The original documents are located in Box 30, folder "Revenue Sharing (1)" of the James M. Cannon Files at the Gerald R. Ford Presidential Library.

REVENUE SHARING

ROUGH DRAFT

One of the major advances for the Federal system came about in 1972, when Congress passed General Revenue Sharing.

It was my pleasure at that time to work with a broad group of bi-partisan leaders in the House who won passage of the Bill.

Since that time, I have had numerous meetings with state and local officials, and many have told me that their number one priority was the continuation of General Revenue Sharing.

a) Legislation priority in
Washington was a continuation

In all of these meetings, I made it clear that I would be a strong advocate for reenactment of this essential program. It is, therefore, with great pleasure that I have today sent to the Congress an official message and a bill which would continue for 5 1/4 years General Revenue Sharing - in substantially its present form.

In addition I am proposing that Congress increase the amount by $150 million each year, so that the total program over the full extended period will be (______) billion dollars.

I am asking my staff to send a copy of the message and the bill to you separately.

I am confident that you and the citizens you represent know that you have a vital stake in the continuation of this program, and I sincerely hope that you will lend your support to the passage of the extension of General Revenue Sharing at this Session of the 94th Congress.

D R A F T (For Governors, Mayors , and Others

Dear _______________:

I am a strong believer in the Federal system of shared sovereignty which protects freedom of action and promotes creativity at all three Constitutional levels of government. This Federal system was designed to enable all Americans to be served by that level of government closest to them and best able to act in the public interest.

In 1972 we made an historic decision to support and advance our Federal system with the passage of General REvenue Sharing.

I am proud that I was one of a broadly based and bipartisan group of leaders and Members of the House and Senate who worked together to pass Revenue Sharing.

Since that time, I have had numerous meetings with state and local officials, and many have told me that their number one priority in Federal programs was the continuation of General Revenue Sharing. In these discussions, I emphasized that I would be a strong advocate for reenactment of this essential program.

Today I sent to the Congress an official message and a bill which would continue-in substantially its present form - General Revenue Sharing for 5 1/4 years.

In addition, I am proposing that Congress increase the amount by $150 million each year, so that the total program over the full extended period will be $39,625,000,000.

My staff is sending you a copy of the message and the bill.

I am confident that you and the citizens you represent know that every American has a vital stake in the continuation of this program, and I sincerely hope that you will lend your support to the passage of the extension of General Revenue Sharing at this Session of the 94th Congress.

Sincerely,

THE WHITE HOUSE

WASHINGTON

April 9, 1975

MEMORANDUM FOR THE PRESIDENT

FROM : JIM CANNON

Attached is a draft letter to Governors, Mayors, State Legislators, and County Officials when your message and legislation for General Revenue Sharing is sent to the Hill. The recipients would be:

1. All 50 State Governors

2 200 State Legislative leaders (Presidents and Minority Leaders of the Senates and Speakers and Minority Leaders of the Houses of Representatives)

3. Mayors of 150 largest cities.

4. List of approximately 50 County Officials.

In order to expedite your letters to these leaders, we propose that the message and Bill be sent separately.

Attachment

D R A F T for Governors, Mayors and others

Dear ______________:

I am a strong believer in the FEDERAL system of shared sovereignty which protects freedom of action and promotes creativity at all three Constitutional levels of government ~~simultaneously~~. This federal system was designed~~, in part,~~ to enable all Americans to be served by ~~the~~ THAT LEVEL OF government closest to them and best able to act in the public interest.

~~One of the most important steps taken in support of~~ ~~We made a historic advance for this~~ OUR federal system ~~when~~ WAS TAKEN Congress passed ~~the~~ General Revenue Sharing in 1972.

(A)

~~It was my pleasure at that time to work with a broadly based bi-partisan group of leaders and Members in the House toward passage of Revenue Sharing.~~

Since that time, I have had numerous meetings with state and local officials, and many have told me that their number one priority in Federal programs was the continuation of General Revenue Sharing. In these discussions, I emphasized that I would be a strong advocate for reenactment of this essential program.

Today I sent to the Congress an official message and a bill which would continue in substantially its present form General Revenue Sharing for 5 1/4 years.

R

In 1972 ~~xxxxxxxxxxxxxxx~~ we made an historic decision to support and advance [redacted] our Federal system with the passage of General Revenue Sharing.

I am [redacted] proud that I was one of a broadly based and bipartisan group of leaders and Members of the House and Senate who worked together to pass Revenue Sharing.

~~As Vice President, and then as President, I~~ [redacted] ~~have had~~ etc

In addition, I am proposing that Congress increase the amount by $150 million each year, so that the total program over the full extended period will be $39,625,000,000 ~~[illegible]~~

~~I am asking~~ my staff is sending you ~~to send~~ a copy of the message and the bill ~~to you separately.~~

I am confident that you and the citizens you represent know that every American has ~~you have~~ a vital stake in the continuation of this program, and I sincerely hope that you will lend your support to the passage of the extension of General Revenue Sharing at this Session of the 94th Congress.

Sincerely

[1975]

Stephen Forbes

~~MR.~~ CANNON

What is at stake

What happens

Illustrations of the magnitude of the problem

NGC +
National Assn of State Budget Officers

Revenue Sharing

THE SECRETARY OF THE TREASURY
WASHINGTON

R/S Folder

February 21, 1975

MEMORANDUM FOR THE PRESIDENT

Subject: Distribution of Energy Tax Payments to State and Local Governments

Prior to your State of the Union Message, you approved a proposal to compensate State and local governments for the higher costs of energy purchases resulting from the Administration's Energy Conservation Tax proposals. This proposal would allocate $2 billion to State and local governments pursuant to the distribution formulas applicable to general revenue sharing (GRS), commencing with the second quarter of 1975.

Before initiating discussions with the Ways and Means Committee on this proposal, it is important that the Administration develop more specific recommendations concerning the preferred method for allocating and distributing these funds to State and local governments. My earlier memoradum to you on this subject mentioned the feasibility of incorporating this $2 billion annual payment into the existing GRS program. A second alternative, which would distinguish the energy tax payments from the regular GRS program and also provide greater flexibility to recipients to meet energy needs, would be to consider these payments as bona fide energy tax rebates to be used entirely at the discretion of the various State and local governments. This latter approach would use GRS formulas to allocate the rebates but would not require adherence to existing requirements and restrictions which govern the use of regular GRS funds.

Under either of the alternatives described above, the proposal to use existing GRS allocation formulas for distributing these funds will be met with two major criticisms, which may make Congressional approval difficult. The criticisms include (1) the uneven distribution of GRS funds in relation to State and local energy costs and (2) the exclusion of special purpose government districts (primarily school districts) from the program. These issues were raised recently by the National League of Cities and U.S. Conference of Mayors in their critique of the 1976 budget.

These options are presented in greater detail below for your consideration.

Options

A. Use the existing GRS program

The major arguments for this approach are the ease and speed with which the funds could be distributed, as well as the use of formulas previously approved by Congress for distributing Federal revenues to State and local governments. This proposal would, in effect, constitute a one-third add-on to the existing GRS program. Present formulas and restrictions would not be modified other than to incorporate, when and if they become effective, the changes you have approved in the Administration proposals for GRS renewal.

My earlier memorandum did discuss one possible adjustment to the current distribution formula: raising immediately the upper limit on per capita entitlements to local governments from 145% to 175% of their state per capita. However, this adjustment was not recommended because of the problem it might present with GRS renewal legislation (the renewal legislation will propose raising this upper limit over five years).

B. Use GRS formulas to distribute energy funds as tax rebates but eliminate restrictions on recipient uses of funds

The direct linking of the energy tax payments with the regular GRS program could cause problems with GRS renewal, given that Congress will be considering both proposals simultaneously. The temptation may be to tie both programs together at their combined funding levels, and it may be difficult to withdraw from such an enlarged program later. For this reason there are strong arguments for keeping the two programs as separate as possible, while continuing to rely on GRS distribution formulas as proposed in your State of the Union Message.

The most justifiable approach for keeping the programs separate may be to consider the $2 billion payments as tax rebates to State and local governments rather than more direct Federal financial assistance. This would not preclude use of GRS formulas for distributing the funds to State and local governments nor the use of GRS definitions of governments eligible to receive payments. As legitimate tax rebates, however, the added funds should be provided with virtually no Federal requirements or controls on how recipient State and local governments use their funds to meet higher energy costs. Since the Administration's tax proposals will affect a broad spectrum of State and local government activities, those governments should have maximum flexibility in choosing how to apply the tax rebates.

To be consistent with your State of the Union proposal, the tax rebate approach would distribute funds to the 39,000 general purpose governments now receiving GRS payments through the existing formula. The restrictions and requirements which govern the regular GRS program would not be applicable to the tax rebate program. Specifically excluded from this proposal would be:

- local priority use categories (this would eliminate all restrictions on programmatic use of funds);
- planned or actual use reports; (this would eliminate reports to the Federal Government on fund uses);
- auditing of fund use by the Federal Government;
- Federal requirements regarding civil rights compliance (since these payments would become State and local funds, their use should be guided by State or local government civil rights laws and procedures);

- Federal requirements for public participation in decisions on use of the funds (State and local governments would follow their existing procedures for gaining citizen involvement in decision making).

The proposal to eliminate existing GRS requirements and restrictions from the energy payments will meet strong opposition from certain groups who will inevitably link this program to GRS and maintain that appropriate Federal controls should be exercised over recipient uses of the funds. This will be especially true of civil rights groups, certain public interest groups, and GRS critics in the Congress.

C. <u>Develop a special energy-based formula for distributing funds with provision for special purposes government districts</u>

Based on a further review of the proposal to distribute energy tax payments, Treasury and OMB believe there are compelling reasons, as described below, to consider development of a special allocation formula for this program which more accurately reflects State and local government energy needs.

1. <u>Geographic distribution of energy tax rebates</u>

The present GRS formula does not allocate funds in a way that reflects the wide differences in the cost impact of the energy program throughout the country. For example, preliminary estimates of a $2 billion distribution related to energy cost impact on State and local governments indicate that the Mountain States ought to receive 25% more than under the present GRS formula. The New England and the West North Central States ought to receive 17% and 13% more, respectively. It must be emphasized that these estimates are highly tentative, but do illustrate general orders of magnitude. The regional differences, set forth at Attachment A, mask greater differences that exist on a state-by-state basis, and the disparities may be no less great for local governments. For example, procurement as a percentage of outlays varies widely among localities and the energy cost impact of such purchases bears no relationship to the GRS formula.

2. Exclusion of one of every two units of government

The present GRS program allocates funds to 39,000 general purpose State and local governments. Special purpose governments are specifically excluded as direct recipients of GRS funds. Since there are no restrictions on State uses of GRS funds, States may elect to use all or a portion of their one-third share to finance special purpose governments. However, local governments are statutorily precluded from using their two-thirds share for such purposes. At present there are approximately 40,000 special units of government at the local level (16,000 school districts and 24,000 special districts). The omission of those governments from the original general revenue sharing program was intended to give new emphasis to 39,000 general purpose governments, and at the same time to maintain separate support for education through State revenue sharing redistributions and Federal grants-in-aid. It would be difficult to apply the same rationale to the exclusion of special purpose governments (especially school districts) from the energy rebate program.

Special purpose districts account for a sizeable share of all local government activity, including energy purchases. Forty percent of all local taxes are raised by special purpose governments and they account for almost 50 percent of local public payroll costs. The Department of Commerce estimates that one-half of State and local purchases of petroleum refining products and about two-thirds of direct purchases of electricity and gas are made by educational agencies of which special education districts are an important component.

Many of the States with high fuel usage are those in which education is provided through special districts. Although some States (such as Maryland and Virginia) finance schools as part of county government, most of the New England, Mid-Atlantic, and Midwestern States provided education through separate governments. In most of those States, both constitutional and political constraints would preclude local use of energy tax distributions for education, even if the Administration's proposal waived the current GRS restriction against such use.

In particular, many of the large city school systems could not receive energy rebates because they are independents or special districts. For example, Chicago would receive no energy tax payment for its schools, nor would Detroit.

The problems of equity in the allocation of energy funds and the exclusion of education districts are likely to be important considerations in the Congressional debate on your proposal. The $2 billion energy payment proposal provides a good vehicle to cope with these criticisms. Although more work needs to be done to determine precise state-by-state energy needs, a distribution formula could be devised to allocate funds to the fifty States which reflects both direct and indirect energy purchases by the State and its local units of government, including special education districts.

Based on these considerations there are several possibilities for determining appropriate intrastate allocations. Individual States could be given considerable discretion in the allocation of funds among schools and other local governments within the State. They could elect to distribute funds to local general purpose governments pursuant to GRS formulas or use alternative formulas; or they might in turn use State school aid formulas for the education portion. The education problem might also be met to some extent by offering incentives to States to use their one-third share of the energy tax rebate to aid schools as they may do under the present GRS formula. In addition, they might be permitted, in certain cases, to override the 1/3-2/3 State-local split to provide additional aid to schools without introducing other changes in the pattern of distribution through the present GRS formula. Under either of these approaches, elimination of GRS requirements and restrictions would probably be necessary (as proposed in option B) in order to give State and local governments maximum flexibility in distributing funds.

The introduction of these concerns into the distribution formula will give rise to political controversy and significant difference of opinion. If the Administration chooses to cope with these concerns, the best method would be to adopt a flexible approach for working out preferred mechanisms with the Ways and Means Committee over the next few weeks. If we are unable to work out satisfactory approaches with the Committee along these lines, we would have the option of returning to the regular GRS formula and negotiating, if necessary, restrictions and requirements to be added to the program.

There are already suggestions to make special adjustments in the Administration's economic program for geographic areas, industries and classes of taxpayers who can show special oil consumption impact. If enacted by Congress, a series of precise rebates or exemptions would destroy the price elasticity assumptions on which the oil conservation effect is based.

We believe that, although serious, this concern is offset by the advantage that Option C provides over the two other proposed methods of distribution. Since governments act for the benefit of citizens generally, a program designed to distribute money to State and local governments can be distinguished from those targeted toward specific classes of individuals or businesses. In addition, we are not making adjustments in the tax mechanism with respect to the proposed distribution. We have decided to use revenue sharing as a base under whichever option is chosen since it is a mechanism that is already in place and can distribute money quickly and efficiently under a formula that Congress has approved. There is general agreement, however, that the present GRS program bears little or no relation to the energy needs of the State and local governments, especially since it excludes schools at the local level. A proposal which corrects this difference would, in all likelihood, be viewed as providing State and local governments with some degree of "rough justice" as is being provided generally to other recipients under your tax rebate program.

Two other considerations should also be noted with regard to Option C. Oil producing states may claim an additional share of the distributed funds to compensate them for the added indirect costs on local government resulting from increased domestic oil production including expenses of offsetting environmental impacts. Secondly, seeking to compensate State and local governments for their individual increased energy costs may put pressure on the sufficiency of the $2 billion allocated for distribution.

We view the first problem as relatively minor and think such an attempt could be resisted successfully. The second question is also not troublesome if we can convey the message that the distribution is not intended to directly compensate governments for increased energy costs but to distribute a fixed sum of money in an equitable manner.

Recommendation

Based on further assessment, Treasury and OMB recommend Option C. This would involve working with the Ways and Means Committee to devise an allocation formula which reflects an equitable distribution of funds based on energy needs and adequate provision for education districts. This would not foreclose the possibility of returning to the GRS formula if a satisfactory energy-based formula cannot be worked out.

Decision

________ Option A: Include the $2 billion energy payments as an add-on to the present GRS program.

________ Option B: Consider the $2 billion as a separate energy tax rebate program which utilizes GRS formulas but poses no restrictions or requirements on recipient uses of funds.

________ Option C: Adopt a flexible approach with the Congress for arriving at a joint decision on a special energy-based formula which makes adequate provision for education needs.

William E. Simon

William E. Simon

Attachment

Attachment "A"

Energy Tax Rebate

Region (Number of States)	Allocated by Present GRS Formula ($ millions)	Allocated by Estimated Cost Impact of Energy Proposals ($ millions)	Difference (in Percent)
New England (6)	$ 123	$ 144	13%
Middle Atlantic (3)	395	384	-3%
East North Central (5)	137	112	-19%
West North Central (7)	154	174	17%
South Atlantic (8)	298	288	3%
East South Central (4)	360	340	-6%
West South Central (4)	185	184	*
Mountain (8)	89	111	25%
Pacific (5)	260	263	1%
	$2,000	$2,000	

*less than 1%

THE WHITE HOUSE

WASHINGTON

February 27, 1975

MEMORANDUM FOR: JIM FALK

FROM: WARREN HENDRIKS

SUBJECT: Distribution of Energy Tax Payments to State and Local Governments

Attached is a memorandum to the President from Secretary Simon regarding compensation of State and local governments for the higher costs of energy purchases resulting from the Administration's Energy Conservation Tax proposals. Would you please initiate the necessary staffing as well as to prepare an action memorandum to the President for Jim Cannon's signature. If Judy Johnston can assist, please let me know.

I have provided a copy to Bill Seidman.

Attachments

cc: Judy Johnston
Mike Duval

[March 1975]

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Ratio 29/14

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4. Dante B. Fascell, Fla.
5. Torbert H. Macdonald, Mass.
6. William S. Moorhead, Pa.
7. Wm. J. Randall, Mo.
8. Benjamin S. Rosenthal, N.Y.
9. Jim Wright, Tex.
10. Fernand J. St Germain, R.I.
11. Floyd V. Hicks, Wash.
12. Don Fuqua, Fla.
13. John Conyers, Jr., Mich.
14. Bella S. Abzug, N.Y.
15. James V. Stanton, Ohio
16. Leo J. Ryan, Calif.
17. Cardiss Collins, Ill.
18. John L. Burton, Calif.
19. Richardson Preyer, N.C.
20. Michael Harrington, Mass.
21. Robert F. Drinan, Mass.
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23. Barbara Jordan, Tex.
24. Glenn English, Okla.
25. Elliott H. Levitas, Ga.
26. David W. Evans, Ind.
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28. Andrew Maguire, N.J.
29. Les Aspin, Wis.

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2. *John N. Erlenborn*, Ill.
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8. *Garry Brown*, Mich.
9. *Charles Thone*, Nebr.
10. *Alan Steelman*, Tex.
11. *Joel Pritchard*, Wash.
12. *Edwin B. Forsythe*, N.J.
13. *Robert W. Kasten, Jr.*, Wis.
14. *Willis D. Gradison, Jr.*, Ohio

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Robert W. Kasten, Jr., Wis.

THE WHITE HOUSE

WASHINGTON

March 3, 1975

MEMORANDUM FOR: WARREN HENDRIKS

FROM: MIKE DUVAL D

SUBJECT: SECRETARY SIMON'S MEMO ON ENERGY TAX REBATES TO STATE AND LOCAL GOVERNMENTS

On February 27 you assigned the action on this memorandum to Jim Falk. This is primarily an energy issue and should remain so.

Accordingly, I recommend that you send the attached memo to Frank Zarb for consideration by the ERC. They should than forward their recommendations back to us for our cover memo to the President.

cc: Jim Falk

F.Y.I.

THE WHITE HOUSE

WASHINGTON

DOMESTIC COUNCIL CLEARANCE SHEET

DATE: March 18, 1975

JMC action required by: Info

TO: JIM CANNON

VIA: DICK DUNHAM X

JIM CAVANAUGH X

FROM: JIM FALK J

SUBJECT: Reenactment of General Revenue Sharing

COMMENTS:

This is informational
Jim & Dick have copies
& asked that I get it
to you for your info.

Jim F.

THE WHITE HOUSE

WASHINGTON

March 18, 1975

MEMORANDUM FOR: JIM CANNON

FROM: JIM FALK 𝓕

SUBJECT: Reenactment of General Revenue Sharing

As we discussed in South Bend, we have been developing a plan and following our schedule fairly faithfully with respect to the reenactment of the program.

The policy development work is largely complete with the Presidential decisions that have been made in two options papers which I have given to Dick Dunham with all of the attendant backup materials. We are now in the process of mechanically putting together the legislation and the Presidential Message as well as planning the action phase which will begin with the transmission of the Message and the legislation to the Congress. Our tentative plan is to have the Message and the legislation ready when Congress reconvenes following their Easter recess, April 7-11.

The following is a schedule of the steps that need to be carried out to lay the groundwork for the introduction in Congress of the President's program:

I. LEGISLATION

Date	Action	Individual Responsible
Friday 3/14	Deadline for agency comments on legislation to be submitted to OMB.	Purcell
Wednesday 3/19	Agency comments to have been reviewed and agreement reached on changes in legislation.	Schmults
Friday 3/21	Revised legislation readied in final form.	Albrecht

II. PRESIDENTIAL MESSAGE

Date	Action	Individual Responsible
Tuesday 3/1	Message as revised by White House to be returned to Treasury.	Falk
Wednesday 3/19	Message to be further edited by Treasury and OMB to take into account changes in the legislation.	Schmults
Thursday 3/20	Message to be returned to White House for final review.	Schmults
Monday 3/24	Final Message to be returned to Treasury	Falk

III. PRESS PACKAGE

Date	Action	Individual Responsible
Friday 3/14	First draft of fact sheet prepared	Peterson
Wednesday 3/19	Revised fact sheet taking into account changes in legislation	Peterson
Thursday 3/20	Q's and A's for press package prepared.	Peterson
Thursday 3/20	Press release prepared.	Crane
Friday 3/21	Description of legislation for press package prepared	Parker
Monday 3/24	Items in press package (Presidential message, press release, fact sheet, press Q's & A's, description of legislation) reviewed.	Schmults
Tuesday 3/25	Press package sent to printer	Adams

Date	Action	Individual Responsible
Thursday	Press package returned from printer	Adams

It is also essential that we plan the initial announcement and press conference with adequate advance notice to State and local officials to enable as many as possible to make their statements.

Further, the plan we have been following for meetings with members of Congress, public interst groups, and special interest groups in attached at Tab A.

There is much more that needs to be done, particularly the development of an implementation plan once the legislation is submitted, so that we can sustain interest and answer questions such as the one Congressman Brown raised with Max Friedersdorf. Some of these questions are not yet answered, but should be shortly.

I would appreciate an opportunity to sit down and talk with you about this at your earliest possible convenience.

A

Date: JAN 15 1975

MEMORANDUM FOR: SECRETARY SIMON

From: Edward C. Schmults (Initialed) E.C.S.

Subject: Revenue Sharing Renewal - Proposed Course of Action

The following discusses plans we have made with regard to the legislative phase of the revenue shaing renewal program. I have outlined the steps we plan to take over the next few weeks so you will be aware of them.

The Revenue Sharing Steering Group which analyzed and proposed recommendations for the Administration's consideration will play an important role in preparing materials for our use in enlisting support for the program. Jim Purcell of OMB has already held a preliminary meeting at which various issues that will be raised as the program is evaluated by Congress and by interested groups have been assigned for analysis to those who helped to formulate those aspects of the program.

I. Meetings

A. Congressional. An attempt will be made to call upon as many Congressional leaders and key Congressman as feasible to brief them on our program, and solicit their support for it. Appointments already have been scheduled for you, along with Fred Webber and myself, to meet with Carl Albert, John Rhodes, Mike Mansfield, and Hugh Scott on the afternoon of January 20. Fred Webber, Graham Watt and I will meet later during the week of January 20 and during the next week on an individual basis with the chairman and ranking minority members of the committees and subcommittees with responsibility for revenue sharing legislation. This will involve visits with Congressmen Brooks, Horton, Fountain, and Clarence Brown and Senators Long, Curtis, Muskie, and Roth. Other leaders and key Congressmen will be called upon as well. A listing prepared by Fred Webber is attached at Tab A. In addition, if feasible, we will meet

	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Ex. Sec.
Surname						
Initials / Date	/	/	/	/	/	/

Form OS-3129
Department of Treasury

individually with all members of the committees which are to consider revenue sharing renewal. The Steering Group will be informed as particular meetings are scheduled so that briefing materials can be readied.

B. Civil Rights, Labor, and Community Interest Groups. During the week of January 20, or as soon as possible thereafter, Ed Schmults and Graham Watt will meet with Congressman Louis Stokes of Ohio, the Chairman of the Congressional Black Caucus, to outline the proposed revenue sharing program to him and to discuss in detail the anti-discrimination area of the program.

It will be pointed out to the Congressman that ORS regulations and court action with respect to revenue sharing matters will play an important role in assuring that discrimination does not take place. An attempt will be made to get Congressman Stokes to support the Administration's bill. His suggestions for improvements in the legislation to be introduced will be considered. Congressman Stokes will also be briefed about the changes in funding level being made in regard to urban areas under the Administration's proposals.

During the week of January 20, and thereafter, Ed Schmults and Graham Watt, and possibly J. Stanley Pottinger, the Assistant Attorney General, Civil Rights Division, will meet with representatives of civil rights and community interest groups to discuss with them the Administration's proposals. Their views will be solicited and suggestions for change will be considered.

We are exploring the possibility of meeting and exchanging views with representatives of organized labor about the Administration's revenue sharing renewal program.

Two representatives of each of the following civil rights and community interest organizations will be invited to meet with us in the groupings indicated:

1. National Association for the Advancement of Colored People (NAACP) Roy Wilkins + Clarence Coleman
   National Urban League Vernon Jordan
   National Urban Coalition
   Leadership Conference on Civil Rights
   People United to Save Humanity (PUSH)
   O.I.C. Rev Leon Sullivan

2. National Council of La Raza
   American G.I. Forum
   Raza Association of Spanish Surnamed Americans (RASSA)

3. National Organization for Women
   Center for National Policy Review
   Joint Center for Political Studies
   League of Women Voters
   Center for Community Change
   Lawyers Committee on Civil Rights

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- Minority Whip: Robert Griffin (R-Mich.)

VII Others
- Sen. Bill Brock (R-Tenn.) Gov. Ops.
- Sen. Howard Baker (R-Tenn.)
- Sen. Charles H. Percy (R-Ill.) Gov. Ops.
- Cong. Charles Wiggins (R-Calif.)
- Cong. Don Edwards (D - Calif.)
- Sen. Joseph M. Montoya (D-N.M.)

Organizations Interested in Civil Rights
and Public Participation Aspects
of General Revenue Sharing Renewal

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National Urban League	Vernon Jordan, Executive Director; Ron Brown, Washington Office Director
National Urban Coalition	Carl Holman
Southern Christian Leadership Conference	Ralph Abernathy
Leadership Conference on Civil Rights	Marvin Caplan, Director, Washington Office, Harold Coleman, Chairman, Federal Programs Task Force
PUSH	Jesse Jackson
Southern Regional Conference	Don Easley
Lawyers Committee on Civil Rights	Harold Himmelman
National Council of La Raza	Roberto Olly Olivas, National Services Director
American G.I. Forum	Tony Gallegas, National Chairman
RASSA	Mannie Ferrero
National Organization for Women	Whitney Adams
League of Women Voters	Mary Lampke
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Center for Community Change	David Ramage

REVENUE SHARING
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	-- Briefing materials for civil rights meetings due.	Bashein, Buck

Date	Event or Assignment	Responsible Parties
Week of Jan. 27		
Mon., Jan. 27	-- Briefing book due.	, Peterson
Thurs., Jan. 30	-- U.S. Conference of Mayors	
Fri., Jan. 31	-- U.S. Conference of Mayors	
Week of Feb. 3		
Mon., Feb. 3	-- Transmittal documents due.	Peterson
Week of Feb. 17		
Tues., Feb. 18	-- National Governors Conference	
Wed., Feb. 19	-- National Governors Conference	
Thurs., Feb. 20	-- National Governors Conference	
Week of Feb. 24		
Wed., Feb. 26	-- National Association of Counties	
Thurs., Feb. 27	-- National Association of Counties	
Fri., Feb. 28	-- National Association of Counties	
	-- National Conference of State Legislators	

F.Y.I.

THE WHITE HOUSE

WASHINGTON

DOMESTIC COUNCIL CLEARANCE SHEET

DATE: March 18, 1975

JMC action required by: Info

TO: JIM CANNON

P

VIA: DICK DUNHAM X

JIM CAVANAUGH X

Issues

FROM: JIM FALK F

SUBJECT: Reenactment of General Revenue Sharing

COMMENTS:

This is informational
Jim & Dick have copies
& asked that I get it
to you for your info.

Jim F.

THE WHITE HOUSE

WASHINGTON

March 18, 1975

MEMORANDUM FOR: JIM CANNON

FROM: JIM FALK J

SUBJECT: Reenactment of General Revenue Sharing

As we discussed in South Bend, we have been developing a plan and following our schedule fairly faithfully with respect to the reenactment of the program.

The policy development work is largely complete with the Presidential decisions that have been made in two options papers which I have given to Dick Dunham with all of the attendant backup materials. We are now in the process of mechanically putting together the legislation and the Presidential Message as well as planning the action phase which will begin with the transmission of the Message and the legislation to the Congress. Our tentative plan is to have the Message and the legislation ready when Congress reconvenes following their Easter recess, April 7-11.

The following is a schedule of the steps that need to be carried out to lay the groundwork for the introduction in Congress of the President's program:

I. LEGISLATION

Date	Action	Individual Responsible
Friday 3/14	Deadline for agency comments on legislation to be submitted to OMB.	Purcell
Wednesday 3/19	Agency comments to have been reviewed and agreement reached on changes in legislation.	Schmults
Friday 3/21	Revised legislation readied in final form.	Albrecht

II. PRESIDENTIAL MESSAGE

Date	Action	Individual Responsible
Tuesday 3/1	Message as revised by White House to be returned to Treasury.	Falk
Wednesday 3/19	Message to be further edited by Treasury and OMB to take into account changes in the legislation.	Schmults
Thursday 3/20	Message to be returned to White House for final review.	Schmults
Monday 3/24	Final Message to be returned to Treasury	Falk

III. PRESS PACKAGE

Date	Action	Individual Responsible
Friday 3/14	First draft of fact sheet prepared	Peterson
Wednesday 3/19	Revised fact sheet taking into account changes in legislation	Peterson
Thursday 3/20	Q's and A's for press package prepared.	Peterson
Thursday 3/20	Press release prepared.	Crane
Friday 3/21	Description of legislation for press package prepared	Parker
Monday 3/24	Items in press package (Presidential message, press release, fact sheet, press Q's & A's, description of legislation) reviewed.	Schmults
Tuesday 3/25	Press package sent to printer	Adams

Date	Action	Individual Responsible
Thursday	Press package returned from printer	Adams

It is also essential that we plan the initial announcement and press conference with adequate advance notice to State and local officials to enable as many as possible to make their statements.

Further, the plan we have been following for meetings with members of Congress, public interst groups, and special interest groups in attached at Tab A.

There is much more that needs to be done, particularly the development of an implementation plan once the legislation is submitted, so that we can sustain interest and answer questions such as the one Congressman Brown raised with Max Friedersdorf. Some of these questions are not yet answered, but should be shortly.

I would appreciate an opportunity to sit down and talk with you about this at your earliest possible convenience.

Date: JAN 15 1975

MEMORANDUM FOR: SECRETARY SIMON

From: Edward C. Schmults (Initialed) E.C.S.

Subject: Revenue Sharing Renewal - Proposed Course of Action

The following discusses plans we have made with regard to the legislative phase of the revenue shaing renewal program. I have outlined the steps we plan to take over the next few weeks so you will be aware of them.

The Revenue Sharing Steering Group which analyzed and proposed recommendations for the Administration's consideration will play an important role in preparing materials for our use in enlisting support for the program. Jim Purcell of OMB has already held a preliminary meeting at which various issues that will be raised as the program is evaluated by Congress and by interested groups have been assigned for analysis to those who helped to formulate those aspects of the program.

I. Meetings

A. Congressional. An attempt will be made to call upon as many Congressional leaders and key Congressman as feasible to brief them on our program, and solicit their support for it. Appointments already have been scheduled for you, along with Fred Webber and myself, to meet with Carl Albert, John Rhodes, Mike Mansfield, and Hugh Scott on the afternoon of January 20. Fred Webber, Graham Watt and I will meet later during the week of January 20 and during the next week on an individual basis with the chairman and ranking minority members of the committees and subcommittees with responsibility for revenue sharing legislation. This will involve visits with Congressmen Brooks, Horton, Fountain, and Clarence Brown and Senators Long, Curtis, Muskie, and Roth. Other leaders and key Congressmen will be called upon as well. A listing prepared by Fred Webber is attached at Tab A. In addition, if feasible, we will meet

	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Ex. Sec.
Surname						
Initials / Date	/	/	/	/	/	/

Form OS-3129
Department of Treasury

individually with all members of the committees which are to consider revenue sharing renewal. The Steering Group will be informed as particular meetings are scheduled so that briefing materials can be readied.

B. Civil Rights, Labor, and Community Interest Groups. During the week of January 20, or as soon as possible thereafter, Ed Schmults and Graham Watt will meet with Congressman Louis Stokes of Ohio, the Chairman of the Congressional Black Caucus, to outline the proposed revenue sharing program to him and to discuss in detail the anti-discrimination area of the program.

It will be pointed out to the Congressman that ORS regulations and court action with respect to revenue sharing matters will play an important role in assuring that discrimination does not take place. An attempt will be made to get Congressman Stokes to support the Administration's bill. His suggestions for improvements in the legislation to be introduced will be considered. Congressman Stokes will also be briefed about the changes in funding level being made in regard to urban areas under the Administration's proposals.

During the week of January 20, and thereafter, Ed Schmults and Graham Watt, and possibly J. Stanley Pottinger, the Assistant Attorney General, Civil Rights Division, will meet with representatives of civil rights and community interest groups to discuss with them the Administration's proposals. Their views will be solicited and suggestions for change will be considered.

We are exploring the possibility of meeting and exchanging views with representatives of organized labor about the Administration's revenue sharing renewal program.

Two representatives of each of the following civil rights and community interest organizations will be invited to meet with us in the groupings indicated:

1. National Association for the Advancement of Colored People (NAACP) Roy Wilkins & Clarence Coleman
National Urban League Vernon Jordan
National Urban Coalition
Leadership Conference on Civil Rights
People United to Save Humanity (PUSH)
O.I.C. Rev Leon Sullivan

2. National Council of La Raza
American G.I. Forum
Raza Association of Spanish Surnamed Americans.
(RASSA)

3. National Organization for Women
Center for National Policy Review
Joint Center for Political Studies
League of Women Voters
Center for Community Change
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2 2 pls.

THE WHITE HOUSE

WASHINGTON

March 20, 1975

MEMORANDUM FOR: WARREN HENDRIKS

FROM: JIM FALK JF

SUBJECT: Summer Public Interest Group Meetings

The following is a list of public interest group meetings, dates and cities where they will take place for the Summer of 1975:

National Governors' Conference	New Orleans, La.	June 8-11
National Association of Counties	Honolulu, Hawaii	June 22-25
National League of Cities & U.S. Conference of Mayors	Boston, Mass.	July 5-9
National Conference of State Legislatures	Philadelphia, Pa.	October 7-10
International City Management Association	Seattle, Washington	September 28-Oct. 2

**National Governors' Conference formal State Dinner will be held on Tuesday, June 10, 1975 at 8:00 p.m. -- Fairmont-Roosevelt Hotel, New Orleans, La.

THE WHITE HOUSE

WASHINGTON

March 27, 1975

MEMORANDUM FOR: JIM CANNON

FROM: JIM CAVANAUGH

SUBJECT: Revenue Sharing Talking Points

Here is some information pulled together by Jim Falk for your meeting with the President this afternoon.

I. <u>POLICY STATUS</u>

The President has made the basic decisions on the shape and form of the legislation promised to be sent to the Congress in his State of the Union Address. (President's action paper at Tab A.)

The plans are:

-- Renewal of the program in substantially its present form.

-- Authorization and cooperation for 5 3/4 years.

-- Continuation of the stair step increase of $150 million per annum. (This issue is explained in paper at Tab B.)

II. <u>PRESENT LAW</u>

Key dates:

-- October 20, 1972 the legislation was signed into law as State and Local Fiscal Assistance Act of 1972.

-- The program presently in effect will expire December 31, 1976.

-- The funds go to 39,000 units of State and Local Government.

III. MESSAGE TO CONGRESS

Present plan:

-- Send Special Message and draft Bill to Congress in mid-April.

-- Final work on Bill and Message now being completed.

IV. STATE AND LOCAL GOVERNMENT

Their plans:

-- To try to keep the State, City, County coalition together.

-- While they disagree among themselves about the timing of when to push for reenactment, they generally seek reenactment this year.

-- Governors, Mayors, County officials and Legislators will all have Revenue Sharing as topic number one at their upcoming national conferences.

V. REENACTMENT PLANS

Timing is the question:

-- When to launch.

-- When to push with maximum effort.

-- What happens if we push and Congress doesn't act this year.

-- Should we send package to Congress but not push so that issue is carried over to next year.

TAB A

ACTION

THE WHITE HOUSE

WASHINGTON

January 10, 1975

MEMORANDUM FOR: THE PRESIDENT

FROM: KEN COLE

SUBJECT: Policy Options for Renewal of General Revenue Sharing

BACKGROUND

Attached is Secretary Simon's memorandum prepared following your meeting on November 30 with the Steering Group working on this issue. (Tab A) A number of steps have been taken to refine the recommendations and consult with State and Local government leaders.

Almost all of the recommendations of the paper are supported unanimously by Secretary Simon, Roy Ash, Bill Seidman, Alan Greenspan, Bob Hartmann, Max Friedersdorf and myself.

However, Jack Marsh and I have serious reservations about particular sections of the recommendations dealing with anti-discrimination and spending (use) restrictions. These are spelled out later in this memorandum.

On all other issues it is fair to say that we are unanimous and feel the recommendations have the strong support of the leaders of State and Local government necessary for favorable Congressional action.

You are on record as supporting the renewal of the present program in substantially its present form. Your approval of these recommendations will assure action consistent with your public positions while attempting to seek some needed improvements.

This memorandum identifies issues for your decision contained in Secretary Simon's paper and provides you with recommendations.

RECOMMENDATIONS

1. That we seek to renew the program for 5 3/4 years (both authorization and appropriations) with a provision calling for a review 2 years before expiration.

We recommend approval. Approve ✓ Disapprove ______

2. That we seek to continue the stair-step annual increment increase of $150 million.

We recommend approval. Approve ______ Disapprove ✓

Note: We looked seriously at the possibility of "capping" the program at its 1976 level. It is felt that this would raise much fear and criticism and undercut support as well as highlighting the efforts of those who will seek to tie increases to some form of index, i.e., Consumer Price Index, Cost of Living or Federal Income Tax.

3. That we retain the present formulas which have worked reasonably well and are the consensus result of the Congressional process.

We recommend approval. Approve ✓ Disapprove ______

4. That we retain the present 1/3 -2/3 split in funding between State and Local governments.

We recommend approval. Approve ✓ Disapprove ______

5. That the present "maximum limitation" on the amount of funding per capita that can be allocated to high tax effort areas be raised gradually over 5 years from 145% to a new maximum of 175%.

We recommend approval. Approve ✓ Disapprove ______

Note: This would not be a major retargeting, but would direct additional money to some cities, partially addressing some increased needs and minority undercount criticisms of past census data which is the base.

6. That we retain, as is, the 20% "minimum requirement" which serves to ensure that small units of government receive a minimum level of assistance.

We recommend approval. Approve ✓ Disapprove _____

7. That we strengthen the anti-discrimination protection afforded by the act and clarify the Secretary's authority to defer payments in certain cases.

(a) The Steering Group recommends a change in the legislation to allow deferral of payments by the Secretary after a due process hearing and a finding of discrimination by the Federal or State courts; a human rights agency in the State; and/or an administrative law judge to be created in the office of Revenue Sharing.

Jack Marsh and I recommend that you approve part of this change but disapprove other parts. The Federal and State Courts should be relied on completely to determine legal questions. The existing judicial system is adequate and we should not attempt to rely on quasi-agencies in such matters.

Marsh and Cole recommend approval of reliance on Federal and State Courts for such findings.

Approve ✓ Disapprove _____

Marsh and Cole recommend disapproval of reliance on human rights agencies or administrative law processes.

Approve _____ Disapprove _____

(b) That we seek authority for the Secretary to withhold or defer only that portion of funds being used in a discriminatory manner.

We recommend approval. Approve _____ Disapprove ✓

(c) That we seek to permit the Secretary to request the Attorney General to seek injunctions if termination of funding does not result in corrective action.

We recommend approval. Approve ______ Disapprove ✓

8. The deletion of Spending (Use) Restrictions.

(a) The Steering Group recommends deletion of the Spending (Use) restrictions which target expenditures on priority categories in the Act.

In actuality these spending restrictions have no impact because the funds can be used in almost any way they want. But Congress wanted to be able to target certain areas of priority and did so with these rather loose targeting restrictions. To remove the restrictions would probably put us in a position of contention with the Congress and create an unnecessary controversy. Therefore, I recommend disapproval.

Approve ______ Disapprove ✓

(b) The Steering Group recommends deletion of the restriction against the use of Revenue Sharing funds for matching of other Federal funds. This provision is disliked by State and local government since they must take care to free their own funds for matching purposes while putting Revenue Sharing funds into expenditures that do not involve Federal matching funds.

Revenue Sharing funds were intended as new money to help State and local government meet their own objectives. If it is freed for use as matching funds it would distort the patterns of use because far more leverage could be gained by using all of the GRS funds for matching purposes. Many governments would gain additional leverage by putting up GRS dollars to buy other Federal funds increasing the value of GRS dollars by a substantial percentage but causing expenditures to be made where the best matching gain could be made rather than where the greatest local need existed.

Jack Marsh and I recommend retaining the matching restriction and urge you to disapprove this change.

Approve ______ Disapprove ✓

9. To encourage greater citizen participation, we should seek a change in the legislation to assure public hearings on the use of the funds to be received.

We recommend approval. Approve ✓ Disapprove ______

10. We should seek broader discretion for the Secretary of the Treasury to determine the form and content of planned and actual use reports and the requirements of publication. This could permit the lifting of some unnecessary burdens from small governments and enable the Secretary to make the reports more informative for Congress and the Executive Branch.

We recommend approval. Approve ✓ Disapprove ______

TAB B

THE WHITE HOUSE

WASHINGTON

January 17, 1975

DOMESTIC COUNCIL REVIEW SESSION

General Revenue Sharing

Saturday, January 18, 1975
12:00 Noon (30 minutes)
The Oval Office

From: Ken Cole

I. PURPOSE

To make some final decisions on the extension of General Revenue Sharing.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background:

You have made all but one of the major decisions necessary to enable us to go forward with the effort to seek reenactment. That remaining decision is of course, the funding level and whether or not to continue the stair-step annual increment increase of $150 million.

This is now even more important since your announcement to take $2 billion to be raised from the new import duties and windfall profit taxes, to be returned to State and local governments to offset added energy costs.

Further, there is one issue you have decided which this group would like you to reconsider. It has to do with the authority of the Secretary to withhold funds in discrimination cases.

At present, Treasury takes the position that they are bound to withhold the entire amount of General Revenue Sharing money going to a recipient if any portion is used in a discriminatory way. This can be unfair in some cases and could be more flexible. The proposed change would allow Treasury to hold back only the portion being used wrongfully. A further explanation appears later in this paper.

B. Participants:

Secretary Simon
Undersecretary Schmults
Roy Ash
Jack Marsh
Ken Cole
Jim Falk
Wally Scott

C. Press Plan

To be announced.

III. POINTS OF DISCUSSION

1. All but one key decision has been made and I want to wrap up as much as possible today so the reenactment process can go forward.

2. The funding level and whether or not to continue the stair-step approach, both are parts of the same question.

3. The plan to distribute $2 billion more by the same formula also may require some strategy decisions.

4. There is also the concern about Treasury's authority to hold back all or only part of the funds in cases involving discrimination.

5. What are the next steps we should take?

6. Ken, what is the State and local reaction so far?

IV. FURTHER BACKGROUND AND RECOMMENDATIONS

A. Magnitude of Funding

In the previous paper we recommended that we seek to continue the stair-step annual increment increase of $150 million. The paper indicated that we looked seriously at the possibility of "capping" the program at its 1976 level. It is felt that this would raise much fear and criticism and undercut support as well as highlighting the efforts of those who will seek to tie increases to some form of indexin
There are several possibilities:

Options Magnitude of Funding

Seek to "cap" the program by holding expenditures at one annual level ______

7,250

Seek to continue stair-step increments of $150 million ✓

Other ______

B. Authority To Withhold

In the previous decision paper the anti-discrimination portions were all set forth in one section and we felt if it was more clearly set out you might reach a different decision. A complete hold back could seriously disrupt a city's governing processes. A partial hold back should be effective enough to bring about a remedy.

At present if City X, which received $5 million in revenue sharing monies, were utilizing $500,000 to support a hospital which, discriminated in admitting patients, the Office of Revenue Sharing, under present interpretations would hold back payment of the entire $5 million. If changed, the Secretary could specifically have the discretion to defer only the $500,000 going to the hospital and City X would still be able to receive $4.5 million in revenue sharing payments.

With this explanation we feel it is appropriate to present the question for your re-consideration. There are two options which follow.

Options

1. The Secretary of the Treasury should be granted specifically the discretion to defer, in appropriate cases, only that portion of revenue sharing funding that is used in a discriminatory manner.

____

2. The legislation should be reenacted in its present form. The Secretary of the Treasury would retain the ability to defer all GRS funding. The Secretary's ability to defer only that portion of funding used in a discriminatory manner would remain uncertain.

____

March 27, 1975

Revenue Sharing Notes

1. Present act expires end of calendar '76.

2. President's message and bill to go to Congress shortly after the end of the recess.

3. House hearings - August or later.

4. Cities, counties, states other met yesterday -- differ over when to begin major push for meaningful hearings and action.

* * *

1975

A. Passage in '75 may be forgotten

B. Defeat would be damaging to Presidential leadership

1976

A. Passage in '76 would be remembered by cities, counties, states

B. Defeat could be a major issue against the Democratic Congress

Message - late April -
Revised legislation

Not let it languish
states & locals on our side
Bring them w/ us -
If they see it languishing,
develop antagonism

We've got it up

speech
get the press –

can't get action

look back at earlier speeches

Lt Gov's

Cabinet officers + others
out on media talking
about it

What would have happened if didn't have it

drops of police

FOP

freeing –
recent conviction –

UNITED STATES CONFERENCE OF MAYORS

1620 EYE STREET, N.W.

WASHINGTON, D.C. 20006

28 March

Jim -

You may find the enclosed of interest.

John Gunther

Hold - for Revenue Sharing Campaign

The United States Conference of Mayors

1975 CITY FINANCE SURVEY

..taxes
..services
..capital improvements

APRIL—1975

SUMMARY SHEET

Taxes
Overall general increase

Services
Overall cutback including police, fire, and sanitation

Capital Improvements
General maintenance of streets and buildings being reduced to transfer funds to services.

New construction being abandoned, deferred, or stretched out.

Scope of Survey: Fifty cities were asked tax, service, and capital improvements experience in 1974 and 1975 expectations. There are 18 cities with populations under 100,000; 14 cities with populations of 100,000 - 500,000; 14 cities with populations of 500,000 - 1,000,000; and 4 cities with a population of over 1,000,000. The information was gathered with the understanding that individual city survey data would not be disclosed.

The cities surveyed ranked by population are:

New York City, New York
Chicago, Illinois
Detroit, Michigan
Houston, Texas
Baltimore, Maryland
Washington, D. C.
Cleveland, Ohio
Indianapolis, Indiana
Milwaukee, Wisconsin
San Francisco, California
San Diego, California
Boston, Massachusetts
St. Louis, Missouri
New Orleans, Louisiana
Phoenix, Arizona
Seattle, Washington
Pittsburgh, Pennsylvania
Denver, Colorado
Kansas City, Missouri
Buffalo, New York
Cincinnati, Ohio
San Jose, California
Fort Worth, Texas
Portland, Oregon
Dayton, Ohio
Anaheim, California
Santa Ana, California
Bridgeport, Connecticut
Riverside, California
Garden Grove, California
Hampton, Virginia
Alexandria, Virginia
Duluth, Minnesota
Inglewood, California
Fullerton, California
Miami Beach, Florida
Wilmington, Delaware
East Orange, New Jersey
East St. Louis, Illinois
San Leandro, California
Boulder, Colorado
Tuscaloosa, Alabama
Oak Park, Illinois
Clearwater, Florida
Hamden, Connecticut
Plainfield, New Jersey
Lawrence, Kansas
Hoboken, New Jersey
Rockville, Maryland
Lewiston, Maine
Michigan City, Indiana

During the last week in March, 1975, the United States Conference of Mayors surveyed fifty cities to determine the state of local finances, services, and capital improvements. The cities were selected to present a full range as to size and geographical location. We believe the survey portrays the situation which is typical throughout the nation's cities. For purposes of this survey, school taxes were included even if the school system is independent of the city government.

This survey was prompted by questions asked by the Congress and the Administration. The questions were to determine whether local governmental actions might be opposite to the direction of national government policy. Are local governments taking money out of the economy while federal government policy is to pump in funds to stimulate economic recovery?

The answer is yes, local governments are increasing taxes, cutting services, and seriously rearranging their capital improvements.

Taxes: With a few exceptions, local governments are increasing taxes. Property taxes are going up ten to twenty-five percent either as a result of rate increases or increases in assessments because of greater value of existing properties.

Where property tax rates and/or assessments have reached their legal limits, usually set by state law, cities have turned to other revenue sources such as increases in sales taxes, twenty-five to fifty percent increases in wage and net profits taxes, twenty to fifty percent increases in hotel/motel taxes, and anywhere from ten to seventy-five percent increases in licensing, occupation, utility and other miscellaneous taxes.

In no instance was the total tax collected in 1974 or anticipated in 1975 equal to the increases in the cost of city government. Major cost increases were in labor (in most instances related to cost of living index), fuel, petroleum-related products, and paper.

Services: Most jurisdictions have had to reduce service levels in sanitation, recreation, library, health, and transportation. Many of the cities anticipate reductions in police, fire, and education services. This does not mean that less dollars will be spent and budgeted but, because of inflation, the dollars will buy less.

Capital Improvements: Basic maintenance of present capital investments such as streets, buildings, and machinery has been cut back. The cost of material has outpaced the cost of labor in most instances. Local government is not permitted to run a deficit in basic service or maintenance and operations. In cases where deeper cuts could not be made in services and maintenance, the completion or initiation of new capital improvements is being deferred or eliminated. In instances where work is to be financed with revenue sharing bonds, capital improvements funds may not be used for services, maintenance, or operations.

Conclusion: Local governments are in fact taking dollars out of the economy while the federal government is trying to put dollars into the economy. Local government revenues have fallen behind costs and reductions have occurred in services, maintenance, operations, and capital improvements.

The situation with respect to taxes and expenditures varies widely from city to city. Block grant federal assistance for manpower (CETA), community development, and community facilities meet many of the shortfalls.

However, general fiscal relief is needed to meet major increases in city government costs not covered by such block grants. As would be expected, the largest gaps are found in cities with the highest levels of unemployment.

The U.S. Conference of Mayors survey of 50 selected cities projected nationally for 1975 indicates the fiscal gap will be between five and eight billion dollars.