

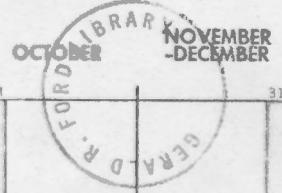
**The original documents are located in Box 30, folder “Revenue Sharing (7)” of the James M. Cannon Files at the Gerald R. Ford Presidential Library.**

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# PROJECTED TIMETABLE AND PROCEDURES FOR CONGRESSIONAL ACTION ON GENERAL REVENUE SHARING RENEWAL LEGISLATION<sup>1</sup>

[1976]



	JANUARY	FEBRUARY	MARCH	APRIL (15-23 Recess)	MAY	JUNE	JULY (5-16 Recess)	AUGUST (11-20 Recess)	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
			15th		15th				13th 15th 25th	11st		31st
<b>HOUSE GOVERNMENT OPERATIONS COMMITTEE</b>		SUBCOMMITTEE MARK-UP		FULL COMMITTEE MARK-UP								
<b>HOUSE RULES COMMITTEE</b>					ACTION COMPLETED ON "1ST BUDGET RESOLUTION" AND DEADLINE FOR REPORTING AUTHORIZATION BILLS	COMMITTEE CONSIDERATION OF RULE <sup>2</sup>	FLOOR CONSIDERATION					
<b>HOUSE BUDGET COMMITTEE</b>		COMMITTEE HEARINGS		MARK UP	REPORT AND CONGRESSIONAL ADOPTION OF 1ST BUDGET RESOLUTION			PREPARATION AND ADOPTION OF 2ND BUDGET RESOLUTION				
<b>HOUSE APPROPRIATIONS COMMITTEE</b>							COMMITTEE MARK UP AND FLOOR CONSIDERATION OF APPROPRIATIONS BILL <sup>3</sup>					
<b>SENATE FINANCE COMMITTEE</b>							FULL COMMITTEE MARK-UP AND FLOOR CONSIDERATION					
<b>SENATE BUDGET COMMITTEE</b>		COMMITTEE HEARINGS		MARK UP	REPORT AND CONGRESSIONAL ADOPTION OF FIRST BUDGET RESOLUTION			PREPARATION AND ADOPTION OF 2ND BUDGET RESOLUTION				
<b>SENATE APPROPRIATIONS COMMITTEE</b>							COMMITTEE MARK-UP AND FLOOR CONSIDERATION OF APPROPRIATIONS BILL <sup>3</sup>					

\*WILL NOT CONSIDER BILL UNTIL HOUSE ACTS; MUST OBTAIN WAIVER TO CONSIDER BILL AFTER MAY 15.

<sup>1</sup>The General Revenue Sharing program, authorized by the State and Local Fiscal Assistance Act, expires on December 31, 1976. As a combined authorization/appropriations measure, existing funds are not subject to the Congressional Budget Control Act. However, any renewal legislation is subject to the various constraints of the Budget Act.

<sup>2</sup>No new budget authority or spending bills may be considered prior to adoption of May 15th 1st Budget Resolution; waiver procedure necessary for either earlier consideration and the appropriation of funds by an authorization committee.

<sup>3</sup>Appropriations Committee action necessary if existing GRS authorization/appropriations provision is modified by renewal bill.

CURRENT GRS AUTHORIZATION EXPIRES 12-31-76. FINAL ENTITLEMENT PAID TO STATES AND LOCAL GOVERNMENTS IN JANUARY 1977.

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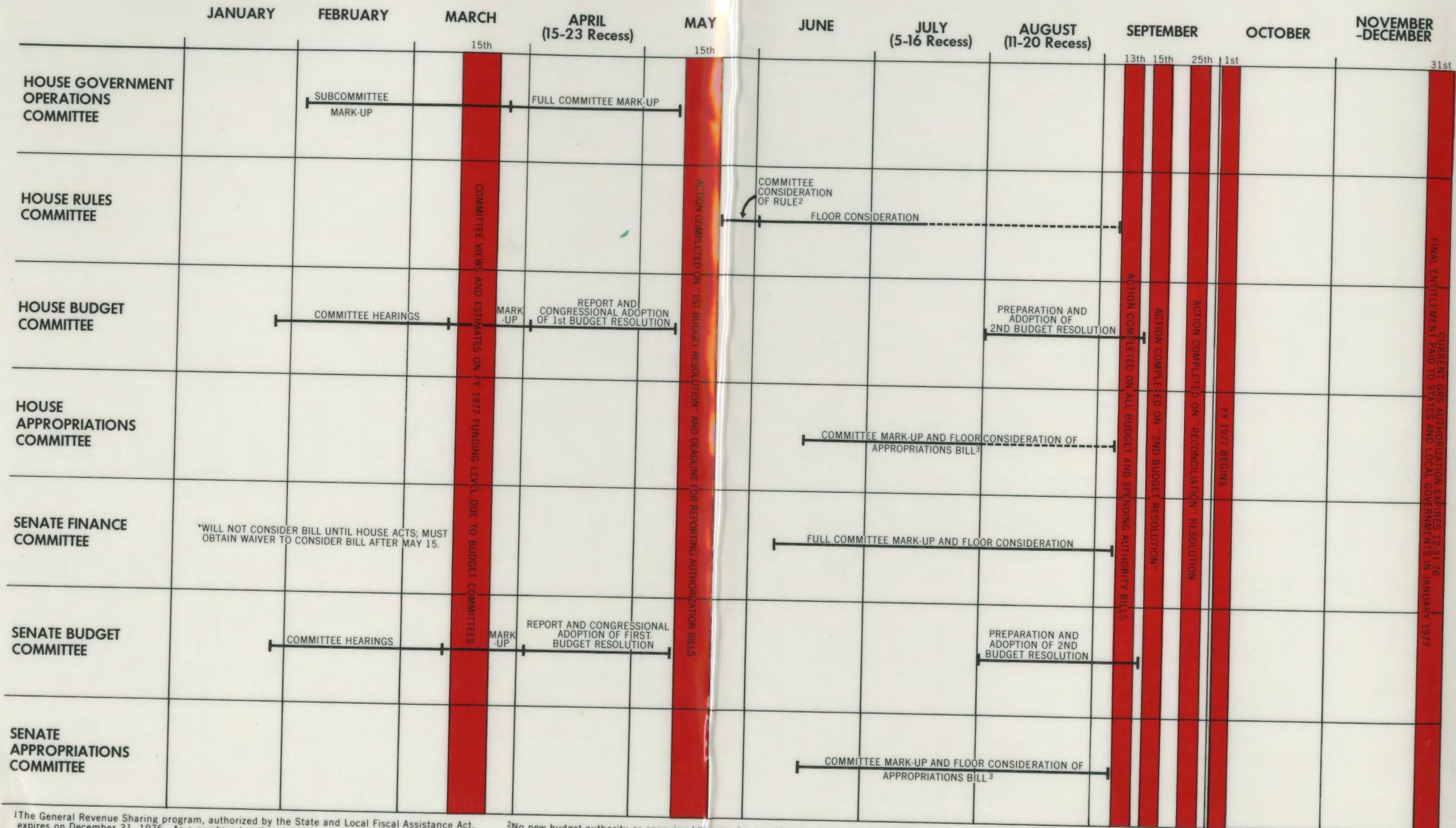
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U.S. GOVERNMENT PRINTING OFFICE: 1975 O-311-76  
 FINAL ENTITLEMENT PAID TO STATES AND LOCAL GOVERNMENTS IN JANUARY 1977

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[1976]

WHAT HAPPENS IF REVENUE SHARING DOESN'T PASS

Excerpts from a Report by the National Governors' Conference

- Arizona                      Would have to increase personal income tax by 14% or decrease school aid by 10%.
- Connecticut                      Would have to increase corporate income tax by 13% or increase sales tax by 4%.
- Hawaii                              Would have to increase personal income tax by 9% or increase sales tax by 14%.
- Illinois                              Would have to increase personal income tax by at least 6%, increase sales tax by at least 6%, or reduce Medicaid by 28%.
- Kentucky                              Would have to eliminate auxiliary education services, adult education, and school lunches.
- Iowa                                      Would have to increase personal income tax by 6% or increase corporate income tax by 50%.
- Maine                                      Would have to increase personal income tax by 27%, increase corporate income tax by 91% or decrease school aid by 12%.
- Michigan                              Would have to increase personal income tax by 7%, increase sales tax by 9%, or reduce higher education support by 15%.
- Missouri                              Would have to eliminate capital construction.
- New York                              Would have to cut state salaries by 10%.
- Nevada                              Would have to increase sales tax by 10%, decrease school aid by 6%, or eliminate health programs.



Oregon Would have to increase personal income tax by 5%, increase university tuition by 59%, or reduce medical services by 60%.

Pennsylvania Would have to increase personal income tax by 10%.

Rhode Island Would have to reduce aid to community colleges by 81% or reduce health programs by 50%.

South Carolina Would have to increase personal income tax by 13.5%, increase sales tax by 8.5%, or reduce teacher salary aid by 14%.

South Dakota Would have to increase sales tax by 10%, increase property tax by 7%, or increase university tuition by 100%.

Tennessee Would have to increase state tax by 3.5%, increase sales tax by 7-10%, or decrease school aid by 4%.

Vermont Would have to increase personal income tax by 11% or increase sales tax by 20%.

Washington Would have to increase gas and user taxes by 50% or reduce Medicaid by 30%.

West Virginia Would have to eliminate housing development.

Wyoming Would have to increase state taxes by 3.8%.

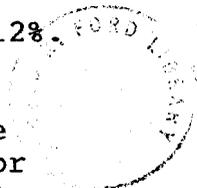


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MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

January 14, 1976

Paul —  
Good.  
Many thanks  
Jim

FOR JIM CANNON

I briefly discussed this matter with Bob this morning. He will raise it with Max and perhaps we can get some movement. I think we will need this seat.

*Paul*  
Paul Myer

*file*

Attachment

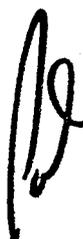


MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

January 14, 1976

MEMORANDUM FOR

 BOB WOLTHUIS

FROM

PAUL MYER

SUBJECT:

GOP Seat on House  
Budget Committee

Jim Hastings' resignation from the Congress opens up an important seat on the House Budget Committee. Given the crucial role this Committee will play in forthcoming deliberations on the President's budget and the implications for General Revenue Sharing renewal, I hope that we might be able to have this seat filled by a Member who both strongly supports the President and is an advocate of the General Revenue Sharing program. Past experience indicates a pressing need for the latter.



THE WHITE HOUSE  
WASHINGTON  
January 21, 1976

*File*  
*R.S.*



MEMORANDUM FOR  
FROM  
SUBJECT:

JIM CANNON  
PAUL MYER

Fascell Alternative GRS  
Formula -- Distribution  
by Congressional District

Late last night I received a printout by Congressional District of the projected allocations for GRS entitlements under the proposed Fascell distribution formula. The data provides significant evidence of the "virtues" of the existing formula and will provide us with substantial documentation in support of the President's proposal for maintaining the existing distribution formula. However, one note of caution is in order: our information indicates that those who are seeking to change the formula are encouraged by this first attempt and will be seeking to make alterations in the Fascell formula elements in order to produce a politically significant shift in the projected allocations, and thus overcome the obvious weaknesses noted below. I have asked Treasury to explore this question in terms of whether this is possible or if it would require a total revision.

The following is a brief analysis of the impact by Congressional District of the Fascell GRS entitlement distribution formula:

\* For the House as a whole, 182 Members would gain funds, while 253 would lose (see attached Table I). In general, Republicans are the biggest losers.

\* A review of the data for those districts represented by Members of the House Government Operations Committee indicates that 14 Members would gain (12 D; 2 R) an average of 21.7%; 30 Members would lose (17 D; 13 R) an average of 31.6%.

\* With respect to the House Government Operations Subcommittee on Intergovernmental Relations and Human Resources, 4 Members would gain (4 D; 0 R) an average of 33.4%; 7 Members would lose (4 D; 3 R) an average of 25.9%. (See attached Table II for a detailed breakdown for individual Members of the House Government Operations Committee.)

TABLE I: IMPACT ON CONGRESSIONAL DISTRICTS AND STATES

STATE	CONGRESSIONAL DISTRICTS		STATE TOTAL	STATE GOV'T.
	Gain	Lose		
ALABAMA	6	1	19.2	20.6
ALASKA	1	0	26.9	34.5
ARIZONA	1	3	-7.8	-7.8
ARKANSAS	4	0	24.8	54.7
CALIFORNIA	4	39	-17.6	-17.6
COLORADO	2	3	2.8	2.8
CONNECTICUT	1	5	-21.6	-21.6
DELAWARE	1	0	30.0	34.4
FLORIDA	10	5	5.2	5.2
GEORGIA	6	4	20.7	23.5
HAWAII	2	0	15.4	9.5
IDAHO	2	0	2.2	3.7
ILLINOIS	8	16	-16.7	-16.7
INDIANA	3	8	-8.8	-8.7
IOWA	6	0	13.5	13.5
KANSAS	1	4	-5.6	-5.6
KENTUCKY	4	3	18.0	52.3
LOUISIANA	7	1	8.8	12.9
MAINE	0	2	-24.3	-24.3
MARYLAND	2	6	-2.0	-2.0
MASSACHUSETTS	4	8	0.8	0.8
MICHIGAN	5	14	-11.8	-11.8
MINNESOTA	6	2	31.5	31.5
MISSISSIPPI	4	1	15.7	41.5
MISSOURI	3	7	1.6	4.2
MONTANA	1	1	8.4	8.4
NEBRASKA	1	2	-5.2	-5.2
NEVADA	0	1	-13.8	-13.8
NEW HAMPSHIRE	0	2	-20.0	-20.0
NEW JERSEY	2	13	-25.1	-25.1
NEW MEXICO	0	2	-3.0	3.0
NEW YORK	16	23	0.1	0.1
NORTH CAROLINA	10	1	35.6	35.6
NORTH DAKOTA	1	0	0.2	0.2
OHIO	8	15	-12.0	-12.0
OKLAHOMA	2	4	7.0	7.0
OREGON	4	0	29.9	29.9
PENNSYLVANIA	4	21	-11.0	-11.0
RHODE ISLAND	0	2	-17.5	-17.5
SOUTH CAROLINA	3	3	19.5	40.1
SOUTH DAKOTA	0	2	-10.9	-10.9



STATE	CONGRESSIONAL DISTRICTS		STATE TOTAL	STATE GOV'T.
	Gain	Lose		
TENNESSEE	6	2	12.7	12.7
TEXAS	13	11	15.2	28.9
UTAH	0	2	-14.7	-14.7
VERMONT	0	1	-20.3	-19.8
VIRGINIA	8	2	19.0	19.0
WASHINGTON	2	5	-14.1	-14.1
WEST VIRGINIA	2	2	4.1	18.7
WISCONSIN	6	3	18.0	18.0
WYOMING	0	1	-18.9	-18.9
TOTALS	182	253	0.0	2.8



TABLE II: IMPACT ON CONGRESSIONAL DISTRICTS AND STATES REPRESENTED  
 BY MEMBERS OF THE HOUSE GOVERNMENT OPERATIONS COMMITTEE  
 (Percent of change from existing allocation)

DEMOCRATS (29)				REPUBLICANS (15)			
	Cong'l. Dist.	State Total	State Gov't.		Cong'l. Dist.	State Total	State Gov't.
Jack Brooks, Tex.	+7.0	+15.2	+28.9	Frank Horton, N. Y.	-42.3	0.1	0.1
*L.H. Fountain, N.C.	+84.7	+35.6	+35.6	John Erlenborn, Ill.	-80.0	-16.7	-16.7
John Moss, Calif.	-20.9	-17.6	-17.6	*Jack Wydler, N. Y.	-64.0	0.1	0.1
Dante Fascell, Fla.	+2.3	+5.2	+5.2	*Bud Brown, Ohio	-30.5	-12.0	-12.0
Torbert Macdonald, Mass.	-39.3	+0.8	+0.8	Gilbert Gude, Md.	-61.3	-2.0	-2.0
Wm. Moorhead, Pa.	-12.1	-11.0	-11.0	Paul McCloskey, Calif.	-49.7	-17.6	-17.6
Wm. Randall, Mo.	-26.0	+1.6	+4.2	John Buchanan, Ala.	+6.4	+19.2	+20.6
Ben Rosenthal, N. Y.	+35.8	+0.1	+0.1	Sam Steiger, Ariz.	-10.5	-7.8	-7.8
Jim Wright, Tex.	-25.6	+15.2	+28.9	Garry Brown, Mich.	-33.3	-11.8	-11.8
Fernand St. Germain, R.I.	-19.8	-17.5	-17.5	Charles Thone, Neb.	-5.9	-5.2	-5.2
Floyd Hicks, Wash.	-19.6	-14.1	-14.1	*Alan Steelman, Tex.	-18.6	+15.2	+28.9
*Don Fuqua, Fla.	+38.1	+5.2	+5.2	Joel Pritchard, Wash.	-20.7	-14.1	-14.1
John Conyers, Mich.	+46.4	-11.8	-11.8	Ed Forsythe, N.J.	-57.6	-25.1	-25.1
Bella Abzug, N. Y.	+35.8	+0.1	+0.1	Bob Kasten, Wisc.	-35.3	+18.0	+18.0
Jim Stanton, Ohio	+7.1	-12.0	-12.0	Willis Gradison, Ohio	+13.1	-12.0	-12.0
Leo Ryan, Calif.	-58.5	-17.6	-17.6				
Cardiss Collins, Ill.	+15.3	-16.7	-16.7				
*John Burton, Calif.	+8.2	-17.6	-17.6				
Richardson Preyer, N. C.	+1.5	35.6	+35.6				
Mike Harrington, Mass.	-20.0	+0.8	+0.8				
*Bob Drinan, Mass.	-28.8	+0.8	+0.8				
*Ed Mezvinsky, Iowa	+2.5	+13.5	+13.5				
*Barbara Jordan, Tex.	-2.1	+15.2	+28.9				
*Glenn English, Okla.	-8.1	+7.0	+7.0				
*Elliott Levitas, Ga.	-29.0	+20.7	+23.5				
Dave Evans, Ind.	-7.2	-8.8	-8.7				
Toby Moffett, Conn.	-49.1	-21.6	-21.6				
Andy Maguire, N. J.	-66.4	-25.1	-25.1				
Les Aspin, Wisc.	-5.2	+18.0	+18.0				
AVERAGE	-5.3%	-.02%	+1.6%		-32.7%	-4.8%	-3.8%



\* Member of Subcommittee on Intergovernmental Relations and Human Resources.

THE WHITE HOUSE  
WASHINGTON

January 29, 1976

MEMORANDUM FOR

FROM

SUBJECT:

JIM CANNON

PAUL MYER

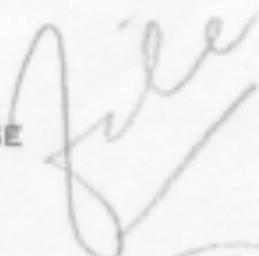
Presidential Schedule  
Proposal -- Congressional  
City Conference

The attached schedule proposal is for your review and consideration. I have previously discussed it with McConahey and Delaney. I strongly suggest that if the President is unable to do this personally, that the Vice President be asked to make this appearance.

Attachment  
cc: Steve McConahey  
Pat Delaney



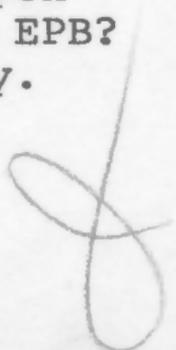
THE WHITE HOUSE  
WASHINGTON



Mr. Cannon:

Paul Myer needs about  
5 minutes to talk to  
you about block grant  
legislation sometime  
this morning before  
10:30, at which time  
he is going up to Hill.

Can he see you upon  
your return from EPB?  
He is standing by.



THE WHITE HOUSE  
WASHINGTON

*Schedule*  
*10 minis*

ACTION

January 30, 1976

MEMORANDUM FOR

*Paul*

JIM CANNON

FROM

PAUL MYER

SUBJECT:

Block Grant Legislative  
Strategy

On Thursday, January 29, Bob Wolthuis and I called a meeting with Paul O'Neill, OMB, and Steve Kurzman and Paul Theis, Assistant Secretaries for Legislation of HEW and Agriculture, respectively. Also in attendance at the meeting were David Lissy, Sarah Massengale and Ray Hanzlik.

Per our previous discussion, Wolthuis, O'Neill and myself presented the President's desire to aggressively work on the block grant legislation, outlined our tentative plan of action, and sought their ideas and views.

Key departmental people will be meeting with Ranking Minority Members of those committees which will handle these legislative proposals in an effort to solicit their views. Committee chairmen will also be called upon next week. Follow-up meetings with Secretarial-level and White House participation are also contemplated to gain the strongest possible co-sponsorship of the bills. Wolthuis and I have subsequently discussed the results of this meeting, and I need some time with you to review our plan and concerns about White House involvement as soon as possible.

*OK*

1976 JAN 30 10 11 AM



THE WHITE HOUSE

WASHINGTON

January 30, 1976

*File*

MEMORANDUM FOR: ALAN GREENSPAN  
FROM: JIM CANNON  
SUBJECT: Revenue Sharing

We are going to have a difficult time getting revenue sharing passed, as you know.

Your Economic Report does point out on page 30 the importance of the general revenue sharing program to state and local governments. But some of the congressmen who oppose extension of revenue sharing may use the statements at the top of page 30 (attached) against the measure.

It would be helpful to those working on revenue sharing if you could provide data which you have in support of the underlined sentences on page 29 and page 30.

Many thanks.

Attachments



abolition of old units, and  
or 0.8 percent of the housing  
age, but in recent years exist-  
The costs of new construc-  
most other costs; and sewer  
d environmental restrictions  
3 million starts projected for  
may become normal levels if

the current year is projected  
ar's such starts could account  
e homes, compared with only  
households and primary indi-  
in coming years, and the re-  
ger than that of single-family  
households and the continuing  
d prices will favor the growth  
omes.

still account for less than 35  
ng of foreclosed or delinquent  
ed construction financing in  
onstructed condominium units  
partment houses has remained  
prices.

3 leasing program and the Sec-  
using and Urban Development  
percent this year. Over a period  
housing starts would be largely  
is factor will not be important in

ies in the first half of last year,  
ales which began in the second  
mal levels. By the end of 1975  
o final sales was the same as  
the ratio for 1974, when large  
he ratio of inventories to sales is  
1976. We estimate that the stock  
rate as final sales after the middle

growth in GNP should exceed the  
normal rates of inventory accumu-  
ic sales should be greater than the

growth in total sales, because net exports are expected to decline throughout this year from their recent high levels. In the first half large shipments of agricultural commodities, particularly to the Soviet Union, should offset part of the increased imports that normally accompany the growth in domestic income and production. Thereafter we expect the growth in exports to fall farther below the growth in imports, because the U.S. recovery started earlier than those of most of our major trading partners. The structure of foreign sales is such that our exports, particularly those of capital goods, are unlikely to rise rapidly until the recoveries abroad have become more advanced. One should point out, however, that movements in both inventories and net exports have proved extremely difficult to forecast.

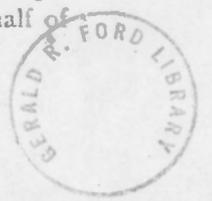
### FEDERAL AND STATE AND LOCAL GOVERNMENT PURCHASES

In real terms Federal purchases are expected to grow by only 1 percent from 1975 to 1976, and State and local government purchases by 2-3 percent. Purchases of goods and services currently account for about 35 percent of total Federal expenditures, but for over 90 percent of the total expenditures of State and local governments.

Mainly because of diminishing defense expenditures, the real value of Federal purchases declined in every year from 1968 to 1975; and Federal purchases in 1976 will still be one-fourth below their 1968 peak. The average annual growth rate of real State and local government purchases, however, was about 4 percent from 1968 to 1973. This rate then declined by almost half, largely as a consequence of the recession of 1974-75 and the financing difficulties experienced by some State and local units of government.

Owing to measures already taken and to longer-run factors that will help to slow expenditure growth, most State and local governments will be able to cope with expenditure pressures without adding unduly to the tax burdens of their citizens in this and the coming year. The growth rate of State and local government employment remained moderate in 1975 if one excludes expanded public service employment and summer youth employment funded through Federal grants. Furthermore the growth in construction expenditures by State and local governments is expected to continue to decline as the school-age population falls and as the interstate highway building program approaches completion. Higher-density residence patterns and more concentrated commercial development projects will tend to reduce the growth in local expenditures because they lower the demand for new access roads, municipal utility lines, and related facilities. Higher municipal bond rates due to inflation and to the larger risk premiums which some units of government have encountered are also restricting construction, in some cases because the maximum interest rate that State and local governments can pay is limited by law.

Slower growth in purchases by State and local governments, tax increases, and the beneficial effects of economic recovery on State and local receipts helped eliminate the operating deficit of these units in the second half of



1975. Assuming that purchases of goods and services will continue to advance by less than 3 percent a year in real terms, compared with more than 4 percent in most years from 1963 to 1973, the operating budget of State and local governments as a group should be in surplus in 1976 if the recovery continues as expected. The surplus could be quite large if those governmental units whose credit rating and borrowing ability have been impaired in recent years continue to retrench, and if their savings are not matched by more expansionary policies on the part of governmental units which have remained fiscally sound. State and local governments sometimes accelerate expenditure growth during the advanced stages of recovery, but they will probably wait longer than usual to do so in the current upturn, particularly if the rate of growth in Federal grants is reduced below the high rates that have prevailed so far in the seventies.

The general revenue sharing program, which provided for \$30 billion of grants to State and local governments from 1972 through 1976, is expected to be renewed in 1976. When it was introduced in a period of high and rising economic activity, it may have encouraged State and local governments to overextend themselves during that expansion. Failure to renew the general revenue sharing program in 1976, however, could weaken the fiscal stability of State and local governments just when they have adjusted to the loss in receipts resulting from the 1974-75 recession.

The Federal Government, during the 1975 budget crisis of New York City, indicated a determination not to underwrite continued massive growth in local spending. Aided by those redistributive mechanisms already built into the established Federal grant programs, State and local governments are now likely to provide for cyclical fluctuations by accumulating more reserves during periods of high economic activity than they have done in the past. In 1976, Federal grants-in-aid to State and local governments are budgeted to rise by about \$5 billion, compared with more than \$10 billion from 1974 to 1975. Thus at least 75 percent of the expected growth in the expenditures of State and local governments in 1976 will have to be financed from their own sources.

#### RISKS IN THE FORECAST—THE INFLATION OUTLOOK

Although a sustained expansion in production and employment is expected with current policies, as always a number of factors could throw the recovery off track. The most important would be a resurgence of inflation. We have projected that the rate of price increase will not accelerate and will even decline somewhat from 1975 to 1976. If this price forecast should be too low, both consumer and business spending could be adversely affected.

As noted above, recent experience suggests that consumers react to heightened expectations of inflation by increasing their saving and reducing their consumption, even of those durable goods that might be expected to provide an inflation hedge. Furthermore the rise in interest rates associated with higher rates of inflation could induce disintermediation and threaten the



THE WHITE HOUSE

INFORMATION

WASHINGTON

January 30, 1976

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON *J Cannon*

SUBJECT: Revenue Sharing

The Vice President met with Congressman Jack Brooks in an attempt to persuade Brooks to take his foot off the revenue sharing bill.

Brooks' response, slightly expurgated:

"I am not going to foul up revenue sharing this year like I did last year. I am going to let it out of my committee."

Brooks also said that there will be a five-year authorization, with annual appropriations, "so the Congressmen can get credit for all this money we are handing out."

cc: William Simon  
Max Friedersdorf  
Ed Schmults  
Steve McConahey  
Paul Myer



FOR IMMEDIATE RELEASE

FEBRUARY 3, 1976

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

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THE WHITE HOUSE  
PRESS CONFERENCE  
OF  
NELSON ROCKEFELLER  
VICE PRESIDENT OF THE UNITED STATES  
THE BRIEFING ROOM

R-5



4:00 P.M. EST

VICE PRESIDENT ROCKEFELLER: I will pick up one point the President made, which seems to me is awfully interesting and important, and that is the low cost of overhead and personnel.

He gave a percentage of dollar figures. A total of \$6 billion were distributed at a total cost to the Federal Government, the Treasury, of \$3 million and less than 100 people.

Now, when we had these meetings for the Domestic Council. the President asked me to conduct around the country, the thing which is of the most irritation to State and local Government, to business and to even the recipients of welfare, is bureaucratic red tape in Washington.

This totally eliminates bureaucratic red tape because it is a distribution of cash on a formula that goes directly to State and local Governments, and they have the responsibility in response to their people as to how the money should be used.

Now, this is a conceptual question. It is a philosophical question. It relates to the whole Federal system, which has meant so much to this country, and this is the move which the Governors have been proposing for 15 years and supporting.

So, we have here now five years of most successful operation. Tragically, local governments, State governments, expect it to go so they have taken it for granted and haven't done too much to support it, but now they are waking up and finding that nothing has happened.

MORE

Not only do some budgets start in January of next year, but some start in July 1 of next year, and you cannot -- if you have to have a balanced budget -- put an item in your budget of revenue unless it has been authorized, and this has not been authorized.

If I could give one local illustration -- nobody would be able to guess which -- if you take New York City -- the President has recommended to the Congress that they pass legislation so that he can advance funds against their three-year period while they balance their budget.

The balancing of their budget included this \$263 million a year, each year, and it is the integral part of balancing the budget.

Now, the State of New York has just cut \$100 million from New York City, so they are trying to struggle with that. If they now lose \$263 million, this makes it impossible for them to balance the budget and therefore assures their bankruptcy.

Excuse me for using a local illustration, but it is dramatic and, if they go bankrupt, I would just like to point out the other recommendation of the President -- to change the bankruptcy laws -- has not been accomplished by the Congress yet and, therefore, there would be a chaotic situation and a chaotic situation could spread to other areas.

MR. NESSEN: Let me explain some of the things we will be passing out here.

VICE PRESIDENT ROCKEFELLER: I hope I am not one of them. (Laughter)

MR. NESSEN: This morning, some people asked about why there was such a rush when this didn't expire until December 31. The Vice President will be referring to this chart, which shows the legislative steps it needs to go through in Congress.

Also, the Governors Conference has sent to the White House a State-by-State breakdown by the Governors themselves of what they would have to do in their own States to either cut programs or increase taxes if they lose general revenue sharing.

We have prepared some excerpts from the reports, and it comes from the Governors. We are also handing out now a State-by-State breakdown of how much each State has received.

MORE

I am sorry for the small print, but it was the Office of Revenue Sharing saving this money that the President talked about. Small print costs less.

This will show you how much each State has received since the beginning of the revenue sharing plan four and a half years ago. I will Xerox some copies of the chart, which you can take away with you.

VICE PRESIDENT ROCKEFELLER: The only thing that is important to me in this chart from your point of view is the urgency of time with the new budget procedures in the Congress. The committee hearings have got to be held prior to the committee review and estimate on FY 1977 funding due to the budget committees, so you have to get in before here and you have to have another round here.

These are new hurdles, if you want to call it that, that have to be covered between now and the time you get to the ordinary appropriations committees. So, this is a very new and interesting situation.

When I worked on this in 1972, there were only two committees -- Ways and Means and Finance. Now there are seven committees. This is under the reorganization of Congress to speed up their process.

So, I think this just gives you the urgency to act now because of the complexity of what has to be done if it is going to be done in time to include in people's budgets. If not, I can give you a few illustrations.

If you take the President's own State of Michigan, if this was not enacted, Michigan as a State, not including counties and cities, gets \$90 million. In order to make up for the loss of that, they would have to use any one or a combination of the following: a 7 percent increase in State personal income tax, a 25 percent increase in State corporate income tax, a 15 percent reduction in State support of higher education, a 9 percent increase in State sales tax, or abolishment of the State's public health programs.

That gives the range of the impact from a State point of view.

Now, you have it in counties and then cities. Arizona--\$22 billion to compensate for the loss of this. It would mean a 75 percent increase in State university student fees, or a 14 percent increase in State personal income tax, or a 75 percent increase in State tobacco tax, or 10 percent decrease in assistance to schools.

MORE



These are the kinds of changes, and you can go through these for the counties and for the cities. I have given you the figure on New York and will be glad to discuss details, both from a conceptual point of view and from the financial point of view.

Q Mr. Vice President, where is the opposition from this coming from?

VICE PRESIDENT ROCKEFELLER: Inertia, plus a few people who have been Constitutionally opposed to this either because they come from a State where they have other revenues that are so great they don't need it, or they would prefer -- and this gets back to that fundamental argument over categorical grants, of which we now have 1,007 categorical grants.

It used to be, when I was Governor, 35 in the field of education alone. We had to prepare 22 State plans, submit them to Washington and, when we got all through doing all of that -- and I never could find out who read the plans when they got down here, and I hate to think who didn't read them up there -- when we got all through we got 5 percent of our cost of primary and secondary education.

This is where the red tape and the bureaucracy, the resistance, comes. It is the complexity, it is where the Federal Government has moved in increasingly to dominate States, counties, cities and to control, really, virtually control their actions in almost every field.

MORE

Q Specifically, what are your plans, Mr. Vice President, for getting Congress off the dime, so to speak?

VICE PRESIDENT ROCKEFELLER: You have a whole series of ways of working on this. One which I have started is talking to the key people who have been opposed. Two is to get the States, the counties and the cities properly organized. The cities have been always. The counties are moving very rapidly. They are very effective because this gets right down into the home districts. The States have never been as effective lobbyists, if you want to put it that way, but they can be and we hope they will be.

But I think also the other side of the coin is getting back to the people of the State so that they recognize that they are either going to have tax increases or they are going to have services cut. And it is just as simple as that. It isn't \$90 billion; it is \$6 billion.

Q Mr. Vice President, it sounds like you are having trouble with the committee chairmen more than anything else, because they tend to initiate things. Is that true? Are you talking to committee chairmen?

VICE PRESIDENT ROCKEFELLER: Yes, but I think really a lot of it is inertia -- so many problems and so forth, you put it off. They say, well, it doesn't expire until, what is it, December 31, and therefore what is the big rush? But then they haven't figured out or brought into focus the fact that budgets have to be made up now, starting now and States, some States have them in July, and local governments, some in later periods. Where the State law says that the State and city has to come up with a balanced budget, you have to put in authorized sources of revenue.

Q Is this what you are saying to us today with that chart and with this news conference and so on? Is that an alternative to what you have attempted to do on the Hill already?

VICE PRESIDENT ROCKEFELLER: It is not an alternative. This is sort of like a roadmap to the places that have to be dealt with -- the committees, the chairmen, the Members in both Houses, the time schedule, conflicts that come up -- one drafts it one way, another one does it another, reconciling the differences and so forth.

Q I understand that, but have you been on the Hill, or have you been on the telephone to those key subcommittee chairmen explaining to them, as you said, that they are unaware of the need for the publication of the budget?

MORE

VICE PRESIDENT ROCKEFELLER: I have only talked to one so far myself, but what we have been trying to do is to get the organized groups of States, counties and municipal governments and they have very good offices here and they have very knowledgeable people. The most important thing is to get them to get their people back home, to call their Congressmen and just alert them to the fact and give them the list of things that it means and what they have used the money for and what they would have to cut out and get them to talk to their people in those communities. So the people themselves, the interest groups, in a sense -- the firemen, the policemen, whichever groups have been getting the money -- to get them active. You know, this is the way our Government works and so we might as well stay with it.

Q What is your timetable for action? When do you want to get the bill signed into law?

VICE PRESIDENT ROCKEFELLER: Well, if it was yesterday, it would be great. Really, just as fast as we possibly can.

Q I can't read your chart.

VICE PRESIDENT ROCKEFELLER: Neither can I.

Q It looks as though something is happening in October. Is that when you want to have it all?

VICE PRESIDENT ROCKEFELLER: That is the appropriations. There are two processes: One is authorization and the other is appropriation.

Authorization is really the most important. First of all, if it is authorized, then the State is in a better position.

Q So when do you want to get the authorization approved?

VICE PRESIDENT ROCKEFELLER: Just as soon as we can.

Q Practically speaking, though, you have to get some work done; you have to get your people lobbying.

VICE PRESIDENT ROCKEFELLER: We are not going to let any grass grow any longer under anybody's feet that we can prevent.

Jim, I don't like to give a deadline.

MORE

MR. JAMES CANNON (Assistant to the Vice President):  
No, sir, we can't give a deadline. We have been working so far to try to get Congressman Fountain's subcommittee to schedule the markup session and that is our first effort, because until we do that, Carroll, we can't take the next step.

Q Sir, you are mounting what appears to be a huge lobby on this thing, but are you really that concerned that it is not going to be extended?

VICE PRESIDENT ROCKEFELLER: No, but I have found in life that, if there is a little concern, it is worth making sure that it doesn't happen. Sometimes little concerns get out of hand. Therefore, this is so important and so vital to so many communities that it is inconceivable to me to think what would happen in this country if it wasn't done.

Now, as long as there is opposition and as long as there are possibilities of its being sidetracked, of its being amended so that it is made inoperative -- and let's face it, there are a lot of Congressmen who would prefer the categorical grant because they become personally identified with it. It has a special group back home and, you know, they can notify the people of the grants and so forth and it is more personalized.

But this goes counter to the concept of the Federal system where the responsibility is most responsibly exercised closest to the people.

Q Sir, since committees are controlled by the Democrats, are you saying the Democrats are too slow to move on this?

VICE PRESIDENT ROCKEFELLER: No, sir, I didn't say that.

MORE

Q In effect, aren't you saying so?

Q Is that a factor?

VICE PRESIDENT ROCKEFELLER: You know, I frankly didn't even differentiate in my own mind. I have just been thinking in terms of people, who is in the key position and how do you reach him or her most effectively, to understand the problem.

I have been a Governor for 15 years, and a vote is a vote, whether it is Democrat or Republican. It is important to have.

Q You are saying this is bipartisan apathy in Congress, then? (Laughter)

VICE PRESIDENT ROCKEFELLER: Why don't you just stick with what I did say instead of what you are trying to put in my mouth. What I said was there was apathy in Congress. I didn't classify it or identify it with one party or the other.

I just think they have been loaded with so many problems that on this issue -- certainly they are not apathetic on some other issues I can think about.

Q How much money are you asking for?

VICE PRESIDENT ROCKEFELLER: Just renewal of the present program.

Q How much is that?

MR. CANNON: \$39.85 billion.

VICE PRESIDENT ROCKEFELLER: They are extending from five years to five years and three quarters, but what would it be a year?

MR. CANNON: A little over \$6 billion, Governor.

The Ford proposal has a \$150 million annual increase, Mr. Vice President.

VICE PRESIDENT ROCKEFELLER: That is a small reflection of inflation.

Q Sir, have you arrived at a figure?

MORE



VICE PRESIDENT ROCKEFELLER: Yes, we have. There is a bill in, the President has put a bill in.

MR. CANNON: The total is \$39.85 billion over the five and three-quarter year term.

Q Mr. Vice President, if you are not concerned that Congress will eventually extend --

VICE PRESIDENT ROCKEFELLER: I am.

Q You said you were not really concerned.

VICE PRESIDENT ROCKEFELLER: Excuse me, somebody said in the back of the room why was I so exercised if there wasn't a major concern. My feeling is, even if there is a minor concern, that I am concerned.

Q My question to you was --

VICE PRESIDENT ROCKEFELLER: I will rephrase my answer. I am concerned.

Q Do you honestly believe the Congress might not extend revenue sharing?

VICE PRESIDENT ROCKEFELLER: Yes, it might not.

Q You said just a few minutes ago that you weren't.

VICE PRESIDENT ROCKEFELLER: I would like to get the transcript of what I did say and correct it, because I am concerned or I wouldn't be wasting my time doing what I am doing. I don't mean wasting it in this room, excuse me. I beg your pardon, not here. I mean in this whole program. (Laughter)

Now, I am very concerned because the potential impact of not passing this is so serious to the country that I don't think, as long as there is a shadow of a doubt, that anybody should relax.

THE PRESS: Thank you very much, Governor.

VICE PRESIDENT ROCKEFELLER: It has been a pleasure, indeed. (Laughter)

END (AT 4:17 P.M. EST)

## OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE  
STATEMENT BY THE PRESIDENT

## THE BRIEFING ROOM

3:55 P.M. EST

Good afternoon. Please sit down.

I just came from a meeting with the Vice President, representatives of the Domestic Council, the Treasury Department and others discussing how the Administration can affirmatively promote the extension of the existing Revenue Sharing Act, general revenue sharing. This, of course, was enacted in 1972.

So far the Federal Government has distributed roughly \$23.5 billion to some 38,000 to 39,000 State and local units of government. The money has been spent in a broad range of local and State activities.

The interesting thing to me was that with the \$23.5 billion that has been expended by the Federal Government to State and local units of government, the overhead cost has been one-twelfth of one percent, which shows that you can take Federal money and redistribute it to State and local units of Government with a minimum of overhead.

The net result is the States have, and local units of government have gotten back virtually all of the money that was taken from them and they now and will in the future have this money for the necessary local services that they do perform.

One other point, the Congress was asked by me last year, I think in July, to immediately undertake the re-enactment or the extension of the existing general revenue sharing legislation. Thus far there has been no subcommittee action on this legislation. Time is running out.

Let me give you a concrete illustration. I met with some mayors last week -- three or four of them -- from the State of Ohio. They have to publish their budgets for the 12 months beginning January 1 by the middle of 1976. So unless this legislation is enacted or extended beyond January 1, any municipality in Ohio will have to show that there will be no general revenue sharing money coming, which means they will either have to show a reduction in services or they will have to show, if they want to extend the services, an additional State or local tax.

MORE

Now this puts municipalities, this puts States in a very difficult situation unless we get some affirmative action from the Congress.

I have asked the Vice President, who spearheaded the drive for the enactment in the first instance in 1972 of general revenue sharing, to use his talents to convince the Congress that it must act promptly. I believe that he will work with Governors, with State officials, in general, with county officials and with city officials to convince the Congress that delay or a failure to act would be catastrophic in the meeting of local needs or State needs.

The Vice President knows how it was done in 1972. I am sure that he will be successful. But time is rapidly running out and Congress has an obligation to move now if we are to save cities, counties and States from a serious financial setback.

So, Mr. Vice President, would you tell them how you are going to do this?

END (AT 4:00 P.M. EST)

*Free Share  
Des Share*

THE WHITE HOUSE

WASHINGTON

INFORMATION

February 3, 1976

MEMORANDUM FOR

FROM

SUBJECT:

*JIM CANNON*  
*PAUL MYER*

JIM CANNON

PAUL MYER

Follow-up on GRS Renewal Meeting



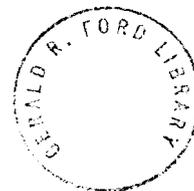
The following actions are now being taken as a result of our meeting in your office on Friday, January 30, and we will begin implementation this week:

1. Simon letter to Congress drafted and detailed Congressional printout now being run. Mailing set for later this week.
2. A draft of the Vice President's letter is ready and computer data information for all recipient jurisdictions under the General Revenue Sharing program is being processed for enclosure. The ORS will also provide names, addresses and mailing labels for the appropriate officials to receive the letter and data.
3. *Dec 24/75* I have been in touch with the PIGs public affairs staff regarding the sending of information to editors and newspapers. Similar data to that noted above for the Vice President's letter will be made available to the PIGs for this purpose.
4. The proposed speech text insert to be distributed to Cabinet and Sub-Cabinet officials, departmental speech writers and scheduling staff will be available for distribution on Thursday.
5. Treasury is scheduling a meeting with the public interest groups to discuss an analysis of the Fascell Bill and to provide them with additional data to strengthen the case for continuation of the existing formula as proposed by the President.

cc: Ed Schmults      Dick Albrecht  
    Jack Veneman     Steve McConahey

PLAN OF ACTION (to be presented by Jim Cannon)

1. Over the past six months our efforts have been directed toward building a firm foundation for a major effort on renewal this year.
2. The public interest groups have begun to intensify their efforts on behalf of your renewal legislation. Steve McConahey and the Intergovernmental Relations staff are working closely with governors, mayors and county officials, both through their national organizations and on an individual basis. The President and Vice President will be speaking to those State and local government officials who will be attending their organizations' mid-winter meetings in Washington. Additionally, Steve is developing a list of regional and local meetings of public officials which should be attended by Administration spokespersons. Steve will be coordinating those participating in this campaign with Dick Albrecht at Treasury and Ray Shafer with the Vice President.
3. We also plan selected mailings and, where appropriate, personal presentations to other national and local organizations encouraging support for GRS renewal. Every effort will be made to develop the broadest possible support from the business community (e.g. Chamber of Commerce); labor organizations (e.g. building trades councils, Teamsters, etc.); and community and citizen groups (e.g. League of Women Voters).
4. We will again encourage all Cabinet and Sub-Cabinet officials to use various opportunities presented to them to make the case for General Revenue Sharing renewal. A suggested text insert will be provided to Departmental speech writers and others concerned with scheduling such events.
5. We also will send two important letters this week:
  - A. Letter to all Members of Congress from Secretary Simon urging prompt action and enclosing more detailed data than previously provided to them on actual GRS payments under the existing program and projected under the President's renewal bill for all jurisdictions in their Congressional districts. (Attached is a sample of this information.)



5. B. Letter from the Vice President to governors, mayors and county officials, urging them to intensify their efforts on behalf of GRS renewal and enclosing data similar to that noted above.
6. The PIGs are also launching a public affairs campaign, contacting editors and newspapers throughout the country to generate greater awareness of the consequences of delay or failure to renew GRS and providing the data on GRS payments for jurisdictions which their readers might find of interest.
7. The legislative representatives of the national organizations of public officials are coordinating their lobbying efforts with Max, Paul and Treasury staff to successfully move the bill from committee to the House Floor.
8. A meeting with you and the New Coalition is contemplated for later this month to provide this group with a forum to reiterate their support for your bill.



THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

February 4, 1976

MEMORANDUM FOR JIM CANNON

From: Alan Greenspan



In reply to your memo of January 30, we have done both a short-term quarterly forecast and set out the long-term annual figures which are consistent with the longer-term trends to 1980 set out in the budget. The latter is based on somewhat higher growth in State and local government expenditures in 1976-77 than the former. Both the short and the longer-term figures assume continuation of revenue sharing (see Tables 1 and 2 attached). The 1975 figures are actual and may be used externally. The figures for 1976 and beyond represent details and assumptions which we have not released and they should not be used externally.

If growth in State-local expenditures is around 2 percent per annum in real terms, as we have projected, modest operating surpluses of \$4 to \$5 billion can be expected in 1976 and 1977. However, the operating surpluses would vanish in 1977 if the growth in real expenditures is around 3 percent per annum as is assumed in the long-term projection through 1980, which is intended to be consistent with the economy portrayed in the 1977 Budget.

Because of the slow growth in total Federal grants projected even with extension of general revenue sharing, States will be using the extra tax receipts expected from the continuation of economic recovery to make up for the declining share of Federal grants in total receipts without improving their fiscal position further beyond 1976. Hence discontinuation of general revenue sharing could precipitate a budget crisis which is described in the Economic Report as follows:

"Failure to renew the general revenue sharing program in 1976... could weaken the fiscal stability of State and local governments just when they have adjusted to the loss in receipts resulting from the 1974-75 recession."



A discussion of what measures State and local governments took in 1975 to begin to adjust to this recession appears on pp. 57-58 of the Economic Report. It is important to note in Table 1 that State and local government budgets as a whole were in surplus in 1975 and that surplus expanded significantly during the year. Even more important the operating and capital accounts (before inclusion of the social insurance funds surpluses) moved into surplus in the third quarter of last year and we expect this surplus to expand further this year.



State and Local Government Receipts and Expenditures  
 (Billions of dollars)

	1975				1976				1977			
	I	II	III	IV	I	II	III	IV	I	II	III	IV
Receipts	221.2	228.2	237.7	242.5	248.3	254.0	260.7	264.0	270.2	275.9	281.4	287.5
Personal tax and nontax receipts	42.0	42.9	44.1	45.2	46.8	48.3	49.9	51.8	53.8	55.2	57.0	59.0
Corporate profits tax accruals	5.5	6.1	7.3	8.5	8.7	9.1	9.4	9.6	10.0	10.5	10.9	11.3
Indirect business tax and nontax accruals	109.3	111.8	114.5	116.4	118.9	121.4	124.0	126.5	129.5	132.6	135.4	138.0
Contributions for social insurance	14.3	14.7	15.0	15.3	15.7	16.1	16.6	17.1	17.6	18.1	18.6	19.2
Federal Grants-in-aid	50.1	52.8	56.8	57.1	58.2	59.1	60.8	59.0	59.3	59.5	59.5	60.0
Expenditures	215.5	219.4	224.8	229.9	234.5	239.2	244.0	248.9	251.1	259.3	264.7	270.2
Surplus or deficit(-) national income	5.7	8.8	12.9	12.6	13.8	14.8	16.7	15.1	19.1	16.6	16.7	17.3
Social insurance funds	10.8	11.1	11.2	11.2	11.3	11.5	11.7	11.9	12.1	12.3	12.5	12.7
Operating and Capital Accounts	-5.0	-2.2	1.7	1.4	2.5	3.3	5.0	3.2	7.0	4.3	4.2	4.6

State and Local Governments

	1975	1976	1977	1978	1979	1980
Receipts	232.4	256	277	301	327	354
Individuals	43.5	49	56	64	73	83
Corporations	6.8	9	11	12	14	15
CSI	14.8	16	17	19	21	23
IBT	113.0	123	133	143	153	163
Grants	54.2	59	60	63	66	70
Expenditures	222.4	244	266	290	316	344
Total Purchases	207.8	225	245	267	290	314
General Government	117.4	130	144	158	173	189
Other	90.4	95	101	109	117	125
Transfers	22.5	26	30	33	36	40
Interest Paid	-3.0	-3	-4	-4	-4	-4
Surplus of Gov't						
Enterprises(-)	-4.9	-4	-5	-6	-6	-6
Surplus or Deficit	10.0	12	11	11	11	10

THE WHITE HOUSE

REQUEST

WASHINGTON

February 11, 1976

MEMORANDUM FOR

JIM CANNON

FROM

PAUL MYER 

SUBJECT:

General Revenue Sharing --  
Citizen Participation

Attached per your request is a memorandum from Dick Albrecht of Treasury regarding Washington, D. C. media coverage of the District government's use of General Revenue Sharing funds.

In addition, you requested the actual regulatory language with respect to citizen participation under the revenue sharing program.

Attachments:

- Tab A -- Original memo on Citizen Participation
- Tab B -- Albrecht memo
- Tab C -- Statutory and regulatory language



THE WHITE HOUSE-  
WASHINGTON  
January 21, 1976

MEMORANDUM FOR:

PAUL MYER

FROM:

JIM CANNON

SUBJECT:

Revenue Sharing

This is an excellent summary.

Would you give me specific language of the existing regulations mentioned on Page 2 (31 C.F.R. Sec. 51).

Do you think it would also be possible to find any press releases put out by the D.C. government about how revenue sharing would be used, plus any advertisement or news story published in the Washington Post as a result of the information made available for release.

My point is that this information probably is made available to the public; but newspapers, including the Washington Post, pay little or no attention to it.



THE WHITE HOUSE

WASHINGTON

December 22, 1975

MEMORANDUM FOR

JIM CANNON

FROM

PAUL MYER

SUBJECT:

Your Comments on Washington Post Editorial -- "Revenue Sharing Revisited"

The Washington Post editorial represents an accurate reflection of an emerging attitude in Congress and among many outside interest groups on GRS renewal. Frankly, this somewhat biased but realistic analysis of the program is a welcome departure from the negative views which have dominated the comments being voiced by various liberal Democrats and groups. In particular, the comments on formula modification indicate a growing awareness of the sensitive technical and political factors involved in devising a "better" approach. Although the political and intellectual interest in the allocation formula insures serious efforts will be made to change the formula to more accurately reflect "need and equity" -- such as inclusion of a poverty data element -- it is clear that we are in much better shape with respect to formula changes than earlier anticipated; provided that Treasury is able to demonstrate with factual analytical data the overwhelming political and substantive effectiveness of the existing provision. Similarly, the editorial signals a healthy skepticism of efforts to earmark priorities or impose other burdensome restrictions.

With respect to the editorial's heavy emphasis on the citizen participation and your questions, I have prepared the attached briefing paper on this issue. As I noted in my last weekly report on General Revenue Sharing, the issue of citizen participation is one of five key areas which will be the subject of considerable debate and controversy when the House Subcommittee begins to mark-up the renewal legislation in late January. It is my opinion that within the context of the fiscal and philosophical debate centered on the President's FY 1977 proposed budget, these issues will take on added significance. They represent the major ammunition which will be used by the program's critics and opponents in an effort to justify the Congressional view of national spending priorities and concept of the Federal government's appropriate role in domestic policy.

Attachment

## GRS ISSUE BRIEFING PAPER -- CITIZEN PARTICIPATION

### I. BACKGROUND

One goal of GRS was to encourage greater citizen participation in the decision-making processes at the State and local governmental level. In fact, since the use of revenue sharing funds is determined at the local level rather than the Federal level, the GRS concept provides opportunities for individuals and citizen groups to play their part in determining the use of such Federal funds in their communities.

There is some question as to whether or not GRS has met this goal. Our own studies and those of independent researchers indicate that the record of citizen participation in the decision-making and general budgetary processes of State and local government reflects varied experiences. Without question there appears to be greater public interest in governmental decisions at the local level. In large part, this reflects local political conditions and attitudes more than any effort to require or mandate public participation. In many instances, the introduction of GRS funds has heightened this interest and accelerated public participation.

Fundamentally, the citizen participation issue centers on the question of public accountability for the use of GRS funds. Critics of GRS cite the program's failure to provide traditional protection for assuring that local needs are met as a major weakness. Namely, the pre-entitlement grant application and justification process associated with all Federal categorical grant programs. In effect, these critics question the responsiveness of local government officials to the needs of all citizens and dispute their established spending priorities.

Further complicating the question of public participation is the disease-like sounding concept of "fungibility." According to a recent Americans for Democratic Action document on GRS renewal -- "What's a fungible? Fungibility means using housing money on highways or street maintenance money for the road to the Governor's summer palace."

GRS proponents and most critics agree that the most effective means of assuring that local GRS spending decisions reflect local needs and priorities would be to strengthen the requirements for real public involvement in deciding how State and local GRS funds should be used. How those requirements should be strengthened is a matter of dispute.

## II. PRESENT LAW

Under the present law (Sec. 121), each GRS recipient is required to submit planned and actual use reports to the Treasury's Office of Revenue Sharing. These reports contain information about the specific amounts and purposes for which (1) it plans to spend its revenue sharing funds for an entitlement period, and (2) revenue sharing funds have been spent or otherwise accounted for by the recipient.

The existing regulations also contain publication, publicity and public inspection requirements (31 C.F.R. Sec. 51). Copies of the above-mentioned reports must be published in one or more newspapers of general circulation and recipient governments are required to advise the news media within its geographic area (including minority and bi-lingual news media) of the publication of these reports. Further, each recipient must make available for public inspection a copy of each of the reports and such information as is necessary to support the report.

The purpose of these public accountability requirements is to let citizens know how recipient governments plan to use the money before it is spent so that they are able to make their views known and participate in the decision-making process.

Within these broad statutory and regulatory guidelines, each GRS recipient establishes its own specifications for fulfilling these requirements, including the amount of detail which they believe will adequately inform its citizens. Available evidence suggests that local governments adopted a wide range of approaches, including some which employed a separate budget procedure for GRS funds.

In addition to issuing regulations with respect to public accountability and citizen participation, the Office of Revenue Sharing has also disseminated considerable public information in an effort to promote a better understanding of the program and further encourage citizen involvement in State and local governmental processes.

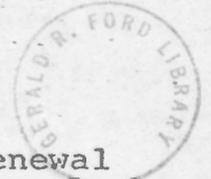
## III. ADMINISTRATION PROPOSAL

The Administration is deeply committed to furthering citizen participation. In his August, 1975 Message to the

Congress on GRS renewal, the President stated, "This citizen participation strengthens our democracy in the best possible way. It is my intention to strengthen our efforts to encourage the widest possible citizen participation." Specifically, the Administration's proposed renewal legislation would require that notice and opportunity be given for citizens to participate. Recipient governments would be required to provide the Secretary of the Treasury with a written assurance that the public has access to a public hearing or other appropriate means of participation in the decision-making process for uses of shared revenues.

However, there is no specific guarantee that, in fact, public participation will take place nor does the Administration propose extensive requirements. We believe that to impose extraordinary procedures and restrictions would be contrary to the GRS philosophy. Further, it is our view that the existing regulations and the proposed requirement for a hearing or other opportunities for public participation are effective and the proper Federal role.

#### IV. POSSIBLE CONGRESSIONAL ALTERNATIVES



Various Members of Congress concerned with GRS renewal have introduced legislation to extend and revise the program. Many of these bills differ significantly from the Administration's proposal. In the extreme form, they propose a massive restructuring of the existing program which resemble General Revenue Sharing in name only. Conceptually, if enacted it would become the largest categorical Federal domestic assistance program ever created.

Recently, however, support seems to be growing for a more moderate revision introduced by Congressman Dante Fascell (D-Fla.). This bill appears to have attracted support from various national interest groups (e.g., League of Women Voters, ADA, Common Cause, Urban League) and incorporates many of the provisions which had been advocated by such groups in their testimony before the House Subcommittee. A major feature of the Fascell bill deals with the citizen participation issue.

The Fascell bill seeks to build into the GRS program a process through which local citizens would be afforded greater opportunity to participate in the allocation of GRS funds. Approximately six months before the beginning of a new fiscal year, each State and local government would have to inform its

citizens of the anticipated receipt of revenue sharing funds and publish a concise explanation of the process by which funds will be allocated, detailing a citizen's right to participate in that process. The bill would mandate public hearings. Two months before the beginning of the new fiscal year, each State and local government would also be required to: 1) publish a proposed planned use report explaining how the government plans to spend the funds and 2) to make budget information available and comprehensible. In addition, larger cities and State governments would be required to appoint a Citizen's Advisory Committee.

Prior to commencement of a new fiscal year, each State and local government would be required, as at present, to submit a planned use report to the Secretary of the Treasury. However, the Fascell bill would require that these reports list the budget items to which revenue sharing funds are allocated and the percentage of the item expenditure which consists of revenue sharing funds. At the end of the fiscal year, the Fascell bill would require that each State and local government submit an actual use report which would update the previous report.



V. COMMENTS

An informed public and the opportunity for citizen participation in governmental decisions is a basic tenant of our democratic system. To insure opportunity for participation and the protection of individual rights is an appropriate role of the Federal government and the GRS concept should be viewed as an effective means of promoting greater public participation in governmental affairs. However, there is no way, nor should there be, to force or require citizen involvement.

Recent evidence suggests a shift in public attention from the Federal level to local governmental decision-making and budgetary processes. Public wariness of "big government", growing opposition to the "made in Washington" program, and changing local political conditions and attitudes have, among other factors, contributed to this trend. A more practical factor is the efforts of various interest groups to insure that their constituents get a "fair share" of limited local revenues and the increasing amounts of Federal funds flowing to communities. There is reason to assume the continuation of this trend leading to greater pressure for Federal requirements to "open up" the decision making process at the local level.

Given this background and the present legislative climate, is it reasonable to anticipate Congressional acceptance of the Administration's proposals to strengthen citizen participation? In my opinion the answer is no. There is sufficient opposition to the program and skepticism among its moderate critics to force the imposition of more binding requirements in this area. As on other known issues which will emerge during the House mark-up, how far we are prepared to yield on this issue or take new initiatives must be given serious consideration within the Administration in the coming weeks.

\* \* \* \*



THE GENERAL COUNSEL OF THE TREASURY  
WASHINGTON, D.C. 20220

FEB 3 1976

MEMORANDUM FOR: Paul Myer

FROM: Richard R. Albrecht *RA*

SUBJECT: Request for Information on D. C.  
Newspaper Reporting on Use of GRS  
Funds

The Office of Revenue Sharing has searched their clipping files, which include the Washington Post and the Star, and found only one article remotely related to local D.C. use of shared revenues. This article and others were sent to you on January 31.

Most of the coverage of GRS appears to be editorial, reporting on amounts of entitlements, and of national orientation. The Public Affairs Manager at ORS states that the D. C. newspapers, like most others, do not publish articles about local uses of funds because they do not "sell newspapers".

ORS also reports that the D.C. Government does little beyond meeting the publicity requirements of the GRS Act.

State and Local Fiscal Assistance Act of 1972 (P.L. 92-512)

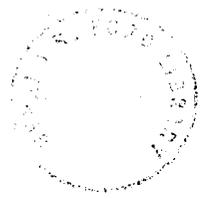
I. Statutory Provisions -- Citizen Participation

Sec. 121. Reports on Use of Funds; Publication.

(a) Reports On Use of Funds. -- Each State government and unit of local government which receives funds under subtitle A shall, after the close of each entitlement period, submit a report to the Secretary setting forth the amounts and purposes for which funds received during such period have been spent or obligated. Such reports shall be in such form and detail and shall be submitted at such time as the Secretary may prescribe.

(b) Reports on Planned Use of Funds. -- Each State government and unit of local government which expects to receive funds under subtitle A for any entitlement period beginning on or after January 1, 1973, shall submit a report to the Secretary setting for the amounts and purposes for which it plans to spend or obligate the funds which it expects to receive during such period. Such reports shall be in such form and detail as the Secretary may prescribe and shall be submitted at such time before the beginning of the entitlement period as the Secretary may prescribe.

(c) Publication and Publicity of Reports. -- Each State government and unit of local government shall have a copy of each report submitted by it under subsection (a) or (b) published in a newspaper which is published within the State and has general circulation within the geographic area of that government. Each State government and unit of local government shall advise the news media of the publication of its reports pursuant to this subsection.



II. Regulatory Provisions -- Citizen Participation

§51.13 Publication and publicity of reports; public inspection. (31 C.F.R.)

(a) Publication of required reports. Each recipient government must publish in a newspaper a copy of each report required to be filed under §51.11 (a) and (b) prior to the time such report is filed with the Secretary. Such publication shall be made in one or more newspapers which are published within the State

and have general circulation within the geographic area of the recipient government involved. In the case of a recipient government located in a metropolitan area which adjoins and extends beyond the boundary of the State, the recipient government may satisfy the requirement of this section by publishing its reports in a metropolitan newspaper of general circulation even though such newspaper may be located in the adjoining State from the recipient government.

(b) Publicity. Each recipient government, at the same time as required for publication of reports under paragraph (a) of this section, shall advise the news media, including minority and bilingual news media, within its geographic area of the publication of its reports made pursuant to paragraph (a) of this section, and shall provide copies of such reports to the news media on request.

(c) Public inspection. Each recipient government shall make available for public inspection a copy of each of the reports required under §51.11(a) and (b) and information as necessary to support the information and data submitted on each of those reports. Such detailed information shall be available for public inspection at a specified location during normal business hours. The Secretary may prescribe additional guidelines concerning the form and content of such information.

MEMORANDUM FOR

JIM CANNON

FROM

PAUL MYER

SUBJECT:

Fact Sheet -- Public  
Works Veto Message

Attached is page 7 of the above fact sheet. It is a disaster as far as General Revenue Sharing is concerned. These are the very arguments which are being used by the critics of the program. I am at a loss to explain how we could use arguments like this, particularly when the President has personally been defending the program.

There are many good reasons why countercyclical is bad. Using those noted in the Fact Sheet indicates a degree of substantive and political insensitivity which I find intolerable and damaging to the President.

P. S. Also on page 8, the figure of \$11 million is used for administration of the GRS program. The direct amount is \$3 million. The larger figure includes items from IRS, Commerce and God knows where else. From an accountant's view, it's likely proper to use it -- but not when the President has and is claiming the virtues of the program's efficiency by citing the \$3 million figure.



to will allow those governments to avoid economy measures, and then to further expand their programs as their tax revenue increases with the resurgence of the economy. They would be led to expect still more Federal assistance the next time they are in financial difficulty.

more

THE WHITE HOUSE  
WASHINGTON  
February 18, 1976

*Paul -*  
*PIA see*  
*me*  
*Re what*  
*WOP*  
*Paul Myer*  
*6/25*  
*not*  
*extended*

MEMORANDUM FOR  
FROM  
SUBJECT:

JIM CANNON  
PAUL MYER  
Weekly Report

In addition to the following developments regarding General Revenue Sharing renewal, I have been working with Max Friedersdorf on the Public Works/Countercyclical Aid Veto assisting on the block grant legislation and conducting briefings on the Congressional Budget Act procedures.



General Revenue Sharing Renewal

On Monday, February 23, the New Coalition will be meeting with the Senate and House Democratic Leadership to discuss General Revenue Sharing renewal legislation. Speaker Albert has called the meeting at the request of the New Coalition and a press conference is contemplated. Participating State and local government officials will urge prompt Congressional action in accordance with their previously adopted statement of principles.

House Subcommittee mark-up will not begin until late next week. Fountain is having scheduling problems with his Democratic colleagues. Public interest group representatives have been alerted to this problem and contact from both Washington and Congressional districts are being made.

We may have made a slight breakthrough with Barbara Jordan. Her Legislative Assistant has indicated that she is not thinking of advocating major modifications in the program. Her views on the civil rights and citizen participation issues parallel the concern which have already been voiced by the Republican Members. Treasury is reviewing some possible alternatives.

*you mean it's not 2/23?*

John Gunther of the U. S. Conference of Mayors has indicated that if the veto of the Public Works/Countercyclical Aid Bill is sustained, the big city Democratic Mayors will likely advocate a major restructuring of the revenue sharing formula. While the Conference itself may not modify its position, the Democratic Mayors Caucus (led by Henry Maier) would take the lead. While the National League of Cities, the National Association of Counties or National Governors' Conference would neither adopt a policy change or work for any such modifications, this development might fracture the Coalition along more partisan lines.

*Moines*

GRS

THE WHITE HOUSE

WASHINGTON

February 24, 1976

MEMORANDUM FOR: WARREN HENDRIKS  
FROM: JIM CANNON  
SUBJECT: General Revenue Sharing Renewal --  
Presidential Spokesmen

Recently the President directed the Domestic Council to increase Administration efforts to mobilize public support for renewal of the General Revenue Sharing program. In this regard, he asked that all Cabinet and other Administration officials be provided with a suggested speech text which could be inserted in their remarks on appropriate occasions.

The President's proposed legislation to renew the General Revenue Sharing program is one of his top domestic priorities. I hope you will encourage support for the President's proposal. Attached is the suggested text.

The figures for the State and local community in which they will be speaking, as well as additional information, can be provided by contacting Joe Adams at the Department of the Treasury (964-8286). Paul Myer would also be available to assist.

Attachment



SUGGESTED SPEECH INSERT  
GENERAL REVENUE SHARING RENEWAL

The renewal of the General Revenue Sharing program should be of vital concern to the citizens of this State and community. Since its enactment in 1972, over \$23.5 billion has been equitably and efficiently distributed to the 50 States and over 38,000 local communities throughout the Nation. To date the State of \_\_\_\_\_ has received \$ \_\_\_\_\_; the (name of city or county) , \$ \_\_\_\_\_.

General Revenue Sharing has been the keystone for a number of recent initiatives to reform Federal aid to States and localities, providing generalized, "no strings" Federal assistance, to enable our States and local governments to meet the mounting demand for services being placed upon them. Importantly, these funds are used as the local citizens determined necessary for a wide range of essential public services -- for health, education, public safety, social services, recreation, transportation and many other purposes.

However, the continuation of this highly successful and effective program is jeopardized by Congressional delay and inaction. Further delay or the reduction and possible termination of General Revenue Sharing payments would have a severe impact on your State and community.

Compelling evidence provided by governors and local government officials indicates that failure to extend revenue sharing would force further cutbacks in essential services, increase unemployment, or require increased taxes. The fact that Congress failed to act last year has already caused serious fiscal problems for many State and local governments, and the situation will become more acute as time passes.

Last April President Ford called for the immediate enactment of his proposed legislation to extend this vital program for an additional five and three-quarter years. Again, in his State of the Union Address, he urged Congress to act favorably and quickly to extend this program. Under President Ford's proposed legislation, your State would receive approximately \$ \_\_\_\_\_ from January 1977 through September 1982. The City (or County) of \_\_\_\_\_ would receive approximately \$ \_\_\_\_\_ during the same period.

The General Revenue Sharing program has helped to increase the responsiveness of the States and local governments. The funds which have been efficiently provided to your State and local community with a minimum of bureaucratic red tape have been used wisely to meet local needs. The extension of this program should no longer be delayed, and I believe General Revenue Sharing deserves your attention and support.

\* \* \* \*

GRS

February 26, 1976

MEMORANDUM FOR

DICK THOMPSON  
Minority Staff Director  
Subcommittee on Inter-  
governmental Relations  
and Human Resources

FROM

PAUL MYER

SUBJECT:

Administrative Costs --  
GRS Program

You may recall that a recent OMB fact sheet on the Public Works/Countercyclical Aid Bill included a figure of \$11 million for the costs of administering the General Revenue Sharing program. As you know, the direct cost is roughly \$ 3 million per annum. The \$11 million figure includes a number of indirect costs. The attached memorandum from ORS may be useful to you in explaining this discrepancy to Members who might raise this issue.

Attachment

X cc: Jim Cannon





OFFICE OF THE SECRETARY OF THE TREASURY



OFFICE OF REVENUE SHARING  
2401 E STREET, N.W.  
COLUMBIA PLAZA HIGHRISE  
WASHINGTON, D.C. 20226

February 25, 1976

MEMORANDUM TO: Paul Myer  
White House

FROM: Jeanna D. Tully *JT*  
Director-Designate  
Office of Revenue Sharing

SUBJECT: Costs of Administering Revenue Sharing

As you requested, we have informally determined the major cost elements used by OMB in developing the estimate of approximately \$11 million in FY 1976 as the cost of the revenue sharing program. The cost of administering the program nation-wide by the Office of Revenue Sharing, is as you know, \$3.027 million.

During Fiscal Year 1976, the Internal Revenue Service is collecting, coding and processing a place of residence item which is included on the tax year 1975 Forms 1040 and 1040A. The same information was collected by IRS for tax year 1972. It probably will not be collected again by IRS. The cost of the IRS for coding and processing this place of residence data was included in a supplemental budget request of the Commerce Department which was approved early in January of 1976. The total amount provided to Commerce for reimbursement to the Internal Revenue Service is approximately \$4.9 million. The data collected by IRS, after further processing by the Bureau of the Census in the Commerce Department, will be used to develop new population and per capita income estimates for the United States for use by all Federal agencies and the private sector. The collection of the data by IRS was authorized in the General Revenue Sharing Act in 1972.



The Commerce Department budget also includes, in the Bureau of the Census component, approximately \$3.2 million for 1976 which the Bureau of the Census justifies on the basis of the annual collection of adjusted taxes and inter-governmental transfer data from state and local governments, and also the work needed to make periodic updates of the estimates of population and per capita income for each place in the United States. This data is used by the Office of Revenue Sharing as well as by other agencies and the private sector.

By adding these Commerce Department costs and IRS costs to the cost of administering the revenue sharing program the total of approximately \$11.1 million can be developed for Fiscal Year 1976.

Priority  
PRECEDENCE

Unclass  
CLASSIFICATION

FOR COMMCENTER USE ONLY

VICE PRESIDENT

DEX 003

FROM: Jim Cannon  
TO: The Vice President  
(New York)

DAC \_\_\_\_\_

GPS \_\_\_\_\_

LDX \_\_\_\_\_

PAGES 3

TTY \_\_\_\_\_

CITE \_\_\_\_\_

INFO: SUBJECT: Revenue Sharing

DTG: 2819006

Here is a status report on revenue sharing.

As I indicated yesterday, the Democrats on Chairman Fountain's Subcommittee are talking.

RELEASED BY: DN

TOR: 2819156

SPECIAL INSTRUCTIONS:

report on Monday afternoon--to bring you up to date when we get together Tuesday morning at 11.

Dex #

914-332-0779

WHITE HOUSE  
COMMUNICATIONS ROOM

1976 FEB 28 PM 2:31



1976 FEB 28 18 51

THE WHITE HOUSE  
WASHINGTON

DEX TO THE  
VICE PRESIDENT

February 28, 1976

MEMORANDUM FOR THE VICE PRESIDENT

FROM:

JIM CANNON

SUBJECT:

Revenue Sharing

Here is a status report on revenue sharing.

As I indicated yesterday, the Democrats on Chairman Fountain's Subcommittee are talking but not acting.

I will make this available to Jack Veneman, and get a further report on Monday afternoon--to bring you up to date when we get together Tuesday morning at 11.

## THE WHITE HOUSE

INFORMATION

WASHINGTON

February 28, 1976

MEMORANDUM FOR: JAMES M. CANNON  
FROM: PAUL MYER  
SUBJECT: General Revenue Sharing--House  
Legislative Status

On Thursday, February 26, Democratic members of the House Subcommittee held a private caucus to discuss legislation to renew the General Revenue Sharing program. Committee Chairman Brooks also attended and played an active role in the meeting. The purpose of this session was to determine the interest and concerns of the majority and develop a course of action. It is their intention to seek a consensus on the content of a renewal bill. No date for formal, public mark-up meetings has been scheduled, and no such announcement is anticipated until the Democrats have concluded their private deliberations. Officially, Subcommittee Chairman Fountain noted that "substantial progress" is being made and that the Democrats will meet again on Monday, March 2, to continue their discussion.

Based on available information about the meeting, the following facts are known:

1. The Democrats are committed to reporting a bill by May 15; however, they want it to be a "Congressional" bill as opposed to the President's proposal.
2. Chairman Brooks wants the Subcommittee to draft a bill which recognizes his personal views and would enjoy his support.
3. The major issues they are seeking to resolve reflect opposition to key points in the President's proposal: length of program authorization; amount of funds to be made available and the manner in which such appropriations are made; modification of the existing formula in order to allocate more funds to jurisdictions of greater "need"; possible inclusion of a "countercyclical aid" provision; and stronger civil rights enforcement and citizen participation requirements.



Personal discussions with all members prior to and after this meeting, as well as the observations of others, indicate that the Democrats are under great pressure to move, but are uncertain as to how they can accommodate the competing and diversified demands now associated with this issue. According to one source, the Democrats are clearly "frightened" by the prospects confronting them. Strong Committee leadership is lacking, and staff support is weak. Few of these Democrats have any experience in dealing with legislation involving such political or substantial issues. Importantly, there is little confidence that whatever they do would be acceptable to a majority of their colleagues in the House.

I will have an additional report for you following the Democrats' Monday caucus.

