfare payments often have high priority, Congress at the time explicitly stated that there were better ways to deal with these programmatic areas. Notably, State governments did not have these restrictions.

- Maintenance and operating expenses for:
    - (a) Public safety (including law enforcement, fire protection, and building code enforcement).
    - (b) Environmental protection (including sewage disposal, sanitation, and pollution abatement).
    - (c) Public transportation (including transit systems and streets and roads).
    - (d) Health.
    - (L) Recreation.
    - (f) Libraries.
    - (g) Social services for the poor and aged.
    - (h) Financial administration." "Capital expenditures"

These were, broadly, the only requirements outside of general reporting that were attached to the funds. Capital expenditures are not restricted to these eight priority expenditure areas. At the time of passage of the Act, Congress concluded that aid made available under the Act should provide recipient governments with sufficient flexibility to use the funds for their most vital needs (Department of Treasury, 1973). State and Local officials confirmed in various Commission hearings that they had little difficulty getting funds to where it was most needed, despite these requirements (ACIR, 1974). They reported that state and local budgetary discretion was enhanced by the lack of revenue and expenditure maintenance requirements and the indistinguishability of GRS funds from state or local funds once the transfer had occurred (ibid). This fungibility of funds made the priority category requirement in many ways illusory.

The funds were administered through the Office of Revenue Sharing, Department of the Treasury, who also bore responsibility for establishing the overall regulations of the program, providing accounting and auditing processes, evaluations, and reviews as necessary to ensure compliance. This reporting largely consisted of the requirement that units separately identify the program of activities that it plans to finance wholly or partially with GRS funds and then to account for the realized uses of funds (Department of Treasury, 1973).

The way funds are allocated also required little effort on part of the state and local units. No application process is required for GRS. Instead, two formulas were used in allocating funds among the recipient units. Both formulas are used in computing initial allocations for each state, the higher of which is then used to determine final allocation amount. According to the 1973 Treasury report,

> "The factors used in [the first] formula are (1) total population, (2) urbanized population, (3) population inversely weighted for per capita income, (4) State individual income tax collections, and (5) general tax effort. The first three factors are designed to take need into account. Population is used because It often tends to be directly related to financial needs. Urbanized population is used because the costs of providing services are generally higher in urbanized areas. The factor of population inversely weighted for per capita income is used because poorer areas generally have greater financial difficulty In providing government services. These three factors are given equal weight in allocating two-thirds of the available funds. The remaining two factors are intended to provide an incentive for States and localities to meet their financial needs with their own tax resources. The factor of State individual income tax collections was made separate to encourage this form of taxation. The general tax effort factor takes into account all taxes collected by the State and local governments. Both of these factors are given equal weight In allocating the remaining one-third of the funds."

In regards to the second formula,

> "This formula allocates funds on the basis of the State's population, per capita income, and tax effort in relation to that of other States. The three-factor formula tends to result in higher allocations to those States with a low per capita income and a high tax effort in relation to other States."

Whether and to what degree GRS was successful in meeting the stated goals of the program at its inception has been the subject of much debate (Wallin, 1998, U.S. Department of Treasury, 1972; 1974). The flexibility inherent in general revenue sharing expenditures eliminates much of the concerns of federal coercion present in the grants-in-aid debate, making it a popular choice

for advocates of expanded state and local government fiscal support. Moreover, GRS tended to equalize fiscal capabilities of ‘rich’ and poor’ states, while also providing greater aid to the nation’s major cities rather than to rich suburban communities (ACIR, 1974). This equalizing effect might have been even greater, had Congress not limited the formulas with minimum and maximum limits on payments to local governments. The provision stated that no county area or municipal or township government shall receive less than 20 percent nor more than 145 percent of the average local per capita entitlement (ibid).

More than 38,000 general purpose governments received GRS funds (U.S. Department of Treasury, 1974). In the first three entitlement periods alone (January 1972-June 1973), 65 percent of state expenditures were made in education. The next largest areas were social services (6 percent) and transportation (5 percent). Almost all of the spending in these categories (94 percent) was for operation and maintenance rather than new capital programs (Billings, 1976; Dales, 1974; Office of Revenue Sharing, 1974). Municipal expenditures in this time frame (just under $1 billion), limited to priority categories, were reported to be largely in the areas of public safety (44 percent), transportation (15 percent), and environmental protection (13 percent). In counties, the bulk of fund usage went to transportation (25 percent with the majority for capital outlays) and public safety (23 percent with the bulk used for operations and maintenance). Revenue sharing provided major tax relief to counties (and municipalities to a lesser extent), with 58 percent of counties reporting in 1974 that revenue sharing prevented a rate increase in a major tax, prevented enactment of a new tax, or enabled a tax reduction (Billings, 1976; Office of Revenue Sharing, 1974).

> “About three-fourths of the 250 governments [sampled for this study] expected their use of funds to reduce taxes or relieve local tax pressures. Small, medium, and large cities, counties, and townships anticipated that one of the major results of the revenue sharing program would be local tax relief…For example, in Chicago a $25 million decrease in the 1972 tax levy was made possible by revenue sharing… in Rangeley, Maine, without revenue sharing the tax rate would have risen about 2 mills to maintain existing services. ” (U.S. Department of Treasury, 1974).

In general, the controversy around GRS has centered on whether funds were used ‘responsibly’. Larkey (1979) notes that this is often a matter of taste, with some criticizing expenditures on recreation (golf courses, tennis courts, and the like) as frivolous, and others (such as the relocation of a confederate civil war memorial) as outright problematic. Billings (1976) notes that even as early as the first 2 years of GRS, its goals have “become lost in the rhetoric of what it ‘ought to do’ as espoused by social program interests.” Notably, GRS came at a time when social programs had taken a hit as categorical grants for such programs were stopped and not replaced with any form of special revenue sharing (ibid). States and local governments were held to few requirements for local participation in GRS expenditure decisions, and as such could make spending decisions so long as they remained in accordance with the laws of the land. The decisions, as is always the case in government, serve some better than others. At the time, there was substantial concern over balancing the no strings approach of GRS with Federal enforcement of the anti-discriminatory provision in the GRS law, for instance (ACIR, 1974). Moreover, funds were allocated to virtually all government units, even those that may otherwise be obsolete, defunct, or provide few services for residents (ACIR, 1974; CRC, 1975).

Evaluation of the effectiveness of the GRS program suffers from the same struggles presently apparent in evaluating the effectiveness of ARPA funds. Like with ARPA SLFRF funds, GRS funds are both fungible and difficult to track. Revenue sharing dollars can be substituted for equal amounts of state and local revenue from other sources with minimal accounting effort to meet federal compliance and reporting requirements (U.S. Department of Treasury, 1974). As stated by Comptroller General Elmer B. Staats in 1975 before the Subcommittee on Intergovernmental Relations and Human Resources,

> “When a recipient government spends revenue sharing funds for activities that were previously financed, or would have been financed, from other revenues, considerable latitude exists for use of funds thus freed. That appears to be the broad objective of revenue sharing. This makes it almost impossible to assess the specific impact of revenue sharing funds as such. Because governments tend to consider total resources when determining the size of expenditures for their diverse activities, an objective

> identification and measurement of the impact of revenue sharing on specific tax levels, activities, or programs is extremely difficult, if not impossible."

This reality adds to the usual difficulties in tracking government expenditures, such as lag in reporting and availability of data, as recipient governments can arrange their use of GRS funds to conform to the letter of the requirements while freeing up local funds to use in non-priority areas. The report quoted above recommended that if Congress truly wished to provide financial assistance to State and Local governments under a program where these units maintained full discretion in use of funds provided, that the Act's ineffective 'priority expenditure' requirements be dropped and that two requirements–civil rights and citizen participations–should be strengthened (US General Accounting Office, 1975).

Regardless, when referencing the list of goals for the GRS– chief among them to provide fiscal relief to hard-pressed local governments while allowing them flexibility and resources to determine their own destiny– revenue sharing achieved some measure of success. It allowed states and local governments to meet costs and manage debt, avoiding tax increases and generally reducing the dependency on them. That was certainly a step in the right direction.

Regardless, and despite its popularity, changing fiscal and political conditions in Congress would leave GRS exposed. After fourteen years of operation, revenue sharing was abolished in the interest of deficit reduction under President Reagan, who stated, "It doesn't make sense for a federal government running a deficit to be borrowing money to be spent by state and local governments that are now running surpluses." (Wallin, 1998, pg 117). This was a surprising and swift end to a program with widespread support (Gruson, 1987), highlighting the political climate of the time. Concern about the federal deficit took precedence in Congress and media (Wallin, 1998, pg 117-130). This is a significantly different environment from the one we occupy today. In a modern context (the federal government ran a $3.1 trillion deficit in fiscal year 2020), revenue sharing could be reevaluated for potential long-term value. Some policymakers have since suggested using the original GRS program as a model for a new, short-term and/or targeted, GRS program (Zeemering, 2021; CRS, 2003; Galbraith, 2001). We consider these calls in the next section.

GRS Today: current arguments and ARPA

There have been several recent arguments for recreating the GRS program or a similar system for fiscal equalization. Fiscal equalization is "a transfer of fiscal resources across jurisdictions with the aim of offsetting differences in revenue raising capacity or public service cost. Its principal objective is to allow sub-central governments to provide their citizens with similar sets of public services at a similar tax burden." (Blöchliger et al., 2007). With the exception of the years of the GRS, the U.S. is the only major democracy that does not have a system of fiscal equalization at the national level, although many state governments address local property tax disparities with equalization policies. Such a program could address state and local government liquidity issues, synchronize federal and state-local fiscal policy, and in general help close subgovernment budget deficits. These have been major economic issues in the last several decades, requiring temporary aid from stimulus bills like the American Recovery and Reinvestment Act of 2009 (and more recently the American Rescue Plan Act), to prevent the complete fiscal meltdown of state and local governments.

While bipartisan acknowledgment of the growing budget deficit and public debt is clear, agreement as to its purpose is much more tenuous. Modern Monetary Theory (MMT) economists argue that the national debt is an important economic tool, as exemplified by the market for U.S. Treasury Securities. It would be economically disadvantageous to wipe out the wealth of the holders of these financial assets by running sustained fiscal surpluses (Kelton, 2020).[6] The elimination of U.S. Treasury securities would also eliminate a way the Federal Reserve conducts monetary policy through the sale of U.S. Treasuries, which in turn could increase interest rates.

Lack of funding is one of the first arguments used to shut down policy proposals. This was true as well in the case of the 1972 General Revenue Sharing program, and continues to be true of

[6]The U.S. ran a fiscal surplus from 1998-2001 and it was projected that the national debt was on track to be eliminated by 2012.Instead of sounding the celebration bells (this would be the antidote the debt crisis thinkers dream about) some clear-thinking folks pointed out that wiping out the national debt would also wipe out the U.S. Treasury market (Kelton, 2020).

Federal aid to states and local governments today. In the process of approving the ARPA State and Local Fiscal Relief Funds, some members of Congress tried to claw back about $7 billion from 30 states to help pay for other emergency COVID-19 spending (Murakami, 2022a). And just one and one-half years into the 5-year SLFRF program, some members are raising questions about affordability, citing concern for the types of spending projects into which governments are considering investing funds (Murakami, 2022b).

It is easier for the federal government to raise tax revenues than for either states or local governments because the federal level has the broadest base from which to tax. However, states and some localities can tax income as well. The challenge is with jurisdictional tax competition. States or local governments that impose tax rates that are higher than competitors while not providing higher levels of valued services may face an outflow of people and businesses. The federal government has taken on the role of providing for the basic needs of individuals who lack resources through programs including Temporary Assistance for Needy Families (TANF) and Supplemental Nutrition Assistance Program (SNAP). Resource-constrained state and local governments stand to benefit greatly from this same type of federal support. The prevailing economic thinking is that legacy cities must increase taxes to compensate for continually eroding tax bases. But prevalent horizontal fiscal imbalance among rich states and poor states, rich cities and poor cities is not going to be remedied through benefits-received and ability-to-pay models and imposed austerity.

Emergency funding allocated through the CARES Act and the American Rescue Plan Act to combat the COVID-19 pandemic are examples of programs with bipartisan support that are reminiscent of the GRS of the 1970s and 80s. Other programs targeting local government fiscal distress have also been implemented, but have not been utilized with the same level of enthusiasm.[7] They are also examples of two formulas by which federal revenue sharing could be continued. In the event of the next economic downturn, Congress could be ready with a standing countercyclical fiscal policy mechanism to provide funds to fill in the gap of resources

[7] In April 2020 the Federal Reserve established the Municipal Liquidity Facility, capable of providing up to $500 billion in short-term municipal notes to state and local governments. While there is evidence to suggest that the MLF contributed to a recovery in the municipal securities market as a whole (see Haughwout et al. 2021; Fritsch et al. 2021), only the State of Illinois and the Metropolitan Transportation Authority acquired loans.

state and local governments experience (Galbraith, Lind, and Luby, 2020). Much like during the Great Depression, government dollars would serve the same purpose as private sector dollars, moderating economic declines by essentially allowing local governments to spend their way out of trouble (Williams, 2020).[8] This kind of program could, in theory, smooth differences in reaction time between federal and state and local governments to subsequent recessions. In this way GRS could become part of the economic toolkit of automatic fiscal stabilizers, ready for when states and local governments need it.

> "Revenue sharing could become a part of the economic toolkit known as automatic fiscal stabilizers, available as needed in situations that states and localities cannot control. During downturns, the federal government would provide funds that state and local government could use to cover gaps in their operating expenses, providing a lifeline to teachers, first responders, and other public employees. The economic effect of revenue sharing would be counter-cyclical, moderating economic declines. Revenue sharing might phase back down as the state and local economy and tax base improved." (Galbraith, Lind and Luby (2020))

From this, we are already aware that programs like GRS can be effective at stimulating the economy. There is an extensive empirical literature supporting that intergovernmental transfers, at times, lead to a much higher increase in government expenditures than would plausibly result from an equivalent rise in personal income. The phenomenon, known as the flypaper effect, is well researched in federal aid, and the GRS is no exception. The "Flypaper effect" occurs when one dollar of grants-in-aid leads to significantly greater public spending than an equivalent dollar of citizen income. Money sticks where it hits, hence the "flypaper" effect. In his analysis of the flypaper effect, Inman (2008) arrives at the conclusion that the flypaper effect is the outcome of the political process itself with the attendant political institutions and politicians doing the policy work. Inman suggests that,

> "Once viewed as an anomaly, the flypaper effect should now be seen as a reality of fiscal politics, and its study as an opportunity to fashion central government transfer policies

[8] This ties into the Principle of Effective Demand, discussed more in Hein (2017).

and intergovernmental fiscal institutions that better reflect citizen preferences for local public goods."

A study of the spending of GRS funds by large cities echoed the importance of understanding the political environment when implementing such policies. Feiveson (2015) found evidence of a strong flypaper effect[9] in city governments' use of GRS funds, but highlighted that public sector unions skewed the use of grant funds towards increased wages rather than towards increased government services. GRS was implemented at a time where collective bargaining was gaining strength across the country, emphasizing the need to consider institutional structure and how it may impact both the expenditure effect as well as the type of spending induced by intergovernmental transfers. Going forward, a proposed new GRS or similar program would benefit from an in-depth analysis of the current institutional structure[10] (such as changing laws and social as well as economic conditions), before implementation.

Most state constitutions place limitations on deficit spending by state governments. Poterba (1994) found that 45 states require the governor to submit a balanced budget and 39 states have requirements for the legislature to pass a balanced budget. The same restriction is true for most local governments. For example, the Uniform Budget and Accounting Act 2 of 1968 prohibits Michigan local governments from deficit spending.[11] Additionally, most local governments face limitations on the level of debt that can be carried. The Home Rule City Act, act 279 of 1909 gives Michigan cities the ability to bond for debt as well as spells out the limits to the level of debt a local unit can carry (MCL 117.4a). The U.S. federal government has greater liquidity than either state or local governments. This is because the U.S. Federal government is the issuer of currency and therefore doesn't face the same constraints as households, businesses, and state and local governments which are all users of the currency. After President

[9] There have been, of course, contrary studies. Gramlich & Gulper (1973) recorded the presence of the Leakage effect in intergovernmental transfers where for every $1 lump sum transfer, only a portion is translated into new spending. Gramlich and Galper concluded that between $0.25 and $0.43 of each $1 of unconditional federal transfer became new spending. The remaining $0.57 to $0.75 leaked from the spending stimulus.

[10] Klammer and Scorsone (2022) provide a Legal-Economic Performance framework that would be useful for analyzing the impact (economic or otherwise) of such theoretical or realized program specifics under different (or real) institutional configurations.

[11] MCL 141.421-141.440a

Nixon suspended the U.S. dollar's convertibility to gold, the U.S. dollar became a fiat currency, fundamentally changing the way we utilize and react to the national debt.[12]

How We Might Use the GRS Model Today

In March of 2021, the U.S. Congress passed the American Rescue Plan Act. Through it, a total of $130 billion flowed into local government general revenue accounts from the United States Department of Treasury in a program known as the Coronavirus Local Fiscal Recovery Fund. The allocation of funds is based on a modified version of the traditional Community Development Block grant program. Nearly every local government will receive some level of funding from this program. For the state of Michigan, this represents an allocation of $4.4 billion to local governments including cities, townships, counties and villages. Schulz and Klammer (2022) covers the ARPA SLFRF rollout and early expenditure data in detail. This intergovernmental transfer represents a historic shift from traditional policy since the 1980s.

We have mentioned above the hope for a kind of countercyclical program that might function to smooth the jagged edges of economic boom and bust. Of course, much of twentieth century macroeconomics has been focused on how such a policy might work, whether it be through

[12] Sometimes evidence of over spending in an economy is reflected in the inflation rate. The global economy is still trying to emerge from a global pandemic. The current (July 2022) inflationary drivers of limited supplies coupled with pent-up demand are strong. Oil, gas and wheat supplies have been disrupted (Russia's invasion of Ukraine); China's combating of COVID outbreaks through tight lockdowns are further reducing global supplies. Housing supply is tight (it has been for years now) putting pressure on rental prices coupled with rapidly increasing mortgage rates (due to Fed's raising of interest rates. And not to be forgotten, businesses that can get away with it, are increasing their prices, sometimes predatorily (oil companies), and justifying it on inflation…and the circle continues. (Robert Reich, July 13, 2022 https://robertreich.substack.com, accessed July 21, 2022).

monetary policy or fiscal policy[13]. We posit that the GRS as utilized in the 70s and 80s, and now the ARPA SLFRF, are good case studies to start with.

Galbraith, et al. go on to raise issues and pitch suggestions as to how to design and fund a permanent revenue sharing program today. The political environment would require such a program to have a dedicated fund source, such as general revenues or an earmarked tax that might be held in a trust fund[14]. Galbraith et al. further suggest limiting revenue sharing to funding of public services rather than contributions to social insurance, such as the state portions of Medicaid and unemployment insurance (UI) funding to improve the likelihood of widespread support and adoption. This awareness of the political realities highlight the well-known problems of discretionary stimulus, especially against a backdrop of extreme partisanship that we see in 2022.

Any pre-planned countercyclical policy will face several key problems. First, it is a well-worn idea that discretionary fiscal policy will be ineffective due to long and variable lags in legislative enactment (Snowdon and Vane, 2005). While states and local governments could have a list of infrastructure projects ready for when such funding might come their way, Listokin (2019) observed that so-called "shovel-ready projects" often have a significant lag between when the appropriation is made and when the money starts moving out the door. Schulz and Klammer (2022) observed this in their report on the initial uses and planning of local ARPA SLFRF spending in Michigan. That aid usually reaches struggling states at a time when jobs are being

[13] From the 1936 publication of Keyne's General Theory of Employment, Interest, and Money through the mid-1970s, marks the macroeconomics period where countercyclical fiscal stimulus policy was the primary method used to stabilize the economy. Keynes' work influenced mainstream macroeconomic thinking and writing on how much demand can be stimulated without causing massive inflation. Then came the stagflationary periods of the 1970's and then in the 1980's the federal reserve's contracting of the total money supply leading to soaring interest rates. During this tumultuous economic period, mainstream macroeconomics thinkers shifted focus to countercyclical stabilization primarily through monetary policy. The 2008 Global Financial Crisis reasserted the focus back towards government expenditures and tax policy for countercyclical stabilization (Williams (2020)).

[14] At the federal level, it is a political decision not a fiscal capacity issue whether Congress decides to attach a "pay for" requirement to a spending bill. The May 2022 $40 billion spending bill for Ukraine is one example where no such requirement was set. It was swiftly moving through Congress with overwhelming bipartisan support. However, Senator Rand Paul of Kentucky took issue with it, demanding to create a special inspector general to oversee how the Ukraine military aid is spent. Notably in this case the concern is not where to "find" the $40 billion installment of military support for Ukraine, but rather to monitor how it is used.

cut and administrative processes are being stretched thin which further hamstrings efforts to confront economic challenges. Sahm (2019)[15] identifies this problem as well, arguing that "putting administrative systems in place ahead of time could ensure that the stimulus is delivered more quickly and more broadly".

A standing counter-cyclical fiscal policy mechanism for state and local aid would be a tool that can be turned on and off, targeted or broadly used. The GRS and the ARPA SLFRF are examples of broad use, turned on under different economic and political contexts. This same tool could be used for targeted purposes to assist local governments experiencing socio-economic distress (e.g., high unemployment, high poverty) and not necessarily fiscal distress.

When it comes to federal aid and the potential rebirth of General Revenue Sharing, it is clear that ARPA is a step in the right direction. Such a program as the SLFRF, like the GRS, acts as a traditional Keynesian stimulus and helps to rebuild parts of the social safety net system. For local governments, this represents the biggest expansion of relatively unrestricted federal aid since the federal revenue sharing program of the 1970's and 1980's. As observed by Galbraith et al. (2020) before the roll-out of the State and Local Fiscal Recovery Funds,

> "The economic consequences of the COVID-19 pandemic would have been less severe if Congress had not abolished the General Revenue Sharing program. Fiscal equalization in the form of a temporary but automatic system of federal revenue sharing, which could be converted into a permanent program in the future, can still do much to promote recovery. Should it be made permanent, it would significantly reduce the harm caused by future economic disasters as well."

Economists and policy experts acknowledge that the economic conditions faced today would be much worse if not for the substantial economic stimulus provided by ARPA (Ross et al., 2022;

[15] Claudia Sahm is the author of the "Sahm Rule," a reliable early signal related to the start of recessions that she developed as a way to automatically trigger stimulus payments to individuals in a recession. Given the large share of consumer spending in the U.S. economy and the sharp reduction in this consumption during a recession, automatic direct payments to individuals are an effective way to guarantee that stimulus arrives early in a recession.

Trattner, 2022). Following second quarter 2022, we may have entered a technical recession[16] (Gulliver-Needham, 2022). However the job market remains very strong, telling us the economy appears to still be robust (Harris & Mehrotra, 2022). ARPA funds made available to state and local governments are helping to maintain an employed workforce. Should the U.S. implement a form of GRS that could be scaled up in times of economic shock (such as in the case of a global pandemic), it would give Congress a mechanism to provide general aid without needing to come up with entirely new spending bills on the fly in the throes of the downturn.

[16] This determination is based on the criteria that most of the world uses to determine a recession, two consecutive quarters of negative gross domestic product growth. However, the US approaches recession differently. The National Bureau of Economic Research determines recession based on a range of factors such as GDP, real income and employment. The NBER has not yet (as of September 7, 2022) designated the US economy as being in recession.

References

Advisory Committee on Intergovernmental Relations (ACIR). 1970. "Revenue Sharing– An Idea Whose Time has Come." Information Report. Washington, DC. Accessed from https://library.unt.edu/gpo/acir/Reports/information/M-54.pdf

Advisory Committee on Intergovernmental Relations (ACIR). 1974. "General Revenue Sharing: An ACIR Re-evaluation." Accessed from https://library.unt.edu/gpo/ACIR/Reports/policy/A-48.pdf

Advisory Committee on Intergovernmental Relations (ACIR). 1977. "Federal Grants: Their Effects on State-Local Expenditures, Employment Levels, Wage Rates." Accessed from https://library.unt.edu/gpo/acir/Reports/policy/A-61.pdf

Billings, David C. 1976. "Revenue Sharing: Impact and Renewal." *State and Local Government Review* 8, No. 1: 14-18. Accessed at https://www.jstor.org/stable/4354562

Blöchliger, Hansjörg, Olaf Merk, Claire Charbit & Lee Mizell. 2007. "Fiscal Equalisation in OECD Countries." OECD Network on Fiscal Relations Across Levels of Government, Working Paper No. 4.

Center for the Study of Federalism. N.D. "Revenue Sharing". Accessed on July 7, 2022 at https://encyclopedia.federalism.org/index.php/Revenue_Sharing#POST-NIXON_ERA

Civil Rights Commission (CRC). 1975. "Civil Rights Commission on General Revenue Sharing." https://www.ojp.gov/pdffiles1/Digitization/59356NCJRS.pdf

Clemens, Jeffrey, Phillip G. Hoxie and Stan Veuger. 2022. "Was Pandemic Fiscal Relief Effective Fiscal Stimulus? Evidence from Aid to State and Local Governments." National Bureau of Economic Research. No. w30168. https://www.nber.org/system/files/working_papers/w30168/w30168.pdf

Congressional Research Service (CRS). 2003. “General Revenue Sharing: Background and Analysis.” CRS Report RL31936. Accessed from https://digital.library.unt.edu/ark:/67531/metadc810941/m1/2/

Congress.gov. 2020. "Text - S.3548 - 116th Congress (2019-2020): CARES Act."

Congressional Research Service (CRS). 2019. “Federal Grants to State and Local Governments: A Historical Perspective on Contemporary Issues.” CRS Report R40638. Accessed from https://sgp.fas.org/crs/misc/R40638.pdf

Congressional Research Service (CRS). 2020. “Block Grants: Perspectives and Controversies.” CRS Report R40486. Accessed from https://crsreports.congress.gov/product/pdf/R/R40486/22

Dales, Sophie R. 1974. “General Revenue Sharing Program: A Closer Look.” *Notes and Brief Reports: Social Security Bulletin* (October 1974). Accessed from https://www.ssa.gov/policy/docs/ssb/v37n10/v37n10p36.pdf

Feiveson, Laura. 2015. “General Revenue Sharing and Public Sector Unions.” *Journal of Public Economics* 125: 28-45.

Fritsch, Nicholas, John Bagley, and Shawn Nee. 2021. “Municipal Markets and the Municipal Liquidity Facility.” Federal Reserve Bank of Cleveland, Working Paper No. 21-07. https://doi.org/10.26509/frbc-wp-202107.

Galbraith, James K, Michael Lind and Martin J. Luby. 2020. “The Case for Revenue Sharing: Fiscal Equalization and the COVID-19 Recession” in *Resiliency in the Age of Covid: A Policy Toolkit*. University of Texas at Austin LBJ School.

Galbraith, James K. 2001. “Incurable Optimists”. *Texas Observer*. December 21st, 2001. https://www.texasobserver.org/518-james-k-galbraith-incurable-optimists/

Gulliver-Needham, Elliot. 2022. “US Economy Enters Technical Recession.” *Investment Week.* July 28 2022. Accessed from

https://www.investmentweek.co.uk/news/4053937/us-economy-enters-technical-recession#:~:text=US%20GDP%20contracted%200.9%25%20in,with%20experts%20predicting%200.5%25%20growth

Gramlich, Edward M. & Harvey Galper. 1973. "State and Local Fiscal Behavior and Federal Grant Policy." *Brookings Papers on Economic Activity* 1: 15-65.

Gruson, Lindsay. 1987. "End of Federal Revenue Sharing Creating Financial Crises in Many Cities." *The New York Times.* January 31, 1987, Section 1. https://www.nytimes.com/1987/01/31/us/end-of-federal-revenue-sharing-creating-financial-crises-in-many-cities.html

Harris, Ben and Neil Mehrotra. 2022. The Data Underlying America's Strong Economic Recovery. U.S. Department of the Treasury. Accessed at https://home.treasury.gov/news/featured-stories/the-data-underlying-americas-strong-economic-recovery

Haughwout, Andrew, Ben Hyman, and Or Shachar. 2021. "COVID Response: The Municipal Liquidity Facility." FRB of New York Staff Report, (985).

Hein, Eckhard. 2017. "The Principle of Effective Demand: Marx, Kalecki, Keynes, and Beyond." In *The Routledge Handbook of Heterodox Economics*, 84-100. Routledge.

Inman, Robert P. 2008. "The Flypaper Effect." National Bureau of Economic Research. No. w14579. Accessed from https://www.nber.org/system/files/working_papers/w14579/w14579.pdf

Kelton, Stephenie. 2020. *The Deficit Myth: Modern Monetary Theory and the Birth of the People's Economy.* Public Affairs Hatchette Book Group. NY, NY.

Keynes, John M., 2010. The Great Slump of 1930 (1930). In *Essays in Persuasion* (pp. 126-134). Palgrave Macmillan, London.

Klammer, Sarah S. and Eric A. Scorsone. 2022. *The Legal Foundations of Micro-Institutional Performance: A Heterodox Law & Economics Approach*. Edward Elgar Publishing.

Larkey, Patrick D. 1979. *Evaluating Public Programs: The Impact of General Revenue Sharing on Municipal Government.* Princeton University Press.

Lav, Iris I. & Michael Leachman. 2017. "At Risk: Federal Grants to State and Local Governments: Programs for Low- and Moderate-Income Families Could Bear the Brunt of Cuts." Center on Budget and Policy Priorities. Accessed from https://www.cbpp.org/research/state-budget-and-tax/at-risk-federal-grants-to-state-and-local-governments#_edn2

Listokin, Yair. 2019. Law and macroeconomics: legal remedies to recessions. Cambridge, Massachusetts: Harvard University Press.

Maxwell, James A. 1952. "Brief History of Grants". In *Federal Grants and the Business Cycle.* Ed. James A. Maxwell. 1-13. NBER. Accessed from http://www.nber.org/chapters/c4900

Michigan Department of Treasury. 2022. "American Rescue Plan Act (ARPA): Coronavirus Local Fiscal Recovery Fund: Program Description." Accessed from https://www.michigan.gov/treasury/local/share/arpa/american-rescue-plan-act-arpa-coronavirus-local-fiscal-recovery-fund

Murakami, Kery. 2022a. "House Passes Spending Bill, After Ditching Plan to Claw Back State Aid". *Route-Fifty.* March 9th, 2022. https://www.route-fifty.com/finance/2022/03/congress-scraps-plan-rescind-pandemic-aid-states/362966/

Murakami, Kery. 2022b. "The Simmering GOP Criticism of State and Local ARPA Spending." *Route-Fifty.* July 8th, 2022. https://www.route-fifty.com/infrastructure/2022/07/republican-criticism-state-and-local-american-rescue-plan-spending/374024/

National Association of State Budget Officers. 2016. "State Expenditure Report, Fiscal 2014-2016." State Expenditure Reports. Accessed from http://nasbo.org/reports-data/state-expenditure-report

Office of Revenue Sharing. 1974. "General Revenue Sharing: The First Actual Use Reports." Washington, D.C.: Department of the Treasury.

Poterba, James M. 1994. "State Responses to Fiscal Crises: The Effects of Budgetary Institutions and Politics." *Journal of Political Economy* 102(4): 799-821. https://www.jstor.org/stable/2138765

Putney, Bryant. 1940. "Federal-state relations under grants-in-aid." *Editorial Research Reports 1940,* vol 2. Accessed from http://library.cqpress.com/cqresearcher/cqresrre1940073000

Ross, Kyle, Arohi Pathak, Seth Hanlon, Mia Ives-Rublee, Justin Schweitzer, Michela Zonta, Natasha Murphy, Osub Ahmed, and Marina Zhavoronkova. 2022. The ARP Grew the Economy, Reduced Poverty, and Eased Financial Hardship for Millions. The Center for American Progress. Accessed from https://www.americanprogress.org/article/the-arp-grew-the-economy-reduced-poverty-and-eased-financial-hardship-for-millions/

Sahm, Claudia. "Direct Stimulus Payments to Individuals" pgs. 67-92. May 2019. In Recession Ready: Chart branding horizontal Fiscal Policies to Stabilize the American Economy Edited by Heather Boushey, Ryan Nunn, and Jay Shambaugh. The Hamilton Project, Washington Center for Equitable Growth and Brookings.

Schulz, Mary and Klammer S. 2022. ARPA Fiscal Recovery in Michigan - Year 1. Extension Center for Local Government Finance and Policy. Michigan State University.

Snowdon, Brian and Howard R. Vane. 2005. Modern Macroeconomics: Its Origins, Development and Current State. Cheltenham, UK and Northampton, MA, USA: Edward Elgar.

Susskind, Lawrence. 1974. Revenue Sharing and the Lessons of the New Federalism. *Urban Law Annual* 8: 33-71. Accessed from https://journals.library.wustl.edu/urbanlaw/article/8036/galley/24869/view/

Schwallie, Daniel P. 1989. "Measuring the Effects of Federal Grants-in-Aid on Total Public Sector Size." *Public Finance Quarterly* 17(2): 185-203. https://journals.sagepub.com/doi/pdf/10.1177/109114218901700203?casa_token=0q8VGed9AR0AAAAA:PVMQuPSzziLrh1Cxinc9BfQeLlRxK4WHh2X3RC7Gyo3XXkCMeily3TTvE2YTJA5cqpSM3QyjQzmT0dw

The White House. 2021. "Aid to State and Local Governments." In *Analytical Perspectives*. Office of Management and Budget. Accessed from https://www.whitehouse.gov/omb/budget/analytical-perspectives/

Trattner, Charlotte. 2022. "$1.9T American Rescues Plan Saved U.S. From Economic Disaster: Janet Yellen." *Newsweek.* January 19 2022. Accessed from https://www.newsweek.com/19t-american-rescue-plan-saved-us-economic-disaster-janet-yellen-1670939

United States General Accounting Office. 1975. "Statement of Elmer B. Staats, Comptroller General of the United States Before the Subcommittee on Intergovernmental Relations and Human Resources." Committee on Government Operations. United States House of Representatives on General Revenue Sharing. https://www.gao.gov/assets/094635.pdf

U.S. Census Bureau, 2016. "2014 State and Local Government Finances," December 9, 2016.

U.S. Department of the Treasury. 1973. "Revenue Sharing: Its Use By And Impact On State Governments: A Report to Congress." Congressional Report Aug 2, 1973. Accessed from https://files.eric.ed.gov/fulltext/ED081097.pdf

U.S. Department of the Treasury. 1974. "Revenue Sharing: Its Use By And Impact On Local Governments: A Report to Congress." Congressional Report April 25, 1974. Accessed from https://www.gao.gov/assets/b-146285-095899.pdf

U.S. Senate Committee on Finance. 1972. "Revenue Sharing Act of 1972: Additional and Minority Views to accompany H.R. 14370. U.S." Government Printing Office. Washington, D.C. Accessed from https://www.finance.senate.gov/imo/media/doc/Rpt92-10501.pdf

Williams, Alex. 2020. "Intragovernmental Autonomous Stabilizers". *Theses - Graduate Programs in Economic Theory and Policy* 26. https://digitalcommons.bard.edu/levy_ms/26

Zeemering, Eric. 2021. "It's Time to Consider Reviving Federal Revenue Sharing with States and Cities". *Route-Fifty*. January 28th, 2021. https://www.route-fifty.com/management/2021/01/reviving-federal-revenue-sharing-states-and-cities/171710/