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EMBARGOED FOR RELEASE UNTIL 2:00 P.M. EDT

APRIL 25, 1975

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

PRESS CONFERENCE
OF
EDWARD SCHMULTS
UNDER SECRETARY OF TREASURY
AND
GRAHAM WATT
DIRECTOR OF THE
OFFICE OF REVENUE SHARING

THE BRIEFING ROOM

10:32 A.M. EDT

MR. GREENER: As Ron mentioned yesterday, the President will be transmitting to Congress at 2:00 today proposed legislation, which will extend and improve the General Revenue Sharing Act of 1972.

You should have by now the President's message to Congress, a fact sheet, letters of transmittal to the House and Senate, and a Treasury booklet containing Q's and A's. Also, there should be a section-by-section analysis, and I think we are running short of those. They are in the bins now.

We have here this morning to summarize the legislation and answer your questions Mr. Edward Schmults, Under Secretary of the Treasury Department, and Mr. Graham Watt, Director of the Office of Revenue Sharing.

I would like to remind all of you again that since the President will be making his remarks at 2:00 on this legislation to the State legislators, and since the legislation will not be transmitted to the Hill until that time, all material for the briefing is embargoed until 2:00.

MR. SCHMULTS: As Bill indicated, to my right is Graham Watt, the Director of the Office of Revenue Sharing, who has done such a first-rate job in administering the program for the first years of its operation.

The present revenue sharing program is probably the most thoroughly studied Federal assistance program in history. The formula under which it operates, and the manner in which the program has been administered have been carefully scrutinized by various Congressional committees, by the Comptroller General, and by a wide variety of privately funded and Government supported independent studies.

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Many of these assessments were reviewed by an interagency task force, of which I was a part, and which made recommendations to the President about the future of revenue sharing.

Today, as Bill Greener indicated, the President is transmitting to the Congress a revenue sharing program under the following very broad outlines, which I will indicate now, and they are indicated also in the material that you have there.

First of all, the program would be continued for five-3/4 years. The odd fraction is to take into account the transition to the new Federal fiscal year. This will mean that the program will be extended to September 1982.

There would be a requirement that the Executive present new proposals to the Congress about the future of the program two years prior to its 1982 expiration so that in the light of further experience and future priorities, a well-reasoned decision could be made about the continuation of the program after 1982.

Such a review would also give State and local recipients advance notice of Congress' intentions.

The President proposes to continue the $150 million annual stair-step increases in the funding levels. The $150 million increase for the last six months, under the present plan, will be spread over the first full 12 months of the new program. The increase will provide some adjustment for inflation without contributing excessively to Federal costs.

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The present 3-factor, 5-factor formulas for interstate and intrastate distribution are to be retained in view of the fact they represent a carefully arrived at balancing of interest.

The President has also concluded that the present one-third and two-third split of shared revenues between State and local governments should continue in that it represents a reasonable and easily applied standard.

The present 145 percent maximum restraint is to be raised to 175 percent in five steps. This constraint says no jurisdiction can receive a payment on a per capita basis which is greater than the 145 percent of the average per capita payments going to other jurisdictions within its State.

By relaxing this restraint, some jurisdictions with a very low income, high tax effort, or both, will receive a higher level of funding.

The President has decided that the 20 percent minimum per capita restraint should be retained in its present form. The amount of money that would be freed by lowering or eliminating this constraint, as some have suggested, would be about $47 million a year. This is a relatively small amount.

Eliminating the constraint would remove almost 1,400 local governments from the program and we think this would be undesirable.

The strong anti-discrimination requirements and the existing compliance powers of the Secretary of the Treasury are to be retained. In addition, the Secretary will be expressly authorized in the statute, itself, to withhold all funds or that part of the funding used in a discriminatory program or activity.

He will be authorized to require repayment of funds that are used in a discriminatory manner, and he will be authorized to terminate eligibility for further payments.

The President has decided that the priority expenditure requirements and the prohibition against the use of general revenue sharing funds to obtain Federal matching grants should be continued in their present form. These restrictions were added by the Congress to the current law and have not proved to be unduly burdensome to local governments.

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With respect to the planned and actual use reports -- these are short-form reports on one page of paper that governments have to file with the Office of Revenue Sharing -- the Secretary of the Treasury is to be granted full discretion to determine the form, content and the manner of publication of these reports so that he will be able to tailor the reporting and publicity requirement to the type and size of jurisdiction.

As a consequence, we feel these reports would be more useful to local citizens and the Federal Government.

Finally, in the area of public participation, the President is proposing that recipient governments be required to give assurance that the process by which expenditure of general revenue sharing funds is determined includes a public hearing or other means by which residents can participate in the decision.

There are other improvements proposed, the details of which are noted in the materials which are being distributed today.

Graham Watt and I will be happy to answer any questions you might have on the program at this time.

Q Mr. Schmults, on the new civil rights requirements, or authority, that you hope to write into this, does that mean that the office now will take a more aggressive stance on civil rights compliance and also, will you seek additional staff to help on this?

MR. SCHMULTS: Well, as to the latter point, we have been seeking additional staff. In fiscal 1975, we asked Congress for 26 new positions and we got five. We are going back to them in fiscal 1976 and ask for 21 more positions, or those we didn't get in the compliance area, so we are asking for more staff.

As to whether it is going to mean a more aggressive civil rights stance, I think the point of the President's proposal is that it does clarify the powers of the Secretary of the Treasury to administer the statutes so that no revenue sharing funds are used in a discriminatory manner.

We feel that the present administration of that provision of the law by the Office of Revenue Sharing has been the right way to go and we certainly intend to strengthen that wherever we can to make it more effective.

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Q Mr. Schmults, you have these powers in the present revenue sharing legislation, and a number of groups have made studies with which I am sure you are familiar, pointing out that you did not oversee the Federal revenue sharing dollar after it got into the hands of the city fathers.

You have a good mechanism for accounting procedures. You make sure no money is stolen. But you don't follow the money after it gets into the city's jurisdiction. What assurance can these people, as well as the general public, have that you are going to be more aggressive with your 26 more positions than you have been so far?

MR. SCHMULTS: I don't think that is entirely correct that we already have these powers. I think it may be unclear as to whether we have these powers. I think the statute is being strengthened by clearly specifying in the statute in the law exactly what the powers of the Secretary are. Second, there are powers to withhold funds. That is not clear in the law.

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Q You have the same powers those people have, those private groups that brought court groups successfully, an example of which is in Chicago. They used the law, the same law you would have had to use; they use the civil rights laws for that. That is just an example. I can't cite any other.

MR. SCHMULTS: With respect to the Chicago case, I think we need to amend our regulations to deal with what was a gap in the regulatory structure that we saw as a result of that case. We do follow funds; we do look at funds after they are in the hands of the jurisdictions.

Revenue-sharing is entered into a cooperative State auditing program with about 38 or 40 States now, I believe, so that the use of these funds is audited both on an accounting basis and from a civil rights basis. We have entered into agreements with HEW, with EEOC and other agencies. We are working out one with HUD now so this is a cooperative effort where we plan to use other resources in the Federal Government to help us in our civil rights efforts.

Q You missed the question. I hate to be argumentative about this. I was asking why you couldn't use the same resources, the same redress that private groups who brought successful revenue-sharing suits, why you couldn't use that law just as they did?

MR. SCHMULTS: I think the procedures that we will have in the new program will be more expeditious, indeed, than court procedures because this will authorize, or the Secretary of the Treasury can have an administrative hearing now before an administrative judge and determine whether or not there has been a civil rights violation. If there has been then we think the statute has been strengthened by clearly specifying in the law itself the powers he has to remedy the situation.

Obviously, our efforts here are not to penalize jurisdictions. We hope to achieve compliance so there is mediation and conciliation involved here and we hope to bring the jurisdictions into compliance so that we don't have to invoke these remedies. Where that can't be done we certainly will take appropriate steps.

Q Mr. Schmults, did I understand the implication of your answer to be that you could rely increasingly on administrative remedies to cases of discrimination rather than to wait for court determination before shutting off money?

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MR. SCHMULTS: There are a variety of remedies. One would be going the administrative law route, or administrative judge route. Another remedy would be to refer the matter as we can now to the Attorney General who presumably will bring a civil suit. Or two, we could respond or react to a civil suit brought by a private citizen similar to what has happened in the Chicago case. So there are a variety of remedies here and we would choose, if we can't effect compliance by our own process, to use that which seems best to us at the time.

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Q Mr. Schmults, there have been two recent developments in the civil rights area relating to revenue sharing; one, that the Comptroller General has said that he thought because of the fungibility of revenue sharing funds that all of the Government funds should be subject to the anti-discrimination provisions of the revenue sharing law as a contingency for receiving funds; secondly, the recent Humphrey-Muskie counterfiscal bill in saying the provisions allowing the citizens to sue, they have standing to sue in Federal court, if they found that the local government was discriminating with the use of Federal monies and that the Federal Government should pay the cost if the citizens are successful in a suit.

How would the Treasury Department react to those kinds of provisions if Congress wanted to put those in the revenue sharing law?

MR. SCHMULTS: Our position now is that we do not favor the GAO position on that, that we don't think the Congress intended that revenue sharing have these enforcement or compliance powers. It is rather clear in the law, we think that where revenue sharing funds go that we ought to be looking at those programs.

Now, it is true fungibility does raise a problem. Dollars are freely interchanged, but through our auditing efforts, through the reports that are filed, we certainly intend to police the civil rights sections of the law.

As to the latter point, it is our understanding, and we wouldn't favor that proposal either, it is our understanding that citizens can sue under the Civil Rights Act of 1964, so it isn't necessary to put that in the revenue sharing law.

Q Except in the case the Federal Government would pay the costs for those suits that are won by the citizens. It would give standing pertaining to public interest or law firms, I think, much greater incentive to sue.

MR. SCHMULTS: We reviewed that proposal, and we think the stance the President has taken in the renewal program is the one to take.

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Q I know you can't give a firm answer, but through the administrative route, or through reference to the Attorney General or civil suits brought by private citizens, how long would this process take, approximately, until it is resolved?

MR. SCHMULTS: It is very difficult to predict that. I suppose it would be anywhere from six months to over a year. You know, you are predicting who else intervenes and what the appeal process is. It is difficult to predict.

Q How is most of the $19 billion being spent so far? What are the priority projects for the State and local governments? A follow up. Are there any areas in which the money may not be used other than the matching fund provisions?

MR. SCHMULTS: At the State level, it can be spent for any purpose, really. Local governments can spend it for any purpose for capital needs.

There are so-called priority expenditures for the spending of revenue sharing funds for operating and maintenance expenses. These are very broad categories. They were put in the law by Congress and, as I indicated in my opening statement, they have not proved burdensome.

I think it is interesting to note at the State level 52 percent of the funds have been spent on education. This is a large amount. Over $6.4 billion have been distributed to States.

Other important categories are public transportation, health, general Government social services. At the local level, public safety leads the list with 36 percent, and then you drop down through the other priority expense categories.

Q A little slower please. Thirty-six percent for --

MR. SCHMULTS: -- at the local level was spent for public safety.

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Q What does education get at the local level?

MR. SCHMULTS: At the local level, for operating and maintenance expenses, that is not a priority expenditure cateegory. You will recall that many local governments in fact do not raise funds for school districts. They are supported at the State level by special purpose governments. That is the reason why that category of expenditure is eliminated from the priority list at the local level. But there is a significant amount of funds, of revenue-sharing funds spent for education because of the large amounts spent at the State level.

Q When they spend $1 of revenue-sharing funds for education, Mr. Schmults, are they relieved from the obligation of spending an equal dollar raised from their own taxes, local taxes?

MR. SCHMULTS: There is no maintenance of effort requirement, that is right.

Q Is that written into this new legislation?

MR. SCHMULTS: No, it is not. But States can't reduce the aid that they have given to local communities in the law. That is in the present law. But if you spend $1 in revenue-sharing funds for an expenditure category, it is true that at least a dollar in effect will be spent by local governments in some other category of use.

Q With the cities' and States' problems, are you saying or now telling them they now can get out of their money problems with this bill?

MR. SCHMULTS: First of all, I think it is important to note the President has met many times with the Governors, with the mayors and other local officials and they have all said revenue-sharing is their number one priority. Maybe Jim Falk can elaborate on that a minute.

I don't think I am standing here today for the President and saying the proposal to Congress is saying that revenue-sharing is going to solve all the needs of the cities and local governments. And you shouldn't expect it to solve all the needs. You should recognize that revenue-sharing is part of a general pattern of Federal aid programs and the niche it fills is a very important niche, we think, in allowing local governments to receive some money and spend it as they see fit for locally perceived needs as they see fit.

MORE

It also reaches an awful lot of governments who receive no other Federal aid--they don't have the ability to file applications for grants and other aid programs. So we think it is a very important part of the overall scheme of Federal aid to State and local governments.

Q You are saying cities and States are still going to be in money trouble?

MR. SCHMULTS: I am saying whatever problems they have revenue-sharing will be helpful but I am not saying it will solve all their problems, no. I certainly couldn't say that.

Jim, you might take a minute and talk about this.

Q The ESEA funds, sir, States are not allowed to appropriate less when they do get ESEA funds. Am I mistaken on that? They still have to maintain their level?

MR. SCHMULTS: Yes. They have to maintain their general aid level to the local communities.

Q And ESEA is on top an additional supplemental to that?

MR. SCHMULTS: In that sense, yes.

Q That is not the case in revenue-sharing; is that correct?

MR. SCHMULTS: They have to maintain the local level of aid they have given.

MR. WATT: The gentleman is correct. ESEA funds are in addition to their basic on-going program. Revenue-sharing, however, is better characterized as general support for State and local governments and is not targeted for specific purposes such as education or welfare.

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Q Mr. Schmults, in recommending that the present formula be basically retained, how do you answer the objections that it is discriminating in favor of the rural poorer States, which in some cases are getting twice as much per capita as some industrial States?

MR. SCHMULTS: I think the criticism you are referring to is that the revenue sharing formula may not adequately address the question of need. We think in many respects that is an unfair criticism, that the poorer States do receive more on the average than the richer States; that the highly urbanized areas of counties do receive more than the less urbanized counties.

Revenue sharing, to a very great extent, does address the question of need. I think we are taking a good step in that direction, though, by raising the maximum constraint percentages. That percentage, as I indicated, said some jurisdictions who would have normally received more under the basic formula cannot get it because under the present law they can't receive more than 145 percent on a per capita basis of the State average.

Now, by going to 175 percent, that constraint is substantially eliminated for most jurisdictions. We are phasing in this over a period of time so that other Governments will not lose money in the process. That happens not just as a result of phasing in the increase, but because of the $150 million annual stair-step increases.

Q Mr. Schmults, some Congressmen are talking about a permanent program of revenue sharing. How does the Administration feel about this?

MR. SCHMULTS: We took a look at that. There are a good number of people who would like to see the program made permanent. There are good reasons why it should be made permanent. The principal reason is it does provide some measure of certainty, to State and local governments -- they will know how much money they are going to get.

Of course, in a real sense, no program is permanent since a law can always be changed by Congress. In balancing the interest, we thought it would be desirable to go for 5-3/4 since it balances the needs of the State and local governments with some certainty with the need of Federal Government to take a look at the program every so often to see how well it is working and to make improvements.

We think by having it end in 5-3/4 or having it come up for renewal is really a better way of putting it, that it will be a discipline on the Executive and Congress to take a look at it and to make such improvements in the program as may be necessary.

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Q How do you answer the question of suburban government officials who say that the people in their township or whatever are paying the payroll tax in the city which entitles the central city to more revenue-sharing funds while the suburb doesn't get credit for what its citizens are paying in other jurisdictions and they claim that their needs are growing and crime, and all the rest, is spreading to the suburbs? How do you answer that?

MR. SCHMULTS: Graham, you might answer that.

MR. WATT: I think it is important to note in general revenue-sharing there is a strong element of fiscal equalization -- an attempt to put more funds where the needs are greater. By and large the consensus would be in the central cities there are greater needs that have to be met, and in many cases there are fewer resources available with which to meet them. The fact that in some locations suburban residents may be paying a city income tax or city payroll tax which reflects to the tax credit of the central city in the allocation formula I think is only a further reflection of that desirability on the part of the Congress and the Administration to have general revenue-sharing help to balance the fiscal system and to help balance needs and resources.

MR. GREENER: Thank you, gentlemen.

THE PRESS: Thank you.

END (AT 10:56 A.M. EDT)

FOR IMMEDIATE RELEASE JULY 10, 1975

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

REMARKS OF THE PRESIDENT
AT THE
BRIEFING ON
GENERAL REVENUE SHARING

THE EAST ROOM

2:07 P.M. EDT

Mr. Vice President, members of the Cabinet, distinguished guests, ladies and gentlemen:

It is wonderful to have you here in the White House. As I look around the room I see many, many mayors that have been so kind and hospitable and thoughtful to me in my various travels, and I thank you for it.

It is nice to have an opportunity to reciprocate not only with this meeting here this afternoon, but when you conclude your opportunities with the Cabinet and other members, I am looking forward to joining you for some refreshments in the State Dining Room. So after you have gone through your labors, why, we will see you a little later this afternoon.

I was trying to look at some notes I put together yesterday and I was going to say something yesterday based on what I read about what you had been doing, and then I read this morning and I thought I had to change my remarks. (Laughter)

So instead of using any notes, I will just respond extemporaneously with some of the things I know you are interested in.

First, I am deeply grateful that your organization in its deliberations yesterday made a decision to not relate your problems to the national defense needs and requirements of our country as a whole.

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I think there is enough money available for all of your essential programs to be adequately funded, and I think it is important for us to have your support in a completely strong, alert military organization because if we don't have that kind of strength for national security, many of the other things we try to do cannot be sustained.

I spent 14 years of my 25 years in the Congress working on the defense appropriation bill so I know a little bit about it. We had Secretaries of Defense come before that committee every year. We had all types of military personnel coming up to justify the budget, and we in those years provided an adequate military force to protect our national security.

We didn't give them too much. We gave them enough, and the net result was our security during a very difficult period was fully adequate for the defense of this country. And I can assure you that in the presentation of a military budget by this Administration, the Army, the Navy, the Air Force and the Marines will get everything they need and not one penny more.

But we do need that as insurance for the maintenance of peace and the winning of any conflict if we should be involved in one.

I think records ought to show that some seven or eight years ago out of our total expenditures for the Federal Government, the Defense Department received roughly 43 or 44 percent, and that many of our other programs, primarily in the programs to help people--and that is used in the broadest context--the percentage that came from the total expenditures of the Federal Government was roughly 32 or 33 percent.

Now we are spending a lot more money today and out of the total pie, the Defense Department gets about 30 percent and all of the other programs are now getting over 40 percent. So we not only have a bigger percentage going to the non-defense areas, but we have a bigger piece of pie from which to make money available. And we will continue to make sure that everything we can will be done in the areas in which you have a tremendous responsibility.

But at the same time, in dividing this Federal availability in the area of money, we have to have an adequate amount for our national security.

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I think if we do it right, and I think we will, the defense will be adequately funded, our people will be adequately supplied and you who have great responsibilities out through 50 States will likewise get everything we possibly can to help you.

Now let me talk about two programs which I know you have an interest in. First, general revenue sharing.

I can recall vividly 10 years ago when the idea was first seriously proposed. It moved very slowly. Many people had serious reservations and some good areas of reservations, but gradually it was realized that general revenue sharing was a way, and perhaps the best way to strengthen local communities and States so that more decision-making could be handled at the local and the State levels.

I happen to subscribe to that because all of you -- and literally hundreds around the country -- can make most of the basic decisions better at your level than we can in Washington.

General revenue sharing was one way in which the Federal Government could make it easier for you to do this, and so I think it was 1972 that finally, after a tremendous effort by many people--individuals from your organization, Governors under the leadership of the now Vice President, Members of Congress, members of the White House staff--we finally put together a finely tuned general revenue sharing program that has been in effect now so that about $17 billion has been made available to State and local communities out of the anticipated five-year program of roughly $30 billion.

Now I know a little bit about the negotiations that went into getting counties, getting States, getting cities to work together on a formula. And the three parts of that formula, as I recollect, are number of people, need and tax effort.

I don't think that we want to go through that long negotiation again.

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Let me tell you why. There are still in the Congress many Members who were opposed and are opposed to general revenue sharing. If we tinker with the formula or if we try to undermine it in any other way, it would be my fear -- and it should be yours -- that the whole program would not be extended.

That serious possibility, in my judgment, should encourage us to work together to extend what we have.

I recommended a five-year extension of the program last April. It is basically the proposal that is on the statute books today. I added a little annual increment so that there could be an increase each year to take into account the cost of living increases that we are experiencing.

I think it ends up after the five-year period, Jim, of about -- it is $39 billion in this five-year period instead of the $30 billion in the first five years.

So, I think on dollars we can justify it. The formula is about as equitable as you can make it. More importantly, if we work together, we can get it enacted. If we fool around, in my judgment you face the possibility that it will either not be extended on the one hand or it could be confused such that you wouldn't like it.

So, there is an old addage. A bird in the hand is worth two in the bush, and I just think, and I bet Coleman Young there thinks so, too.

Let me talk about the new highway bill that I submitted a week or so ago. I probably had the reputation of being the most dedicated to the Highway Trust Fund as any Member of the Congress, and I think it did a great job over a period of some 20 years.

We have substantially built a 42,500 mile interstate highway system. Eighty-six percent of it is completed.

We have been collecting 4 cents a gallon in Federal gasoline excise tax. We have had some other Federal excise taxes go into the Trust Fund, but we are coming to the point where it can and will be completed, but it doesn't need as much funding today as it did before.

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So, I have recommended out of the 4 cents, 1 cent continue to go in to fully fund and complete the interstate highway system; 2 of the 4 cents be turned over to the general fund, and 1 cent out of the 4 cents go back to the States as soon as the respective States enact a 1 cent increase in their gasoline tax.

We keep it until they take it. If they do it under formula in your respective State, I think you will be the beneficiary, so help us out.

What else does the program recommend? Under the existing highway law, there are some 30 categorical grant programs. There has been a tendency in recent years to multiply them, not to make them less, and the net result is that Governors tell me that there is so much inflexibility they can't adequately and expeditiously go ahead with their roadbuilding program.

What we have done is to recommend that those 30 categorical grant programs be reduced to four: The interstate highway program being one, an urban program being another, a rural program a third and the safety program a fourth.

When you take that program and combine it with the mass transit bill that we got through with the help of a lot of the mayors here last year, the $11 billion mass transit bill that was put through in the last days of the last session, if you take the urban highway program and the mass transit program, there is sufficient money and adequate flexibility for the major metropolitan areas if they desire -- that is your option -- to proceed with the development and the expansion of a mass transit system in our major metropolitan areas.

I hope that you can help us. I believe that it is good for the country, the new highway program. I believe that it will be immensely beneficial to you and the people that you so adequately and effectively represent.

So, as you talk to your Members in the House, as well as in the Senate, do a sales job. I think you will be better off with our program, and so will your constituents, than for an extension of the existing Highway Trust Fund in its present concept.

There are other things that you will hear about from members of my Administration. There are other things where you can ask some questions.

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I am an optimist about where this country is going in the future. We have gone through a rough time the last few months, and we are not totally out of the woods at the present time. But every indicator I see is turning up, or it looks like it is not as bad as it was a couple of months ago.

So, when you put them all together, it adds up to the fact that America is going to start bounding upward.

Our economy is going to improve. Job opportunities will be enhanced. Your financial affairs inevitably will improve, and I hope ours will, too. The net result is because of our faith in this Government, because of the kind of Government we have, America has bright days ahead.

All of us, regardless of political affiliation, can be the beneficiaries.

I have two final responsibilities before the good opportunity to get together with you later. One is to congratulate Moon Landrieu on his election, and secondly, to introduce to you, for some observations and comments, the Vice President of the United States, Nelson Rockefeller.

Thank you very much.

END (AT 2:23 P.M. EDT)

Revenue Sharing

FOR IMMEDIATE RELEASE JULY 10, 1975

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

PRESS CONFERENCE
OF
WILLIAM E. SIMON
SECRETARY OF THE TREASURY
MOON LANDRIEU
MAYOR OF THE
CITY OF NEW ORLEANS
AND
RALPH PERK
MAYOR OF THE
CITY OF CLEVELAND

THE BRIEFING ROOM

4:10 P.M. EDT

MR. NESSEN: I think you know basically how the meeting of the mayors went. The President and Vice President spoke first. You had an opportunity to see that and film that.

Then there was a working session with Treasury Secretary Simon presiding, and so Bill Simon is here; also, Mayor Moon Landrieu, of New Orleans, who is the President of the U.S. Conference of Mayors; and Mayor Ralph Perk, of Cleveland, who is the head of the new organization of Republican Mayors. They will talk to you a little bit about their meeting and answer your questions.

SECRETARY SIMON: Thank you, Ron.

We met for two hours upstairs, with roughly the first hour spent with the President, the Vice President, and my brief remarks -- and my remarks will be passed out in a minute, and we will respond to any questions.

Then, we spent the second hour -- and it is still going on upstairs -- with give and take with all of the participants in the meeting.

I would say that the major focus was on two subjects: one, general revenue sharing and its possible extensions, which we favor very strongly, and how it can be done.

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We discussed changes in the formula, potential changes in the formulas to make it perhaps more equitable, and the countercyclical proposal that has been under discussion many times. We agreed to take another look at the countercyclical proposal which we will do in a very brief period of time.

I would like to call on the mayors to make a very brief comment on the session we had, and then we will open it up for any questions you might have, which the three of us will be glad to answer.

Mayor Landrieu.

MR. LANDRIEU: Thank you, Mr. Secretary.

We are grateful to the President and the Council for bringing this meeting together. We are going to make an all-out effort, and that is what it is going to take to re-enact general revenue sharing.

There has been much discussion over the past several years about its effectiveness from students of Government who have examined it from every angle. Insofar as we are concerned, and I think insofar as most of the reports are concerned, general revenue sharing has been a smashing success.

There have been those who could find a fault here or a fault there, or who could suggest in their own judgments a formula which might do what they individually might prefer to have done. But by and large, in our judgment, it is the best program that the Federal Government has enacted in the last 25 years, if not more. It has certainly done everything that we had hoped that it would do, and we very strongly support its re-enactment.

We have very strong allies in the Governors Conference, in the county officials, and certainly with the leadership of the Administration we expect to be successful in that.

We are also grateful that the Administration gave us the opportunity to express our views with respect to the anti-recession legislation which we have been fostering.

Despite the fact that general revenue sharing has been tremendously helpful to all units of Government across this country, there are a number of units of local governments that are very severely impacted by the recession.

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That does not appear to be a permanent situation but many local governments are finding it extremely difficult to maintain the basic level of police, fire and sanitation services that are essential, if those cities are not to rapidly deteriorate.

Secretary Simon indicated they will review their position on that matter, as he stated quite appropriately for himself, that we are not wed to any particular kind of formula, or a particular amount, though we have suggested that an area of $2 billion is an appropriate formula that would put that money where it is needed on those most heavily impacted cities. That would be certainly extraordinarily beneficial to this country.

So we leave today on a very positive note; that is, one of total cooperation in terms of the general revenue sharing, and hopefully coming together on some immediate assistance for those heavily impacted areas.

MR. PERK: The one conclusion we all came out with is nearly every mayor in the country, whether he be Republican, Democrat or independent, is solidly behind President Ford's proposal for re-enactment of revenue sharing. This appears to be the number one priority in the minds of all the mayors throughout the country and particularly those represented today at the White House.

I believe that all of us gave President Ford a very enthusiastic welcome and a standing ovation, and all of you witnessed that, because when he talked about revenue sharing he was talking about the very heart of the cities, the very heart of the need of the cities, but more important than the money that goes with that is the fact that we are reestablishing and continuing this important principle of returning Government back to the people through revenue sharing, allowing the people at the local level, the elected officials at the local level to determine the priorities that are best needed for their communities, and then let those elected officials be responsible to the people locally for the decisions that they make.

Now with respect to the countercyclical bill, the one discussion that I think came out of that which is extremely important is the fact that the Administration agreed -- and I say the Administration because both Mr. Simon and Jim Lynn said they would be willing to look at some kind of a bill that might be of a compromise nature.

MORE

This Administration in the White House has proven itself not to be inflexible. This Administration has proven itself to be willing to work with those on the Hill, with the mayors, also, with the Governors, the county officials, and because it is not inflexible we believe that perhaps a countercyclical bill with a different triggering percentage -- you see, at the moment, as I understand the bill, it has a triggering of some 6.5 percent unemployment figure, to trigger the assistance.

Perhaps at 10 percent it might not be so inflationary insofar as the Federal budget is concerned. And yet, the cities with the greatest need would be getting some assistance.

And there are cities where unemployment is beyond the 10 percent level or above the 10 percent level, and that would need that kind of assistance. I think we have got to sit down with the Congressional leaders, and with Congress, and work out -- and with the President and the White House -- and work out some kind of a compromise there.

But the important thing that all of us have on our minds is that, number one, the Congress should be passing revenue sharing and passing it immediately. And then we can go on to the other issues to see where there is greater need beyond what revenue sharing will provide for the cities.

Q May I ask whether, Secretary Simon, when you agreed to review this request for $2 billion or so, were you speaking for the President? Because a few days ago we got the view here from the White House that the President was not amenable to any additions.

SECRETARY SIMON: That is correct. We wrote a letter to the chairman of the committee that proposed that -- the name escapes me now, I can give it to you because I have it in a folder -- with our arguments against the countercyclical proposal as it had been presented to us, grants to State and local governments tied to unemployment levels would interfere primarily with the national fiscal policy, the facts of the unemployment, State and local economic conditions, considering them jointly.

Also, it would obviously increase the needed borrowing on the part of the Federal Government. It is only $2 billion, some people say.

MORE

This was pointed out upstairs, as Everett Dirksen used to say, a billion here, a billion there, and pretty soon we are talking about real money. That is where we are. We are already facing a staggering deficit. We have to make sure the monies we spend are not going to be counterproductive.

Q What have the mayors said?

SECRETARY SIMON: I said Jim Lynn and myself have said we will take another look at that. I am sure we will be testifying on this proposal in a very short period of time so we will go to work and take another look at the proposal.

Q It sounds as though you will take another look and say no, judging by what you said.

SECRETARY SIMON: I wouldn't pre-judge any suggestions to the original proposal. That isn't to say there couldn't be a proposal that would be acceptable to us. I don't wish to encourage that notion. I don't want to say pro or con or pre-judge the outcome of the study.

Q The mayors are encouraged. Are they wrong to be encouraged?

SECRETARY SIMON: The mayors are encouraged because we said that we would take another look at it and rely on the discussion here in the Executive Branch. They know full well, as Mayor Perk said, we have exercised flexibility in the past.

As I said, I wouldn't want to pre-judge what might be acceptable or whether the notion is acceptable or not.

MR. PERK: All of us are so anxious to have revenue sharing passed immediately so we can then debate the other questions.

We would like to give our message to Congress. The message should be to pass revenue sharing tomorrow, if it is possible.

All the mayors there were asking, how do we contact the committee chairman? How do we contact the various influential Members of Congress so we can ask them to pass revenue sharing immediately? Then we can go on with these other issues. That is important.

MORE

Countercyclical is important to continue to discuss and to find a common ground because there are some cities with a very low level of unemployment, but there are other cities with a very high level.

Q Do you have reason to believe Congress is not going to pass it?

MR. PERK: We have at the U.S. Conference of Mayors -- the executive director told us by his count about a week ago or two weeks ago we were short about 50 votes in the House. We believe we need some very strong lobbying efforts on the part of the mayors, the county officials and the Governors.

And we have the strongest coalition -- and I like to refer to this as the Ford coalition because in this particular case, the Ford Administration in trying to hold together the Governors, the county officials and the city officials, the mayors as a coalition for the rapid re-enactment of revenue sharing is very important to the cities. Unless it is passed very quickly, we as mayors will not be able to determine how to handle our budgets for 1976.

MORE

Q Mayor Landrieu, is it the position of the U.S. Conference of Mayors that first Congress should extend revenue sharing and then consider anti-recession aid to the cities?

MR. LANDRIEU: Our position has been that we need three things now.

First of all, the first priority has always been the re-enactment of general revenue sharing. The question of timing on that is important to us because many cities are now going into their budgetary process and it is impossible under many city charters to budget money that is not legally appropriated.

So, it makes it extraordinarily difficult and counterproductive, really, for Congress to delay in re-enacting revenue sharing.

Simultaneous with that, we have asked for and have lobbied for, and will continue to do so, a counter-recession piece of legislation that somehow or another comes to the aid of those cities that are on the verge of bankruptcy as a result of this recession. We have also asked for a public works bill.

Q Which is your priority?

MR. LANDRIEU: It is difficult to talk in terms of priority unless you listen carefully to what I say about the timing. General revenue sharing is the number one priority of the U.S. Conference of Mayors, has been and will continue to be.

But simultaneous with that -- and that does not expire for another year -- is the immediate passage of a countercyclical bill. We are not talking about a counter-cyclical bill that puts money in all cities across this country. We are only talking about one that would help very significantly those that are on the verge of severe financial crisis or in severe financial crisis.

Of course, you have read of any number of those that are in that position.

Q Would a 10 percent unemployment trigger be acceptable to the conference?

MR. LANDRIEU: I can't respond to that, and I wouldn't expect the Administration to respond to that at this point, either. We came with a feeling that up to this point we had had a no and, of course, we are happy over the fact that we have now gotten at least a look-see, if not at that particular proposal that has been made, at one that is similar to it, if on a different formula and on a reduced basis.

MORE

The Administration certainly expressed its concern and as I know it had to be concerned and the President has been sensitive to the plights of some of those cities, that are on the verge of bankruptcy.

Q When the bill has a $2 million figure in it and the Secretary has spoken of a compromise, how little money will this cost?

MR. LANDRIEU: We have not discussed the question of a compromise.

Q He did. I think the Secretary did just now.

MR. LANDRIEU: We made a suggestion that the Administration re-evaluate -- Mayor Perk was one of our spokesmen in this regard -- its position on the countercyclical legislation.

There is a definite proposal there. The Administration did not lead us to believe that they would immediately reverse themselves and support that legislation. They did indicate that they understood the problem, were concerned about it and would review their position and perhaps could see their way clear to some kind of a bill with a different triggering mechanism.

I don't take that, and I don't think any mayor did, as a reversal of the Administration's position or as support of a countercyclical bill. We also expressed to the Administration, at least I might say I did, that we felt so strongly about the countercyclical bill that we would go it alone if we had to, although we understood the pitfalls in that and how difficult it would be. We had no choice.

Q If you had about a $2 billion and a 10 percent figure, roughly how many cities could you reach?

MR. LANDRIEU: I couldn't begin to tell you that. It would be a distribution factor. Until you computerize it and quantify all of those elements, no human being could tell you what it would look like.

MR. PERK: I might mention that question by saying I mentioned 10 percent, Mayor Coleman Young said 15 percent would satisfy him because he has 22 percent unemployment.

Q What I am getting at, is this aid something that would help cities in really dire straits like New York, Detroit, or is it something that would be spread over 50 or 60?

MORE

MR. PERK: It was made rather clear to us at the White House Conference of Mayors that the unemployment is spread pretty evenly across the country today. A year ago the unemployment was in various pockets of the country, such as the larger cities, but now it is spread kind of evenly across the country, so I would imagine, regardless of where you set the figure, if it can be a compromise, those in need will be receiving some additional funding.

I would like to see something like 10 percent. That was only a suggestion. I don't know how much money that would involve because we weren't talking about reducing the amount of money in the actual bill. We were talking about changing the language and perhaps changing the triggering mechanism.

That was not agreed upon by anyone. It wasn't opposed by anyone. It was merely a discussion.

MR. LANDRIEU: I am speaking for a group of mayors. I wouldn't want it to be assumed that we have altered our position in support of a $2 billion bill triggered at 6 percent. We haven't, nor have we spoken other than just generally about the need for that kind of bill, about any kind of compromise.

All we have asked the Administration to do is to re-evaluate its position.

SECRETARY SIMON: I would like to comment on both subjects very briefly, relative to a question, Helen, I believe you asked, about is revenue sharing in danger of being enacted in the Congress.

Yes, we are going to have problems enacting revenue sharing in the Congress. I don't think that that is a very surprising thing. It is not a surprise. It is well known to you the philosophy of this Administration that we desire to reduce the role of the Federal Government and the turning of the decision-making, as Mayor Perk said, back to the State and local Governments.

We consider revenue sharing as a critical priority in this Administration, that the State and local Governments have a better ability to understand their own priorities than the Federal bureaucracy does.

They can do it more efficiently, cheaper and it is the direction this country should go.

Is this really the way many Congressmen feel? Perhaps not.

MORE

Q They are down on their knees now and they have had revenue sharing and they are asking for $2 billion more and you are turning them down.

SECRETARY SIMON: We are talking about revenue sharing, which is an ongoing extension of a five and three-quarter program which doesn't expire for another two years. The notion Congress would be giving $39 billion out in one block, in voting the extension on revenue sharing vis-a-vis the usual way they give money out, or $500 million here, a billion there, for sewers, they seem to pick up more chits for that type spending.

Obviously, it is going to be more difficult, but we intend to work with the mayors and with the Governors, and State and local Governments in getting an enactment of that program.

Countercyclical has an additional problem I didn't mention. We are concerned about the Congressional support for revenue sharing being watered down if we go for the countercyclical proposal. They might change revenue sharing, reduce the amount, or just not extend it, saying we have done this for State and local Government.

Look what we are doing for State and local Governments now. Almost $60 billion is going to the State and local Governments this year directly. That includes the money for revenue sharing as well.

MORE

Q What response did you get to your public works request?

MR. LANDRIEU: That was just mentioned, and I must say it was not discussed in any detail at all.

Q How will this affect the taxpayers, Mr. Secretary, the citizens back in the cities?

SECRETARY SIMON: How will what affect the taxpayers?

Q The revenue sharing that you propose for the 1976 budget?

SECRETARY SIMON: Revenue sharing is already in the budget.

Q Then in 1977?

SECRETARY SIMON: The present revenue sharing program doesn't expire until 1978.

Q Then 1978 -- how will it affect the taxpayer?

SECRETARY SIMON: It would affect them. A great percentage of the revenue sharing payments have gone out to reduce taxes in the State or local governments, or to avoid an increase in taxes that would be inevitable if revenue sharing were not in existence.

Q How many cities now have unemployment rates of 6.5 percent or above, and what are the rates in Cleveland and New Orleans?

SECRETARY SIMON: I don't know the number, frankly, of how many cities ---

Q Do any of the mayors know how many cities?

MR. PERK: I would imagine a great number of the cities have unemployment rates beyond 6.5 percent. The Cleveland rate at the moment is about 11.7 or 11.8 percent. Detroit has a 22 percent unemployment rate. Most of the mayors who stood up said that they had 12 to 15 to 17 percent unemployment in their areas.

Now those were the mayors getting up to talk because they would be affected by the countercyclical bill.

MORE

It would appear to me that if the national average -- and I don't have these figures -- but if the national average is nine percent, it would be rather foolhardy on the part of Congress to pass a counter-cyclical bill that would trigger at 6.5 percent. It would certainly be inflationary.

All of the mayors who understand the economy know that we don't want the Federal Government going into a tremendous deficit because, when they go on the money market, that deficit takes up all the money on the money market and our interest rates go up. The building trades begin to go down. There is no new money for new tools of production, and inflation takes place and recession results from there.

So we understand the danger of a tremendous Federal deficit. We would like to work with the Administration in providing money for the cities wherever needed but work in such a way that it won't cause inflation, that won't cause a tremendous deficit which will affect us to the point where we will have unemployment.

Q Mayor Landrieu, how does general revenue sharing fundamentally return Government to the cities if the cities have to keep coming back to Washington for more revenue sharing? Hasn't the Government got you still on a pretty strong leash?

MR. LANDRIEU: No, the general revenue sharing bill reflected a tremendous change in Federal-city relationships. Prior to the passage of general revenue sharing, the only way you could get a return of what we considered to be local dollars sent to Washington was by filing an application under a categorical grant concept or program. That was a very burdensome, sometimes rather arbitrary process.

Then the money was made available only for those things the Federal Government determined the money could be used for.

General revenue sharing effectively transferred, over the past five years, some $30 billion out of the Federal Treasury back to local treasuries to be spent as the local government officials thought it should be spent within some extraordinarily broad guidelines. We think that is a substantial improvement.

Q Aren't you asking for supplements all the time?

MORE

MR. LANDRIEU: I frankly wish there was some magical way that an automatic amount of money on a formula built into the United States Constitution would transfer it back to the local governments, but I have not been able to enact such a piece of legislation.

In the absence of that, general revenue sharing has been the best thing since ice cream, so far as we are concerned.

I want to make one point quite clear. I am not here to argue with Mayor Perk, because we are colleagues, even though from different parts of the country, but I do have somewhat of a different responsibility than he.

The U.S. Conference of Mayors does not all look at this counter-recession legislation as being inflationary with a trigger of six percent. We feel quite strongly that a $2 billion expenditure with a triggering device at six percent is not inflationary in light of the overall Federal budget, in light of the gross national product, and we feel very strongly that, if the economic base of the cities can be maintained, that an uplift in employment will more than make up for that.

I might say to say the mere saving of money at the Federal level does not mean that money is not going to be spent by local governments, because there isn't a local government I know of that has to make the difficult choice of cutting through, and too deeply, into its police, and fire and sanitation departments that is not going to be raising taxes anyway, and spending more money.

It has been pointed out the raising of local taxes is even more inflationary than raising Federal taxes or borrowing by the Federal Government.

MR. PERK: In further answer to your question, we are told that there are over a thousand Federal domestic programs and there are tens of thousands of categorical grants. If you will combine those categorical grants and programs into a fewer number of programs, and that aid goes directly to the cities, there is no question in my mind the cities with the greatest need will have sufficient funds to run their operations.

I believe that most of us would rather see the categorical grants turned over to revenue sharing, if it is possible, because there are so few strings attached to revenue sharing. And there is so much red tape and so much bureaucracy attached to categorical grants.

I am sure we agree on that, don't we, Mr. Mayor?

MORE

MR. LANDRIEU: Yes.

Q Secretary Simon, given the Administration's agreement with the mayors to get enactments on revenue sharing, why did you invite all these mayors down here today?

SECRETARY SIMON: The President, Vice President and the President's council invited the mayors down today because these topics were brought up in the Mayor's Conference in Boston this past week. Revenue sharing and countercyclical proposals were two of the major ones.

We thought that was important enough to bring them down and have a dialogue with the Administration about the problems we see with respect to its enactment.

In the area of the countercyclical proposals, let's remember we have many countercyclical functions in Government right now. One of the largest is the expanded employment and public service employment programs where we are going to spend over $20 billion in 1976.

Obviously, that amount grows according to the need, according to the trigger we have put in, food stamps, SSI, all the rest of those proposals.

MR. PERK: To answer your question directly -- no offense to anyone -- but I was involved in that. Several weeks ago Carla Hills called about 100 mayors down to a meeting in which she was going to announce a program. At that time, many of the mayors asked the White House if we could have a conference on revenue sharing so we could get a better understanding where it stands in the Congress.

The White House decided to do that, but many of the mayors went home before they had a chance to get to the White House. Those of us that came here about several weeks ago asked if we could have another White House conference on revenue sharing so we could all have some input and all be a part of the organized effort to get revenue sharing adopted as quickly as possible.

In response to that, to the request from the mayors, the invitation was extended.

Q Secretary Simon, do you have any objection to the triggering mechanism now at 6 percent? Does the exact figure of unemployment mean anything to you one way or another?

MORE

SECRETARY SIMON: Of course, we use the unemployment triggering mechanism in programs we already have in place.

Q Did your objections to the proposal include the 6 percent figure?

SECRETARY SIMON: The objections we gave didn't relate to the particular trigger at 6 percent.

Q It is the money?

SECRETARY SIMON: Of course it is the size of the money, the inference with the fiscal program in Government, the need to borrow, the threat to general revenue sharing. All the reasons I mentioned before were part of our rationale going into proposal.

Q What kind of figure would you sit still for? How much can you reduce a mere $2 billion and still leave a program --

SECRETARY SIMON: A mere $2 billion? These mere $2 billion are the things that got us into the problem we are in now.

Q How much can you reduce that figure and still leave any kind of meaningful program that would aid anybody's city?

MR. PERK: I wouldn't want the Secretary to answer that question because we would like to work out some kind of a compromise.

SECRETARY SIMON: As I was about to say before Ralph popped in, I am not going to get pinned down on any particular number or whether indeed we will accept or reject a countercyclical proposal. We are going to open the subject up for further discussion, and after we have looked at the whole package, a potential trigger, the pros and the cons, then we will make a decision, the President will make a decision.

Q Do you believe it is possible to reduce that $2 billion figure by something significant and still leave a program that will make any difference to cities? I would like all three of you to answer that.

SECRETARY SIMON: Again, it all depends on whether it is feasible or possible to do as Mayor Landrieu said and recognize the problem exists in just a few cities or some particular cities, and the notion that if we give to some we have to give to all really doesn't apply in this instance.

MORE

We have to take a look at where the problem areas are. I guess what you would say, Moon, is attack it with a rifle rather than a shotgun approach.

This has political problems, as you well know, when you go to the Congress to ask for funds or a program that affects just a few. The instant reaction is if they are going to get it, we should get it, too.

MR. LANDRIEU: If you had $2 billion and you could play God and weren't limited by any of the formulas you have to pass through Congress, you could certainly place $2 billion around in impacted areas and be of significant help.

As a matter of fact, you could place a million dollars around and be of significant help. I am not prepared to say what you can reduce that to and distribute it onthe basis of a formula and do any significant good.

The problem is not to try to duplicate general revenue sharing with a countercyclical bill. General revenue sharing gives money to 38,000 jurisdictions. All 38,000 jurisdictions are not impacted the same by the recession in which we find ourselves.

For instance, there are cities that are normally much healthier from a long-term standpoint than the cities of New Orleans, who are impacted far worse by the current recession than we are becuase we are in a service kind of an economy. We are poor and we stay poor.

There are those cities that do extremely well in periods of prosperity, but in a period of decline cannot meet their bills. So, we are urging some kind of review of the Federal policy that would analyze the current situation in light of the impact of the recession.

MR. PERK: I would rather have a compromise countercyclical bill than no countercyclical bill at all. I think that is why it is important for the Administration and the mayors to get together and work out the same kind of compromise we worked out together in the President's Cabinet bill on the mass transit bill.

The same kind of compromise we worked out on community development block grants, the same kind of compromise we worked out on the Comprehensive Employment and Training Act. It is more important to have these bills adopted on a compromise because better legislation comes out of compromises, and I would like to see that happen without nailing any one of us down to a figure, because I don't think we could do that here at a press conference.

MORE

Q Mr. Simon, what persuaded the President to give a second look?

SECRETARY SIMON: The President was not in the room. This was during a panel session in discussing this countercyclical proposal and revenue sharing where Jim Lynn and I in response to questions said we would take another look at this.

Q Were the initial suggestions based on a Presidential decision or based on your own decision?

SECRETARY SIMON: This was based on the decisions in the Economic Policy Board and by the group who studies this, these programs, and the Labor Department, obviously is part of this Board.

Q Who would make the final decision?

SECRETARY SIMON: In this instance this is of sufficient importance,in my judgment,that it would go to the President.

THE PRESS: Thank you, gentlemen.

END (AT 4:43 P.M. EDT)

File

THE WHITE HOUSE

WASHINGTON

September 9, 1975

MEMORANDUM FOR: VERN LOEN
BILL KENDALL
PAT O'DONNELL
TOM LOEFFLER
CHARLIE LEPPERT

FROM: BOB WOLTHUIS RKW

Max has asked that I forward to you a copy of a briefing paper prepared by Paul Myer who is now the Domestic Council man dealing with revenue sharing. Paul will be working the Hill on this specific matter as the occasion requires.

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

September 4, 1975

MEMORANDUM FOR MAX FRIEDERSDORF

FROM PAUL MYER

SUBJECT: Staff Briefing Paper for General Revenue Sharing Renewal

When I met with Bill Kendall and Charlie Leppert last month, both indicated that a short summary of the GRS issue and the President's proposed renewal legislation might be useful background information. I have prepared the attached document with that in mind, and you may wish to distribute it to your staff for reference.

BACKGROUND ON THE PRESIDENT'S PROPOSED LEGISLATION TO REVISE AND EXTEND THE GENERAL REVENUE SHARING PROGRAM

("State and Local Fiscal Assistance Act Amendments of 1975"... H.R. 8244; S. 1625)

I. GENERAL REVENUE SHARING (GRS) -- FACTS AND DATA

1. Established under authority of the "State and Local Fiscal Assistance Act of 1972" (Public Law 92-512).

2. Provided permanent appropriation of $30.2 billion in Federal revenues for distribution to State and local governments during a five-year period, January 1, 1972, through December 31, 1976. Funds become available without annual Congressional appropriations and are distributed quarterly by the Treasury Department in accordance with a complex statutory formula.

3. Since enactment, $20.4 billion provided to the 50 States and 39,000 units of local government.

4. GRS funds, in contrast to narrowly defined and closely controlled categorical grants, can be used with few restrictions by recipient governments as they determine necessary for a wide range of essential public services and purposes.

5. GRS has also helped ease the financial plight of State and local governments by: (a) helping to stabilize or reduce taxes, and (b) enabling them to avoid increasing the burden of debt.

II. ARGUMENTS FOR CONCEPT OF GRS

1. GRS has revitalized our Federal system and strengthened State and local units of government by providing crucial financial assistance to help them meet diverse public needs.

2. GRS returns money and decision-making power to State and local units of government. State and local officials are most familiar with the needs and problems of their area and can, therefore, make the wisest use of these funds.

3. GRS's minimum of "strings" eliminates the unnecessary bureaucratic controls and red tape associated with Federal categorical grants and provides greater flexibility in the application of scarce resources.

4. GRS helps correct the fiscal imbalance in our Federal system by returning Federal revenues to State and local governmental units which, unlike the Federal government, are faced with increasing demands for direct public services and have a limited tax base from which to finance their programs.

III. ADMINISTRATION PROPOSAL FOR RENEWAL OF GRS

In addition to the sound philosophical basis for continuing and expanding the concept of GRS, the current financial condition at the State-local governmental level makes continuation of the GRS program imperative. Many States and units of local government are faced with the prospect of raising additional taxes or cutting services as a result of the financial pressures and increased costs caused by inflation, lower tax receipts and unemployment. Failure to renew GRS would magnify their problems and hamper economic recovery.

The Administration is committed to the continuation of GRS and has taken the initiative to gain Congressional approval during 1975. On April 25, 1975, the President transmitted proposed legislation to extend and revise GRS and, in a special message, called upon Congress to enact this vital legislation prior to December 31, 1975.

The President's proposed legislation would maintain the basic features of the existing program with several significant improvements, and provide needed assistance to financially hard-pressed State and local governments. The principal elements of the President's proposal are:

-- Retain the basic revenue sharing formula.

-- Authorize and appropriate funds for a total distribution of $39.85 billion over a five and three-quarter year period.

-- Allow those hard-pressed local jurisdictions to receive more money without adversely affecting other communities.

-- Strengthen civil rights protections, authorizing several remedies to enforce the Act's nondiscrimination provisions.

IV. BASIC POLICY QUESTIONS BEING RAISED IN CONGRESS ABOUT GRS RENEWAL

1. Does GRS represent the best means of assisting State and local governments, or are there better alternatives -- e.g. continuation and enlargement of categorical aid programs, greater use of block grants, allow individual tax credits, etc.?

2. Are GRS funds wisely used and for the most essential needs, or are programs of urgent national priority neglected?

3. Should GRS be extended beyond termination date of December 31, 1976, considering the size of the Federal budget deficit?

4. If GRS is to continue beyond 1976, should funding levels remain increased, particularly in view of mounting inflation?

5. Should GRS continue to be funded by permanent appropriations, or should it be financed by regular annual appropriations that would subject it to yearly review?

6. Does GRS provide adequate civil rights protections, or has GRS encouraged the discriminatory use of Federal funds?

7. Does the GRS distribution formula equitably allocate Federal revenues to areas of greatest need, or should it be revised to ensure that more money is channeled to those communities faced with greatest problems?

* * * *

Charlie Lippert

THE WHITE HOUSE

WASHINGTON

MAR 30 1976

March 29, 1976

MEMORANDUM FOR MAX FRIEDERSDORF
JIM CANNON

FROM PAUL MYER

SUBJECT: Review of House Subcommittee Actions on General Revenue Sharing Renewal -- Monday, March 29, 1976

The House Government Operations Subcommittee continued consideration of General Revenue Sharing renewal legislation this afternoon. The only issue considered was the scope of citizen participation provisions.

The Subcommittee adopted a concept which is somewhat broader than that proposed by the Administration; however, it incorporates a number of the President's recommended changes in the existing program. Under the Subcommittee concept, more detailed public information would be made available and related to the revised reporting requirements. Treasury and the public interest groups believe the approach is consistent with existing regulations and should not be unduly burdensome.

The Subcommittee had earlier rejected a proposal to require the establishment of local government budget process standards and the creation of citizen advisory committees to govern the decision-making on the use of revenue sharing funds.

The Subcommittee will resume its deliberations on Tuesday morning, March 30. Discussion of the nondiscrimination provisions is the only remaining substantive item on the agenda.

Attached is a complete record of all actions and roll call votes taken by the Subcommittee today.

Attachment

Citizen Participation

1. Defeated Drinan motion to establish local governmental budget process standards and create "citizen advisory committees" with respect to uses of revenue sharing funds by a vote of 4-8:

YEA	NAY
Mezvinsky (proxy)	Fountain
Jordan	Fuqua
Burton	English
Drinan	Levitas
	Wydler
	Brown (proxy)
	Steelman (proxy)
	Horton

NOT VOTING -- Brooks

2. Adopted Levitas motion to broaden existing requirements in order to provide information and access regarding revenue sharing funding decisions by a vote of 10-3:

YEA	NAY
Fountain	Burton
Fuqua	Drinan
Mezvinsky (proxy)	English
Jordan	
Levitas	
Brooks	
Wydler (proxy)	
Brown (proxy)	
Steelman (proxy)	
Horton	

Charlie Leppert

THE WHITE HOUSE

WASHINGTON

MAR 31 1976

March 30, 1976

MEMORANDUM FOR MAX FRIEDERSDORF
JIM CANNON

FROM PAUL MYER

SUBJECT: Review of House Subcommittee Actions on General Revenue Sharing Renewal -- Tuesday, March 30, 1976

The House Government Operations Subcommittee met this morning to continue consideration of General Revenue Sharing renewal legislation. The only action taken was adoption, by voice vote, of a Wydler-Mezvinsky proposal to revise the program's auditing and accounting provisions. As adopted, the present provisions governing fiscal accounting and audit procedures would be retained; however, the Secretary of the Treasury would be required to promulgate regulations to insure an independent audit of a recipient government's financial accounts where revenue sharing funds are involved and provide assurances for the public disclosure of such information.

The Subcommittee once again deferred action on the nondiscrimination provision in an effort to give Members more time to work out a satisfactory compromise. Fountain, Jordan, Wydler, Horton and Brown are meeting this afternoon in a final attempt to secure an agreement. This effort was undertaken in order to avoid a serious civil rights fight that could hamper the progress of this legislation in committee and on the floor.

The Subcommittee will meet again on Wednesday morning, March 31, 1976.

Mr. Leppert

APR 1 1976

THE WHITE HOUSE

WASHINGTON

March 31, 1976

MEMORANDUM FOR MAX FRIEDERSDORF
JIM CANNON

FROM PAUL MYER

SUBJECT: Review of House Subcommittee Actions on General Revenue Sharing Renewal -- Wednesday, March 31, 1976

The House Government Operations Subcommittee continued its mark-up of legislation to extend the General Revenue Sharing program, adopting a revised approach to prohibit the discriminatory use of revenue sharing funds.

The Subcommittee adopted a Jordan proposal which reflected a concensus agreement supported by most Democrats and all Republicans on the Subcommittee. It was strongly opposed by Drinan.

In concept, the Jordan proposal extends the prohibition against discrimination to all activities of a recipient jurisdiction, except where a recipient government can provide "clear and convincing evidence" that the program or activity in question was not funded with revenue sharing funds, and require the suspension of revenue sharing payments where compliance is not secured.

The Administration did not take a position on this specific approach and will withhold comment until actual legislative language is drafted. This matter will require review by representatives from Treasury, Justice and the White House. A tentative review indicated that the proposal was consistent with the Administration's objectives but went beyond the proposed legislative recommendations.

The Republican Members worked with Jordan to reach a concensus in order to avoid a major civil rights dispute. The fact that Jordan introduced this amendment and argued against Drinan and other proponents of stronger language was an important development in the mark-up of this legislation.

The Subcommittee is scheduled to meet again tomorrow morning to resolve miscellaneous issues and should conclude this first phase of its mark-up process.

Attached is a complete record of all actions and roll call votes taken by the Subcommittee today.

Attachment

Civil Rights

1. Adopted Jordan motion to clarify and strengthen the present nondiscrimination provision by voice vote.

2. Rejected Brooks motion to amend the Jordan proposal significantly broaden the nature and scope of the program's nondiscrimination provision by a vote of 5-8:

YEA	NAY
Mezvinsky	Fountain
Jordan*	Fuqua
Burton	English
Drinan	Levitas
Brooks	Wydler
	Brown
	Steelman (proxy)
	Horton

*(Jordan was prepared to pass if necessary to defeat this amendment.)