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MEETING WITH PAUL MYER

Tuesday - 3:00 p.m.  
November 4, 1975

THE WHITE HOUSE

INFORMATION

WASHINGTON

October 31, 1975

*Careham gone  
Ward - Mia  
John Parker*

MEMORANDUM FOR

JIM CANNON

FROM

PAUL MYER *PM*

SUBJECT:

GRS Renewal -- Treasury Staff Situation

Ed Schmults' departure from Treasury is a serious setback for the GRS renewal efforts. Added to our existing problems at the Office of Revenue Sharing (ORS), we now lack a major policy guy with the understanding of GRS at Treasury -- a major role which I doubt any prospective ORS Director will be able to fulfill.

Until an Under Secretary is appointed, the responsibility for the GRS program at Treasury will be handled by Dick Albrecht, General Counsel, and Steve Gardner, Deputy Secretary. In addition, plans are being made to beef up Treasury's staff capacity in the GRS area (analytical and technical) in order to overcome some serious problems which have emerged at ORS in recent weeks.

These events have altered my views with respect to the ORS Director spot and will discuss this with you. I also understand that Jim Falk has a specific candidate in mind for this job; and while I have generally discussed my views on the position with him, I have not had the opportunity to sufficiently review this matter with him nor to discuss any particular individual's qualifications for this spot. Given the new circumstances, I am hopeful that we can discuss this matter before it is moved too far along.

*Within weeks of resolution =*

THE WHITE HOUSE

WASHINGTON

INFORMATION

October 31, 1975

MEMORANDUM FOR

JIM CANNON

FROM

PAUL MYER 

SUBJECT:

Major Corporations --  
Conference of Mayors' Urban  
Project

Perhaps you have already seen the attached clipping from last Sunday's NEW YORK TIMES or were aware of this proposed project. It is my understanding that this proposal has taken on added significance, at least as far as John Gunther is concerned, since the President's October 6th announcement of the FY 1977 spending limitation plan. Frankly, it appears that this proposed joint venture could become a focal point for the Mayors to not only present their case for additional aid to cities, but add weight to their anticipated criticism of the President's budget.

If we have contacts with those on the Business Round Table, it might be useful to discuss the proposal before it moves further along.

Attachment

### Troubled Building Boston to Install Shock Absorbers

Oct. 25 (AP)—The Hancock Building's 10,344 windows, which have been reinforced with steel, will be replaced with giant shock absorbers.

columns of the building on the 59th floor and is controlled by hydraulic cylinders.

Mr. Gallagher said that the installation of the suspension system would not further delay occupancy of the tower, which is scheduled for the middle of next year.

The construction of the tower began in 1969, with occupancy planned for 1971. However, the structure was still not open in November, 1972, when windows began popping out. The replacement of all windows was completed this year at a cost of 7.7-million.

The insurance company has its architect, contractor and subcontractors, the glass and two bonding companies. The countersuits have been filed.

### Business in Britain

Oct. 25 (UPI)—Business in Britain is expected to pick up in the next month.

### BUSINESS TO STUDY PROBLEMS OF CITIES

WILMINGTON, Del., Oct. 24 (AP)—The leaders of some of the nation's major corporations said Friday that they would volunteer their resources to help solve the problems of cities and would lobby in state and Federal Government for relief for the cities. The project would be conducted in cooperation with the United States Conference of Mayors.

Irving F. Shapiro, chairman of E. I. du Pont de Nemours & Co., which maintains its headquarters here, announced the agreement after two days of private talks among nine Mayors of big cities and 10 corporate leaders. He said that he would ask the Business Roundtable, a businessmen's group, to support the project when it meets next month.

"We simply agreed that the preservation of the cities is essential," he said, adding that businesses can provide expertise to look into financial problems.

THE WHITE HOUSE

WASHINGTON

INFORMATION

October 31, 1975

MEMORANDUM FOR

JIM CANNON

FROM

PAUL MYER 

SUBJECT:

GRS Renewal -- National  
League of Cities

Attached for your information is a copy of a recent National League of Cities special mailing on General Revenue Sharing renewal. I am hopeful that the Governors' Conference and Conference of State Legislators will be disseminating similar information.

Attachment



National  
League  
of  
Cities

The  
National  
Action  
Arm  
of the  
Nation's  
Cities

1620 Eye Street, N.W.  
Washington, D. C.  
20006  
(202) 293-7330  
Cable: NLCITIES

October 23, 1975

MEMORANDUM

TO: Executive Directors of State  
Municipal Leagues

FROM: Alan Beals, Executive Vice President *Alan Beals*

SUBJECT: Revenue Sharing Reenactment Strategy

Herewith, for your immediate consideration, a package of material which should be used in developing state-wide strategies to achieve reenactment of revenue sharing. As you undoubtedly know, Congress very probably will not renew the revenue sharing program this year. For those states and municipalities which budget on a July 1 fiscal year, the consequences of delayed reenactment will result in severe budgetary disruptions. I stress, however, that reenactment of revenue sharing must now become the primary concern of each state league regardless of when its municipalities' fiscal years begin. As indicated in the Special Washington Report on GRS (October 22), the future of general revenue sharing is in serious trouble in the Congress. There is a real possibility that it may not be renewed at all, or if renewed, it may be so modified that it no longer resembles general revenue sharing.

The NLC Revenue Sharing Task Force met on October 16 and developed a nationwide reenactment strategy that we are now in the process of implementing. As explained in the special Washington Report, this nationwide campaign is being coordinated through a newly created Revenue Sharing Reenactment Control Center which will operate out of our Federal Relations Office. I am asking each state league to fully cooperate in this crucial legislative undertaking and to carefully coordinate your activities and information with our Reenactment Control Center. I have instructed Federal Relations, for its part, to cooperate with you to make this venture work and to solicit your suggestions for tactics and procedures.

**OFFICERS:**

- President*  
Carlos Romero Barceló  
Mayor, San Juan, Puerto Rico
- First Vice President*  
Hans G. Tanzler, Jr.  
Mayor, Jacksonville, Florida
- Second Vice President*  
Phyllis Lamphere  
Councilman, Seattle, Washington
- Past President*  
Tom Bradley  
Mayor, Los Angeles, California
- Executive Vice President*  
Alan Beals

**DIRECTORS:**

- Betty Abbott  
Councilwoman, Omaha, Nebraska
- Donald C. Benninghoven  
Executive Director  
League of California Cities
- Edward Bivens, Jr.  
Mayor, Inkster, Michigan
- Charles Bussey  
Vice Mayor, Little Rock, Arkansas
- Joel Cogen  
Executive Director  
Connecticut Conference of  
Municipalities
- Russell C. Davis  
Mayor, Jackson, Mississippi
- Betty M. Dean  
Executive Director  
West Virginia Council of Towns and Cities
- William R. Drew  
Commissioner of City Development  
Milwaukee, Wisconsin
- Edgar Garbois  
Mayor, Marlborough, Massachusetts
- Mary W. Henderson  
Councilwoman, Redwood City, California
- Fred Hofheinz  
Mayor, Houston, Texas
- Ruby M. Hunt  
Councilwoman, St. Paul, Minnesota
- Alex P. Hurtado  
Councilman, Ogden, Utah
- Walter W. Kingham  
Executive Director  
Wyoming Association of Municipalities
- Clarence E. Lightner  
Mayor, Raleigh, North Carolina
- Henry L. Marsh, III  
Vice Mayor, Richmond, Virginia
- Tom Moody  
Mayor, Columbus, Ohio
- John C. Orestis  
Mayor, Lewiston, Maine
- Russell G. Pounds  
Councilman, Ames, Iowa
- Donald C. Rider  
Executive Director  
Oklahoma Municipal League
- Ruben Romero  
Vice Mayor, Tucson, Arizona
- John P. Rousakis  
Mayor, Savannah, Georgia
- Thomas J. Ryan, Jr.  
Mayor, Kankakee, Illinois
- William Donald Schaefer  
Mayor, Baltimore, Maryland
- Joseph E. Valdes  
Mayor, Santa Fe, New Mexico
- Charles B. Wheeler  
Mayor, Kansas City, Missouri
- Ronald F. Williamson  
Executive Director  
South Dakota Municipal League
- Wes Wise  
Mayor, Dallas, Texas
- J. McDonald Wray  
Executive Vice President  
Municipal Association of St. Louis, Missouri

The Revenue Sharing Task Force identified six specific actions which should be undertaken by each state league: They are as follows:

- State leagues having a member of Congress on the Senate Finance, House Government Operations, or the House or Senate Budget Committees should convene a meeting between them and key local officials. (See Attachment I)
- Each state league is asked to designate a local officials as revenue sharing coordinator for each Congressional district. (See Attachment II)
- Each state league is asked to communicate all NLC revenue sharing strategies in Action Call or Washington Report to smaller municipalities who do not receive them.
- Each state league is asked to actively involve the governor and state legislators in the reenactment effort. (See Attachment III)
- Each state league is asked to coordinate the revenue sharing reenactment effort with state and county officials along the lines of the Michigan State League's model. (See Attachmen IV)
- Each state league is asked to transmit all pertinent revenue sharing information to the NLC Revenue Sharing Reenactment Control Center.

Many of the Leagues already have taken some of these steps and others will develop additional strategies which will prove effective. While we are attempting to carefully concert our revenue sharing strategy, we are not suggesting that each state league must take precisely the same action. You are encouraged to use any techniques which are likely to succeed. Please keep the Reenactment Control Center informed of additional strategies so we may share them among the Leagues.

I ask each state league to file a monthly report to our Reenactment Control Center. This will insure that each League is carrying out a reenactment strategy and that all pertinent revenue sharing information is forwarded to us. In addition, please designate one person on your staff who will have primary responsibility for carrying out your strategy. This will aid NLC staff in their coordinating efforts.

I urge you to carefully review all of the attached information.

Attachment I - Targeting on Key Members of Congress

Attachment II - Designation of Revenue Sharing Coordinator by Congressional District

Attachment III - Activating the Governor and State Legislators on Behalf of Revenue Sharing

Attachment IV - Intergovernmental Coordination

Attachment V - Check List for State Leagues

Fact Sheet on Major Criticisms of Revenue Sharing Program

TARGETING ON SPECIFIC MEMBERS OF CONGRESS

State leagues are asked to target the members of the four Committees which will determine the fate of revenue sharing: the Senate Finance, the House Government Operations, and the House and Senate Budget Committees (please read carefully the section in the Special Washington Report which details the role of the Budget Committees in the reenactment process.)

The following suggestions may prove useful to you in setting up meetings:

- Hold the meetings "back home" and in Washington only as second choice. Members of Congress are not going to focus upon revenue sharing in Washington--other issues such as energy, tax reduction, tax reform, and the CIA are the hot political items in the Capitol. You are much more likely to have a productive session if it's held "back home."
- Remember that reenacting revenue sharing is 90 percent political, and only 10 percent substantive. Select your local officials to attend the meeting based upon the political pressure they can successfully exert on the member. A small select group is likely to be more effective than a large crowd.
- Use media to focus attention on the consequences of terminating the program (See the Special Washington Report section on Media Strategy).
- Be prepared to substantiate your claims regarding the consequences of termination. Members are not very interested in how the funds have been used but will focus on a documented statement that property tax rates will increase by 5-10 percent.
- If your municipalities budget on a July 1 fiscal year, document the disruptions that are going to occur from delaying reenactment (See sample Budget Calendar in the Special Washington Report). Members of Congress do not understand local budgeting. Most feel that the timing concerns that we have raised and documented are artificial--that local officials can juggle their budgets to prevent any significant disruption.
- Be prepared to document the impact that recession, inflation, and now soaring interest rates on municipal bonds are having on the cost of running local government.
- With the Members of the Senate Finance and House Government Operations Committees, be prepared to talk specifics in terms of the reenactment legislation. We need to know if these members will support the Administration's bill. If not, what specific modifications will they try to obtain? Each of the following areas should be discussed:

- 1) Funding mechanism: Will they support the present funding mechanism which provides for a five-year authorization-- appropriation outside of the annual appropriations process-- or will they seek to have the program placed under the jurisdiction of the Appropriations Committees?
- 2) Formula changes
- 3) Restrictions on the use of the funds
- 4) Civil rights
- 5) Citizen participation
- 6) Funding levels: NLC is calling for a \$500 million annual increase as opposed to the Administration's \$150 million.
- 7) Tax effort definition

Please share the information obtained from these meetings with the Revenue Sharing Reenactment Control Center, (202) 293-6928.

- With the members of the Budget Committees, you may want to take a somewhat different approach. The Budget Committees will have an important say over:
  - 1) The funding mechanism: There appears to be strong support in the House Budget Committee to place the program under the jurisdiction of the Appropriations Committee, and thereby subjecting the program to the uncertainties of the annual appropriations process.
  - 2) The funding level. As outlined in the Special Washington Report, the Budget Committees will have the first crack at determining the funding level for FY 77. Members of these two Committees must be thoroughly educated about the escalating costs of local government and the inadequacy of the President's \$150 million annual increase. NLC has called for a \$500 million annual increase.

DESIGNATION OF REVENUE SHARING  
COORDINATOR BY CONGRESSIONAL DISTRICT

The following should be kept in mind when selecting your coordinator:

- Your coordinator should have good political ties with your Congressional member.
- Each coordinator should be prepared to carry on an active reenactment campaign within his district. This will mean working closely with, and having the respect of, the other elected officials within the district.
- Do not select someone who is going out of office during 1976.
- The elected members of the Revenue Sharing Task Force should be designated as coordinators unless there are compelling reasons to designate someone else. These members are:

Moon Landrieu, Mayor of New Orleans, Louisiana (Co-Chairman)  
John Poelker, Mayor of St. Louis, Missouri (Co-Chairman)

Kenneth Gibson, Mayor of Newark, New Jersey  
James R. Hawkins, Mayor of Durham, North Carolina  
Mary Henderson, Councilwoman, Redwood City, California  
Fred Hofheinz, Mayor of Houston, Texas  
John C. Orestis, Mayor of Lewiston, Maine  
Jessie Rattley, Councilwoman, Newport News, Virginia  
David H. Shepherd, Mayor of Oak Park, Michigan  
Wes Wise, Mayor of Dallas, Texas

ACTIVATING GOVERNORS AND STATE LEGISLATURES  
ON BEHALF OF REVENUE SHARING

To date, state officials have done very little to put pressure on the Congress to renew revenue sharing. In fact, some of the governors appear to be uncertain as to whether they are going to support the program. Each state league is being asked to put together a delegation of local officials to discuss reenactment with the governor and the leadership of the legislature. In regard to this meeting(s), consider that:

- There are numerous revenue sharing bills already introduced (H.R. 8170 by Mollohan, and H.R. 9629 by Litton) which would exclude the states from the program. NLC, USCM, and NACo have all agreed that state support is vital to passage of a revenue sharing bill. However, if state officials are not willing to exert their political influence over their Congressional delegations, there is little reason for local officials to defend state interests before the Congress.
- The state officials should be fully apprised of the nationwide reenactment campaign now underway by NLC and NACo.
- The state officials should put pressure on their national associations to become more active in the reenactment campaign.

INTERGOVERNMENTAL COORDINATION

The Michigan League has developed a model for intergovernmental action on behalf of revenue sharing. Its plan involves the following:

- Staff contacts with state officials, the county associations, and the township associations.
- Agreement among the groups that a cooperative effort should be undertaken on behalf of revenue sharing.
- Each organization designates an elected official as a revenue sharing coordinator in each Congressional district.
- Agreement on a time and place for a revenue sharing meeting with each member of the Congressional delegation.
- A joint letter on behalf of the revenue sharing coordinators requesting other local officials to attend the meeting.

CHECK LIST FOR STATE LEAGUES

To be filed the first of every month with the NLC Revenue Sharing Reenactment Control Center.

- List of Congressional delegation and the latest intelligence on their revenue sharing positions. Be as specific as possible.
- List of revenue sharing coordinators and actions taken to date.
- Report on meetings with Congressional members serving on the key Committees.
- Report on effort to energize the governor and state legislature on behalf of revenue sharing.
- Report on intergovernmental effort to achieve reenactment.
- Submission of any pertinent material which may aid NLC staff in the reenactment campaign.
- Designation of a staff person responsible for carrying out your reenactment strategy.

Fact Sheet

on

Major Criticisms of the  
Current Revenue Sharing Program

1. Due to the lack of clearly articulated general revenue sharing program and policy objectives, it is impossible to adequately measure the performance of the current program.
2. General revenue sharing has been a substitute for, rather than a supplement to, the categorical grant-in-aid programs.
3. Revenue sharing constitutes an uncontrollable item in the federal budget and, therefore, is contrary to the objectives of the recently implemented Congressional Budget Reform Act.
4. With the federal budget deficit approaching \$70 billion, there is no revenue to share with state and local governments.
5. Due to the fungibility of revenue sharing dollars, there can be no effective public accountability as to their ultimate expenditure.
6. Revenue sharing funds are not being spent to provide services for the elderly and the poor.
7. The revenue sharing formula does not redistribute funds in order to provide the greatest assistance to communities with the greatest needs.
8. The 1/3-2/3 state/local division is arbitrary and does not adequately reflect the diversity in state and local government revenue raising and expenditure functions.
9. The revenue sharing program tends to prop up obsolete or defunct units of government.
10. The civil rights provisions of the revenue sharing act have been inadequately enforced, thereby sanctioning the use of federal funds to foster discrimination in state and local government.

1. Due to the lack of clearly articulated general revenue sharing program and policy objectives, it is impossible to adequately measure the performance of the current program.

Counterpoints

- Three specific revenue sharing objectives have been identified in the NLC testimony:
  - 1) Its ability to relieve the fiscal pressures on state and local governments;
  - 2) Its ability to reduce the regressive burden of state and local taxes by substituting revenues from progressive federal income taxes (Note: A distinction should be made between tax rebates and tax stabilization. While there is a great deal of evidence to show that revenue sharing is, in fact, reducing the regressive local taxes, there are only isolated examples of where actual tax rebates have been given); and
  - 3) Its ability to give people at the state and local levels the resources and the flexibility to develop solutions to their unique problems.
- Although revenue sharing funds are distributed to 39,000 governments, it must not be used as a vehicle for solving all the problems in our federal system.

2. General revenue sharing has been a substitute for, rather than a supplement to, the categorical grant-in-aid programs.

Counterpoints

Revenue sharing was never intended to be a substitute for categorical grant-in-aid programs. As noted in the NLC testimony, revenue sharing is a part of a much larger intergovernmental fiscal system through which the federal government transfers approximately \$50 billion to state and local governments. Revenue sharing block grants and the categorical programs are the vehicle through which this assistance is transferred. They complement each other rather than compete.

- As of August 19, the General Accounting Office indicated that there were 975 separate federal assistance programs administered by 52 different agencies.
- The General Accounting Office reports that:

"Since 1970, Federal aid, excluding revenue sharing, to all State and local governments has increased each year. In fiscal year 1970 such Federal aid totaled about \$24 billion and in fiscal year 1976 will total an estimated \$49.3 billion. Generally, the data we obtained from the 26 governments reflected the national trend."

3. Revenue sharing constitutes an uncontrollable item in the federal budget and, therefore, is contrary to the objectives of the recently implemented Congressional Budget Reform Act.

Counterpoints

- A distinction must be made between revenue sharing and other so-called uncontrollable items in the federal budget. The vast majority of these programs, such as welfare payments, medicare, medicaid, and food stamps, do not operate within a fixed statutory appropriation. Instead their level of funding fluctuates in relationship to the status of their clientele group. In most cases, their actual outlays are directly related to the state of the economy. On the other hand, revenue sharing outlays are fixed by law over a five-year period. Congress knows precisely how much will be spent each year on the revenue sharing program.
- Section 401 (d) of the Congressional Budget Reform Act of 1972, which designates exemptions to the new budget process, states that the revenue sharing program shall continue to be funded outside of the appropriations process provided that the reenactment legislation so stipulates. This is a clear indication that Congress recognizes the importance of the unique funding mechanism through which revenue sharing dollars are distributed. (The revenue sharing act provides for an automatic five-year authorization, completely outside of the jurisdiction of the Appropriations Committee.)
- As stated in the NLC testimony, it would be ironic if the new Congressional Budget Reform Act had the effect of critically disrupting state and local budgetary practices.

4. With the federal budget deficit approaching \$70 billion, there is no revenue to share with state and local governments.

Counterpoints

- During periods of economic downturn, the federal deficit is composed in large parts of anti-recessionary expenditures. These anti-recessionary expenditures are temporary and are designed to phase-out as the economy recovers. The FY 76 deficit of \$70 billion cannot be divorced from an 8.4 percent unemployment rate and a Gross National Product that declined for over 12 months. As the unemployment rate declines and the economy improves, the government's anti-recessionary spending will decrease. Anti-recession programs include:
  - 1) Federal tax cuts--\$22.8 billion.
  - 2) Unemployment compensation for each percentage point increase in the unemployment rate--an additional \$2.5 billion must be spent on unemployment compensation.
  - 3) Public employment--approximately \$3.5 billion for FY 76.
  - 4) Food stamps--current costs of approximately \$6 billion.
  - 5) Welfare
  
- As noted in the NLC testimony, termination of the revenue sharing program at this time would have a devastating impact on the state and local sectors of the economy. The resulting tax increases and/or public service reductions would seriously weaken the federal government's economic recovery programs. Such a termination would mean additional federal outlays for unemployment compensation, public service jobs, food stamps, and welfare payments.

5. Due to the fungibility\* of revenue sharing dollars, there can be no effective public accountability as to their ultimate expenditure.

Counterpoints

- As noted in the NLC testimony, ultimate accountability for the expenditure of revenue sharing funds must rest at the local level and not in Washington. Improved local government accountability can be achieved by:
  - 1) eliminating the local government expenditure categories;
  - 2) replacement of the current planned and actual use reports by submission and publication of accountability reports that identify the impact of general revenue sharing on local revenues and expenditures; and
  - 3) a requirement that public hearings be held on general revenue sharing funds in those states and localities where public hearings are not held on local budgets.
- Certain members of the Subcommittee are unaware of the level of citizen involvement in local government affairs. It would be useful to cite specific examples of local government accountability, especially in terms of citizen involvement.

\*Fungibility--refers to the inability to trace revenue sharing funds down to their final expenditure impact. Since most communities place revenue sharing dollars in their general fund, it is impossible to determine how those funds are ultimately spent.

- 13
6. Revenue sharing funds are not being spent to provide services for the elderly and the poor.

Counterpoints

- The priority expenditure categories for local governments do not measure the impact of revenue sharing expenditures on the elderly and the poor. For example, the building of a community center in a poor neighborhood would be designated as a "capital expenditure" when in fact, it should be seen as a direct local government expenditure to aid the poor.
- Revenue sharing was never intended to be a program to provide direct assistance to the poor and the elderly. There are many other federal programs of a categorical nature whose express purposes is to provide such aid.
- In many municipalities, the social service functions are not provided by City Hall. Instead, they are a direct function of either the county or the state government.

7. The revenue sharing formula does not redistribute funds in order to provide the greatest assistance to communities with the greatest needs.

### Counterpoints

The present formula is responsive to differences in measures of citizen need. The per capita income factor "works," yielding greater per capita allocations for areas with lower average incomes than for those with higher.

- Areas with greater numbers of people below the poverty line receive larger per capita allocations than do those with fewer. Studies using large numbers of "need" measures show that the present formula is responsive and do not agree on a factor that would make it more responsive.
- Central cities with a greater concentration of citizen needs receive greater per capita allocations than do their suburbs.
- The tax effort portion of the formula strengthens its responsiveness to older central city problems, because it is in these cities that tax effort is highest.
- Because the formula is responsive to government need, as well as constituent need and because in the cities most pressed fiscally, the funds are spent in operating budgets, affording some tax relief, the benefits are spread through the citizenry. Service, maintenance, and tax relief directly aid the most needy and indirectly counter urban deterioration.

8. The 1/3-2/3 state/local division is arbitrary and does not adequately reflect the diversity in state and local government revenue raising and expenditure functions.

Counterpoints

The 1/3-2/3 state/local division of revenue sharing funds is not arbitrary, though the actual division of service responsibilities, expenditures, and own-source revenues varies greatly from state to state. There is room for argument on whether the division should be 1/3-2/3, 60-40, 35-65 or something else, however the granting of the larger share to local governments is based on several explicit judgments. (The city government share of the total is not 2/3 but closer to 1/3.)

- It was the judgment of the Congress that local government budgets were under the most severe pressure and not just for temporary reasons, but because the nation's problems have accumulated in cities where the revenue raising system is the least flexible and responsive. This remains true today.
- It was the judgment of Congress that cities were less able than states to control their own fiscal destinies and, in fact, were often severely limited by the actions of states.
- It was the intent of the program to return money to those governments which are the closest to the problems.
- It was not the intent of the program to freeze the federal system in a pattern of the past.

9. The revenue sharing program tends to prop up obsolete or defunct units of government.

Counterpoints

- NLC believes that the criteria for the receipt of money should be a "general purpose government" and not an arbitrary population cutoff.
- It is unrealistic to think that 5 to 10 percent of municipalities' budgets will be the deciding factor in whether or not it continues to exist. There are many, many other factors in our federal system which are much more likely to determine the fate of an "obsolete municipality."

10. The civil rights provisions of the revenue sharing act have been inadequately enforced, thereby sanctioning the use of federal funds to foster discrimination in state and local government.

Counterpoints

- No one thinks that the Office of Revenue Sharing has had enough resources to guarantee that every revenue sharing dollars has been spent in a non-discriminatory manner by the 38,000 recipient governments. As noted in the NLC testimony, Congress has failed to grant the Office of Revenue Sharing its request for additional personnel in the compliance division.
- The recently released revised civil rights enforcement regulations demonstrate that the solution to the problem has not been found.
- No permanent solution, which produces effective civil rights enforcement with an acceptable administrative burden will be found until General Revenue Sharing is related to other federal civil rights enforcement programs and agencies.
- In line with recent civil rights commission recommendations, the federal government should consolidate its civil rights enforcement activities, eliminating duplication, fragmentation and contradictions.

# NLC Washington Report

To  
The  
Nation's  
Cities

October 22, 1975



National  
League  
of  
Cities

SPECIAL REPORT

SPECIAL REPORT

SPECIAL REPORT

GENERAL REVENUE  
SHARING IS IN  
DANGER BECAUSE...

● There is strong evidence that Congress will not reenact it this year. Chairman L.H. Fountain (D-NC) of the Government Operations Subcommittee on Intergovernmental Relations and Human Resources says so publicly; will continue hearings through November; hasn't even set a date to begin amending the basic bill. (See WR, Oct. 14.) While subcommittee passage is likely eventually, what the full GO committee will do is uncertain: Chairman Jack Brooks (D-Tex) is no supporter of GRS; is particularly concerned about the bill's five-year funding mechanism which bypasses the annual appropriations process; probably will try to alter the existing program significantly just for openers.

On the Senate side, Senate Finance Chairman Russell Long (D-La) remains a friend of GRS but is not prepared to move on reenactment before the House acts for fear of weakening his bargaining position when time comes to compromise differences between House and Senate versions. Long expects the House bill to be unacceptable; feels he'll improve reenactment chances by waiting to work on and strengthen it.

● Reenactment legislation will become entangled in the new Congressional Budget Reform machinery, probably delaying reenactment until after May 15, 1976. One purpose of this reform is to control "back-door" expenditures through the appropriations process. Many members of Congress see GRS as just such an expenditure.

*Continued on page three*

"QUOTES"

Here are some quotes that may help you in writing and talking about GRS reenactment.

"While NLC remains committed to establishing revenue sharing as a permanent feature of our intergovernmental system, we do believe that the Administration's 5-3/4 year bill (H.R. 6558, S. 1625) will provide the necessary long-term federal commitment to state and local governments. However, we must take strong issue with one provision in the legislation. The Administration's bill is totally inadequate in terms of compensating for the declining 'real value' of revenue sharing funds caused by double-digit inflation. Their

*Continued on page two*

WHAT NLC  
IS DOING

The dangers to reenactment detailed elsewhere in this "Special Report" dictate a difficult strategy.

First, we must argue for the urgent need to reenact GRS as soon as possible. Despite the odds against reenactment this year, an all-out campaign that demonstrates local officials' concern and determination could convince key members of Congress to speed up their present leisurely consideration of the bill.

Second, and simultaneously, we must prepare to confront the longer-range threats to reenactment whatever the time schedule, especially those presented by the new Budget Reform process. The work you'll be asked to do in coming months--like describing your budget timetable to the

*Continued on page two*

WHAT YOU CAN DO

- Tell your Congressmen why you need revenue sharing and what will

happen to your budget if it is ended or its re-enactment delayed. Pressure on your delegation through letters, wires, and personal visits must be intensified now and in the months ahead.

- Carefully document your budget-making timetable and how delay of reenactment would affect it, especially if your fiscal year begins around July 1. (See page 4 for an example of how to do this.)

- Demonstrate specifically the consequences of program termination or delayed reenactment: a rise in property taxes, the end of revenue sharing-funded programs, the firing of public employees.

- When writing a member of Congress, send copies to his home and follow up with a telephone call.

- Plan with your state municipal league in organizing meetings with members of your delegation who are on key congressional committees-- House Government Operations, House Budget, Senate Finance, or Senate Budget.

- Send copies of all your revenue sharing correspondence --and responses to it--to the NLC Reenactment Control Center. They will provide us with ammo to use on the Hill.

- Launch a media campaign with other local governments in your area to tell your constituents what will happen if GRS is cut off.

- Emphasize the triple-threat impact on your budget of no revenue sharing, recession, and double-digit inflation.

- Point to the irony of federal reductions in the progressive income tax that force local increases in the regressive property tax.

*Continued on page three*

HOW TO USE  
THE REENACTMENT  
CONTROL CENTER

Our collective efforts to ensure the continuation of revenue sharing will succeed only if our activities are coordinated and our information shared. That is why the Reenactment Control Center was established. The Control Center will:

- provide you with the latest information on the status of revenue sharing;
- aid you in implementing reenactment strategies within your community; and
- assist you when you come to Washington to discuss revenue sharing with your congressional delegation.

Telephone (202) 293-6298; write to NLC Revenue Sharing Reenactment Control Center, 1620 Eye Street, N.W., Washington, D.C. 20006; or personally visit the center on the 4th floor of NLC Washington headquarters.

WHAT STATE LEAGUES CAN DO

Each state league is being asked to:

(1) designate a local official as the revenue sharing coordinator for each congressional district;

(2) convene a meeting between key local officials and the members who serve on the Senate Finance, Senate Budget, House Government Operations, and House Budget Committees;

(3) involve actively the governor and state legislature in the reenactment effort who, to date, have shown little, if any, interest in obtaining reenactment; and

(4) coordinate closely their reenactment activities with the NLC Revenue Sharing Reenactment Control Center.

*"QUOTES"--continued from page one*

bill would continue the \$150 million, or 2.5 per cent, annual increase in the funding level."

*St. Louis Mayor John Poelker*

"A central fact about the revenue sharing program is its failure to keep up with inflation. In real terms, the value of shared revenue to the 39,000 state and local governments has declined....

*Dr. Richard Nathan  
Brookings Institution*

*WHAT NLC IS DOING - continued from page one*

Congress (see page 4)--will not be wasted but will, in fact, assist us in overcoming these longer-range difficulties.

Third, without the support of the entire NLC constituency, reenactment cannot be achieved at all.

With these hard realities in mind, the NLC Revenue Sharing Task Force met all day Oct. 16 and adopted an action plan which:

- calls for energizing NLC's members and asking them to make reenactment their highest priority;
- establishes a Reenactment Control Center at NLC headquarters to plan and execute a reenactment strategy.

The Task Force charged the Reenactment Control Center with these duties:

1. Monitor and coordinate the reenactment activities of member cities and state leagues (see State League box);
2. Monitor the revenue sharing positions of all members of Congress; and
3. Provide the latest revenue-sharing information and tactics to all members.

Furthermore, deadlines established in the Reform Act will define--and complicate--the GRS reenactment schedule. You should understand these deadlines, described below, in order to direct your views to the right point of congressional decisionmaking at the right time. For example, by March 15, revenue sharing spending targets for FY 1977 must be proposed by the Senate Finance and House Government Operations Committees to the House and Senate Budget Committees. An effort should be made during February and early March to convince the Senate Finance and House Government Operations Committees to recommend adequate GRS funding to the Budget Committees. (FY 1977 begins on Oct. 1, 1976. Since current law extends GRS through Dec. 31, 1976, the budget figures the Congress will be considering cover the period Jan. 1, 1977, through September 30, 1977.) Other key dates are:

- By April 15, each Budget Committee reports its First Budget Resolution establishing revenue sharing targets for FY 1977.

- By May 15, final congressional action--including a House-Senate compromise--is taken on the First Budget Resolution (containing revenue sharing targets). Consideration of revenue sharing reenactment on the House or Senate floor may not occur until after this date. *NLC may try to get a waiver to the May 15 deadline, but Congress is not likely to relax the new budgetary discipline during its first year of implementation.*

- By Sept. 13, Congress must complete action on revenue sharing reenactment legislation.

- By Sept. 15, Congress must complete action on the Second Budget Resolution establishing a final FY 1977 budget ceiling for revenue sharing.

• 1976 Presidential politics threaten the bipartisan support needed for reenactment. Many revenue-sharing reenactment bills are in the hopper, and local officials are being pressured by congressional authors to support their versions. After long and arduous analysis, NLC's Revenue Sharing Task Force settled on the Ford Administration's version (HR 6558; S 1625) as most consistent with NLC's policy. (See "Quotes" for important exception.)

President Ford angered congressional Democrats by demanding they cut FY 1977 expenditures \$28 billion. They responded by zeroing in on GRS, the President's chief domestic legislation. House Ways and Means Chairman Al Ullman (D-Ore.), for instance: "It is the mood of Congress to eliminate federal revenue sharing--probably all of it--if that body is called on to make severe budget cuts."

Continued improvement in the economy will bring pressures to reduce the federal deficit, adding to reenactment problems already presented by ambiguous support from the main body of the AFL-CIO, and opposition of civil rights groups and others; and the likelihood of no closed rule for the bill which would have protected it from floor amendments during House debate.

• Congress members remain unconvinced that local budgets will be seriously disrupted if reenactment is delayed and--most important--aren't feeling any pressure from back home to move ahead on reenactment. Senator Long, for one, feels state and local officials have not mounted the campaign necessary to overcome reenactment opposition and appear complacent and unappreciative of the GRS funds they receive.

WHAT YOU CAN DO - continued from page two

- Plan the heaviest media activity while your congressmen are back home, and be sure they receive and personally read all newspaper coverage.

- Send copies of all newspaper articles on these subjects to the Revenue Sharing Reenactment Control Center. Again, your ammunition can be used here in Washington.

• Get local interest groups to support your reenactment campaign. Groups such as public employee labor organizations, teacher associations, business, taxpayers, and social welfare organizations have not yet recognized fully the importance of revenue sharing to their own interests.

- Identify and meet with the leaders of five or six of these groups to discuss what will happen if revenue sharing is terminated.

- Ask for their active support of reenactment, such as immediate written correspondence and direct meetings with your congressional delegation.

• Join with your state municipal league in its statewide reenactment campaign.

• Come to Washington, D.C., on November 18 for the National Association of Counties Revenue Sharing Rally.

• Keep the Revenue Sharing Reenactment Control Center aware of all revenue sharing activities and information. As a first step, write to the center giving your name, office or position, and party affiliation. Include a list of the members of your congressional delegation and whatever specific information you have regarding their positions on the reenactment of revenue sharing.