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MEETING WITH THE PRESIDENT,  
JIM LYNN AND PAUL O'NEILL

MEET WITH PAUL MYER  
Tuesday, September 7, 1976  
9:45 a.m.  
(15 minutes)

Re: Senate Revenue Sharing Bill



[Sept. 1976]

SUMMARY ANALYSIS COMPARING MAJOR PROVISIONS  
OF THE "STATE AND LOCAL FISCAL ASSISTANCE  
ACT OF 1972" WITH ADMINISTRATION PROPOSALS  
AND PENDING LEGISLATION TO REVISE AND EXTEND  
THE GENERAL REVENUE SHARING PROGRAM

I. LENGTH OF PROGRAM

Present Law: 5 years (January, 1972-December, 1976)

Administration Proposal: 5 3/4 years (January, 1977-September, 1982)

House Bill: 3 3/4 years (January, 1977-September, 1980)

Senate Committee Bill: 5 3/4 years (January, 1977-September, 1982)

II. FUNDING LEVEL

Present Law: \$30.2 billion; provides \$150 million annual increment in funding

Administration Proposal: \$39.85 billion; provides \$150 million annual increment in funding

House Bill: \$24.90 billion; no annual increment in funding

Senate Committee Bill: \$41.98 billion; provides \$150 million annual increment in funding

#6.9-7777

III. FUNDING MECHANISM

Present Law: trust fund; funds authorized and appropriated for duration of the program

Administration Proposal: no change in present law

House Bill: entitlement financing -- nondiscretionary annual appropriation of authorized amounts

Senate Committee Bill: same as House provision

IV. DISTRIBUTION OF FUNDS

Present Law: funds allocated by statutory formula

Administration Proposal: no change in present law, except for technical modification governing maximum amount an eligible government may receive

House Bill: no change in present law

Senate Committee Bill: no change in present law

V. ELIGIBILITY REQUIREMENTS

Present Law: all units of general government (States, counties, cities, towns, townships, Indian tribes and Alaskan native villages

Administration Proposal: no change in present law

House Bill: adds additional requirement regarding the performance of certain governmental services designed to eliminate small or allegedly inactive units of government

Senate Committee Bill: no change in present law

VI. OTHER REQUIREMENTS

Present Law: recipient governments must comply with certain minimal requirements; localities must spend such funds within stipulated "priority categories" and all recipients are prohibited from using these funds to meet the matching requirement of other Federal programs.

Administration Proposal: no change in present law

House Bill: deletes priority expenditure categories and matching prohibition

Senate Committee Bill: same as House provisions

VII. REPORTS, HEARINGS & PUBLIC PARTICIPATION

Present Law: provides for submission and publication of planned and actual use reports; revenue sharing funds are to be spent in accordance with applicable State and local laws and practices, including public hearings on the budgeting of such funds

Administration Proposal: modification of present provisions to simplify and waive reporting and publication requirements; require assurances that public has access to public hearings or other appropriate means of participation in decision-making process for uses of shared revenues

House Bill: requires recipients to meet extensive reporting, publication and public hearing standards

Senate Committee Bill: similar to present law and Administration proposal

VIII. ACCOUNTING AND AUDITING

Present Law: requires recipient governments to use fiscal accounting and audit procedures in conformity with guidelines developed by the Secretary to ensure that expenditures are made in compliance with the Act

Administration Proposal: no change in present law

House Bill: recipients required to conduct an annual independent audit of their financial accounts in accordance with generally accepted auditing standards

Senate Committee Bill: similar to present law; would allow the Secretary to waive auditing requirements in certain circumstances



IX. NONDISCRIMINATION

Present Law: prohibits discrimination on the basis of race, color, national origin, or sex in any program or activity funded in whole or in part with revenue sharing funds; enforcement powers stated in general terms with broad discretionary authority

Administration Proposal: retain present nondiscrimination requirement and general powers of the Secretary; would clarify the authority of the Secretary to withhold payment of revenue sharing funds where discrimination is found

House Bill: broadens present nondiscrimination provision to prohibit discrimination on the basis of age, handicapped status and religion in any program or activity funded in whole or in part, directly or indirectly, with revenue sharing funds; establishes elaborate compliance procedures removing Secretarial discretion and requiring the suspension of revenue sharing funds where discrimination is found

Senate Committee Bill: retains present nondiscrimination requirements; establishes enforcement procedures which could lead to the suspension or termination of funds where discrimination is found



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

[Sept. 1976]

ACTION

MEMORANDUM FOR: THE PRESIDENT  
FROM: James T. Lynn  
SUBJECT: General Revenue Sharing

The Senate Finance Committee has voted to report out a General Revenue Sharing bill. The Finance Committee bill would:

- Extend the program for 5 3/4 years as requested by the Administration; versus the 3 3/4 years of the House bill.
- Provide \$6.9 billion in new authorizations for 1977, an increase of \$350 million over the Administration's proposal, with annual increases of \$150 million as requested by the Administration; versus \$6.65 billion in 1977 with no annual increases in the House bill.
- Tighten civil rights requirements more than proposed by the Administration but substantially less than the House bill (principally by eliminating coverage for religion, age, and handicapped status).
- Soften the onerous reporting and auditing requirements included in the House bill although the overall requirements would be more burdensome than those proposed by the Administration.

The Senate Finance Committee staff have not finished drafting the Committee bill, and there is still some uncertainty about portions of the civil rights coverage and reporting and auditing requirements.

Civil Rights

The current law prohibits discrimination based on race, color, or sex for State and local programs funded with General Revenue Sharing and provides general enforcement powers to the Secretary of Treasury. The Administration proposed to increase the Secretary's flexibility in administering this provision primarily by explicitly providing for the termination of only part of a jurisdiction's General Revenue Sharing funds at the Secretary's discretion (the Justice Department believes this alternative is available under current law).

The House bill also prohibits discrimination based on age, religion, or handicapped status, and extends discrimination coverage to all State and local programs except those in which a recipient can prove by "clear and convincing evidence" that the program was not funded in whole or part, directly or indirectly, by General Revenue Sharing. In addition, very detailed compliance procedures with very restrictive deadlines are included in the bill. The Senate has not included age, religion, or handicapped status and appears to be adopting significantly less complex procedures and a somewhat narrower (but similar to House) definition of programs to be covered.

#### Public Hearings

Current law does not explicitly provide for public hearings. The Administration proposed that the public have ample notice and opportunity to express their views on use of funds in a public hearing or through some other procedure.

The House bill requires two public hearings (one prior to finalization of the report showing the planned uses of the funds and another before the adoption of the local budget). The Senate bill does not require a public hearing unless current local procedures for soliciting public comments are inadequate. This is clearly less onerous than the House provision, but the language will have to be carefully reviewed to assess its full impact.

#### Auditing and Reporting Requirements

Current legislation provides for a planned use report detailing how the locality intends to spend revenue sharing funds (primarily prepared for local residents although Treasury receives a copy) and an actual use report indicating how funds were used. Governments are required to follow standard accounting and auditing procedures. The Administration proposed that the Secretary be given additional discretion in establishing reporting requirements for smaller jurisdictions.

The House bill substantially expands reporting requirements, including multiyear comparisons of fund utilization. In addition, two new summary reports showing the impact (proposed and actual) of General Revenue Sharing on local expenditures and taxes are required. The Senate, on the other hand, actually reduces the current reporting requirement by eliminating the actual use report.

Although the Senate bill provides funding substantially above the Administration's proposal, the reporting, auditing, and civil rights requirements are preferable to the onerous House provisions.



### Funding Level

The minority staff of the Senate Budget Committee have contacted us, and asked if the Committee could count on strong White House support to reduce the 1977 authorization to the House level. Senator Muskie is somewhat reluctant to take on the Finance Committee again after the recent defeats over tax legislation, but might be persuaded to battle for lower authorizations. White House support would be very helpful in such a battle.

The funding problem is complicated by an apparent dispute between the Finance and Budget Committee staffs over the implications of the Second Concurrent Resolution. The Finance Committee staff argue that they are within the levels of the resolution since the combined revenue sharing and countercyclical programs (which are in the same major function) will be below the resolution amount. Budget Committee staff believe the resolution has been exceeded because General Revenue Sharing is over the amount contemplated for it. The Senate Appropriations Committee apparently does not plan to get involved in the fray (although the dispute over the Second Concurrent Resolution or Senator McClellan's opposition to General Revenue Sharing could change this).

### Options

Provide White House support to Senate Budget Committee by strongly opposing the increased 1977 authorization.

- Would emphasize Administration's commitment to hold down Federal spending.
- Would signal strong support for the congressional budget control process.

Accept Senate bill as preferable to House version, but seek reduction in the 1977 authorization in conference.

- Would minimize the possibility that, by interjecting the Administration into the Muskie-Long battle, the Finance Committee would not support in conference the longer extension, reduced reporting and auditing of requirements, and more reasonable civil rights procedures.
- Could still result in lower funding levels since the House will probably seek to retain their lower authorization in conference (and the Administration could propose a compromise: The 1977 House authorization with annual increases in 1978-1982 as proposed by the Senate and the Administration).

Recommendation

OMB and Domestic Council staff would prefer to address the funding issue in conference. Treasury staff strongly support the Senate bill over the House version but defer to OMB and the White House on funding.

Decision

\_\_\_\_\_ Major White House effort to reduce funding in Senate.

\_\_\_\_\_ Accept Senate bill as preferable to House, but seek funding reductions in conference (Domestic Council staff; OMB).

Official File (Justice/Treasury Branch)

DO Records

DO Chron

Director

Deputy Director

Mr. McOmber

Mr. Kranowitz ✓

Mr. Frey

Mr. Kearney

Ms. Walker

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THE WHITE HOUSE

WASHINGTON

September 2, 1976

MEMORANDUM FOR

MAX FRIEDERSDORF

JIM CANNON

FROM

PAUL MYER

SUBJECT:

Senate Consideration of  
General Revenue Sharing  
Legislation

By unanimous consent agreement, Senator Long has authority to call up the Finance Committee's bill to revise and extend the General Revenue Sharing program at any time during the week of September 7. Although the leadership would like to begin on Wednesday and complete action on Thursday, the extent of work required to complete bill and report drafting may delay action until later in the week.

Of greater consequence, however, is a problem concerning the Finance Committee's decision on the funding level and funding mechanism of the General Revenue Sharing program which has the potential to delay or complicate Senate floor action on this bill.

#### I. FUNDING LEVEL

As reported, the Finance Committee bill provides \$6.9 billion in outlays for FY77. Since \$1.662 billion is already appropriated for the first quarter of FY77 in the current Act, the bill provides an additional \$5.238 billion for the fiscal year.

According to the Senate (and House) Budget Committee, the First Budget Resolution allocated only \$4.880 billion in additional outlays for General Revenue Sharing. Based upon their interpretation, the Finance Committee bill would exceed this target by \$358 million.

The Finance Committee has, however, based its action upon a different interpretation. The section of the First Budget Resolution covering Revenue Sharing and General

Purpose Fiscal Assistance contained \$350 million in "allowances" which the Finance Committee applied to the General Revenue Sharing program to compute its higher figure. Further, Senator Long is known to feel that since the "Tax Reform" bill emerging from conference will produce greater savings than anticipated, these revenues should be applied to programs within his Committee's jurisdiction. Under this interpretation, the \$6.9 billion would be within the Budget Resolution target.

The Senate Budget Committee has questioned the Finance Committee's action. In a August 30, 1976 letter from Senators Muskie and Bellmon to Senator Long, the Budget Committee advised the Finance Committee:

"...the First Budget Resolution deliberations did not contemplate use of any of the allowances target for general revenue sharing. In any event it is now clear these allowances amounts will be needed for other purposes.

"In allocating the First Budget Resolution targets among Senator Committees, certain funds in the allowances category were held back and not allocated to any committee. It should be noted, however, that the statement of managers accompanying the Conference Report on the First Budget Resolution stated that these sums -- totalling \$2.050 billion in budget authority and \$350 million in outlays -- were to be 'reserved only for jobs programs, including accelerated public works, countercyclical assistance, public service employment, small business assistance, or such other temporary job stimulus programs that the Congress may enact' (emphasis added)."

The Budget Committee had in fact earlier advised the Appropriations Committee that in light of subsequent Congressional actions, it should augment appropriations for job creating programs by the \$350 million in the allowances category, thus earmarking these amounts for such purposes.

Further, the Budget Committee, in reporting the Second Budget Resolution, has allocated only \$6.65 billion in outlays for revenue sharing during FY77. This figure represents the amount contained in the House-passed renewal bill. Senate consideration of the Budget Resolution is also scheduled for next week.

\* \* \* \*

ACTION REQUIRED

Senators Long, Muskie and McClellan have not discussed these questions. Their resolution could be handled in an amicable manner or result in a floor fight.

It is conceivable that the Senate will simply avoid the technical aspects of the funding level issue, adopt the Finance Committee recommendation and then increase the amount allocated for General Revenue Sharing in the Second Budget Resolution to reflect that decision.

As you know, it is my opinion that even if the Senate were to go along with the \$6.9 billion figure for FY77, the House conferees would not agree to that amount. A likely compromise allocating only \$6.65 billion but retaining the annual \$150 million increment for subsequent years would be most satisfactory in relation to the President's legislative and budgetary recommendations for General Revenue Sharing renewal.

Regarding the referral issue, the waiver provision was not exercised in the House. It is worth noting that the Administration's legislative recommendations did include this waiver authority in order to exempt General Revenue Sharing from the annual appropriations process. While the referral could be of a pro forma nature, as in the House, Senator Long is extremely jealous of his Committee's prerogatives. If the Senate did include the waiver in its bill, this provision would clearly add to our leverage in conference.

Given the personalities involved and the recent history of dispute over the power and authority of their respective committees, anything may happen. While it will be interesting to see this situation unfold, I am concerned that it not delay or jeopardize prompt Senate action. Particularly, the Administration must be careful of its involvement.

OMB has already been contacted by Senator Bellmon's office regarding the position of the Administration on the funding level issue. To my knowledge the referral matter has not yet surfaced. This is clearly a sensitive matter which merits your attention. It would be useful for us to meet with Jim Lynn and others who may be involved.