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THE PRESIDENT HAS SEEN. *dy.*

DR

Mayer Daly asked  
about the attached

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Dick  
MR-9

THE WHITE HOUSE

WASHINGTON

February 19, 1975

MEMORANDUM FOR: JERRY JONES  
VIA: JIM CAVANAUGH   
FROM: JIM FALK 

As you requested the following is a description of the pending litigation between the Department of the Treasury and the City of Chicago, which has resulted in the withholding of a General Revenue Sharing payment to the City.

Background

Based on a finding that the City of Chicago has been discriminating in its police employment practices, a Federal District Court in the District of Columbia has ordered the Treasury Department to hold up the Federal Revenue Sharing quarterly payment originally scheduled for January 3 to the City of Chicago. The amount at stake is \$19.2 million.

Present Status

Two separate actions were filed in two separate Federal courts. The first action was filed in the U.S. District Court in Chicago and a subsequent action in the U.S. District Court in Washington, D.C. The Federal judge in D.C. entered a temporary restraining order requiring Treasury to hold up the payment. The D.C. Court has now transferred the entire case to the Illinois Court and the actions are now consolidated. Depositions have been taken of Graham Watt, Director of the Office of Revenue Sharing, whose position was that Treasury was without the power to withhold funds without a due process hearing and a finding of discrimination.

It is important to note that the office of Revenue Sharing did not administratively decide to withhold payment, but rather was ordered by the U.S. District Court to do so.

The litigation is getting more complex all the time and no prediction can be made with respect to either its ultimate resolution or the timing of such resolution.