

Federal Grants to State and Local Governments, Fiscal Year 1973

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Federal grants to aid State and local governments to carry on a multiplicity of functions totaled \$43.1 billion in fiscal year 1973, about 22 percent more than the 1972 amount and five times the figure 10 years earlier. More than 15 percent of the total was disbursed under general revenue sharing—\$6.6 billion of an eventual \$30.2 billion for this new 5-year program under the State and Local Fiscal Assistance Act of 1972. Social welfare grants—public assistance, health, education, economic opportunity and manpower, and miscellaneous social welfare—remained at about the same level of \$26–27 billion as in the preceding year. Because of the new revenue sharing program, however, social welfare grants dropped from 75 percent to 62 percent of all grants.

In this series, the grants, grouped by purpose, are reviewed annually with special concentration on grants directed to social welfare functions and their relation to other grants. To measure the extent to which grants are used as a redistributive income tool and a means of equalizing fiscal resources among the States, the grants on a State-by-State basis are related to population, total personal income within the States, and State and local revenues.

AID TO STATE and local governments in the form of Federal grants jumped from \$35.2 billion to \$43.1 billion in the fiscal year 1973 (table 1), representing the largest dollar increase for any fiscal year in the series and one of the largest percentage increases since 1930, the first year in the series. The new program of Federal general revenue sharing was largely responsible for this unusual boost. More than \$6.6 billion was distributed to the States and localities under this program, accounting for 15.4 percent of all 1973 Federal grants.

Grants-in-aid are but one of the Federal fiscal aids to State and local governments, but quantitatively they are the most significant. Federal grants are also made to other types of recipients (individuals and institutions), but these grants

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are not included here. Those grants made to the lower levels of government are, however, the most significant, again quantitatively.

The Federal grant-in-aid as a fiscal device for achieving program objectives through government channels is almost as old as the Nation. The modern allocation-formula grant with matching requirements for the recipient State or local government, however, made its appearance only as recently as the World War I era with the Federal Aid Road Act of 1916 and the Smith-Hughes (vocational education) Act of 1917. A newer development—the project grant, in which the money is channeled directly to the assisted activity with or without matching requirements, but often with a ceiling for the federally borne proportion of total cost—has been receiving increased emphasis since the mid-fifties with a sharp increase during the sixties. By 1970, project grants totaled \$11.7 billion,¹ exactly half of all Federal grants that year. Nonetheless, allocation-formula grants continue to dominate Federal grants by their sheer magnitude. The largest such grants program is for public assistance, which accounted for 28 percent of all 1973 grants.

Before the introduction of general revenue sharing, the grants data in the accompanying tables were limited to grants for cooperative Federal-State or Federal-local programs administered at the State and/or local level and to those programs in which the bulk of the funds is channeled through agencies of State and local governments. Emergency grants and the value of grants-in-kind, such as surplus foods distributed domestically or Braille materials for teaching the blind, are included when they conform to these criteria. Shared revenues² and pay-

¹ John C. H. Oh, "Revenue Sharing," *Human Needs* (Social and Rehabilitation Service), April–May 1973.

² The term "shared revenues"—not to be confused with general revenue sharing—denotes State participation in income derived from Federal land within given States. The income is usually from grazing rights, forest use, water rights, or mine operation and is often devoted to education in the affected States.

ments in lieu of taxes are excluded, as are programs in which the States or localities act solely as agents of the Federal Government. Loans, of course, are excluded by definition.

This year the grants data include the new general revenue sharing program authorized by the State and Local Fiscal Assistance Act of 1972 (Public Law 92-512). The revenue sharing program is listed in *Federal Aid to States* by the Department of the Treasury and is treated as a grants program in this series. The first revenue sharing disbursements were made retroactively in December 1972 and January 1973 for entitlement periods 1 and 2, covering calendar year 1972. Payments for entitlement period 3,

ending June 30, 1973, were made in April and in July 1973 (after the close of the fiscal year).

Under general revenue sharing, the Federal Government allocates to States and localities funds that may be spent by the recipient governments for a multiplicity of purposes. The program is thus in contrast to most of the existing Federal grants that are restricted to specific programs and require the State and local governmental recipients to comply with certain conditions (often including matching funds). For a detailed discussion of the new program, including the type of permitted expenditures and financing provisions, see the Note on pages 36-38 of this issue.

TABLE 1.—Federal grants: Total to State and local governments, by purpose, fiscal years 1930-73

[Amounts in millions]

Fiscal year	All grants ¹	Revenue sharing	Social welfare							Highways		All other		
			Total		Public assistance		Health	Education		Economic opportunity and manpower	Miscellaneous social welfare		Amount	Percent of all grants
			Amount	Percent of all grants	Amount	Percent of all grants		Amount	Percent of all grants					
1930.....	\$100		\$23	23.2			(?)	\$22	21.8		\$1	\$76	75.5	\$1
1931.....	180		25	13.9				24	13.1		1	154	85.2	2
1932.....	214		26	12.1				24	11.3		2	186	87.1	2
1933.....	190		25	13.2				23	12.3		2	163	86.0	2
1934.....	1,803		24	1.4				22	1.2		2	222	12.3	1,557
1935.....	2,197		28	1.3				26	1.2		3	275	12.5	1,893
1936.....	1,015		107	10.5	\$28	2.8	\$4	37	3.7		37	224	22.1	684
1937.....	818		230	28.1	144	17.6	13	38	4.6		36	341	41.6	247
1938.....	790		365	46.2	216	27.3	15	48	6.1		36	247	31.2	178
1939.....	1,031		446	43.2	247	24.0	15	50	4.8		194	192	18.6	393
1940.....	967		531	54.9	271	28.0	22	51	5.2		187	165	17.0	272
1941.....	915		624	68.2	330	36.0	26	113	12.3		156	171	18.7	120
1942.....	926		694	74.9	375	40.4	29	151	16.3		139	158	17.1	74
1943.....	991		691	69.7	396	39.9	30	171	17.2		130	174	17.6	126
1944.....	983		700	71.3	405	41.2	60	136	13.8		99	144	14.7	138
1945.....	917		700	76.3	410	44.7	79	103	11.3		108	87	9.5	130
1946.....	844		701	83.1	439	52.0	71	58	6.8		133	75	8.8	98
1947.....	1,649		1,302	84.1	614	39.6	63	65	4.2		560	199	12.8	48
1948.....	1,681		1,229	77.8	718	45.4	55	120	7.6		335	318	20.2	33
1949.....	1,840		1,366	74.2	928	50.4	67	76	4.2		295	410	22.3	64
1950.....	2,212		1,731	78.2	1,123	50.8	123	82	3.7		402	429	19.4	53
1951.....	2,253		1,802	80.0	1,186	52.6	174	93	4.1		360	400	17.8	50
1952.....	2,329		1,854	79.6	1,178	50.6	187	156	6.7		333	420	18.0	56
1953.....	2,759		2,162	78.4	1,330	48.2	173	259	9.4		400	517	18.8	80
1954.....	2,958		2,346	79.3	1,438	48.6	140	248	8.4		618	838	18.2	74
1955.....	3,096		2,403	77.6	1,427	46.1	119	296	9.6		561	597	19.3	97
1956.....	3,441		2,615	76.0	1,455	42.3	133	278	8.0		751	740	21.5	85
1957.....	3,936		2,848	72.4	1,556	39.6	162	280	7.1		848	955	24.3	133
1958.....	4,794		3,095	64.6	1,795	37.4	176	308	6.4		816	1,519	31.7	181
1959.....	6,316		3,450	54.6	1,966	31.1	211	376	6.0		897	2,614	41.4	251
1960.....	6,838		3,610	52.8	2,059	30.1	214	441	6.5		896	2,942	43.0	286
1961.....	6,921		3,950	57.1	2,167	31.3	240	460	6.6		1,083	2,623	37.9	349
1962.....	7,703		4,535	58.9	2,432	21.6	263	491	6.4		1,348	2,783	36.1	385
1963.....	8,324		4,825	58.0	2,730	32.8	292	558	6.7	\$324	912	3,023	36.3	477
1964.....	8,774		5,352	54.8	2,944	30.1	322	579	6.9	413	1,094	3,644	37.3	778
1965.....	10,630		5,669	53.3	3,059	28.6	346	702	6.6	527	1,033	4,018	37.8	944
1966.....	12,519		7,630	61.0	3,528	28.2	365	1,590	12.7	1,131	1,016	3,975	31.8	914
1967.....	14,820		9,845	66.4	4,175	28.2	436	2,370	16.0	1,610	1,254	4,022	27.1	953
1968.....	18,168		12,449	68.5	5,319	29.3	823	2,719	15.0	2,050	1,536	4,197	23.1	1,521
1969.....	19,765		13,802	69.8	6,280	31.8	866	2,668	13.5	2,087	1,904	4,162	21.1	1,801
1970.....	23,576		16,545	70.2	7,445	31.6	1,043	3,016	12.8	2,565	2,476	4,392	18.6	2,640
1971.....	29,214		21,067	72.1	9,640	33.0	914	3,540	12.1	2,989	3,985	4,659	15.9	3,488
1972.....	35,203		26,414	75.0	13,090	37.2	991	4,283	12.2	3,482	4,568	4,677	13.3	4,112
1973.....	43,121	\$6,636	26,581	61.6	11,891	27.6	1,073	4,348	10.1	3,635	5,635	4,724	11.0	5,179

¹ On checks-issued basis, or adjusted to that basis, for most programs includes small amounts of adjustments and undistributed sums, and grants under a few programs to American Samoa, Canal Zone, Guam, and the Trust Territory of the Pacific Islands. For programs in each grants group, see under "Composition of Grouped Grant Categories," page 34.

² Promotion of welfare and hygiene of maternity and infancy, \$9,552. Source: *Annual Reports of the Secretary of the Treasury; Combined Statement of Receipts, Expenditures and Balances of the United States Government; and agency reports* Beginning with 1969 data, Department of the Treasury, *Federal Aid to States, Fiscal Year . . .*

State and localities have 24 months from the end of the entitlement period to use, obligate, or appropriate general revenue sharing funds. Of the \$6.6 billion disbursed by the Federal Government during the first year, States and localities reported actual use expenditure of only \$2.8 billion by June 30, 1973.³ As table 2 shows, these expenditures were for a host of purposes, with the bulk of the funds going for education, public safety, and public transportation, in that order.

Less than 43 percent of the revenue sharing funds disbursed from the (retroactive) start of the program through June 1973 were reported as actually used in the first year. Scrutiny of these reported expenditures by function, therefore, gives little more than a general inkling of how the total \$6.6 billion will eventually be spent. Examining the planned-use reports for each entitlement period casts some additional light on how these funds are to be used. It has not been the practice in this series, however, to go beyond the Treasury source into agency data. Hence, the following discussion treats the general revenue sharing disbursements as a separate category that does not lend itself to inclusion in any functional group hitherto used.

³ David A. Caputo and Richard L. Cole, *Revenue Sharing: The First Actual Use Reports* (prepared for the Office of Revenue Sharing, Department of the Treasury), March 1, 1974, table 1, pages 4-5.

As in previous years, table 1 consolidates the more than 100 "regular" grants programs (categorical allocation formula and project) into seven groups according to general purposes. Table 3, a State distribution of grants for the current year, subdivides "all other" into two additional substantive categories plus a miscellaneous group. As far as possible the classification is in conformity with the Social Security Administration's statistical series on social welfare expenditures.⁴

GRANTS IN FISCAL YEAR 1973

The total of \$43.1 billion in fiscal year 1973 represented a Federal outlay of more than five times the grants total 10 years earlier. The 1973 grants were 22 percent higher than the grants of the preceding fiscal year and about half again the total 2 years earlier.

With revenue sharing excluded from the comparison, 1973 total grants in the older ongoing groups increased 3.6 percent from the preceding year to a total of \$36.5 billion. All but one of the grants groups shared in this rise, although to varying degrees. Annual dollar increases

⁴ See Alfred M. Skolnik and Sophie R. Dales, "Social Welfare Expenditures, 1972-73," *Social Security Bulletin*, January 1974.

TABLE 2.—Revenue sharing: Actual use by recipient State and local governments, fiscal year 1973¹

[Amounts in millions]

Category (ranked by size of expenditure)	Total			Operation and maintenance		Capital outlay	
	Amount	Percentage distribution	Percent for new services	Amount	Percent of category	Amount	Percent of category
Total.....	\$2,817.9	100	20	\$1,876.9	67	\$941.0	33
Education.....	687.2	24	39	1 643.0	94	44.2	6
Public safety.....	655.2	23	8	496.4	76	158.8	24
Public transportation.....	416.9	15	12	183.8	44	233.1	56
Environmental protection/conservation.....	187.8	7	16	92.5	49	95.3	51
Multipurpose/general government.....	183.7	6	0	0	0	183.7	100
Health.....	165.8	6	8	99.3	60	66.5	40
Recreation/culture.....	116.4	4	28	35.6	31	81.1	69
Social services for the poor or aged.....	88.1	3	13	88.1	100	0	0
Financial administration.....	69.9	2	25	69.9	100	0	0
Housing/community development.....	26.0	1	0	0	0	26.0	100
Libraries.....	18.5	1	14	18.5	100	0	0
Social development.....	12.9	(²)	0	0	0	12.9	100
Economic development.....	11.6	(²)	0	0	0	11.6	100
All other uses.....	177.6	6	3	149.8	84	27.8	16

¹ Payments for the first two semiannual entitlement periods (covering calendar year 1972) at \$2.65 billion each were made retroactively in December 1972 and January 1973. Payments for the third period were made in April and in July 1973 for a total of \$2.99 billion. Total disbursed from start of program to June 30, 1973, was \$6.6 billion, all in fiscal year 1973. Twenty-four months are allowed, after the end of entitlement period for each revenue sharing allotment, to spend or obligate the funds. The \$2.8 billion counted as used by

the reporting governments represents 42.5 percent of the amount disbursed in the fiscal year

² Prohibited expenditure category for local governments.

³ 0.5 percent or less

Source: David A. Caputo and Richard L. Cole, *Revenue Sharing: The First Actual Use Reports* (prepared for Office of Revenue Sharing, Department of the Treasury, March 1, 1974). Adapted from table 1, pages 4-5.

ranged from 66 percent for the miscellaneous group to about 1 percent for education grants.

The huge increase in the miscellaneous grants is mainly the product of three factors: (1) Increases of 66 percent in two grants programs (environmental protection construction, up \$271 million, and law enforcement assistance, up \$215 million); (2) the necessity to quadruple disaster relief grants in 1973 (up \$284 million or 314 percent from 1972); and (3) a 120-percent rise (\$127 million) in grants for the Federal airport program.

The \$26.6 billion outlay for social welfare grants in 1973 accounted for 62 percent of all grants. In 1972 a similar sum (\$26.4 billion) represented 75 percent of all Federal grants to State and local governments. As already noted, the 1973 grants data do not assign any of the general revenue sharing funds to the social welfare group. If the information on the first use reports shown in table 2 is a good guide, then perhaps one-third of the \$6.6 billion disbursed in general revenue sharing funds would eventually go for social welfare purposes.

For the first time in 20 years,⁵ Federal grants for public assistance showed an absolute dollar decline: \$1.2 billion, from \$13.1 billion in fiscal year 1972 to \$11.9 billion in 1973. Partly as a result of this 9-percent drop, public assistance grants comprised only 27.6 percent of all 1973 grants, compared with 37.2 percent in 1972.

Since 15 percent of the 1973 grants were taken up by general revenue sharing, however, a better measure might be the relation of public assistance grants to social welfare grants rather than to total grants. As the following tabulation shows,

Social welfare grants	1963	1968	1971	1972	1973
Total amount (in billions)	\$4 8	\$12 4	\$21 1	\$26 4	\$26 6
As percent of total grants.....	58 0	68 5	72 1	75 0	61 6
Percentage distribution					
All social welfare grants.....	100 0	100 0	100 0	100 0	100 0
Public assistance.....	56 6	42 7	45 8	49 6	44 7
Health.....	6 0	6 0	4 3	3 8	4 0
Education.....	11 6	21 8	16 8	16 2	16 4
Economic opportunity and manpower.....	6 7	16 5	14 2	13 2	13 7
Miscellaneous social welfare.....	18 9	12 4	18 9	17 3	21 2

⁵ In 1952, public assistance grants were \$8 million below the \$1.2 billion of 1951.

the 1972 public assistance grants accounted for 49.6 percent of the \$26.4 billion social welfare grants total; they formed only 44.7 percent of 1973's \$26.6 billion for that purpose. The proportion had been as high as 56.6 percent in 1963.

Several reasons are adduced for the decline of public assistance grants. In September 1972, old-age, survivors, disability, and health insurance cash benefit amounts were raised, making many persons who had been receiving both "social security" and public assistance ineligible for continued old-age assistance. The intensive review of caseloads and recomputation of assistance payments mandated by the Federal Government was another factor: A number of public assistance recipients were dropped from the rolls, and the monthly payments to others were adjusted downward (although some increases occurred, the downward adjustments outweighed them).

Examination of the other categories within the social welfare component reveals some significant changes over the decade 1963-73, although most of the year-to-year changes are not great. Grants for economic opportunity and manpower contributed 7 percent of the social welfare total at the start of the decade; by the end they stood at just double that proportion, having risen even higher during the interim.

With the massive Federal participation in higher education activities and the greatly increased Federal assistance to elementary and secondary schools, education grants rose from 12 percent of the social welfare grants to double that ratio in 1967 and have been a declining proportion ever since. For the last 2 years, education grants have constituted 16 percent of all social welfare grants. Health grants, which were at the 6-7 percent level at the start of the decade, declined to about 4 percent in the second half and remained there.

Miscellaneous social welfare is a residual group dominated by three huge programs: Food stamps (\$2.2 billion in 1973) and child nutrition and low-rent housing (more than \$1 billion each). In 1963, as the decade began, this group represented 19 percent of total social welfare grants. By 1973 it accounted for 21 percent of the total—after a drop to 12 percent at mid-decade.

As in fiscal year 1972, the overall 1973 rise consists of two parts—an increase in the amounts disbursed under many of the ongoing programs

and the introduction of new grants programs. In addition to the \$6.6 billion revenue sharing program that is grouped by itself, six new programs affected three grants groups: (1) To economic opportunity and manpower, \$2.2 million was added for minority business development; (2) to urban affairs, \$2.4 million for community de-

velopment and training and \$122,000 for new-community assistance; and (3) to the miscellaneous group, \$9.1 million in grants of the Regional Action Planning Commission, \$4.4 million in grants of the Occupational Safety and Health Administration, and \$449,000 for mine health and safety grants.

TABLE 3.—Federal grants to State and local governments,

[Amounts in thousands]

States ranked by 1970-72 average per capita personal income	All grants ¹	Revenue sharing		Social welfare					
		Amount	Percent of all grants	Total		Public assistance		Health	
				Amount	Percent of all grants	Amount	Percent of all grants	Amount	Percent of all grants
Total ²	\$13,121,378	\$6,633,318	15 3	\$36,581,370	61 6	\$11,870,533	27.6	\$1,072,938	2 5
United States ²	42,647,049	6,636,318	15 3	26,170,920	61 4	11,824,708	27.7	1,044,615	2 4
High-income group.....	21,202,859	3,261,952	15 3	13,636,998	64 0	7,024,287	33 0	500,023	2 3
District of Columbia.....	417,604	29,927	7 2	283,156	63 0	74,307	17 8	26,451	6 3
Connecticut.....	550,354	83,853	15 2	308,886	56 1	128,719	23 4	14,188	2 6
New York.....	4,794,194	737,310	15 4	3,386,728	70 6	2,137,275	44 6	108,070	2 3
New Jersey.....	1,281,403	208,311	16 9	778,949	63 2	350,445	28 6	24,752	2 0
Alaska.....	200,510	8,131	4 0	95,607	47 7	13,195	6 6	3,414	1 7
Delaware.....	119,296	20,008	16 8	52,391	43 9	19,832	16 6	2,863	2 4
Illinois.....	2,153,280	341,848	16 9	1,355,939	63 0	715,944	33 2	24,179	1 1
Hawaii.....	201,895	29,595	14 6	104,389	51 7	39,502	19 6	4,473	2 2
Nevada.....	120,018	14,468	12 0	53,096	44 2	13,872	11 4	2,950	2 5
California.....	4,590,245	704,318	15 3	3,080,725	67 1	1,664,580	36 3	95,066	2 1
Massachusetts.....	1,247,851	207,808	16 6	813,879	65 2	414,930	33 2	34,418	2 8
Maryland.....	782,869	133,307	17 0	465,466	59 4	204,585	26 1	26,145	3 3
Michigan.....	1,740,242	281,045	16 1	1,057,715	60 8	562,897	31 8	40,575	2 3
Ohio.....	1,589,567	286,451	16 8	984,930	58 8	318,999	20 1	39,704	2 5
Washington.....	817,320	97,139	11 9	461,296	56 2	191,564	23 4	20,559	2 5
Rhode Island.....	237,833	30,169	12 7	135,970	57 2	61,035	25 7	5,403	2 3
Colorado.....	498,458	68,669	13 8	287,856	57 7	122,816	24 6	26,703	5 4
Middle-income group.....	12,691,678	2,074,829	16 3	7,279,463	57 4	2,937,622	23 1	327,985	2 6
Pennsylvania.....	2,351,048	247,437	14 8	1,318,419	56 1	636,009	27 1	71,685	3 0
Kansas.....	388,093	65,185	16 8	211,200	54 4	89,419	23 0	12,139	3 1
Minnesota.....	775,820	132,247	17 0	457,156	58 9	225,515	29 1	13,574	1 7
Indiana.....	672,574	142,207	21 1	358,573	53 3	128,347	19 1	13,276	2 0
Nebraska.....	236,595	48,688	20 6	127,233	53 8	35,176	14 9	6,711	2 8
Missouri.....	841,314	123,002	14 6	510,349	60 7	183,289	21 8	31,483	3 7
Florida.....	1,111,067	185,337	16 7	700,686	63 1	249,310	22 4	28,782	2 6
Wisconsin.....	775,094	166,645	21 5	46,948	59 6	246,907	31 9	11,606	1 5
Wyoming.....	92,897	12,501	13 4	36,624	39 4	6,848	7 4	2,238	2 4
Oregon.....	505,102	66,021	13 1	249,606	49 4	90,235	17 9	14,375	2 8
New Hampshire.....	143,168	20,852	14 6	73,127	51 1	29,951	20 9	3,990	2 8
Iowa.....	436,104	94,382	21 6	219,194	50 3	76,554	17 6	8,281	1 9
Virginia.....	824,459	132,450	16 1	461,852	56 0	171,798	20 8	16,080	2 0
Arizona.....	376,482	62,520	16 9	210,152	55 8	47,957	12 7	12,675	3 4
Texas.....	2,048,670	311,299	15 2	1,265,804	61 8	541,907	26 5	49,061	2 4
Montana.....	216,388	25,615	11 8	92,730	42 8	26,712	12 3	5,395	2 5
Georgia.....	896,813	137,235	15 2	524,810	58 5	161,679	16 9	26,634	3 0
Low-income group.....	8,522,331	1,299,737	15 2	5,195,055	61 0	1,862,892	21 9	216,609	2 5
Oklahoma.....	587,196	74,118	12 6	387,561	66 0	196,659	33 5	18,532	3 2
Vermont.....	136,223	18,420	13 5	71,459	52 4	33,315	24 5	5,114	3 8
Idaho.....	167,863	28,763	15 9	83,417	49 7	30,607	18 2	3,708	2 2
North Carolina.....	934,545	170,263	18 2	577,134	61 8	195,587	20 9	28,637	3 1
Utah.....	254,509	38,570	15 2	131,011	15 5	50,033	19 7	10,178	4 0
North Dakota.....	159,716	27,700	17 3	77,737	48 7	25,504	16 0	4,647	2 9
Maine.....	244,910	38,952	15 9	148,777	60 7	76,210	28 7	6,195	2 5
South Dakota.....	196,940	30,254	15 4	91,236	46 3	25,123	12 8	7,217	3 7
Tennessee.....	796,462	123,824	15 5	477,247	59 9	162,877	20 4	19,826	2 5
Kentucky.....	767,588	108,889	14 2	478,415	62 3	176,426	23 0	22,737	3 0
New Mexico.....	326,013	41,334	12 7	204,756	62 8	48,336	14 8	9,530	2 9
West Virginia.....	534,228	64,959	12 2	241,501	45 2	73,850	13 8	9,056	1 7
Louisiana.....	935,657	153,223	16 4	616,421	65 9	233,458	25 0	20,817	2 2
South Carolina.....	554,119	90,296	16 3	359,596	64 9	87,668	15 8	8,475	1 5
Alabama.....	786,092	113,185	14 3	499,484	63 5	187,835	23 9	19,016	2 4
Arkansas.....	465,790	68,308	14 7	296,839	63 7	113,013	24 3	11,695	2 5
Mississippi.....	674,480	110,677	16 4	452,462	67 1	152,391	22 6	11,729	1 7
Outlying areas.....									
Puerto Rico.....	415,366			364,353	87 7	63,123	15 2	18,778	4 5
Virgin Islands.....	30,614			24,133	78 8	1,578	5 2	8,554	27 9

¹ For programs in each grants group, see under "Composition of Grouped Grants Categories," page 34.

² Includes (not listed separately) small amounts undistributed, adjust-

ments to checks-issued basis, and grants under a few programs to American Samoa, the Canal Zone, Guam, and the Trust Territory of the Pacific Islands.

RELATION TO OTHER INDICATORS

Federal grants to States and localities in fiscal year 1973 amounted to \$204.81 for each man, woman, and child in the United States (table 4). This figure represents increases of \$35.86 per capita from the national average a year earlier and \$62.91 per capita (44 percent) from that of

2 years earlier. During the same period, average per capita income received in the country rose only 13.7 percent.⁶

⁶ Personal income for 1968-70 is compared with that for 1970-72 (a 3-year average is used in many grant formulas to dampen single-year fluctuations). In these formulas, per capita personal income is often used as an indicator of both need and fiscal ability.

amount and percent of total grants, by purpose, fiscal year 1973

[Amounts in thousands]

Social welfare—continued						Highways		Urban Affairs	Agriculture and natural resources	Miscellaneous	States ranked by 1970-72 average per capita personal income
Education		Economic opportunity and manpower		Miscellaneous social welfare		Amount	Percent of all grants				
Amount	Percent of all grants	Amount	Percent of all grants	Amount	Percent of all grants						
\$4,347,977	10 1	\$3,635,405	8 4	\$5,634,517	13 1	\$4,724,364	11 0	\$2,315,230	\$347,022	\$2,517,074	Total
4,249,971	10 1	3,559,634	8 3	5,491,902	12 9	4,715,131	11 1	2,289,442	342,556	2,492,681	United States
1,883,446	8 8	1,909,866	9 0	2,319,378	10 9	2,045,593	9 6	1,235,970	109,294	1,003,051	High-income group
43,691	10 5	64,798	15 5	53,901	12 9	22,573	5 4	67,379	784	33,785	District of Columbia.
50,492	7 4	59,820	10 9	55,666	10 1	58,587	10 6	68,154	4,360	26,515	Connecticut.
372,722	7 8	353,492	7 4	415,169	8 7	195,696	4 1	266,097	15,461	192,902	New York.
115,512	9 4	142,417	11 6	145,823	11 8	131,029	10 6	63,939	5,590	43,585	New Jersey.
36,444	18 2	25,586	12 8	16,969	8 5	64,565	32 2	2,554	4,881	24,772	Alaska
10,887	9 2	7,638	6 4	11,170	9 4	30,267	25 4	5,554	2,210	8,866	Delaware.
164,090	7 6	153,305	7 1	296,421	13 9	215,398	10 0	128,862	11,331	99,882	Illinois
23,595	11 7	13,146	6 5	23,675	11 7	44,971	22 3	9,727	2,933	10,280	Hawaii
11,034	9 2	16,171	13 5	9,269	7 7	42,709	35 6	1,884	2,257	5,605	Nevada
400,513	8 7	467,614	10 2	452,952	9 9	426,427	9 3	205,316	17,392	156,067	California
124,051	9 9	124,011	9 9	116,479	9 3	65,715	5 3	106,146	4,696	49,911	Massachusetts.
86,810	11 1	35,557	4 9	109,369	14 0	73,056	9 3	48,150	5,052	57,837	Maryland
147,333	8 5	166,433	9 0	160,477	9 2	193,267	11 1	90,708	9,904	107,702	Michigan
157,804	9 9	136,156	8 6	282,267	17 8	182,571	11 5	99,799	10,070	95,686	Ohio
64,500	7 9	92,754	11 3	91,820	11 2	164,033	20 1	31,795	5,979	57,078	Washington
20,483	8 6	23,304	9 8	25,765	10 8	48,903	20 6	12,028	1,607	9,136	Rhode Island.
59,485	10 7	34,666	7 0	50,188	10 1	85,826	17 2	27,878	4,887	23,442	Colorado.
1,335,714	10 5	970,988	7 7	1,707,154	13 5	1,592,646	12 5	684,578	127,368	932,997	Middle-income group.
181,884	7 7	158,425	6 7	270,416	11 5	182,989	7 4	176,625	12,274	323,302	Pennsylvania.
45,017	11 6	31,533	8 1	33,092	8 5	62,978	16 2	26,304	7,228	15,197	Kansas.
69,840	8 2	63,717	8 2	90,511	11 7	91,012	11 7	47,575	5,716	42,112	Minnesota.
70,911	10 5	58,058	8 8	87,981	13 1	88,792	13 2	38,921	7,143	36,956	Indiana.
34,590	14 6	17,980	7 6	32,777	13 9	30,746	13 0	7,362	4,520	18,047	Nebraska.
92,678	11 0	81,653	9 7	121,246	14 4	99,561	11 8	51,616	7,639	49,149	Missouri.
130,433	11 7	87,700	8 1	224,453	20 2	117,845	10 6	53,662	7,097	46,337	Florida
65,644	8 5	67,764	8 7	70,026	9 0	64,919	8 4	21,796	8,855	50,872	Wisconsin.
10,942	11 8	9,480	10 2	7,136	7 7	36,126	38 9	2,394	1,997	3,257	Wyoming
34,251	6 8	57,394	11 4	53,351	10 6	126,266	25 0	18,704	6,878	37,608	Oregon
15,059	10 5	10,607	7 4	13,518	9 4	28,770	20 1	9,726	2,443	8,281	New Hampshire
50,763	11 6	29,390	6 7	64,215	12 4	70,558	16 2	24,306	6,679	20,984	Iowa.
121,567	14 7	48,064	5 8	104,343	12 7	131,267	15 9	32,084	8,677	58,178	Virginia.
43,735	11 6	54,360	14 4	51,424	13 7	62,090	16 5	14,796	4,073	21,850	Arizona.
243,506	11 9	135,446	6 6	295,884	14 4	240,094	11 7	100,465	21,020	109,687	Texas.
24,607	11 4	20,218	9 3	15,798	7 3	75,483	34 7	8,792	4,824	8,945	Montana.
106,287	11 9	59,227	6 6	180,983	20 2	98,127	10 4	49,501	10,275	81,865	Georgia.
1,003,022	11 8	637,063	7 5	1,475,473	17 3	1,076,893	12 6	293,068	105,890	551,685	Low-income group.
57,395	9 8	44,631	7 6	70,344	12 0	64,029	10 9	24,310	13,463	23,714	Oklahoma.
10,815	7 9	9,848	7 2	12,367	9 1	30,053	22 1	6,567	2,373	7,351	Vermont.
17,026	10 1	18,956	11 3	31,120	7 8	39,114	23 3	3,048	3,404	12,117	Idaho.
135,837	14 5	60,076	6 4	156,997	16 8	84,771	9 1	41,455	9,825	51,097	North Carolina.
24,281	9 6	22,621	8 9	23,898	9 4	60,172	23 6	8,003	3,401	13,362	Utah.
16,771	10 5	13,792	8 6	17,023	10 7	33,995	21 3	8,183	3,158	8,943	North Dakota.
19,553	8 0	26,680	10 9	26,139	10 7	31,007	12 7	8,394	3,608	14,172	Maine.
21,861	11 1	15,501	7 9	21,434	10 9	36,633	18 6	12,855	3,343	22,618	South Dakota.
92,268	11 6	54,185	6 8	148,091	18 6	83,248	10 5	42,988	7,382	61,774	Tennessee.
81,094	10 6	56,072	7 3	142,087	18 5	85,723	11 2	18,648	6,189	69,744	Kentucky.
49,418	15 2	35,942	11 0	61,531	18 9	49,987	15 3	12,629	4,834	12,463	New Mexico.
41,052	7 9	41,459	7 8	76,084	14 2	134,701	25 2	5,311	5,552	82,204	West Virginia.
96,449	10 3	61,234	6 5	204,963	21 9	108,959	11 6	19,282	7,189	30,583	Louisiana.
76,843	13 9	45,103	8 1	141,509	25 5	44,429	8 0	14,739	6,095	38,959	South Carolina.
100,321	12 8	49,336	6 3	142,977	18 2	99,723	12 7	25,843	8,804	39,054	Alabama.
52,107	11 2	34,716	7 5	85,308	18 3	44,156	9 5	25,812	7,791	22,883	Arkansas.
109,931	16 3	46,811	6 9	181,601	19 5	46,213	6 9	15,001	9,499	40,627	Mississippi.
78,599	18 9	69,487	16 7	134,366	32 3	9,232	2 2	22,376	2,756	16,649	Outlying areas
5,852	19 1	3,260	10 6	4,888	16 0	-----	-----	984	1,067	4,430	Puerto Rico Virgin Islands.

⁶ Includes small amounts undistributed and adjustments to checks-issued basis.

Source Department of the Treasury, *Federal Aid to States, Fiscal Year 1973*.

widely in per capita receipt of Federal grants. States with low population density benefit from the minimum allotment provisions in certain of the grant formulas, particularly that for highway construction. And States that spend a great deal from their own resources for federally aided programs tend to receive more than the national average, whatever their income level. This phenomenon is particularly apparent for public assistance and other programs with formulas of Federal matching in relation to State or local expenditure. States that receive the largest per capita public assistance grants include some with the highest per capita income in the country as well as some with the lowest.

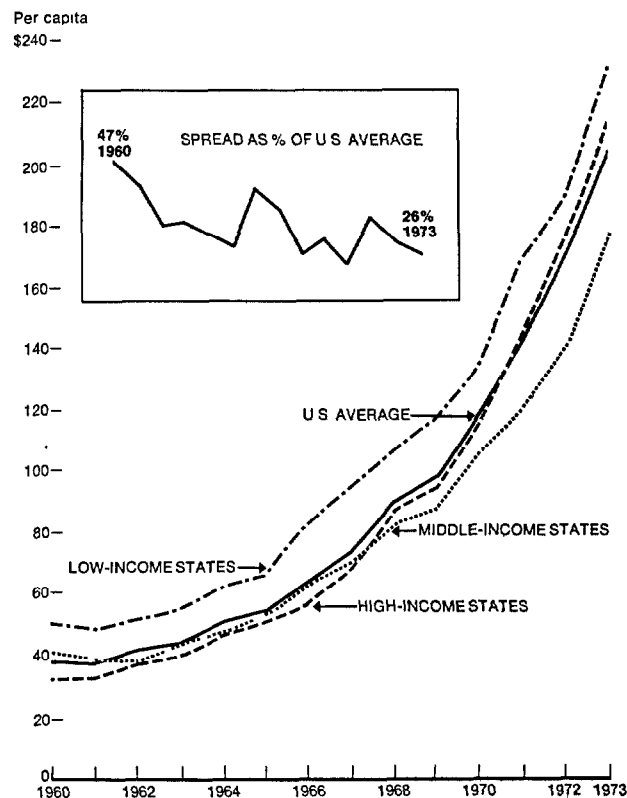
Thus, despite the equalization feature written into many of the statutory allocation formulas, average per capita grants received in the high-income States from 1968 on have been larger than the average received in the middle-income States. From 1971 on, the high-income States (along with the low-income group) have received more grants per capita than the national average (see the accompanying chart). In these years, then, the "top" and "bottom" grant receiver groups are no longer the low- and high-income States but have become the low- and middle-income States.

The long-range trend in grants per capita⁷ is toward a wider spread in absolute dollar terms between the averages of the highest and the lowest grant-sharing State groups. Comparison of this spread with the national average per capita grant receipt indicates, however, that—in relative terms—the gap is smaller than it was a decade ago (in fiscal year 1973 it was 26 percent of the U.S. average; in 1963, 33 percent). The small panel in the chart shows the fluctuations of this spread in relation to the national average.

Comparison of the relationship of Federal grants to State and local revenues discloses very small year-to-year differences, but here too the trend is upward. In table 4, fiscal year 1973 grants are compared with revenues of the preceding fiscal year, the most recent revenues data

⁷ In fiscal year 1963 the difference between the low- and the high-income groups was \$14.84 per capita. By 1971 the gap had widened to almost \$49 per capita between the low- and the middle-income groups; more than \$20 of this increase occurred from 1970 to 1971. In 1973, after a slight narrowing in 1972, the difference again widened—to \$53.57, still between the low- and the middle-income groups.

Grants per capita: National average and average of high-, middle-, and low-income States, fiscal years 1960-73.



available. The comparison of 1973 grants with 1972 revenues yields a ratio of 31.6. The ratio will undoubtedly be somewhat smaller when the 1973 State-local general revenues from their own sources become the divisor.

The shift toward greater Federal grants contributions to State and local revenues is clear. In 1950, for every dollar that the States and their localities raised from their own general revenue sources in that year the Federal Government added grants of 11.5 cents. For every State and local dollar raised during 1960, an additional 15.7 cents came from Federal grants. In 1970, the State and local revenue dollar was supplemented by 18.4 cents, and in 1972 by 22.2 cents. These figures reflect not only the proliferation of Federal grants programs since World War II, but also the population growth and urbanization that have created a demand for more "old" services and the need for new ones.

The level of governmental services dispensed under many of the federally assisted programs

varies widely among the States—usually in direct relationship to the average personal income within the State. Much more Federal grant money is required to maintain a lower level of services in the low-income States than is required for the higher level of services in the high-income States. The ratios of Federal grants to State and local general revenues for the United States and for the three income groups of States from fiscal years 1970 to 1973 are shown below. Despite year-to-year fluctuations, the widest part of the spread remains between the middle- and low-income groups of States.

State income group	Federal grants as percent of direct general revenue			
	1970	1971	1972	1973
United States.....	21 4	26 6	29 6	25 6
High.....	17 4	23 5	27 1	23 2
Middle.....	23 9	24 8	26 8	25 0
Low.....	33 5	41 4	42 5	35 5

Use of the Federal grant as a fiscal device for achieving program objectives has been especially notable in the social welfare area. In fiscal year 1960, Federal grants had provided 7.2 percent of all social welfare expenditures from public funds. Ten years later they had risen to 11.8 percent. In 1971, they were 12.7 percent and in 1972, 14.2 percent. This upward trend in the social welfare role of Federal grants was halted, at least temporarily, in 1973 when grants for these purposes declined to 12.8 percent of the social welfare total. The introduction of revenue sharing was one of the factors contributing to this drop.

Social welfare grants have also decreased as a proportion of social welfare expenditures by the Federal Government. After a rise from 14.5 percent in 1960 to 21.5 percent of Federal social welfare expenditures in 1970, and to 22.8 percent and 24.9 percent in the next 2 years, the 1973 grants fell back to 21.8 percent of these Federal expenditures. A parallel pattern developed in the relation of Federal social welfare grants to State and local social welfare spending. In 1960, Federal grants added 14 cents to every dollar of State and local social welfare expenditures from their own revenues. By 1970 the amount had increased to 26 cents per dollar, and then to 29 cents (1971) and to 33 cents (1972). The

grants of 1973 boosted the State-local dollar by only 31 cents.

The Department of Health, Education, and Welfare (HEW) administers a large proportion of the Federal grants to the States and localities. Although the HEW grants of 1973, at \$18 billion, are exactly five times the dollar amount of their 1963 counterparts, they are nearly \$1 billion less than the HEW grants of 1972. In 1963, HEW grants represented 43.8 percent of all Federal grants; by 1972 they had grown to 53.9 percent. In 1973, however, they dropped to only 41.8 percent of total grants. Although a demonstrable cause for the drop cannot be assigned, it is a reasonable assumption to attribute it to the new revenue sharing program that is administered outside the Department.

COMPOSITION OF GROUPED GRANT CATEGORIES

The names of the individual grants programs as listed below are those used by the Treasury Department source. All references to years for the programs in this section (as throughout the article) are for Federal fiscal years ending June 30.

Revenue sharing.—Under the State and Local Fiscal Assistance Act of 1972, general revenue sharing, 1973.

Public assistance.—All Federal-State assistance programs of income maintenance, medical and social services, demonstration projects, and administration; reported by aid category through 1968 and thereafter in various summary forms: Old-age assistance, aid to families with dependent children, and aid to the blind, 1936 to date; aid to the permanently and totally disabled, 1951 to date; medical assistance for the aged, 1961-70; aid to the aged, blind, or disabled, 1964 to date; and medical assistance, 1966 to date.

Health.—Promotion of welfare and hygiene of maternity and infancy, 1930; health services delivery (formerly maternal and child health services), services for crippled children, and public health services, 1936 to date; venereal disease control, 1941-71; emergency maternity and infant care, 1943-49 and 1951; construction of community (health) facilities, 1945 and 1954-56; tuberculosis control, 1945-71; cancer control, 1948-71; mental health research and services (activities), 1948 to date; hospital survey and construction, 1948-72; heart disease control, 1950-64; construction of heart disease research facilities, and industrial waste studies, 1950-53; construction of cancer research facilities, 1950-54; emergency poliomyelitis vaccination, 1956-61; water pollution control (sanitary engineering, environmental health activities), 1957-66; health research construction,

1957-72; chronic diseases and health of the aged, 1962-71; radiological, urban, and industrial health, 1963-69; vaccination assistance, 1964; preventive health services (formerly communicable disease activities), 1964 to date; dental health, 1965-71; air pollution control, 1965-70; nursing services, 1966-71; medical care services, 1967; regional medical services, 1968-71; child welfare services, 1969-70; environmental control and special health services, 1970; patient care, 1970 and 1972; Indian health, 1972 to date; and health services planning and development (formerly comprehensive health planning and services, community health services, and construction of hospital, health education, and health research facilities), 1973.

Education—Colleges for agriculture and mechanic arts, 1930-71; cooperative vocational education, and American Printing House for the Blind, 1930 to date; cooperative State research (agricultural experiment stations), 1930-67; agricultural extension work, 1930 to date; State marine schools, 1930-69 and 1971 to date; emergency and regular school operation, maintenance, and construction in federally affected areas and elsewhere, 1936 to date; training defense workers, 1941-46; White House Conference on Education, 1955; defense education, 1959-70; educational improvement for the handicapped, 1960 to date; higher education facilities construction, 1965-70; adult education, 1965-67; elementary, secondary, and higher education activities, and equal education opportunity, 1966 to date; Teacher Corps, 1968-70; health manpower education and utilization, 1968 to date; manpower development institutional training (formerly classroom instruction), 1969 to date; educational professions development, 1971 to date; and child development, 1972 to date.

Economic opportunity and manpower.—State administrative expenses (formerly employment security administration), 1963 to date; manpower development activities and related programs, 1963 to date; work experience and training, community action, and Neighborhood Youth Corps, 1965 to date; adult training and development, 1967-70; work incentive activities, 1969 to date; concentrated employment, public service careers, equal employment opportunity, and Operation Mainstream, 1971 to date; public employment, 1972; and minority business development, 1973.

Miscellaneous social welfare.—Vocational rehabilitation, 1930-68; State homes for disabled soldiers and sailors, 1930 to date; employment service administration, 1934-43 and 1947-62; child welfare services, 1936-68, 1971, and 1973; unemployment insurance administration and value of commodities distributed (formerly removal of surplus agricultural commodities), 1936 to date; school lunch, 1940-68; Federal annual contributions to public housing authorities, 1940-62 and low-rent public housing, 1962 to date; community war-service day care, 1943; veterans' re-use housing, 1947-61; administration of veterans' unemployment and self-employment allowances, 1948-53; veterans' on-the-job training supervision, 1948-67; value of commodities furnished by Commodity Credit Corporation, 1950-71, and CCC price support donations, 1973; defense public housing, 1954; school and special milk, 1955-68; distribution of certain tax collections to State accounts, unemployment trust fund, 1956-58; White House Conference on Aging, 1960-61; Federal share of food stamps redeemed, 1962 to date; housing demonstration, 1964-65; State nursing homes for disabled soldiers and sailors, 1967 to date; child nutrition, 1969 to date; mental retardation, 1969-70; Indian

health, welfare, and resources management, 1971 to date; social and rehabilitation services (formerly: Administration on Aging—1966-72; juvenile delinquency prevention and control—1969-72; maternal and child health and welfare—1972; rehabilitation services and facilities—1969-72; and research, training, administration, and demonstration projects associated largely with vocational rehabilitation—1969-72), 1973.

Highways.—Cooperative construction of rural post roads, 1930-40; Federal-aid highways (regular and emergency, prewar and postwar) and trust-fund activities, restoration of roads and bridges, flood relief, secondary and feeder roads, grade-crossing elimination, 1931 to date; National Industrial Recovery Act highway activities, 1934-44, 1947-49, and 1951; emergency relief activities, 1936-44 and 1952; access roads, flight strips, strategic highway network, 1942-57 and 1959; public land highways, 1943 to date; payment of claims, 1948-52; war damage in Hawaii, 1948-56; reimbursement of D.C. highway fund, 1955-58; forest highways, 1958 to date; Appalachia highways, 1966-67; and beautification, control of outdoor advertising, highway safety, and landscaping and scenic enhancement, 1967 to date.

Urban affairs.—Community facilities, 1945-49; slum clearance and urban renewal, 1953 to date; defense community facilities and services, 1953 and 1955-60; urban planning assistance, 1956 to date; open-space land, 1964 to date; mass transportation, 1965 to date; neighborhood facilities and water and sewer facilities, 1967 to date; model cities and advance land acquisition, 1968 to date; metropolitan development and urban transportation, 1969 to date; and Urban Mass Transportation Administration, community development training, and new community assistance, 1973.

Agriculture and natural resources.—Forest fire operation, 1930-51; cooperative distribution of forest planting stock, 1930-44; cooperative State research service (formerly agricultural experiment stations), 1930 to date; reclamation, 1936; wildlife (and fish) restoration (and management), 1939 to date; supply and distribution of farm labor, 1943-49; State and private forestry cooperation, 1945-64; cooperative projects in marketing, 1948 to date; flood and forest fire control, 1949-53; watershed protection and flood control and prevention, 1954 to date; drought relief, 1954-57; basic (agriculture) scientific research, 1965-68; forest protection, utilization, and restoration, 1965 to date; land and water conservation, 1965-66; water resources research, 1966 to date; commercial fisheries research and development, 1967-70; Water Resources Council, 1967 to date; meat and poultry inspection, 1968 to date; domestic farm labor, 1968-69; cropland adjustment, 1969 to date; and environmental protection construction operations, research, and facilities, and mineral resources conservation and development, 1971 to date.

Miscellaneous.—Civil Works Administration advances, 1934; Federal Emergency Relief Administration, 1934-38; Federal Emergency Administration of Public Works, 1934-41; Public Works Administration, 1942-44; war public works (including liquidation), 1942-49; public works advance planning, 1947-49; Federal airports, 1948 to date; disaster and emergency relief and State preparedness, 1949-51 and 1953 to date; industrial waste studies and defense public works, 1950; civil defense and preparedness, 1952 to date; libraries and community services, 1957 to date; waste-treatment works construction, 1957-70 and 1973; civil defense research and development, 1959-61; National Science Foundation facili-

ties, 1958; small business research and management counseling (including liquidation), 1959-66; area redevelopment assistance and public facilities, 1963-67; accelerated public works, 1963 to date; educational television, 1965-66 and 1968-69; rural water and waste disposal, 1966 to date; arts and humanities activities, 1966-68; Department of Commerce State technical services, 1966-70; Appalachian assistance and regional development and law enforcement assistance, 1966 to date; economic development facilities and technical and com-

munity assistance and National Foundation on the Arts and the Humanities, 1967 to date; economic development planning and research, 1968-71 and 1973; oceanic and atmospheric research, development, and facilities, Corporation for Public Broadcasting, and preservation of historic properties, 1971 to date; intergovernmental personnel assistance, State boating safety assistance, and natural gas pipeline safety, 1972 to date; and Regional Action Planning Commission, Occupational Safety and Health Administration, and mine health and safety, 1973.

Notes and Brief Reports

General Revenue Sharing Program: A Closer Look*

The State and Local Fiscal Assistance Act of 1972 (Public Law 92-512) established a new type of Federal program to provide financial assistance to State and local governments—the general revenue sharing program. Under the provisions of the law a total of \$30.2 billion of Federal individual income tax receipts are to be distributed to the lower governmental units during the 5-year period January 1, 1972–December 31, 1976. The States and localities have wide latitude in spending their revenue sharing receipts.

Highlights of the revenue sharing program, including statistics from the first use reports of the new program, are given in the article on Federal grants, pages 00-00 of this issue. This Note examines more closely the provisions of the statute that authorizes the distribution and appropriation of the money.

PERMITTED EXPENDITURES

The State and Local Fiscal Assistance Act of 1972 sets forth permitted and prohibited uses of revenue sharing funds by the recipient governments. Regulations of the Office of Revenue Sharing of the Department of the Treasury have refined and spelled out these uses, particularly for local governments.

* Prepared by Sophie R. Dales, Division of Retirement and Survivor Studies, Office of Research and Statistics.

State governments receive for their own uses one-third of the State's total revenue sharing allocation. They may spend their share for any purpose that their own laws permit them to spend the revenues they raise themselves. Local governments (including Indian tribes and Alaskan native villages with recognized governing bodies performing substantial government functions) together receive the remaining two-thirds of each State's allocation. Each local unit may spend its share for any capital expenditure authorized by local law and for operation and maintenance costs in any or all of eight "priority expenditure" categories.

The "capital expenditure" categories—usually spelled out by all recipient governments' own laws—generally include purchases of land and facilities, construction projects, and repairs and replacement of equipment. Purchases of ambulances and firefighting equipment, structural repairs to school buildings, parkland purchases, and road repairs are among the capital expenditures reported to the Office of Revenue Sharing.¹

The "priority expenditure" categories for local governments listed in section 103 (a) (1) of the act are the following: "Public safety (including law enforcement, fire protection, and building code enforcement), environmental protection (including sewage disposal, sanitation, and pollution abatement), public transportation (including transit systems and streets and roads), health, recreation, libraries, social services for the poor or aged, and financial administration. . . ." The Office of Revenue Sharing notes examples of other permissible expenditures under these rubrics as

¹ Priscilla R. Crane, *General Revenue Sharing—The First Planned Use Reports* (Department of the Treasury, Office of Revenue Sharing), September 24, 1973. Much of the descriptive material in this section is paraphrased from Ms. Crane's report.