

The original documents are located in Box 30, folder “Revenue Sharing (3)” of the James M. Cannon Files at the Gerald R. Ford Presidential Library.

Copyright Notice

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Gerald Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.




THE UNDER SECRETARY OF THE TREASURY

WASHINGTON, D.C. 20220

April 7, 1975

MEMORANDUM FOR: ✓ James M. Cannon
James H. Falk
James N. Purcell
Walter D. Scott
Graham W. Watt

FROM: Edward C. Schmults 

SUBJECT: Revenue Sharing Renewal



Attached are "final" drafts of the following revenue sharing renewal items:

1. Proposed renewal legislation.
2. "Comparative type" showing changes in law.
3. Analysis of legislation.
4. Press or public information booklet which includes the President's message, a comparative fact sheet, Qs and As, a summary of the legislation and a table showing revenue sharing payments by types of jurisdictions.

Also enclosed is a suggested White House press release. The Presidential message is almost in final form and we are transmitting our comments thereon to Jim Falk. We are now preparing a "White House form" fact sheet and will circulate this for review shortly.

The word "final" is in quotes in the preceding paragraph to indicate that if we are to meet our time schedule any more changes should be only to cure "disasters" and not to edit. We hope to send the press booklet with the Presidential message included to the printer for galley proofs within the next day or so.

I shall be giving Jim Cannon or Jim Falk a call to discuss our timing for a press conference, etc.

Attachments

A BILL
Proposed Renewal Legis-
lation

A BILL

To extend and revise the State and Local Fiscal Assistance Act of 1972.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 102 of the State and Local Fiscal Assistance Act of 1972 (31 U.S.C. Supp. 1221) is amended by adding a final sentence to read as follows: "The Secretary may reserve a percentage of the total entitlement payment for any entitlement period as he deems necessary to ensure that there will be sufficient funds available to pay adjustments due after the final allocation of funds among the State governments and units of local government."

SEC. 2. Section 105 of the State and Local Fiscal Assistance Act of 1972 (31 U.S.C. Supp. 1224) is amended by--

(1) striking the word "and" at the end of subsection (b)(1)(F), striking subparagraph (G) and adding to subsection (b) subparagraphs (G) through (I) to read as follows:

"(G) for the period beginning July 1, 1976, and ending September 30, 1976, \$1,625,000,000;

(H) for the fiscal year beginning October 1, 1976, \$6,500,000,000;

(I) for the fiscal year beginning October 1, 1977, \$6,687,500,000;

(J) for the fiscal year beginning October 1, 1978, \$6,837,500,000;

(K) for the fiscal year beginning October 1, 1979, \$6,987,500,000;

(L) for the fiscal year beginning October 1, 1980, \$7,137,500,000; and

(M) for the fiscal year beginning October 1, 1981, \$7,287,500,000.""

(2) striking the word "and" at the end of subsection (b)(2)(D) and by striking subparagraph (E) and adding to subsection (b)(2) subparagraphs (E) and (F) to read as follows:

(E) for the period beginning July 1, 1976 and ending September 30, 1976, \$1,195,000;

(F) for each of the fiscal years beginning October 1, 1976, October 1, 1977, October 1, 1978, October 1, 1979, October 1, 1980, and October 1, 1981, \$4,780,000."; and

(3) adding subsections (d) and (e) to read as follows:

(d) NEW SPENDING AUTHORITY EXEMPTION.--

Funds appropriated pursuant to subsection (b)(1) and (2) are exempt from the provisions of sections 401(a) and (b) of the Congressional Budget Act of 1974."



"(e) SECRETARY'S REPORT ON EXTENSION.--

No later than September 30, 1980, the Secretary shall submit a report with appropriate recommendations concerning the extension of this title to the committees of the House and the Senate having legislative jurisdiction over such extension.

SEC. 3. Section 107(b) of the State and Local Fiscal Assistance Act of 1972 (31 U.S.C. Supp. 1226(b)) is amended by striking paragraph (5) and redesignating paragraphs (6) and (7) as (5) and (6) respectively.

SEC. 4(a). Section 108(b)(4) of the State and Local Fiscal Assistance Act of 1972 (31 U.S.C. Supp. 1227(b)(4)) is amended by revising the last sentence thereof to read as follows: "If the entitlement of any such tribe or village is waived for any entitlement period by the governing body of that tribe or village, then the amount of such entitlement shall (in lieu of being paid to such unit) be added to, and shall become a part of, the entitlement of the county government of the county area in which such unit is located."

(b) Section 108(b)(6)(B) of the Act (31 U.S.C. Supp. 1227(b)(6)(B)) is amended by adding a new sentence to the end thereof to read as follows: "Beginning with the entitlement period that begins July 1, 1976, the maximum constraint shall increase at a rate of 6 percentage points per entitlement period until it reaches 175 percent."

(c) Section 108(c)(1) of the Act (31 U.S.C. Supp. 1227(c)(1)) is amended by striking "December 31, 1976" from subparagraph (C) and inserting in lieu thereof "September 30, 1982."

SEC. 5. Section 109(c)(2)(B) of the State and Local Fiscal Assistance Act of 1972 (31 U.S.C. Supp. 1228(c)(2)(B)) is amended to read as follows:

"(B) MOST RECENT REPORTING YEAR. --

The most recent reporting year with respect to any entitlement period consists of the years taken into account by the Bureau of the Census in its most recent general determination of State and local taxes made before the beginning of such period."

SEC. 6(a). Section 121(a) of the State and Local Fiscal Assistance Act of 1972 (31 U.S.C. Supp. 1241(a)) is amended by revising the first sentence to read as follows: "Each State government and unit of local government which receives funds under subtitle A shall, after the close of each entitlement period, submit a report to the Secretary on the use of the funds received during such period."

(b) Section 121(b) of the Act (31 U.S.C. Supp. 1241(b)) is amended by revising the first sentence to read as follows: "Each State government and unit of local government which expects to receive funds under subtitle A for any entitlement period beginning on or after January 1, 1973, shall submit a report to the Secretary on how it plans to use the funds it expects to receive during such period."

(c) Section 121(c) of the Act (31 U.S.C. Supp. 1241(c)) is amended by inserting a new sentence after the first sentence to read as follows: "Where the newspaper publication cost of such report is excessive in relation to the amount of the entitlement of a unit of local government or where other means of publicizing the reports are more appropriate, then such reports shall be publicized pursuant to regulations prescribed by the Secretary."

SEC. 7 Section 122(b)(2) of the State and Local Fiscal Assistance Act of 1972 (31 U.S.C. Supp. 1242(b)(2)) is amended to read as follows:

"(2) to exercise the powers and functions provided by title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), and to withhold all or a portion of the entitlement funds due such State government or unit of local government, to terminate the eligibility of such State government or unit of local government to receive one or more payments under subtitle A, and to require repayment by such State government or unit of local government of the entitlement funds expended in a program or activity found to be in violation of subsection (a);".

SEC. 8. Section 123 of the State and Local Fiscal Assistance Act of 1972 (31 U.S.C. Supp. 1243) is amended by --

(1) striking the word "and" at the end of subsection (a)(5)(B), by striking the semicolon at the end of subsection (a)(5)(C), and inserting in lieu of the latter a comma and the word "and", and by adding a new subsection (a)(5)(D) to read as follows:



"(D) notwithstanding paragraph 4, provide notice and opportunity to the residents so that they may give recommendations and views on the proposed expenditures of all funds made available under subtitle A in a public hearing or in such other manner as the Secretary may prescribe by regulation;"

(2) striking paragraph (8) of subsection (a).

SEC. 9. Section 141(b) of the State and Local Fiscal Assistance Act of 1972 (31 U.S.C. Supp. 1261) is amended by striking paragraph (5) and substituting in lieu thereof the following:

"(5) The period beginning July 1, 1976, and ending September 30, 1977.

(6) The one-year periods beginning on October 1 of 1977, 1978, 1979, 1980, and 1981."

COMPARATIVE
(Changes in Existing
Law)

COMPARATIVE TYPE SHOWING CHANGES IN
EXISTING LAW MADE BY PROPOSED BILL

Changes in existing law made by the proposed bill are shown as follows (existing law proposed to be omitted is enclosed in brackets; new matter is underscored):

Sections 102, 105, 107, 108, 109, 121, 122, 123 and 141 of the State and Local Fiscal Assistance Act of 1972 (31 U.S.C. Supp. 1221, 1224, 1226, 1227, 1228, 1241, 1242, 1243, 1261)

SEC. 102. PAYMENTS TO STATE AND LOCAL GOVERNMENTS

* * *

Except as otherwise provided in this title, the Secretary shall, for each entitlement period, pay out of the Trust Fund to--

(1) each State government a total amount equal to the entitlement of such State government determined under section 107 for such period, and

(2) each unit of local government a total amount equal to the entitlement of such unit determined under section 108 for such period.

In the case of entitlement periods ending after the date of the enactment of this Act, such payments shall be made in installments, but not less often than once for each quarter, and, in the case of quarters ending after September 30, 1972, shall be paid not later than 5 days after the close of each quarter. Such payments

for any entitlement period may be initially made on the basis of estimates. Proper adjustment shall be made in the amount of any payment to a State government or a unit of local government to the extent that the payments previously made to such government under this subtitle were in excess of or less than the amounts required to be paid. The Secretary may reserve a percentage of the total entitlement payment for any entitlement period as he deems necessary to ensure that there will be sufficient funds available to pay adjustments due after the final allocation of funds among State governments and units of local government.

SEC. 105. CREATION OF TRUST FUND: APPROPRIATIONS

* * *

(b) APPROPRIATIONS.--

(1) IN GENERAL.--There is appropriated to the Trust Fund, out of amounts in the general fund of the Treasury attributable to the collections of the Federal individual income taxes not otherwise appropriated--

(A) for the period beginning January 1, 1972, and ending June 30, 1972, \$2,650,000,000;

(B) for the period beginning July 1, 1972, and ending December 31, 1972 \$2,650,000,000;

(C) for the period beginning January 1, 1973, and ending June 30, 1973, \$2,987,500,000;

(D) for the fiscal year beginning July 1, 1973, \$6,050,000,000;

(E) for the fiscal year beginning July 1, 1974, \$6,200,000,000;

(F) for the fiscal year beginning July 1, 1975, \$6,350,000,000; [and]

[(G) for the period beginning July 1, 1976, and ending December 31, 1976, \$3,325,000,000.]

"(G) for the period beginning July 1, 1976, and ending September 30, 1976. \$1,625,000,000;

(H) for the fiscal year beginning October 1, 1976, \$6,500,000,000;

(I) for the fiscal year beginning October 1, 1977, \$6,687,500,000;

(J) for the fiscal year beginning October 1, 1978, \$6,837,500,000;

(K) for the fiscal year beginning October 1, 1979, \$6,987,500,000;

(L) for the fiscal year beginning October 1, 1980, \$7,137,500,000; and

(M) for the fiscal year beginning October 1, 1981, \$7,287,500,000."

(2) NONCONTIGUOUS STATES ADJUSTMENT AMOUNTS.--There is appropriated to the Trust Fund, out of amounts in the general funds of the Treasury attributable to the collections of the Federal individual income taxes not otherwise appropriated--

(A) for the period beginning January 1, 1972, and ending June 30, 1972, \$2,390,000;

(B) for the period beginning July 1, 1972, and ending December 31, 1972, \$2,390,000;

(C) for the period beginning January 1, 1973, and ending June 30, 1973, \$2,390,000;

(D) for each of the fiscal years beginning July 1, 1973, July 1, 1974, and July 1, 1975, \$4,780,000; [and]

[(E) for the period beginning July 1, 1976, and ending December 31, 1976, \$2,390,000;]

(E) for the period beginning July 1, 1976, and ending September 30, 1976, \$1,195,000;

(F) for each of the fiscal years beginning October 1, 1976, October 1, 1977, October 1, 1978, October 1, 1979, October 1, 1980, and October 1, 1981, \$4,780,000.

(3) DEPOSITS.--Amounts appropriated by paragraph (1) or (2) for any fiscal year or other period shall be deposited in the Trust Fund on the later of (A) the first day of such year or period, or

(B) the day after the date of enactment of this Act.

(c) TRANSFERS FROM TRUST FUND TO GENERAL FUND.--The Secretary shall from time to time transfer from the Trust Fund to the general fund of the Treasury any moneys in the Trust Fund which he determines will not be needed to make payments to State governments and units of local government under this subtitle.

(d) NEW SPENDING AUTHORITY EXEMPTION.--Funds appropriated pursuant to subsection (b)(1) and (2) are exempt from the provisions of sections 401(a) and (b) of the Congressional Budget Act of 1974.

(e) SECRETARY'S REPORT ON EXTENSION.--No later than September 30, 1980, the Secretary shall submit a report with appropriate recommendations concerning the extension of this title to the committees of the House and the Senate having legislative jurisdiction over such extension.

SEC. 107. ENTITLEMENTS OF STATE GOVERNMENTS

* * *

(b) STATE MUST MAINTAIN TRANSFERS TO LOCAL GOVERNMENTS.

* * *

[(5) SPECIAL RULE FOR PERIOD BEGINNING JULY 1, 1976.--
In the case of the entitlement period beginning July 1, 1976, and ending December 31, 1976, the aggregate amount taken into account under paragraph (1)(A) for the preceding entitlement period and the aggregate amount taken into account under paragraph

(1)(B) shall be one-half of the amounts which (but for this paragraph) would be taken into account.]

[6](5) REDUCTION IN ENTITLEMENT.--If the Secretary has reason to believe that paragraph (1) requires a reduction in the entitlement of any State government for any entitlement period, he shall give reasonable notice and opportunity for hearing to the State. If, thereafter, he determines that paragraph (1) requires the reduction of such entitlement, he shall also determine the amount of such reduction and shall notify the Governor of such State of such determinations and shall withhold from subsequent payments to such State government under this subtitle an amount equal to such reduction.

[7](6) TRANSFER TO GENERAL FUND.--An amount equal to the reduction in the entitlement of any State government which results from the application of this subsection (after any judicial review under section 143) shall be transferred from the Trust Fund to the general fund of the Treasury on the day on which such reduction becomes final.

SEC. 108. ENTITLEMENTS OF LOCAL GOVERNMENTS.

* * *

(b) ALLOCATION TO COUNTY GOVERNMENTS,
MUNICIPALITIES, TOWNSHIPS, ETC.--

* * *

(4) INDIAN TRIBES AND ALASKAN NATIVE VILLAGES.--

If within a county area there is an Indian tribe or Alaskan native village which has a recognized governing body which performs substantial governmental functions, then before applying paragraph (1) there shall be allocated to such tribe or village a portion of the amount allocated to the county area for the entitlement period which bears the same ratio to such amount as the population of that tribe or village within that county area bears to the population of that county area. If this paragraph applies with respect to any county area for any entitlement period, the amount to be allocated under paragraph (1) shall be appropriately reduced to reflect the amount allocated under the preceding sentence. If the entitlement of any such tribe or village is waived for any entitlement period by the governing body of that tribe or village, then the [provisions of this paragraph shall not apply with respect to the amount of such entitlement for such period] amount of such entitlement shall (in lieu of being paid to such unit) be added to, and shall become a part of, the entitlement of the county government of the county area in which such unit is located.

*

*

*

(6) ENTITLEMENT.--

(A) IN GENERAL.--Except as otherwise provided in this paragraph, the entitlement of any unit of local government for any entitlement period shall be the amount allocated to such unit under this subsection (after taking into account any applicable modification under subsection (c)).

(B) MAXIMUM AND MINIMUM PER CAPITA ENTITLEMENT.--

Subject to the provisions of subparagraphs (C) and (D), the per capita amount allocated to any county area or any unit of local government (other than a county government) within a State under this section for any entitlement period shall not be less than 20 percent, nor more than 145 percent, of two-thirds of the amount allocated to the State under section 106, divided by the population of that State. Beginning with the entitlement period that begins July 1, 1976, the maximum constraint shall increase at a rate of 6 percentage points per entitlement period until it reaches 175 percent.

(c) SPECIAL ALLOCATION RULES.--

* * *

(1) OPTIONAL FORMULA

* * *

(C) apply during the period beginning on the first day of the first entitlement period to which it applies and ending on [December 31, 1976.] September 30, 1982.

SEC. 109. DEFINITIONS AND SPECIAL RULES FOR APPLICATION OF ALLOCATION FORMULAS.

* * *

(c) GENERAL TAX EFFORT OF STATES.--

* * *

(2) STATE AND LOCAL TAXES.--

(B) MOST RECENT REPORTING YEAR.--The most recent reporting year with respect to any entitlement period consists of the years taken into account by the Bureau of the Census in its most recent general determination of State and local taxes made before the [close] beginning of such period.

SEC. 121. REPORTS ON USE OF FUNDS; PUBLICATION.

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

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

(c) PUBLICATION AND PUBLICITY OF REPORTS.--Each State government and unit of local government shall have a copy of each report submitted by it under subsection (a) or (b) published in a newspaper which is published within the State and has general circulation within the geographic area of that government. Where the newspaper publication cost of such report is excessive in relation to the amount of the entitlement of a unit of local government or where other means of publicizing the reports are more appropriate, then such reports shall be publicized pursuant to regulations prescribed by the Secretary. Each State government and unit of local government shall advise the news media of the publication of its reports pursuant to this subsection.

SEC. 122. NONDISCRIMINATION PROVISION.

* * *

(b) AUTHORITY OF SECRETARY.--Whenever the Secretary determines that a State government or unit of local government has failed to comply with subsection (a) or an applicable regulation, he shall notify



the Governor of the State (or, in the case of a unit of local government, the Governor of the State in which such unit is located) of the noncompliance and shall request the Governor to secure compliance. If within a reasonable period of time the Governor fails or refuses to secure compliance, the Secretary is authorized (1) to refer the matter to the Attorney General with a recommendation that an appropriate civil action be instituted; (2) to exercise the powers and functions provided by title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d)[;], and to withhold all or a portion of the entitlement funds due such State government or unit of local government, to terminate the eligibility of such State government or unit of local government to receive one or more payments under subtitle A, and to require repayment by such State government or unit of local government of the entitlement funds expended in a program or activity found to be in violation of subsection (a);

(3) to take such other action as may be provided by law.

SEC. 123. MISCELLANEOUS PROVISIONS.

(a) ASSURANCES TO THE SECRETARY

* * *

(5) it will --

(A) use fiscal, accounting, and audit procedures which conform to guidelines established therefor by the Secretary (after consultation with the Comptroller General of the United States),

(B) provide to the Secretary (and to the Comptroller General of the United States),

on reasonable notice, access to, and the right to examine, such books, documents, papers, or records as the Secretary may reasonably require for purposes of reviewing compliance with this title (or, in the case of the Comptroller General, as the Comptroller General may reasonably require for purposes of reviewing compliance and operations under subsection (c)(2)), [and]

(C) make such annual and interim reports (other than reports required by section 121) to the Secretary as he may reasonably require[;], and

(D) notwithstanding paragraph (4), provide notice and opportunity to the residents so that they may give recommendations and views on the proposed expenditures of all funds made available under subtitle A in a public hearing or in such other manner as the Secretary may prescribe by regulations;



* * *

[(8) in the case of a unit of local government as defined in the second sentence of section 108(d)(1) (relating to governments of Indian tribes and Alaskan native villages), it will expend funds received by it under subtitle A for the benefit of members of the tribe or village residing in the county area from the allocation of which funds are allocated to it under section 108 (b)(4).]

* * *

SEC. 141. DEFINITIONS AND SPECIAL RULES.

* * *

(b) ENTITLEMENT PERIOD.--For purposes of this title, the term "entitlement period" means --

(1) The period beginning January 1, 1972, and ending June 30, 1972.

(2) The period beginning July 1, 1972, and ending December 31, 1972.

(3) The period beginning January 1, 1973, and ending June 30, 1973.

(4) The one-year periods beginning on July 1, of 1973, 1974, and 1975.

[(5) The period beginning July 1, 1976, and ending December 31, 1976.]

(5) The period beginning July 1, 1976, and ending September 30, 1977.

(6) The one-year periods beginning on October 1 of 1977, 1978, 1979, 1980, and 1981.

ANALYSIS OF LEGISLA-
TION

ANALYSIS.

Section 1

The amount of a recipient government's general revenue sharing entitlement is determined to a great extent by the use of data obtained from the Bureau of the Census. The Secretary of the Treasury is currently empowered to use data other than that provided by Census when its data is determined to be insufficient to provide for proper allocations. In some instances, the fact that incorrect data has been used to compute revenue sharing allocations is not discoverable until after the revenue sharing funds have been distributed pursuant to the relevant sections of the State and Local Fiscal Assistance Act of 1972, hereinafter designated "the Act".

To mitigate the inequity arising from this unfortunate but inevitable circumstance, 31 CFR 51.25(a) has been promulgated. It establishes an Obligated Adjustment Reserve that is funded by administratively holding in reserve a small percentage (.005) of the revenue sharing funds appropriated for each entitlement period from which adjustments can be made to alleviate hardships caused by prior misallocations. The amount of revenue sharing funds held in reserve and the decision to make adjustment payments is determined in the discretion of the Secretary, as the equity of the situation requires.

The creation of the Reserve Fund has proved necessary for the orderly administration of the general revenue sharing program due to the complexity of the allocation process. The proposed amendment to section 102 of the Act is recommended in the first section of the bill to clarify the authority of the Secretary to make adjustments in this manner.

Section 2

Section 105(b)(1) of the present Act provides for the periodic appropriation of funds from the general fund of the Treasury to the State and Local Government Fiscal Assistance Trust Fund. Funding under this section is provided through December 31, 1976, with an increase of 150 million dollars each full year with the exception of the last period of six months which also provides for a step increase of one hundred and fifty million dollars.

Clause (1) of section 2 of the bill provides for a continuation of the general revenue sharing program for five and three-quarters additional years, concluding with the fiscal year beginning October 1, 1981. This recommendation strikes a reasonable balance between the need of recipient governments for fiscal stability and the legitimate desire of the Federal Executive and the Congress to maintain control over the budget. The appropriations set forth in this amendment continue the step increase at the rate of one hundred and fifty million dollars per year.

Although the appropriation periods now coincide with the entitlement periods defined in section 141(b), this amendment would add a three-month appropriation period beginning July 1, 1976 and ending September 30, 1976. The combination of amendments to section 105(b)(1) and section 141(b) will provide for the transition to the new Federal fiscal year while at the same time make clear the amount of funds which would be added to the existing appropriation.

When the revenue sharing allocation of Alaska or Hawaii is determined by the three-factor allocation formula, it becomes eligible for the noncontiguous State adjustment. Pursuant to section 106(c) of the Act, an adjustment may be made to the basic allocation for these States in which civilian employees of the U.S. Government receive an allowance under 5 U.S.C. section 5941. Section 105(b)(2) appropriates the funds used to make this adjustment.

Clause (2) of section 2 of the bill would amend section 105(b)(2) by extending this appropriation at the existing rate of \$4,780,000 per year. Further, this amendment, like that of clause (1) of section 2 above, would result in two appropriation periods being combined under the new fifteen-month entitlement period proposed for section 141(b). This will allow for the transition to the new Federal fiscal year and at the same time identify the new appropriations being proposed for this section.

Clause (3) of section 2 of the bill would amend section 105 of the Act to add subsections (d) and (e). The new subsection (d) provides that the funds appropriated for the extension of the general revenue sharing program are exempt from the appropriation procedures of section 401(a) and (b) of the Congressional Budget Act of 1974 (P.L. 93-344). This Act specifically provides that any extension of the general revenue sharing program is eligible for this exemption. The appropriation of funds at the outset for the extension of the general revenue sharing program is vitally important to recipient governments to assist them in planning for their service programs, capital improvement programs, and financial policies without being subject to the inherent delays and uncertainties of the annual appropriation process.



The new subsection (e) provides that the Secretary of the Treasury shall submit a report, with recommendations concerning the extension of the Act, to the appropriate Congressional committees two years before the expiration of funding under this bill. While many favor making general revenue sharing a permanent program, this approach is not recommended at this time. A requirement to review the renewal of the general revenue sharing program two years in advance of its expiration would remove much of the uncertainty for State and local governments regarding availability of the funds.

Section 3

Section 107(b)(5) of the Act provides a special rule to measure State assistance to local governments during the six-month long entitlement period (July 1, 1976 - December 31, 1976). In situations in which either the recipient government's fiscal year does not coincide with an entitlement period or where an entitlement period is greater than or less than a full year, the Office of Revenue Sharing has provided by regulation (31 CFR 51.26) that the point of reference for measuring a State's assistance to local governments will be that State's fiscal year. Accordingly, it is proposed that section 107(b) be amended to delete paragraph (5).

Section 4

Section 108(b)(4) of the present Act provides that if the governing body of an Indian tribe or Alaskan native village waives its entitlement, then the amount of the entitlement shall be distributed according to the rules relating to distribution within county areas. The waiver by an Indian tribe or Alaskan native village is therefore handled differently than a waiver by a unit

of local government pursuant to section 108(b)(6)(D). In the case of a waiver by a unit of local government, the entitlement waived becomes a part of the entitlement of the county government of the county area in which the waiving unit is located. In the case of Indian tribes and Alaskan native villages, section 108(b)(4) requires the amount of the entitlement waived by those units to pass to all of the other local units of government in the applicable county area.

The required treatment of waived entitlements by Indian tribes causes a significant burden of recomputation, the net effect of which is to increase the entitlement of numerous units of local government by relatively insignificant amounts. In many instances, the cost to the Office of Revenue Sharing of making the required adjustment to entitlements initiated by waiver by an Indian tribe exceeds the amount of the entitlement waived. We believe that entitlements waived by an Indian tribe or Alaskan native village should be treated the same as a waiver by any other unit of local government, and the amount waived should be added to the county government entitlement. Section 4(a) of the bill would accomplish that purpose.

In order to insure that some communities would not receive extremely high or low allocations, the maximum and minimum limitations on the revenue sharing allocations to county areas and units of local government were imposed upon the revenue sharing formula. Under the current law, the maximum limitation for any county area or local government in a State is 145 percent of the per capita allocation to all local governments in the State.

The effect of this 145 percent maximum is as follows: after the entitlements of local governments within a State are computed according to the



formula, any jurisdiction which is entitled to receive more than 145 percent of the average per capita allocation to all local governments in that state has its allocation reduced to the 145 percent level. The funds taken from these jurisdictions, which are generally characterized by low income population and high levels of tax effort, are then redistributed according to the formula to the remaining jurisdictions within the State which are not so constrained and which would otherwise receive smaller amounts.

Section 4(b) of the bill provides that beginning with the entitlement period that begins on July 1, 1976, the present maximum limitation on the amount of revenue sharing entitlements be raised. To reduce the impact on local governments which have been receiving additional funds that are redistributed because of the operation of the 145% constraint upon other jurisdictions within their State, the maximum allocation constraint would be raised gradually, in five steps, by an increase of 6 percentage points per entitlement period until a new maximum constraint level of 175 percent is reached. The purpose of raising the maximum per capita allocation constraint to 175 percent is to allow low personal income and high tax effort to be more fully reflected in the operation of the basic formula.

Due to the responsiveness of the revenue sharing formulas to changes in data--the allocation of revenue sharing funds is based on annually changing data elements such as adjusted taxes, and on periodically updated data elements such as per capita income and population--the effect of this proposed change will vary in any entitlement period and from State to

State. Generally, more jurisdictions will experience a potential funding reduction than will gain. As a result of the gradual phase-in, and as a result of the stair-step increases in the total amount being distributed each entitlement period, however, the potential losses to almost all jurisdictions in any given year should be fully offset so that they will not suffer an actual decrease in their revenue sharing payments as a consequence of this change.

Increasing the maximum constraint as proposed will, as a general rule, cause increased revenue sharing funds to be received by the 4,000 places that have been constrained in the past. These places include both major cities and smaller jurisdictions with relatively low per capita income and relatively high tax effort, or both. Approximately 23,000 places would no longer receive additional redistributed funds from the constrained places. For example, had the 175 percent constraint limitation been fully implemented in FY 1974, these 23,000 places would have received an average of \$3,000 less than they were actually paid in FY 1974, which is an average 2.2 percent less than they actually received.

Section 108(c) of the Act enables State governments, by enactment of a State law, to adopt an alternative formula for the distribution of revenue sharing allocations among the county areas and among the municipalities located therein. Section 4(c) of the bill amends section 108(c)(1)(C) for the sole purpose of reflecting the extension of the general revenue sharing appropriations until September 30, 1982.

Section 5

Section 109(a)(5) of the present Act states that, except as provided in the regulations, the determination of allocations and entitlements for any entitlement period shall be made as of the first day of the third month immediately preceding the beginning of each period. Further, section 109(a)(7) provides for uniformity of data and states the general rule that the data shall be the most recently available data. These provisions are effective and permit the orderly computation of entitlements before the beginning of each period so that States and local governments may be advised, for planning purposes and for purposes of informing their citizens, well before payments are made. In section 109(c)(2)(B) the definition of the general tax effort for States defines the most recent reporting year as the one taken into account by the Bureau of the Census prior to the close of that entitlement period. This definition appears to conflict with the definition for all other data items and appears to conflict with the earlier section providing for uniformity of data and for computation of entitlements three months before the beginning of an entitlement period.

Were this non-conforming definition to be given precedence, it would necessitate substitution of this data during an entitlement period while payments were being made, and would result in changing the entitlements for all 38,000 recipient governments during the middle of the payment year.

Section 5 of the bill would eliminate this non-conforming language by amending section 109(c)(2)(B) by deleting the word "close" in the phrase "made before the close of each period", and inserting in lieu thereof the word "beginning". Thus, the phrase would read "made before the beginning

of such period." In this way, the tax effort factor which is published by the Bureau of the Census in October would be used for the computation of the entitlement period beginning in the following year, and no tax effort adjustments to the general universe of recipients would be necessary.

Section 6

Section 121(a) of the Act requires States and units of local government to submit a report to the Secretary of the Treasury at the close of each entitlement period setting forth the amounts and purposes for which funds received during such period have been spent or obligated. The purpose of this section is to keep the Secretary and the public abreast of how recipient governments are spending their general revenue sharing funds.

Attempts to measure the various effects general revenue sharing funds have had on recipient governments from the Actual Use Reports submitted to date have met with only limited success. Section 6(a) of the bill is intended to give the Secretary more discretion to determine the form and content of the reports submitted under section 121(a) of the Act. This additional authority to regulate the substantive content of the Actual Use Reports will be used to require recipient governments to report financial and use information in a fashion that is more meaningful to the general public, to the Congress and to the Executive Branch.

Section 121(b) of the Act requires States and units of local government expecting to receive revenue sharing funds for any entitlement period to submit a report to the Secretary of the Treasury setting forth the amounts and purposes for which they plan to spend or obligate the funds during such period. The so-called Planned Use Report is intended to be used to inform

the Secretary and the public as to how recipient governments plan to expend their general revenue sharing funds.

Section 6(b) of the bill is intended to serve the same function for the Planned Use Reports as section 6(a) serves for the Actual Use Reports. In each case, we believe the effectiveness of the reports could be significantly enhanced if the Secretary were allowed more administrative discretion to determine their content. The present requirement that the Planned Use Report set forth the amounts and purposes for which the recipient government plans to spend or obligate the funds does provide beneficial information. However, section 6(b) would make it possible for the reports to provide data that is more useful to local citizens and the Federal government.

Section 121(c) of the Act requires each recipient government to publish a copy of each report which it submits to the Office of Revenue Sharing in a newspaper which is published within the State and has general circulation within the geographical area of that government. Section 121(c), based on our administrative experience, should be modified.

In administering section 121(c), the Office of Revenue Sharing has received a large number of complaints, particularly from small units of government, regarding the relatively high cost of publication. Some small governments receiving less than \$1,000 have had to spend \$100 or more for publication due to a variety of local circumstances. In other instances, the unavailability of a newspaper circulating generally within the geographical area of a county has been called to our attention. In still other cases, we have been advised that there are more effective ways to get the information contained in the report to the citizens of the community.



Accordingly, we believe there are alternative procedures to accomplish the desired intent of the Congress that these reports be publicized. Section 6(c) of the bill would amend section 121(c) to authorize the Secretary to establish alternative procedures where it is determined that the requirement of publication in a newspaper is unreasonably expensive in relation to the amount of revenue sharing funds involved, or where the Secretary finds that in terms of public understanding, there are better methods to get the information before the residents of the community.

Section 7

Section 122(a) of the Act provides that no person in the United States shall on the ground of race, color, national origin, or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with revenue sharing funds. The statutory authority of the Secretary of the Treasury to enforce the above nondiscrimination provision is set forth in section 122(b) of the Act. It presently states that upon a determination by the Secretary that a recipient has failed to comply with subsection 122(a), and after notification to the Governor of the State (or, in the case of a unit of local government, the Governor of the State in which such unit is located) and after failure to secure voluntary compliance within a reasonable period of time, the Secretary may either: refer the matter to the Attorney General with a recommendation that an appropriate civil action be instituted; exercise the powers and functions provided by Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d); or take such other action as may be provided by law.

Title VI of the Civil Rights Act of 1964 prohibits discrimination in the use of Federal financial assistance by way of grant, loan or contract, 42 U.S.C. 2000d-1. In order to receive such assistance, the State or local government must file an application satisfying the requirements of the particular program. Revenue sharing payments are based on a statutory entitlement for which States and units of local government are automatically eligible pursuant to Section 102 of the Act. The Secretary has no discretion to approve or disapprove in advance payments to any participating recipient government.

Recognizing the unique aspects of revenue sharing entitlements, section 7 of the bill is intended to express clearly in the Act certain authority of the Secretary in applying the nondiscrimination provisions of Section 122. This is accomplished by stating explicitly that the Secretary has authority to withhold all or a portion of entitlement funds due a State or unit of local government, to terminate one or more payments of entitlement funds, and to require repayment of entitlement funds previously expended in a program or activity found to have been in violation of subsection (a). The changes in section 122 will further enhance the Secretary's ability to ensure that entitlement funds are not utilized in a discriminatory manner.

Section 8

Broad public participation in State and local decision making as to how revenue sharing funds are to be expended is an essential ingredient of general revenue sharing. For this reason, section 121(c) requires that the news media be notified when the Planned Use and Actual Use Reports are published in a local newspaper. By regulation, recipient governments must also make these reports available to the general public. Additionally, to encourage citizen involvement, section 123(a)(4) of the Act requires

recipient governments to provide for the expenditure of revenue sharing funds only in accordance with the laws and appropriation procedures which are applicable to the expenditure of their own revenues.

Clause (1) of section 8 of the bill would further strengthen the general public's role in the general revenue sharing process. It amends section 123(a)(5) of the Act to the extent that in order to qualify for revenue sharing funds, a State or unit of local government must establish to the satisfaction of the Secretary of the Treasury that it will provide the residents under its jurisdiction with an opportunity to give their recommendations and views on how the revenue sharing funds should be spent.

For most recipient governments the public's opportunity to comment on the proposed expenditures of revenue sharing funds would occur in a public hearing. However, in some cases it would be necessary for the Secretary to regulate the manner in which the views of the public are presented to State and local officials in order to avoid State or local public hearing procedures which are either unnecessary or which conflict with the purpose of this provision. This amendment would serve to ensure that all recipient governments, regardless of whether they have State or local public participation requirements, will include the public in the decision-making process on the expenditure of revenue sharing funds.

Section 123(a)(8) of the Act provides that Indian tribes and Alaskan native villages must spend their revenue sharing funds for the benefit of members of the tribe or village residing in the county area from which its revenue sharing entitlement originates. This provision affects Indian reservations which are located in more than one county, thus resulting in the tribe receiving separate revenue sharing allocations from each county area.

Clause (2) of section 8 proposes to eliminate this provision for two reasons. First, it is very difficult for the Indian government to administer since it demands that an analysis be made of each proposed revenue sharing expenditure to ensure that the proper percentage of residents in the applicable counties will benefit in proportion to the percentage of revenue sharing funds generated from each county. Second, this requirement frustrates reservation-wide planning by limiting the capacity of the tribal government to concentrate its revenue sharing expenditures in areas which have the highest priority.

Section 9

Section 141 of the Act defines the entitlement periods which govern the distribution of funds to recipient governments. Section 9 of the bill would revise the last entitlement period (July 1, 1976 to December 31, 1976) by extending it to September 30, 1977. This fifteen-month entitlement period would provide for the transition to the new Federal fiscal year and would combine the appropriations of subparagraph (G) and proposed subparagraph (H) of section 105(b)(1). Also, section 141 would be amended to extend the general revenue sharing program until September 30, 1982.

Renewal of General Revenue Sharing

**“there could be no more practical
reaffirmation of the Federal compact
which launched this country than to
renew the program which has done
so much more to preserve and
strengthen that compact -
General Revenue Sharing.”**

**President Gerald R. Ford
Message to Congress
April , 1975**



**Department of the Treasury
Washington, D.C. 20220**

Table of Contents

President Ford's Message to the Congress, April , 1975	
An Outline of Key Provisions of the Present General Revenue Sharing Law and the Proposed Legislation	
Questions and Answers about How General Revenue Sharing Works and What Changes are Proposed	
Length of Program and Funding Levels	
Eligible Participants	
Allocation Procedure	
Expenditure Decisions	
Reporting Requirement	
Citizen Participation	
Revenue Sharing and Civil Rights	
Administration	
A Summary of the Proposed Amendments to the State and Local Fiscal Assistance Act	
A Table of General Revenue Sharing Payments to Date	



President Ford's Message to Congress

[To be inserted]

KEY PROVISIONS OF
GENERAL REVENUE SHARING LAW

CURRENT AUTHORIZATION	RENEWAL PROPOSAL
\$30.2 billion to be distributed January 1972 - December 1976.	Additional \$39.7 billion to be distributed July 1976 - September 1982.
Non-contiguous states (Alaska & Hawaii) appropriation of \$23.9 million, January 1972 - December 1976.	Non-contiguous states (Alaska & Hawaii) appropriation of \$27.5 million, through September 1982.
Funds authorized and appropriated for entire 5-year period.	Funds authorized and appropriated for entire 5-3/4 year period.
All units of general government to be eligible participants (states, counties, cities, towns, townships, Indian tribes and Alaskan native villages).	No change.
No general review of program required.	Secretary of the Treasury to report to Congress two years before expiration date.
Money allocated by formula set forth in the law, using data supplied primarily by U.S. Bureau of the Census.	No change, except as noted below with regard to 145% maximum constraint.
States receive 1/3 of the funds distributed; local governments receive 2/3.	No change.
Allocation to local governments limited to 145% of average state-wide per capita allocation within their states.	145% limit to be raised to 175% by 6 percentage points per entitlement period in five steps.

CURRENT AUTHORIZATION

RENEWAL PROPOSAL

Allocations to local governments are not to be below 20% of average state-wide per capita allocation within their states.

No change.

To keep citizens informed, recipient governments must publish use reports in newspapers of general circulation. All media must be notified.

Secretary of the Treasury may authorize other methods to publicize use information locally.

No provision to require assurance that there will be a public hearing or other method by which public may participate in deciding how shared revenues are to be spent.

Recipient governments must assure the Secretary of the Treasury that public has access to a public hearing or other appropriate means of participation in decision-making for uses of shared revenues.

Law prescribes reports on amounts and purposes of planned and actual expenditures.

Secretary of Treasury would have full discretion to determine form and content of recipients' use reports.

Law contains strong anti-discrimination requirement. Secretary's enforcement powers are stated in general terms: to refer matter to Attorney General for civil action, to exercise powers and functions provided by Title VI of Civil Rights Act of 1964, or to take such other action as may be provided by law.

Strong anti-discrimination requirement and general powers retained. Secretary expressly authorized to withhold all or part of funds used in discriminatory program or activity, to require repayment, and to terminate eligibility for one or more payments.



CURRENT AUTHORIZATION

RENEWAL PROPOSAL

Revenue Sharing funds may not be utilized to meet Federal matching grants and the Davis-Bacon Federal minimum wage rate law applies to certain construction projects funded through revenue sharing. Local governments may use funds for any capital projects but only for operating and maintenance of programs in eight priority expenditure categories.

Restrictions retained in their present form.

QUESTIONS AND ANSWERS ABOUT HOW GENERAL REVENUE SHARING
WORKS AND WHAT CHANGES ARE PROPOSED

Length of Program and Funding Levels

- Q: When did the General Revenue Sharing program begin and for how long does it last?
- A: The State and Local Fiscal Assistance Act (P.L. 92-512) was signed into law on October 20, 1972. Title I of the Act authorized General Revenue Sharing and made it retroactive to January 1, 1972. The first checks went out on December 7, 1972. The program is due to expire on December 31, 1976.
- Q: How much money is being distributed under the present program?
- A: \$30.2 billion over the five year period. An additional \$23.9 million is provided for non-contiguous states: Alaska and Hawaii.
- Q: What steps is the Administration taking to extend the program?
- A: After careful review, the Administration is proposing a 5-3/4 year renewal along the general lines of the present program.
- Q: Will the funding level of the new program be similar to that currently in effect?
- A: Yes. The funding level is to continue to increase at the rate of \$150 million per year. \$39.7 billion would be provided for 5-3/4 years. The non-contiguous states of Alaska and Hawaii would receive an additional \$27.5 million.

Eligible Participants

Q: Who are the recipients of the money that is distributed through General Revenue Sharing?

A: All units of general government in the United States are eligible to receive General Revenue Sharing funds. Nearly 39,000 States, counties, cities, towns, townships, Indian tribes and Alaskan native villages are receiving the money on a regular basis.

Q: Must all units of general government participate in the program?

A: No. Local governments may elect to waive participation. When a government waives its revenue sharing money for an entitlement period, those funds are paid to the next higher level of government. Currently, one-third of one percent of all eligible governments have chosen not to participate directly in General Revenue Sharing.

Allocation Procedure

Q: How is the money allocated to recipient units of government?

A: The funds are distributed quarterly according to formulas contained in the law. Data relating to population, per capita income, tax effort and other factors are supplied, principally by the U.S. Bureau of the Census, for each unit of general government. Using sophisticated computer techniques, these data are applied to the formulas to compute amounts to be paid each recipient government during each entitlement period.

Q: Do governments apply for the money?

A: No. Unlike grants, shared revenues are "entitlement" funds which are distributed automatically, on a regular basis, in October, January, April and July.



Q: Does the legislation propose any change in the way revenue sharing funds are allocated?

A: Only one change is proposed. After careful evaluation of existing and alternative formulas, it was decided to propose a gradual rise in the 145% maximum constraint to 175% in five steps. This provision presently limits the entitlements of local governments to 145% of the average per capita allocation for localities in the States in which the jurisdiction is located.

Q: Why is the Administration proposing to raise the maximum constraint?

A: The increase would permit the basic formulas to function in a less constrained manner. Thus many governments with high tax effort or low per capita income, or both, including some large urban governments which have been constrained, will receive more money. Due to the gradual rise of six percentage points per entitlement period in the maximum constraint and continuation of the \$150 million annual funding increases, virtually all other local governments will not suffer a decrease in funding.

Expenditure Decisions

Q: Who decides how revenue sharing money should be spent?

A: The basic purpose of the General Revenue Sharing program continues to be that of providing funds to be used to meet needs identified by the recipient State and local general purpose governments.

Q: Can revenue sharing funds be spent for any purpose?

A: Under both the present program and the Administration's proposed renewal program, all States and local governments must spend their "shared revenues" in accordance with the laws and procedures that apply to the expenditure of their own revenues. State governments are not restricted in the areas of activity for which they may use the money. Local governments (i.e., cities, counties, etc.) may use the funds for any capital project (capital, as defined by local law) or for operating and maintenance of programs and projects in the following categories: public safety, public transportation, recreation, environmental protection, financial administration, health, libraries, and social services for the poor or aged.

Q: What general restrictions are imposed on uses of the money?

A: The President's proposal retains restrictions that now apply to all expenditures of shared revenues. The money may not be used to match other Federal funds. Use of the money in any program or activity in which there is discrimination because of race, color, national origin or sex is prohibited. In addition, if shared revenues are to be used to pay 25% or more of the cost of a construction project, and if \$2,000 or more in revenue sharing funds is involved, then Federally-established minimum wage rates must be paid (i.e., the Davis-Bacon Act applies).

Q: When must recipient governments spend their shared revenues?

A: Governments must use, obligate or appropriate their shared revenues (including any interest they earn on the money) within 24 months from the end of the entitlement period to which the check is applicable, unless approval is obtained from the Office of Revenue Sharing for an extension of this time.

Q: How have governments been spending their shared revenues?

A: States and local governments together have spent approximately 60 percent of their shared revenues in the fields of public safety, education, and public transportation. During fiscal year 1974, State governments used 52 percent of their revenue sharing money in support of public education. The latest figures indicate that more money was spent during fiscal year 1974 to operate and maintain programs than for capital expenditures.

Reporting Requirement

- Q: Does the Administration proposal seek to make any changes in the reports which recipient governments must file with the Office of Revenue Sharing?
- A: Yes. The current law requires each recipient government to file two one-page reports with the Office of Revenue Sharing for each entitlement period. Prior to the beginning of each period, the recipient government must submit a report on its plans for use of the money it expects to receive for the coming period. After June 30 of each year, the recipient government must report for what purposes funds have been spent. The Administration proposal widens the discretion of the Secretary of the Treasury to determine the form and content of these reports so that the data obtained will be more useful to interested citizens and to the Federal Government.

Citizen Participation

- Q: Can citizens influence the use to which shared revenues are put?
- A: Recipient units of governments establish their own procedures to set priorities for using their shared revenues. The present law requires that each Planned and Actual Use Report be published in one or more newspapers which are published within the State and have general circulation within the geographic area of the recipient government involved. The proposed legislation seeks to improve this process by permitting the Secretary of the Treasury to prescribe alternate procedures for publicizing reports. These would be utilized where it is determined that the requirement of publication in a newspaper is unreasonably expensive in relation to the amount of funds involved or where the Secretary finds that there are better methods for bringing information to the attention of residents of a community.



Q: Does the Administration's proposal further the goal of increasing public participation in the expenditure of revenue sharing funds?

A: Yes. The proposed legislation would add a new provision to the current law to require that a recipient government give written assurance to the Secretary that it provides its residents the opportunity of a public hearing or the like to give recommendations and views on how revenue sharing funds should be spent.

Revenue Sharing and Civil Rights

Q: Is there a provision in the proposed legislation to assure that revenue sharing funds are not used in a discriminatory manner?

A: Yes. Section 51.32 of Title I of the State and Local Fiscal Assistance Act of 1972 provides that "No person in the United States shall, on the ground of race, color, national origin, or sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under, any program or activity funded in whole or in part with entitlement funds...". This provision is retained in the proposed legislation.

Q: Has the Administration proposed any changes in the section of the current law which empowers the Secretary of the Treasury to secure compliance with the non-discrimination requirement?

A: Yes. The proposed legislation makes it clear that the Secretary has the flexibility to invoke one or more of several remedies where a recipient government is found to have used revenue sharing funds in a discriminatory activity. The legislation expressly states that the Secretary may withhold all or a portion of entitlement funds due that government, may require the repayment of funds expended in a discriminatory manner, and may terminate the eligibility of a State or local government to receive one or more payments.

Administration

Q: What does it cost to administer the General Revenue Sharing program?

A: The Fiscal Year 1975 appropriation for operating the Office of Revenue Sharing is \$2,133,000. Administration of the General Revenue Sharing program currently costs 12/100ths of one percent of the amount being distributed.

Q: What is the size of the Office of Revenue Sharing staff?

A: The Office of Revenue Sharing is authorized a maximum of 85 positions, all of whom are located in Washington, D.C. A total request of 116 positions has been made to Congress in the Fiscal Year 1976 budget.

A SUMMARY OF THE
STATE AND LOCAL FISCAL ASSISTANCE ACT AMENDMENTS OF 1975

The State and Local Fiscal Assistance Act Amendments of 1975 will extend and improve the general revenue sharing program to provide essential fiscal assistance to general purpose governments through September of 1982. The bill amends the State and Local Fiscal Assistance Act of 1972 (Public Law 92-512). The bill has nine sections, which are summarized below.

1. Reserve for Adjustments

This section provides the means for making adjustment payments to governments where data corrections are necessary after the time when final allocations of funds have been made for eligible state and local governments. The amount of payments to each of approximately 39,000 governments is a share of a national total, and each share is determined according to data factors for each government relative to data factors for all governments. A change in the data for one government may change the shares for a large number of governments. The current Act gives the Secretary authority to make necessary adjustments after payments have been made, but does not mention the means of funding such adjustments.

The bill authorizes the Secretary of the Treasury to reserve a percentage of the total funds available for any

entitlement period to be used to make any necessary adjustment payments after the final payment amounts have been determined for all the governments. This method previously has been prescribed by regulation and express inclusion in the statute is now proposed. The method allows adjustment payments to be made to one or more governments without adjusting the payments of all governments.

2. Funding of Payments

The second section of the bill provides continuing funding of payments to recipient governments, including Indian tribes and Alaskan native villages, through September of 1982. The funding level is an extension of the funding established in the original Act, and continues to provide annual step increases of \$150 million each federal Fiscal Year beginning after June 30, 1976. Fixed appropriations are provided for each federal Fiscal Year, through and including Fiscal Year 1981, so that all levels of government may undertake with confidence their financial, program, and project plans for future years. Total appropriations for the 5 3/4 years amount to \$39.7 billion.

Funds for adjustments to allocations to Alaska and Hawaii are continued at the present annual rate of \$4.78 million, totalling \$27.5 million for the 5 3/4 year extension period.

A three-month appropriation provides for transition to the new federal Fiscal Year which begins October 1, 1976.

As permitted in the Congressional Budget Act of 1974, this section specifically provides that funds appropriated for the extension of the general revenue sharing program are exempted from certain annual appropriation procedures otherwise required by the Congressional Budget Act.

The bill also requires the Secretary of the Treasury to submit a report, with recommendations concerning the extension of general revenue sharing program, to the appropriate Congressional committees a full two years before the proposed expiration date. Review of the general revenue sharing program at such time will minimize future uncertainty for state and local governments regarding availability of shared revenues.

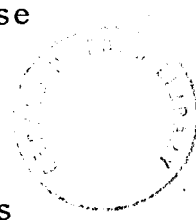
3. State Maintenance of Transfers to Local Governments

The third section of the bill deletes a special rule to measure state assistance to local governments during the final six-month entitlement period included in the original Act. The special rule is no longer needed as that six-month entitlement period is modified in the bill to become a 15-month entitlement period ending September 30, 1977. The current regulations of the Office of Revenue Sharing provide that the point of reference for measuring a state's assistance to local governments will be that state's fiscal year, making a special statutory rule unnecessary for the 15-month entitlement period.

4. Increasing Equity Under the Formula

Section four of the bill increases the amount of funds that may be received by local governments characterized by unusually high tax effort or low per capita income or both. The original Act limits a local government to an amount which may not exceed on a per capita basis 145% of the average per capita amount for all local governments in a state.

By raising the 145% constraint to an upper limit of 175%, the bill will allow governments now constrained to receive all or a greater part of the shared revenues otherwise allocated to them by the formula. By increasing the upper limit gradually, by 6 percentage points each entitlement period until the 175% limit is reached after four and one-quarter years, the potential negative impact on other governments will be minimized by the annual \$150 million increase in the total appropriations. The 175% upper limit will continue to serve, as Congress originally intended, to prevent excessive amounts being allocated to jurisdictions with unusual characteristics whose needs are distorted by the prescribed data, such as certain resort communities and industrial enclaves.



Should an Indian tribe or Alaskan native village waive receipt of its shared revenue payment, the bill provides that the funds will be paid to the county government as is the case with funds waived by any unit

of municipal government.

The present Act gives state governments the option of adoption of an alternate formula for distributing sharing revenues to its county areas and municipalities. The bill extends to September 30, 1982, the time period during which any such law must remain in effect.

5. Date for Determining State and Local Taxes

The fifth section of the bill makes the definition of the "most recent reporting year" for the state and local taxes component of the data factor, called the "General Tax Effort of States", consistent with the definition for all other data elements used in the general revenue sharing formulas. For all data elements, the data used for allocations will be the most recent data available before the beginning of each entitlement period.

6. More Effective Reports on Use of Funds

The sixth section of the bill gives the Secretary of the Treasury increased discretion to prescribe the form and content of recipient government reports made before and after use of shared revenues.

The bill also allows the Secretary of the Treasury to authorize new ways to publicize the use reports where newspaper publication costs would be excessive in relation to the amount of shared revenues received by the local government, or where better methods for informing the public are available.

7. Non-Discrimination

Section seven of the bill clarifies the authority of the Secretary of the Treasury to enforce the broad non-discrimination requirements of the existing law. The bill states explicitly that when a jurisdiction is found to have discriminated in the use of revenue sharing money, the Secretary may withhold all or part of the jurisdiction's entitlement funds. The Secretary also is specifically authorized to terminate the eligibility of the jurisdiction to receive one or more future payments, and to require repayment by the jurisdiction of revenue sharing funds expended in a discriminatory program or activity.

8. Increased Public Involvement in Expenditure Decisions

Section eight expands the opportunity for the public to participate in decisions by state and local governments on the use of shared revenues. In addition to the requirement for publicity of the report on the planned uses of shared revenues, each government is required to assure the Secretary of the Treasury that it will provide the residents with an opportunity to give their recommendations and views on the proposed expenditures of shared revenues. This opportunity for public involvement may be provided either in a public hearing or by other appropriate means prescribed in regulations to be issued by the Secretary of the Treasury.

The bill also removes a burdensome restriction on those Indian tribes and Alaskan native villages whose members reside in more than one county. The original Act required them to apportion the benefits of expenditures among county areas in the same ratios as those used in the revenue sharing allocation of funds. This bill will allow all Indian tribes and Alaskan native villages to concentrate their revenue sharing expenditures in areas of greatest need.

9. Entitlement Periods

The ninth and last section of the bill defines the entitlement periods which govern the distribution of funds to recipient governments. A fifteen month entitlement period beginning July 1, 1976 and ending September 30, 1977 permits transition to the new federal fiscal year. Funds distributed during this fifteen month entitlement period are provided from both the transition quarter appropriation and the appropriation for FY 1977. Five equal quarterly payments will be made to all recipient governments during this period. Each entitlement period after September 30, 1977 has the same beginning and ending dates as the applicable federal fiscal year.

GENERAL REVENUE SHARING FUNDS
Payments Through April 7, 1975
(with numbers of recipients by category)

STATE NAME	STATE	COUNTIES	MUNICIPALITIES	TOWNSHIPS	INDIAN TRIBES & ALASKAN NATIVE VILLAGES	TOTALS
ALABAMA	\$106,595,657 (1)	\$ 79,811,942 (67)	\$133,713,837 (399)			\$ 320,121,436 (467)
ALASKA	8,151,177 (1)		15,610,757 (126)		\$ 502,614 (92)	24,264,548 (219)
ARIZONA	62,746,495 (1)	50,361,909 (14)	69,635,925 (66)		5,473,525 (18)	188,217,854 (99)
ARKANSAS	69,510,107 (1)	70,833,435 (75)	55,238,944 (458)			195,582,486 (534)
CALIFORNIA	670,854,042 (1)	809,818,743 (57)	531,332,619 (411)		439,280 (54)	2,012,444,684 (523)
COLORADO	65,926,982 (1)	46,565,115 (62)	85,251,972 (247)		125,967 (2)	197,870,036 (312)
CONNECTICUT	79,662,535 (1)		85,046,335 (33)	\$ 74,404,145 (149)		239,113,015 (183)
DELAWARE	21,513,093 (1)	20,746,117 (3)	14,328,555 (54)			56,587,765 (58)
DIST OF COLUMBIA	84,346,800 (1)					84,346,800 (1)
FLORIDA	182,940,956 (1)	162,485,967 (66)	204,068,115 (386)		67,526 (2)	549,562,564 (455)
GEORGIA	131,235,067 (1)	151,975,678 (158)	110,326,599 (510)			393,537,344 (669)
HAWAII	27,769,366 (1)	13,785,221 (3)	41,753,506 (1)			83,308,093 (5)
IDAHO	25,409,184 (1)	29,286,689 (44)	21,250,024 (191)		281,613 (5)	76,227,510 (241)
ILLINOIS	321,490,473 (1)	145,128,416 (102)	375,071,021 (1266)	84,200,590 (1435)		925,890,500 (2804)
INDIANA	133,429,274 (1)	91,027,087 (91)	144,268,402 (556)	31,538,816 (1000)		400,263,579 (1648)
IOWA	88,919,482 (1)	103,446,064 (99)	74,369,178 (942)		39,024 (1)	266,773,748 (1043)
KANSAS	60,543,743 (1)	61,612,162 (105)	52,727,466 (610)	6,677,819 (1150)	24,620 (4)	181,585,810 (1870)
KENTUCKY	119,366,078 (1)	87,677,671 (120)	101,332,824 (394)			308,376,573 (515)
LOUISIANA	146,682,050 (1)	117,231,843 (62)	169,081,739 (295)		19,977 (1)	433,015,609 (359)
MAINE	38,310,773 (1)	5,082,942 (16)	31,631,228 (22)	39,760,365 (474)	147,619 (3)	114,932,927 (516)
MARYLAND	124,631,230 (1)	145,159,546 (23)	104,154,181 (150)			373,944,957 (174)
MASSACHUSETTS	198,483,338 (1)	22,853,112 (12)	223,428,876 (39)	151,235,999 (312)		596,001,325 (364)
MICHIGAN	266,937,865 (1)	155,459,927 (83)	329,785,203 (533)	48,891,318 (1246)	87,832 (5)	801,162,145 (1868)
MINNESOTA	124,450,206 (1)	132,688,249 (87)	100,936,211 (851)	15,347,576 (1786)	722,432 (12)	374,144,674 (2737)
MISSISSIPPI	107,730,187 (1)	129,712,527 (82)	72,631,500 (277)		139,963 (1)	310,214,177 (361)
MISSOURI	117,788,182 (1)	77,955,694 (114)	152,024,347 (871)	5,375,451 (340)		353,143,674 (1326)
MONTANA	24,795,577 (1)	32,917,719 (56)	14,867,791 (125)		1,799,394 (7)	74,380,481 (189)
NEBRASKA	45,242,176 (1)	44,942,342 (93)	42,449,611 (520)	2,888,578 (467)	188,852 (3)	135,711,559 (1084)
NEVADA	13,808,081 (1)	17,260,681 (16)	10,133,099 (17)		214,000 (17)	41,415,861 (51)
NEW HAMPSHIRE	20,065,455 (1)	5,241,933 (10)	19,023,527 (13)	15,994,890 (222)		60,325,805 (246)
NEW JERSEY	197,304,585 (1)	139,546,268 (21)	175,520,213 (333)	79,616,848 (232)		591,987,914 (587)
NEW MEXICO	40,936,304 (1)	32,313,628 (32)	40,412,093 (90)		5,262,231 (22)	118,924,256 (145)
NEW YORK	701,017,982 (1)	300,426,090 (57)	952,937,060 (619)	148,175,049 (930)	376,761 (6)	2,102,932,942 (1613)
NORTH CAROLINA	161,145,301 (1)	173,513,583 (100)	149,191,324 (458)		351,242 (1)	484,201,450 (560)
NORTH DAKOTA	25,086,436 (1)	25,784,127 (53)	16,806,213 (347)	6,565,389 (1360)	1,030,470 (5)	75,272,635 (1766)
OHIO	250,822,997 (1)	159,058,849 (88)	293,615,356 (934)	48,927,549 (1320)		752,424,751 (2343)
OKLAHOMA	70,365,929 (1)	51,984,173 (77)	87,464,599 (531)		1,258,880 (25)	211,073,581 (634)

OREGON	62,368,422 (1)	47,356,878 (36)	77,147,921 (232)		203,642 (4)	187,076,863 (273)
PENNSYLVANIA	330,060,562 (1)	186,699,849 (66)	369,484,186 (1013)	104,552,547 (1548)	400 (1)	990,797,544 (2629)
RHODE ISLAND	28,324,916 (1)		40,294,723 (8)	16,346,341 (31)		84,965,980 (40)
SOUTH CAROLINA	88,306,116 (1)	90,005,513 (46)	80,005,022 (256)			258,316,651 (303)
SOUTH DAKOTA	27,940,838 (1)	32,593,747 (67)	17,320,150 (301)	4,024,127 (957)	1,920,825 (9)	83,799,687 (1335)
TENNESSEE	118,634,753 (1)	103,267,923 (94)	136,445,761 (321)			358,348,437 (416)
TEXAS	298,229,926 (1)	220,569,873 (254)	374,361,656 (993)		61,583 (2)	893,223,038 (1250)
UTAH	37,112,350 (1)	36,921,263 (29)	36,672,985 (216)		572,734 (5)	111,279,332 (251)
VERMONT	17,661,991 (1)	434,430 (14)	12,186,527 (55)	22,765,017 (237)		53,047,965 (307)
VIRGINIA	124,558,263 (1)	92,153,679 (96)	157,419,760 (228)		5,649 (2)	374,137,351 (327)
WASHINGTON	90,873,182 (1)	81,461,633 (39)	99,535,101 (266)	3,401 (3)	773,299 (22)	272,646,616 (331)
WEST VIRGINIA	81,122,395 (1)	48,335,893 (55)	56,008,362 (227)			185,466,650 (283)
WISCONSIN	158,038,834 (1)	156,134,786 (72)	134,753,494 (574)	25,195,870 (1268)	483,197 (10)	474,606,181 (1925)
WYOMING	11,669,645 (1)	16,985,238 (23)	6,011,605 (86)		258,757 (2)	34,925,245 (112)
NATIONAL TOTALS						
FUNDS	\$6,410,917,358	\$4,806,616,154	\$6,699,067,503	\$932,487,685	\$22,833,908	\$18,871,922,608
RECIPIENTS	(51)	(3,039)	(18,451)	(16,467)	(343)	(38,351)



FOR IMMEDIATE RELEASE

APRIL , 1975

Office of the White House Press Secretary

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

President Ford asked Congress today to renew General Revenue Sharing for 5-3/4 years past its present expiration on December 31, 1976.

To renew General Revenue Sharing, the President requested Congress to amend the State and Local Fiscal Assistance Act of 1972 (P.L. 92-512), Title I of which authorizes and appropriates funds for the first five years of the program. As it now stands, the law authorizes the Treasury Department's Office of Revenue Sharing to distribute \$30.2 billion to State and local governments over a five year period -- from January 1972 through December 1976. An additional \$23.9 million is provided to be allocated to non-contiguous states: Alaska and Hawaii. To date a total of \$18.9 billion has been paid to State and local governments.

Today's proposal would provide \$39.7 billion in General Revenue Sharing funds, to be distributed from July 1976 through September 1982. Another \$27.5 million would be allowed for Alaska and Hawaii. The funds would be authorized and appropriated at the outset, for the entire renewal period,

as was done for the first five years of the program. The present \$150 million annual stairstep increase in funding level would be retained. The renewal measure also provides for review of General Revenue Sharing two years before the 1982 expiration date.

With one change, the present basic formula used to allocate funds to States and local governments would be retained in the next 5-3/4 years of the program. Whereas the present formula limits a local government's maximum allocation of funds to 145% of the average per capita local allocation in its state, the President's proposal would increase that level to 175% at a rate of 6 percentage points per entitlement period in five steps. This would permit more money to be allocated to certain communities now constrained by the 145% maximum, including some large urban areas.

The increase from 145% to 175% will be made gradually, in order to minimize the potential negative impact on governments that otherwise would lose funds with the change in constraint level. Few, if any, jurisdictions will experience a net dollar decrease in funding since reductions stemming from the constraint change should be offset by additional funds available to be distributed for each period.

States would continue to receive one-third of the money distributed; and local governments would receive two-thirds.

It has always been a goal of the program that the public be able to participate in local decision-making on uses of revenue sharing dollars. President Ford is recommending that the existing legislation be strengthened to require recipient jurisdictions to assure the Secretary of the Treasury that the public has access through a public hearing process or that other satisfactory methods of public participation are available.

The President's proposal would give the Secretary of the Treasury discretion to determine the form and content of reports that must be made by recipient governments on their plans for and uses of shared revenues. The Secretary would also be allowed to authorize new ways to publicize the use information locally.

The existing revenue sharing law carries a broad anti-discrimination requirement. The President is recommending that the civil rights-related enforcement powers of the Treasury Department be clarified in the statute. The renewal proposal makes clear the Secretary of the Treasury's authority to withhold payments to recipient governments that are found to have discriminated in the use of revenue sharing money. The Secretary would be explicitly authorized to withhold a jurisdiction's entire amount or that portion found to be used in a discriminatory program or activity. He also could terminate

the eligibility of a State or local government to receive funds under the program and require repayment of revenue sharing money spent in a discriminatory activity.

President Ford urged Congress to give revenue sharing renewal prompt attention, since States and local governments already need to be able to plan their budgets past the program's present expiration date.



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

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

Dear _____:

I am a strong believer in the 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 government closest to them and best able to act in the public interest.

We made a historic advance for this federal system when Congress passed the General Revenue Sharing in 1972.

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.

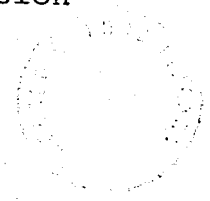
Since that time, I have had numerous meetings with state and local officials, and many have told me that their number one priority in Federal programs was the continuation of General Revenue Sharing. In these discussions, I emphasized that I would be a strong advocate for reenactment of this essential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

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 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.



DOMESTIC COUNCIL CLEARANCE SHEET

DATE: April 9, 1975

JMC action required by: A.S.A.P.

TO: JIM CANNON

VIA: DICK DUNHAM ☒

JIM CAVANAUGH ☐

FROM: JIM FALK *F*

SUBJECT: Draft letter for President's signature to State and local leaders
on General Revenue Sharing.

COMMENTS:

*Jim Cannon specifically asked
for this today. The rest of the
total package will follow.*

DATE: _____

RETURN TO:

Material has been:

☐ Signed and forwarded

☐ Changed and signed (copy attached)

☐ Returned per our conversation

☐ Noted

Jim Cannon

THE WHITE HOUSE
WASHINGTON

April 9, 1975

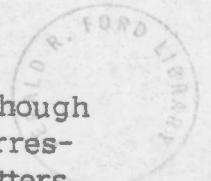
MEMORANDUM FOR: JIM CANNON

FROM: JIM FALK *F*

Attached is a draft letter for the President to sign to Governors, Mayors, State Legislators, and County Officials when General Revenue Sharing is sent up. The mailing of the documents will be handled separately to the same list of recipients. The recipients will be the following:

1. All 54 State and Territorial 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.

These lists are available any time you would like to look at them, although I have not attached them because of their bulk. The White House Correspondence unit prefers not to transmit documents with Presidential letters and suggests the separate follow-up mailing which we are prepared to do.



April 9, 1975

Dear _____:

In recent months I have had numerous meetings with State and Local officials and I have repeatedly been assured that the top Federal legislative priority of State and Local government is the re-enactment of General Revenue Sharing. In these meetings, I have stated the position that I will be an advocate for the re-enactment of this program.

It is, therefore, with a great deal of pleasure that I can inform you that today I have transmitted a Special Message to Congress along with draft legislation which keeps that pledge. My proposal would renew the program for 5 3/4 years in substantially its present form. In addition, the provision for annual stair-step increases in appropriations of \$150 million will be continued. I have asked my staff to forward copies of this proposal to you at an early date.

I am sure that you and your citizens feel a vital stake in this program and I sincerely hope that you will lend your personal support to its continuation in this session of the 94th Congress.

Sincerely,

Gerald R. Ford



*The Blank will be filled in with names of appropriate Governors, State Legislators, Mayors and County Executives.



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

APR 9 1975

File

MEMORANDUM FOR THE DIRECTOR

Subject: General Revenue Sharing (GRS) renewal funding

One of the key decisions resulting from the Administration's review of General Revenue Sharing renewal was a Presidential determination to maintain \$150 million annual stair-step increases through 1982. Furthermore, the Administration decided to revise the current GRS legislation (which runs through December 31, 1976) to bridge immediately into the transition quarter (July 1-September 30, 1976) and thereafter to reflect the Government's new fiscal year (October 1-September 30) throughout the renewal period.

Below are two alternative funding approaches based on these decisions - but reflecting different treatment of the fifteen month entitlement period between July 1, 1976, and September 30, 1977.

	(\$ in millions)	
	<u>Option A</u>	<u>Option B</u>
<u>Current legislation - (through December 31, 1976):</u>		
° FY 1976	6,350.0	6,350.0
° Transition quarter (1/4 of FY 1977 rate of \$6,500)	1,625.0	1,625.0
° 1st quarter, FY 1977 (1/4 of 1977 rate of \$6,500)	1,625.0	1,625.0
<u>Renewal legislation - (January 1, 1977 to September 30, 1982):</u>		
° 3 quarters, FY 1977	4,875.0	4,912.5
° Total, FY 1977	(6,500.0)	(6,537.5)
° FY 1978	6,650.0	6,687.5
° FY 1979	6,800.0	6,837.5
° FY 1980	6,950.0	6,987.5
° FY 1981	7,100.0	7,137.5
° FY 1982	7,250.0	7,287.5
Total, renewal legislation	39,625.0*	39,850.0*

*Estimates reflect moving forward \$75 million from the last six months of the present program to provide even stair-step increases during the renewal period.

87-6

Option A provides for \$150 million increments between each fiscal year. The three month transition quarter is calculated as one-fourth of the 1977 amount of \$6,500 million. The incremental increase in the transition quarter does not affect the base for determining 1977 and subsequent year levels.

Option B calculates the transition quarter in the same method as Option A (one-fourth of the 1977 amount of \$6,500 million) but considers the transition quarter as establishing a new base for 1977 and subsequent years.

Option B assumes a literal interpretation of the President's decision to increase GRS by \$150 million annually (every four quarters). Since the period July 1, 1976, to September 30, 1977, has five quarters, this alternative adds an increase of \$150 million for four of those quarters but provides a further increased increment for the fifth quarter.

The difference between these options is best illustrated in the following table:

	(\$ in millions)	
	Option A	Option B
1976	6,350.0	6,350.0
Incremental increase for the transition quarter	+37.5	+37.5
Subtotal	6,387.5	6,387.5
Incremental increase for 1977, above the transition quarter 1977	+112.5 6,500.0	+150.0 6,537.5
Subsequent years increase \$150 million from these bases.		

For the fifteen month period, between July 1, 1976 and September 30, 1977, Options A and B provide for the following increases above 1976:

	(\$ in millions)	
	Option A	Option B
° Transition quarter	+37.5	+37.5
° FY 1977	+150.0	+187.5
	187.5	225.0

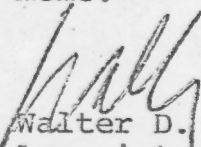
Since Option A does not consider the transition quarter in establishing 1977 levels, it is more consistent with the treatment other Federal programs received in the 1976 budget than Option B. Option A differs slightly from normal budget treatment in that it calculates the transition quarter from 1977 rather than 1976. Since the President agreed to progressively increase GRS program levels throughout the renewal period, it was determined inappropriate to hold the transition quarter static at the 1976 level. However, Option A does not consider the transition quarter as establishing a new base for determining 1977 GRS levels.

In other programs comparable to General Revenue Sharing--Community Development grants, Comprehensive Employment and Training Act, Airport Development Aid Program and Law Enforcement Assistance Administration--decisions concerning the transition quarter level and the 1977 projected level were made in accordance with guidance published by OMB in Bulletin No. 75-8 and Transmittal Memorandum No. 42 revising Circular A-11. Under that guidance, budget authority for the transition quarter and future years was calculated from the 1976 level. In other programs, such as the Federal-aid Highway program, decisions were made relative to the individual issues involved. In the Highway program, contract authority, authorized in prior years, is being used for the 1976 and transition quarter program with additional "make well" authority provided for certain states. The 1977 Highway program levels are higher than those in 1976. Even in the Highway program, the transition quarter, however, was treated throughout as related to 1976 or as part of a 15-month period including 1976. We have identified no instance in which the transition quarter was used in establishing the base for 1977 program levels.

Treasury is concerned that Option A will be misinterpreted by state and local recipients as an attempt to deprive them of funds they believe they are entitled to by virtue of the President's decision. State and local governments are well aware of the President's decisions. Since there will be significant renewal issues raised by the critics of GRS, Treasury does not want to raise issues about the calculation of funding levels with GRS supporters. You might recall that Bill Simon asked Ed Schmults to call you about the political issues involved in this decision.

In fact, either Option A or B is defensible as far as carrying out the President's decision is concerned. Option A has the advantage of being somewhat more consistent with the treatment of other similar programs. Furthermore, the Administration could point out that in Option A it opted to calculate the transition quarter from a higher 1977 level (as opposed to 1976 in most other programs) in accordance with the President's decision to consistently increase program levels throughout the renewal period.

From the attachment you can see Highways is the principal precedent problem. Let's discuss this as soon as you have a chance to review this memo.


Walter D. Scott
Associate Director for
Economics & Government

Attachment

. . . 2

Treatment in the 1976 Budget of Programs Similar to General Revenue Sharing
(dollars in millions)

<u>Program</u>	<u>1976</u>		<u>Transition quarter</u>		<u>1977</u>		<u>1978</u>		<u>1979</u>		<u>1980</u>	
	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>	<u>BA</u>	<u>O</u>
Community Development grants	2,550	1,300	---	600	2,550	2,250	2,500	2,650	2,500	2,600	2,500	2,500
Comprehensive Employment and Training Act	2,394	2,684	599	673	2,394	2,540	2,394	2,394	2,394	2,394	2,394	2,394
Airport Development Aid program*	350	360	88	100	350	360	350	350	300	340	300	330
Law Enforcement Assistance Administration	770	888	195	237	770	925	770	809	770	780	770	773
Federal-aid and Highway programs*	5,200	5,817	1,300	1,365	5,500	5,600	5,650	5,600	5,800	5,600	5,950	5,600

*Current estimate, obligations are used in lieu of BA.

DOMESTIC COUNCIL CLEARANCE SHEET

DATE: April 9, 1975

JMC action required by: A.S.A.P.

TO: JIM CANNON

VIA: DICK DUNHAM ☒

JIM CAVANAUGH ☐

FROM: JIM FALK *F*



SUBJECT: Draft letter for President's signature to State and local leaders
on General Revenue Sharing.

COMMENTS: *Jim Cannon specifically asked
for this today. The rest of the
total package will follow.*

DATE: _____

RETURN TO:

Material has been:

_____ Signed and forwarded

_____ Changed and signed (copy attached)

_____ Returned per our conversation

_____ Noted

Jim Cannon

THE WHITE HOUSE
WASHINGTON

April 9, 1975

The President

MEMORANDUM FOR: ~~JIM CANNON~~

FROM:

~~JIM FALK~~

Jim Cannon
your message and
legislation for

Attached is a draft letter ~~for the President to sign~~ to Governors, Mayors, State Legislators, and County Officials when General Revenue Sharing is sent. ~~The mailing of the documents will be handled separately to the same list of recipients. The recipients will be the following:~~

- to the bill.*
1. All ~~50~~ State and Territorial 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.

50

These lists are available any time you would like to look at them, although I have not attached them because of their bulk. The White House Correspondence unit prefers not to transmit documents with Presidential letters and suggests the separate follow-up mailing which we are prepared to do.

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

April 9, 1975

~~Secret~~ ~~h~~

Dear _____ :

~~In recent months~~ I have had numerous meetings with State and Local officials and I have repeatedly been assured that the top Federal legislative priority of State and Local government is the re-enactment of General Revenue Sharing. In these meetings, I have stated the position that I will be an advocate for the re-enactment of this program.

It is, therefore, with a great deal of pleasure that I can inform you that today I have transmitted a Special Message to Congress along with draft legislation which keeps that pledge. My proposal would renew the program for 5 3/4 years in substantially its present form. In addition, the provision for annual stair-step increases in appropriations of \$150 million will be continued. I have asked my staff to forward copies of this proposal to you at an early date.

I am sure that you and your citizens feel a vital stake in this program and I sincerely hope that you will lend your personal support to its continuation in this session of the 94th Congress.

Sincerely,

Gerald R. Ford

*The Blank will be filled in with names of appropriate Governors, State Legislators, Mayors and County Executives.

THE WHITE HOUSE

WASHINGTON

April 11, 1975

MEMORANDUM FOR THE PRESIDENT

FROM : JIM CANNON

SUBJECT : General Revenue Sharing

One decision remains concerning General Revenue Sharing.

BACKGROUND

In January you decided that your proposal for the extension of General Revenue Sharing should include an annual increase of \$150 million through FY 1982. This works out to an increase of \$37.5 million per quarter, which is Treasury's payment period for Revenue Sharing.

Because the Fiscal Year will change in 1977, there will actually be 15 months (five quarters) in FY 1977.

QUESTION

Should the \$37.5 million increase per quarter apply through the five quarters of FY 1977, which would make the total increase come to \$187.5 million (vs. \$150 million) for that one fiscal year?

The cumulative difference for the full extended period for 5 3/4 years is \$225 million, or slightly more than 1/2 of 1% of your proposed total cost of extending Revenue Sharing.

RECOMMENDATION

Bill Simon, Jim Lynn and Max Friedersdorf recommend the increase of \$37.5 million for each quarter including the extra 1/4 in FY 1977 over the life of the bill through 1987. This change would provide an additional \$225 million.

I concur.

DECISION

The issue is whether you want to propose this additional 1/4 payment of \$37.5 million due to the fiscal year change.

___ Agree

___ Disagree

___ Discuss

THE WHITE HOUSE

WASHINGTON

April 11, 1975

MEMORANDUM FOR THE PRESIDENT

FROM : JIM CANNON

SUBJECT : General Revenue Sharing

One decision remains concerning General Revenue Sharing.

BACKGROUND

In January you decided that your proposal for the extension of General Revenue Sharing should include an annual increase of \$150 million through FY 1982. This works out to an increase of \$37.5 million per quarter, which is Treasury's payment period for Revenue Sharing.

Because the Fiscal Year will change in 1977, there will actually be 15 months (five quarters) in FY 1977.

QUESTION

Should the \$37.5 million increase per quarter apply through the five quarters of FY 1977, which would make the total increase come to \$187.5 million (vs. \$150 million) for that one fiscal year?

The cumulative difference for the full extended period for 5 3/4 years is \$225 million, or slightly more than 1/2 of 1% of your proposed total cost of extending Revenue Sharing.

RECOMMENDATION

Bill Simon, Jim Lynn and Max Friedersdorf recommend the increase of \$37.5 million for each quarter including the extra 1/4 in FY 1977 over the life of the bill through 1987. This change would provide an additional \$225 million.

I concur.

DECISION

The issue is whether you want to propose this additional 1/4 payment of \$37.5 million due to the fiscal year change.

 Agree

 Disagree

 Discuss

THE WHITE HOUSE

WASHINGTON

April 11, 1975

MEMORANDUM FOR THE PRESIDENT

FROM : JIM CANNON

SUBJECT : General Revenue Sharing

One decision remains concerning General Revenue Sharing.

BACKGROUND

In January you decided that your proposal for the extension of General Revenue Sharing should include an annual increase of \$150 million through FY 1982. This works out to an increase of \$37.5 million per quarter, which is Treasury's payment period for Revenue Sharing.

Because the Fiscal Year will change in 1977, there will actually be 15 months (five quarters) in FY 1977.

QUESTION

Should the \$37.5 million increase per quarter apply through the five quarters of FY 1977, which would make the total increase come to \$187.5 million (vs. \$150 million) for that one fiscal year?

The cumulative difference for the full extended period for 5 3/4 years is \$225 million, or slightly more than 1/2 of 1% of your proposed total cost of extending Revenue Sharing.

RECOMMENDATION

Bill Simon, Jim Lynn and Max Friedersdorf recommend the increase of \$37.5 million for each quarter including the extra 1/4 in FY 1977 over the life of the bill through 1987. This change would provide an additional \$225 million.

I concur.

DECISION

The issue is whether you want to propose this additional 1/4 payment of \$37.5 million due to the fiscal year change.

 Agree Disagree Discuss

THE WHITE HOUSE

WASHINGTON

April 11, 1975

MEMORANDUM FOR THE PRESIDENT

FROM : JIM CANNON

SUBJECT : General Revenue Sharing

One decision remains concerning General Revenue Sharing.

BACKGROUND

In January you decided that your proposal for the extension of General Revenue Sharing should include an annual increase of \$150 million through FY 1982. This works out to an increase of \$37.5 million per quarter, which is Treasury's payment period for Revenue Sharing.

Because the Fiscal Year will change in 1977, there will actually be 15 months (five quarters) in FY 1977.

QUESTION

Should the \$37.5 million increase per quarter apply through the five quarters of FY 1977, which would make the total increase come to \$187.5 million (vs. \$150 million) for that one fiscal year?

The cumulative difference for the full extended period for 5 3/4 years is \$225 million, or slightly more than 1/2 of 1% of your proposed total cost of extending Revenue Sharing.

RECOMMENDATION

Bill Simon, Jim Lynn and Max Friedersdorf recommend the increase of \$37.5 million for each quarter including the extra 1/4 in FY 1977 over the life of the bill through 1987. This change would provide an additional \$225 million.

I concur.

DECISION

The issue is whether you want to propose this additional 1/4 payment of \$37.5 million due to the fiscal year change.

___ Agree

___ Disagree

___ Discuss