

**The original documents are located in Box 30, folder “Revenue Sharing (6)” of the James M. Cannon Files at the Gerald R. Ford Presidential Library.**

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

*File*  
MAY 5 1975

MEMORANDUM FOR MR. CANNON

Subject: Deferral of Revenue Sharing Expenditures

You asked for an explanation of the Administration's report now pending before the Congress to defer \$93 million in General Revenue Sharing funds. Since the beginning of the General Revenue Sharing program, Treasury found it necessary to make adjustments in funds previously distributed to some of the State and local jurisdictions. These adjustments result from proven errors, correction of data elements used in the distribution formulas, and the effects of court decisions. By regulation, Treasury has continued to provide for a cumulative obligated reserve of .5% of the total amount appropriated for each entitlement period so that required adjustments can be made without changing payments to all 39,000 participating governments.

The obligated reserve thus established must now be reported to the Congress because Section 1011 of the Impoundment Control Act of 1974 (P.L. 93-344) defines "deferral of budget authority" to include "withholding or delaying obligation or expenditure of budget authority (whether by establishing reserves or otherwise) provided for projects or activities; ..." This reserve delays certain expenditures until correct amounts can be determined. The General Revenue Sharing renewal legislation which the Administration transmitted to the Congress on April 25 requests explicit statutory authority for this reserve.

*Paul H. O'Neill*  
Paul H. O'Neill  
Deputy Director

002774 0 11 5 14



*File*

Administration, Agencies:  
News

*Revenue Sharing*

N-12

Revenue Sharing Has Less Than 50 Per Cent Chance of  
Re-Enactment, Cannon Said

Presidential aide James Cannon told the Midwestern Governors Conference Tuesday there is less than a 50 per cent chance of having the federal revenue sharing act re-enacted by Congress. Cannon urged the governors to persuade their Congressmen to vote for re-enactment.--UPI;AP (7/22/75)

FTC Investigates Home Canning Lid Shortage

The Federal Trade Commission said Tuesday it has opened an investigation into the shortage of home canning lids. The announcement came as Congress resumed hearings into the situation which both industry and government experts claim is not as severe as it was last year.--UPI;ABC (7/22/75)



Some items in this folder were not digitized because it contains copyrighted materials. Please contact the Gerald R. Ford Presidential Library for access to these materials.

Department  
of the Treasury

to: Mr. Cannon

Under Secretary

room, \_\_\_\_\_ date: 8/8/75

Jim:

Please let me know if  
there is anything else you  
want in this regard.

*Talk to  
Mark*

*Ed Schmults*



Edward C. Schmults

room 3430

ext. 5363



THE UNDER SECRETARY OF THE TREASURY  
WASHINGTON, D.C. 20220

AUG 8 1975

MEMORANDUM FOR: James M. Cannon  
Assistant to the President  
for Domestic Affairs

FROM: Edward C. Schmults *ES*

SUBJECT: Probable Hearing Schedule - General Revenue  
Sharing

Senate:

It is probable, but by no means certain, that mark-up will occur in the full Finance Committee between October 20th and November 20th. Additional hearings at the subcommittee level are highly unlikely. Full committee consideration is contingent upon completion of the energy debate prior to the time the first phase of tax reform is received from the House and upon convincing Chairman Long that the Senate should move ahead of the House on General Revenue Sharing. The latter will require a concerted effort on the part of State and local officials in addition to Administration efforts.

House:

The Subcommittee on Intergovernmental Relations is planning to hold hearings on revenue sharing renewal as soon as possible in September and to conclude them in October. In the event the Countercyclical measure is stricken from the Senate passed Public Works legislation in Conference or by House vote, a separate Countercyclical bill will be considered by the Government Operations Committee. Current plans then call for immediate Countercyclical hearings by the Government Operations Committee's Subcommittee on Intergovernmental Relations to be conducted simultaneously on an alternate daily schedule with those on General Revenue Sharing. It is possible, however, that pressure for quick resolution of the Countercyclical issue could result in sequential consideration of the two bills and, therefore, delay the commencement of hearings on revenue sharing until late September.

cc: Paul Meyer  
Max Friedersdorf



THE WHITE HOUSE

WASHINGTON

August 18, 1975

MEMORANDUM FOR  
THROUGH  
FROM  
SUBJECT:

JIM CANNON

JIM CAVANAUGH

PAUL MYER

NEW YORK TIMES Editorial  
on General Revenue Sharing

Attached is a copy of the August 10, 1975, NEW YORK TIMES editorial on General Revenue Sharing. I believe it was written by Roger Wilkins.

I have talked to Ed Schmults about this matter and suggested we get Wilkins a copy of Treasury's latest civil rights document, perhaps through Stan Scott.

I think it may be worthwhile to explore editorial contacts and initiate some discussions with the TIMES and other key newspapers as we begin to move on GRS this Fall.

Attachment

or ~~Person?~~  
myer?



NEW YORK TIMES—August 10, 1975

## Revenues and Rights

Since its inception three and a half years ago, the \$30-billion, 5-year general revenue sharing program has developed a large and powerful claue of supporters: the local government officials responsible for running the units of government which receive the money.

As next year's deadline for renewal of the program approaches, many of those officials are arguing that there should be no tinkering with the formula for distributing the funds or with much else in the program, for fear that Congress might shut off the giant spigot entirely. We disagree.

When revenue sharing was being debated, the general idea was that Federal restrictions (except those requiring non-discriminatory spending) would be loosened and that

THE WHITE HOUSE  
WASHINGTON

*General  
Revenue  
Sharing*

August 29, 1975

MEMORANDUM FOR

JIM CANNON

FROM

PAUL MYER

Per our earlier discussion, the following developments should be reviewed with Max in terms of resolving the outstanding questions on my status:

- \* House Government Operations hearings on GRS renewal tentatively set for late September.
- \* House Budget Committee hearings on GRS funding alternatives set for late September.
- \* House Judiciary Committee hearings on GRS and civil rights in early October.
- \* Senate Finance Committee staff work (Joint Taxation Committee) on draft GRS renewal bill in anticipation of October markup.

Attached is a copy of my report on the GRS legislative situation which you may wish to give to Max.

The resolution of the questions we discussed would greatly clarify and improve channels of communication here and on the Hill.

Attachment

GENERAL REVENUE SHARING RENEWAL --  
AS ASSESSMENT OF THE LEGISLATIVE SITUATION  
August, 1975

\* \* \*

I. Overview.

The President's proposed legislation to extend and revise General Revenue Sharing (GRS) faces an uncertain future in the Congress. The question is not only when, but if, the Congress will enact legislation extending GRS. Further, continuation of GRS may be accompanied by substantial changes in the existing program.

Opposition to both the program and the President's legislation are found at strategic points in the legislative process, particularly in the House of Representatives. The nature of the opposition closely parallels that expressed in 1972, reflecting philosophical differences over the control and distribution of Federal funds. Significantly, however, this opposition on matters of substantive national policy and Congressional procedure seems to have grown more intense.

At the same time, there is a good deal of apparent indifference to GRS. This attitude reflects Congressional preoccupation with more pressing issues and can, in part, be attributed to the lack of voter interest and pressure. GRS is simply not a "gut" issue which is generating much excitement on Capitol Hill.

Furthermore, the program's "natural" constituency, governors, mayors and county officials and their national organizations, have thus far not been effective in developing a more favorable climate for GRS in the Congress. This reflects the complacent attitude of too many State and local government officials who assume the program's continuation and the fact that they have been seeking other forms of "priority" assistance from the Congress. The issue of countercyclical aid is a prime example of this latter point.

Four key issues have been identified during the course of this analysis which must be reviewed.

First, and of most immediate concern, is the question of continuing the existing GRS funding method as proposed by the President. At the present time, this does not appear to be a viable proposal, and it may be unrealistic to expect the 94th Congress to adopt this approach. The resolution of this issue also affects timing. Consideration could be

delayed until after May 15, 1975, due to new Congressional budget procedures and involve the Budget Committees as a major step in the legislative process.

The other inter-related issues are:

\*civil rights and the use of some legitimate concerns in this area as a screen for opposition to GRS;

\*more "strings" and controls with respect to the uses of GRS funds; and

\*formula modifications both in terms of "need" factors and other alternatives.

The current legislative situation, in terms of an effort to gain enactment of a major domestic bill within four months, would be fatal in most instances. While evidence indicates that GRS renewal within this time-frame may be possible, any chance of success requires a dramatic shift in the current Congressional climate. As a first step, we need a realistic assessment of our legislative and political objectives and how we hope to achieve them.

\* \* \*



## II. Senate

It is anticipated that the Finance Committee will mark-up GRS renewal legislation in late September or early October. The schedule is dependent on the disposition of energy legislation now pending in the Committee.

In general, there is considerable bi-partisan and diverse ideological support for GRS in the Senate.

There is, for example, little dissatisfaction with the existing allocation formula. Attempts to distribute more funds to areas of greater "need" or place more restrictions on this expenditure may not be serious threats.

Considerable concern over civil rights will generate great debate and could result in adoption of a broader non-discrimination provision than proposed by the Administration. However, it is not expected that those who use the civil rights issue as a screen for their philosophical opposition to the program will succeed in making major substantive changes in the operation of the program itself.

The major policy issue which may emerge in Committee and certainly on the Floor is the matter of appropriations. This was the most controversial issue during Senate consideration in 1972 and produced a major confrontation between the Finance and Appropriations Committees. Although the Senate upheld the position of the Finance Committee in reporting the combined authorization-appropriation bill by a 15 vote margin (34-49), there is some unconfirmed doubt as to Senator Long's willingness to contest this issue again. Aside from the serious political aspects of this issue, the substantive justification of continuing this method of funding has been questioned.

Obviously, the previously close vote raises a question about the views of 23 "new" Senators now sitting and the impact of the Budget Act on the views of those Senators who had voted for the existing GRS funding method in 1972. With respect to the latter, a five-year authorization-appropriation conflicts with the concept of a meaningful Congressional budget role and many Senators may be hesitant to violate that principle.

There are critical legislative considerations dependent upon the resolution of this issue.

Senate origination and adoption this Fall of any GRS renewal legislation which resembled the President's proposed bill would be a major breakthrough. This is essential in order to enhance our efforts to prevent the eventual enactment of more sweeping changes in GRS as a result of possible House action. Passage of a bill that also endorsed the President's proposed continuation of the present funding method would be a dramatic demonstration of support and have considerable impact in the House. Without question, the favorable resolution of the appropriations issue would give us considerable leverage and needed flexibility.

Similarly, the failure to uphold this position could be equally dangerous. It would end any chance of gaining Congressional adoption of this appropriations approach and, perhaps, weaken our defense against other attempts to modify the program in the House.

Therefore, our approach on this issue must be based upon clear understandings. Careful soundings must be taken with Senator Long and Members of the Finance Committee, the Senate Leadership, Republican Members of the Appropriations Committee, and other key Democratic and Republican GRS supporters (e.g. Muskie, Baker).

### III. House of Representatives.

The GRS picture in the House is clouded. There are dramatic differences between the climate and membership of the House in 1972 and the present House of Representatives. Opposition to GRS is definitely more intense and located at strategic points in the legislative process. In brief, the basic facts are:

- \*Shift in jurisdiction to a new Committee headed by a hostile, partisan Chairman and before a subcommittee chairman who is, at best, a lukewarm supporter of the program.
- \*The Committee's Democratic membership is void of any strong GRS advocates and most Members have expressed serious concerns or indifference. The Republican Members had all previously supported GRS but need considerable outside support. Additionally, the Majority staff is weak and lacks expertise in this area.
- \*A 35% turnover in the House membership since 1972 (154 "new" Members). 40% of the Members who supported GRS in 1972 on the critical Rule vote are no longer serving in this Congress, and the vote margin among those still serving is only 8 (as opposed to 38). Approximately 50% of the Republican Members who supported GRS are no longer in the House.
- \*The Appropriations Committee remains skeptical of GRS and intensely opposed to the existing funding method. Chairman Mahon will seek to regain lost prestige on this issue and Jack Brooks will do everything he can to help.
- \*The Democratic Leadership is either indifferent at this time (Albert and O'Neill) or strenuously opposed to the program (McFall, Bradamas and P. Burton). There is little appetite for an internal war on this issue and possible strong GRS Floor leaders have not emerged.
- \*The Congressional Budget Act adds a new dimension to the issue and will greatly complicate consideration.

\*Outside opposition groups consider, with some merit, the "liberal" House as more receptive to their views.

Under these circumstances the lack of interest and action on GRS renewal is not surprising. There is still no definitive word as to when hearings will begin on GRS renewal. The schedule and possible course of action is complicated by the countercyclical aid issue. The eventual resolution of countercyclical aid will dictate the timing of GRS hearings (late September or October) and there is still the possibility that countercyclical and GRS could be combined in one bill.

In marked contrast with the Senate situation, the major issues all represent serious legislative threats to GRS renewal. Basic policy questions debated and resolved in 1972 are being revisited. The pivotal issue remains the question of continuing the present method of GRS funding.

Compelling evidence supports the view that the House will not adopt a continuation of the existing method of funding. Based on the foregoing analysis, one must question whether or not the Congressional leadership and the votes to win on this issue can be generated.

This is not to argue, however, that an effort should not be made. To the contrary, dependent upon the Senate's action, a respectable demonstration of strength at the subcommittee and committee level might add to the leverage we will need to prevent the adoption of other unwanted modifications in the operation of the GRS program.

At this point, the overall situation is volatile and insufficient information is available to predict the fate of GRS legislation in the House.

Obviously, no one looks toward a floor situation similar to 1972. It seems certain that supporters of GRS will be on the defensive, and there will be no protection in terms of as favorable a rule. Further, it is not beyond reason to anticipate a wide-open debate on the Floor, regardless of what the committee reports.

What is known, however, is that absent the nature and scope of Congressional support evidenced in 1972, we must find ways of creating an equally effective pro-GRS coalition in the House. The success of this effort will depend on the Senate's support for the Administration's position, the

extent of subsequent negotiations with key House Members, (for example, a possible compromise with those concerned about the appropriations issue, but otherwise fully supportive of the President's position) and the ability of the Administration and other GRS supporters to generate public awareness and interest in the program's renewal.

#### IV. Conclusion

This assessment perhaps raises as many questions as it answers. Major problem areas and issues have been identified and a careful re-evaluation of certain positions is indicated.

The President has initiated GRS renewal legislation and it would be a mistake to put ourselves in a position of constantly reacting on this issue. Every effort must be made to ensure that this leadership posture is maintained.

The enactment of GRS was a major breakthrough in Federal-State relations. It represents the beginning of a more rational, viable approach to Federal assistance programs and the Administration is closely identified with the program. For this reason, the defeat of GRS or a substantial modification of the program changing its basic philosophical character would be viewed as a serious setback in the domestic policy area.

Additionally, the Administration has been criticized for its alleged failure to provide assistance to hard-pressed State and local governments. A strong and successful effort to gain GRS renewal could help blunt that criticism and turn the issue on the Congress in the process. GRS has been a highly successful and effective program of assistance to units of State and local governments. Congressional failure to extend GRS would have a devastating impact on State and local governments. The possibility of additional layoffs, cuts in essential services and increased taxes as a result of Congressional inaction should not be allowed to escape public attention.

\*\*\*\*\*



THE WHITE HOUSE  
WASHINGTON

August 8, 1975

MEMORANDUM FOR  
FROM  
SUBJECT:

JIM CANNON  
*Paul Myer*  
PAUL MYER

Counter-cyclical Aid/  
General Revenue Sharing

*Paul -  
Good -  
Keep me  
informed.  
Jim*

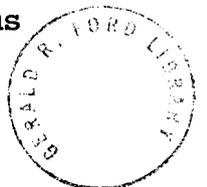
I have been trying to gain some insight into the counter-cyclical legislation and its possible impact on General Revenue Sharing renewal.

The House Democratic leadership, backed by the U. S. Conference of Mayors and other interested groups, is putting pressure on Brooks to drop any jurisdictional claim to a conference report on the Public Works Bill containing a counter-cyclical provision. They would obviously like to have a clean political yea or nay vote on this matter.

Personally, I think that there may be more form than substance to Brooks' opposition. His political instincts being what they are, the institutional argument regarding committee prerogative could be a public screen for some unrelated back door maneuvering.

In any event, because of the political perspective the leadership has placed on this issue, it is unlikely that they will want to go to the floor if it will be defeated, with a large Democratic desertion, or even be embarrassingly close on a purely procedural motion. Given their demonstrated inability to count accurately thus far and the strength of the Republican opposition, they are, needless to say, somewhat cautious and insecure at the present time.

There is also the fact that a number of Mayors are concerned with the results of the present counter-cyclical formula as Pat Delaney previously reported. The Board of the League of Cities has apparently been given a staff document which raises some serious questions about the bill's impact.



Because of these problems, the Mayors' have expressed interest in an agreement to drop counter-cyclical from the Public Works Bill if Brooks would agree to take immediate action in his committee on a counter-cyclical proposal separate from General Revenue Sharing.

Since we did not anticipate early September action by the House committee, any possible delay caused by this route might not be harmful to our timetable. Of course, depending on the fate of counter-cyclical, it could continue to complicate revenue sharing renewal.

cc: Jim Falk



THE WHITE HOUSE  
WASHINGTON

August 12, 1975

*File*

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON *Dick Deukhan*  
SUBJECT: Countercyclical Legislation

BACKGROUND

At a recent meeting at the White House with representatives of the U.S. Conference of Mayors, Secretary Simon and Director Lynn indicated that we would review our position on the pending countercyclical legislation. (S 1359 -- Intergovernmental Countercyclical Legislation Act).

Attached is a memorandum from Jim Lynn to you recommending your continued opposition to this proposal. Max Friedersdorf, Jack Marsh, Bill Seidman, Jim Falk, Counsel's Office (Lazarus), and I concur in this recommendation.

The recent Governors' Conference in New Orleans failed to adopt a countercyclical resolution for fear that it would jeopardize the pending legislation for the reenactment of general revenue sharing, and I believe this is a valid concern.

In the past few weeks, we have received a number of telephone calls from Mayors who have formerly supported countercyclical legislation, however, with the modified formula these Mayors are now saying privately that they are reluctant to support such legislation.

RECOMMENDATION

That you continue to oppose the pending countercyclical legislation.

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_

Attachments



THE WHITE HOUSE

WASHINGTON

August 20, 1975

MEMORANDUM FOR

JIM CANNON

THROUGH

JIM CAVANAUGH 

FROM

PAUL MYER

SUBJECT:

General Revenue Sharing --  
Vice President's Meeting  
With Key House Members

The attached memorandum from yourself to Vice President Rockefeller has been prepared in response to our previous discussion. I was not certain as to whether anything as formal as this was required; however, if not, you might be able to use this as a basis for discussion with him.

Attachment

*Jim  
check w/  
Wax  
Friedland*



THE WHITE HOUSE

WASHINGTON

MEMORANDUM FOR

THE VICE PRESIDENT

FROM

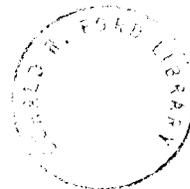
JIM CANNON

SUBJECT:

Renewal of General Revenue Sharing Program -- Proposed Meetings with Key House Members

As you know, the President's proposed legislation to extend and revise the General Revenue Sharing (GRS) program faces an uncertain future in the House of Representatives. At the present time, there is little evidence of intense support in the House; and in a large part, we find much indifference to the program. Further, the change of jurisdiction over General Revenue Sharing from the Ways and Means Committee to the House Committee on Government Operations has caused a number of problems. Of particular concern at this time is the Chairman, Jack Brooks of Texas. No friend of revenue sharing, he has expressed strong philosophical problems with the program and favors annual Congressional review and appropriations. The appropriate subcommittee chairman, L. H. Fountain of North Carolina, has not demonstrated any strong advocacy of General Revenue Sharing renewal. Their attitudes and related other legislative and political problems have resulted in a serious barrier to our efforts to move the President's bill.

On the minority side, the ranking minority members of the full committee and subcommittee, Frank Horton and Jack Wydler, respectively, have been less than enthusiastic about moving General Revenue Sharing through the House this year. They believe that it is unrealistic and that there are both political and legislative dividends if consideration is delayed until 1976. While not a major problem, it requires some attention in order to bolster the Republicans on the committee.



Given this situation, we have embarked on a course of action designed to create a more receptive atmosphere and expedite the favorable consideration of the President's legislation in the House Committee. I believe that your involvement at this stage could be extremely effective in helping to turn this situation around.

It is my recommendation that you initiate two separate meetings: one, with Brooks and Fountain; the other, with Horton, Wydler and the two additional Republican members of the subcommittee, Bud Brown and Bob Kasten.

Paul Myer, who has recently joined the White House Staff to handle the revenue sharing legislation, and I would participate in these meetings.

If you agree with this recommendation, I will work out the details with your office and arrange to have the appropriate briefing materials prepared for you.



MEMORANDUM FOR

THE VICE PRESIDENT

FROM

JIM CANNON

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Renewal of General Revenue Sharing  
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DOMESTIC COUNCIL CLEARANCE SHEET

DATE: Sept. 2, 1975, Tues.

JMC action required by: \_\_\_\_\_

TO: JIM CANNON

VIA: ~~DICK DUNHAM~~

or

JIM CAVANAUGH 

FROM: PAUL MYER

SUBJECT: GRS Formula Modification--  
Letter to Cong. Frenzel



COMMENTS:

DATE: 9/8/75

RETURN TO:

Material has been:

Signed and forwarded

Changed and signed (copy attached)

Returned per our conversation

Noted

\_\_\_\_\_

JMC (pm)  
Jim Cannon

*Paul*  
*OK*  
*let's be precise*  
*very*  
*on this*  
*point*  
*John*

THE WHITE HOUSE  
WASHINGTON

Aug. 15, 1975

JMC:

We ran this past Jack Marsh  
prior to sending to Vail.

P

Attachment

THE WHITE HOUSE  
WASHINGTON

DATE: July 18, 1975  
TO: JIM FALK  
FROM: JIM CAVANAUGH  
SUBJ: General Revenue Sharing  
FYI \_\_\_\_\_  
Action   x  

Please draft a reply for  
the President's  
signature ASAP.

006.



THE WHITE HOUSE  
WASHINGTON

August 13, 1975

MEMORANDUM FOR: JIM CANNON  
FROM: JIM FALK *7*  
SUBJECT: Attached Letter

BACKGROUND

Attached is a letter to Congressman Bill Frenzel from the President responding to his letter of July 11, in regard to general revenue sharing.

RECOMMENDATION

That you sign the attached memorandum and forward the letter to Congressman Frenzel to the President for his signature.

Attachments



THE WHITE HOUSE

WASHINGTON

August 13, 1975

MEMORANDUM FOR THE PRESIDENT

FROM: JIM CANNON

*Dick Durbin*

SUBJECT: Attached Letter

BACKGROUND

Congressman Bill Frenzel has written to you expressing concern over your position with regard to general revenue sharing.

RECOMMENDATION

That the attached letter be transmitted over your signature.



MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

September 2, 1975

MEMORANDUM FOR

JIM CANNON

FROM

PAUL MYER 

SUBJECT:

GRS Formula Modification--  
Letter to Cong. Frenzel

The mention of a slight GRS formula modification you questioned in the attached letter to Cong. Frenzel refers to our proposal to raise the 145% per capita limitation over a five-year period to 175%. This proposed change represents a modification of certain formula provisions of the Act (Sec. 108--Entitlements of Local Governments).

While not technically a change in the formula (the basic distribution factors are retained--Sections 106 and 107), it will affect the actual allocations received by eligible units of local government, allowing some urban areas and poorer jurisdictions to receive a slightly higher level of funding. In fact, this modification has been presented by the Administration as a means of providing additional GRS funds to financially hard-pressed urban jurisdictions. (The negative impact of this phased change on other communities is partially offset by the proposed \$150 million annual increase in funds.)

This point will be made clearer in future correspondence.

Attachment

THE WHITE HOUSE  
WASHINGTON

*Paul Meyer -  
what is this*

August 12, 1975

*"slight  
modification"  
I thought the  
formula  
was  
the  
same.*

Dear Bill:

I appreciate and share your concern about any changes in the General Revenue Sharing program which might adversely affect local governmental jurisdictions in your District. The existing distribution formula has served the purposes of the program well, and I have advocated its continuation in my proposed renewal legislation.

As you know, there has been some discussion of changing the formula to provide more funds to large central cities. While I have recommended a slight modification which will somewhat benefit needy urban and certain poorer jurisdictions, my legislation will not have a negative impact on other recipients. In fact, I have rejected any proposal to deprive smaller communities, which also have a legitimate need for assistance, of Federal Revenue Sharing funds.

*11 Jan*

Just prior to the meeting which prompted your letter, the U.S. Conference of Mayors, comprised of mayors from large urban areas, adopted a strong resolution endorsing continuation of the General Revenue Sharing program with no change in the distribution formula. I am pleased to have their support and believe this position will enhance the efforts to gain Congressional approval of my legislation.



I also discussed with the Mayors the need for assistance to financially hard-pressed states and units of local government. I believe the candid discussion was useful in gaining an understanding of the policies necessary to achieve our objectives in a fiscally sound and responsible manner.

Again, thank you for bringing this matter to my attention.

With warmest personal regards,

Sincerely,

The Honorable Bill Frenzel  
House of Representatives  
Washington, D. C. 20515



BILL FRENZEL  
THIRD DISTRICT, MINNESOTA

WASHINGTON OFFICE:  
1026 LONGWORTH BUILDING  
202-225-2871

STAFF DIRECTOR  
RICHARD D. WILLOW

Congress of the United States  
House of Representatives  
Washington, D.C. 20515

DISTRICT OFFICES:  
MRS. MAYBETH CHRISTENSEN, MANAGER  
120 FEDERAL BUILDING  
MINNEAPOLIS, MINNESOTA 55401  
612-723-2173

MISS SANDRA KLUG, MANAGER  
3601 PARK CENTER BOULEVARD  
ST. LOUIS PARK, MINNESOTA 55416  
612-925-4540

July 11, 1975

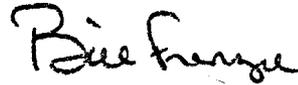
ME  
The Honorable Gerald R. Ford  
The White House  
Washington, DC

Dear Mr. President:

The mayors and county officials in my district are concerned about your special meeting on the subject of Revenue Sharing with some of the big city mayors. They are particularly concerned that revenue sharing not be converted into a special program of assistance to the large cities.

They suggest that it might be a good thing for you to meet with officials of smaller municipalities, counties and states to provide a balance. I have informed them that you have been promoting Revenue Sharing for its own sake and not as a special program for big city mayors. I hope that continues to be the policy of your administration.

Yours very truly,



Bill Frenzel  
Member of Congress

BF:pce

Public files

THE WHITE HOUSE  
WASHINGTON

Aug. 7, 1975

FOR: *Be* JIM CAVANAUGH

FROM: *Paul* PAUL MYER

Attached is a draft letter for the President's signature to Cong. Frenzel regarding General Revenue Sharing.



THE WHITE HOUSE  
WASHINGTON

DATE: July 18, 1975  
TO: JIM FALK  
FROM: JIM CAVANAUGH  
SUBJ: General Revenue Sharing  
FYI \_\_\_\_\_  
Action x

Please draft a reply for  
the President's  
signature ASAP.

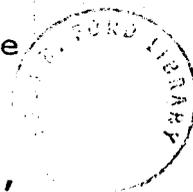
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House of Representatives  
Washington, D. C. 20515

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I also discussed with the Mayors the need for assistance to financially hard-pressed States and units of local government. I believe the candid discussion was useful in gaining an understanding of the policies necessary to achieve our objectives in a fiscally sound and responsible manner.

Again, thank you for bringing this matter to my attention.

With warmest personal regards,

GRF

July 17, 1975

Dear Bill:

Thank you for your July 11 letter to the President expressing on behalf of the officials in your District their concern that the principles of general revenue sharing may be changed in such a way that emphasis is placed on providing aid to the large cities.

You may be assured that the direction of the program will not change and that all units of state and local government, regardless of size, will be eligible for their proportionate share. In addition to the copy of the President's remarks at the briefing on General Revenue Sharing, which I am enclosing, I have asked for a report on the substantive discussion at the meeting, which will be sent to you as soon as it is prepared. I trust that this material will serve to allay the concerns of your constituents.

With kindest regards,

Sincerely,

Vernon C. Loen  
Deputy Assistant  
to the President

The Honorable Bill Frenzel  
House of Representatives  
Washington, D.C. 20515

Enclosure

~~cc:~~ w/incoming to James Cannon for draft reply within SEVEN days please.

VCL:EF:VO:vo

THIRD DISTRICT, MINNESOTA

WASHINGTON OFFICE:  
1026 LONGWORTH BUILDING  
202-225-2871

STAFF DIRECTOR  
RICHARD D. WILLOW

**Congress of the United States**  
**House of Representatives**  
Washington, D.C. 20515

ROBERT TENSEN, MANAGER  
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MISS SANDRA KLUG, MANAGER  
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612-925-4540

July 11, 1975

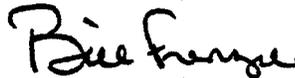
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The White House  
Washington, DC

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They suggest that it might be a good thing for you to meet with officials of smaller municipalities, counties and states to provide a balance. I have informed them that you have been promoting Revenue Sharing for its own sake and not as a special program for big city mayors. I hope that continues to be the policy of your administration.

Yours very truly,



Bill Frenzel  
Member of Congress

BF:pce

*Cannon memo*

THE WHITE HOUSE  
WASHINGTON

September 3, 1975

MEMORANDUM FOR: ROBERT T. HARTMANN  
FROM: JIM CANNON  
SUBJECT: General Revenue Sharing

During the meeting this afternoon with the President, he asked for a paragraph that he could use in his California legislature speech that would include the following: The annual amount California has received, annual amounts the local units of government have received--annually and accumulated totals, how much they would receive in each category for the next five years.

We have prepared the attached draft for your use in meeting the President's request.



(Myer)

September 3, 1975

General Revenue Sharing has been a highly successful and effective program. Since enactment, \$20.4 billion in direct, flexible aid has been provided to State and local governments. To date, the State of California has received \$2.1 billion under this program and, by the end of Fiscal Year 1976, the amount will be \$2.8 billion. General Revenue Sharing has provided your State government with approximately \$216 million annually since 1972 and all local governments within the State about \$431 million. Under my proposed legislation to extend this vital program, the State and local governments here would receive roughly \$733 million annually. General Revenue Sharing expires in December, 1976, and I have called upon the Congress to extend and revise the program this year. Congressional action during 1975 is essential in order to enable States and units of local government to deal with their severe fiscal problems and meet increasing demands for public services. Unfortunately, the renewal legislation faces an uncertain future in the Congress. The question is not only when, but if, the Congress will re-enact this vital program. There is much indifference to General Revenue Sharing and considerable opposition to its continuation. I tell you, candidly, General Revenue Sharing is in jeopardy and the efforts to gain re-enactment will not succeed without your active involvement and support. General Revenue Sharing is more than a sound concept of Federalism. You know the devastating impact Congressional failure to extend this program would have on State and local governments. I hope you will begin to share that knowledge with Members of Congress.

\* \* \* \* \*



THE WHITE HOUSE  
WASHINGTON

*Suby*  
*Revenue sharing*

September 11, 1975

MEMORANDUM FOR :           DICK DUNHAM  
                                  JIM LYNN  
                                  JIM CAVANAUGH

FROM :                        JIM CANNON *JWC*

Attached is a memorandum indicating that New York City, or any other local government, need not maintain its effort in a local program to qualify for full general revenue sharing.

Attachment - Local Government Maintenance of Effort Under General Revenue Sharing -- New York City.



MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

September 10, 1975

MEMORANDUM FOR

FROM

SUBJECT:



JIM CANNON

PAUL MYER

Local Government Maintenance  
of Effort Under General Revenue  
Sharing -- New York City  
Situation

This is in response to your question of yesterday for information about the maintenance of effort provisions in the State and Local Fiscal Assistance Act of 1972 (Public Law 92-512) and their possible relationship to the New York City situation.

There is no maintenance of effort requirement for local governments in the Act. The only section in the Act relating to maintenance of effort is Sec. 107(b) (31 U.S.C.A. § 1226(b)) which requires a State government to maintain its existing level of aid to local units of government. Moreover, the legislative history of the Act specifically recognizes that local governments would not be required to maintain the level of their own prior expenditures in those areas which became priority expenditures under the Act (S. Rept. 92-1050, Part I, 92nd Cong., 2nd Sess.). Similarly, there is no requirement that once a priority expenditure has been funded by a local unit of government that the level of funding must be maintained or continued at all.

The clear intent of the Act is to allow local units of governments to decide where to spend revenue sharing funds subject only to the requirement that such funds may be used within the priority expenditure categories.

I have reviewed this matter with staff from Treasury and the Office of Revenue Sharing. No provisions of the Act or ORS regulations appear to have any adverse affect on the use of GRS funds by New York City in its present circumstances.

THE SECRETARY OF THE TREASURY

9/19/75

TO: BILL SEIDMAN

I agree with Jim Cannon  
but think please of my response  
at Revenue Sharing hearings.

WES

Received 9:30 am 9/19

THE WHITE HOUSE

WASHINGTON

September 18, 1975

MEMORANDUM FOR WILLIAM E. SIMON

FROM: L. WILLIAM SEIDMAN *LWS*

SUBJECT: ANNOUNCEMENT OF ADMINISTRATION'S  
POSITION ON THE COUNTERCYCLICAL  
ASSISTANCE ACT OF 1975

Attached is a memorandum from Jim Cannon explaining his views on the timing of an announcement on the Countercyclical Assistance Act of 1975.

Attachment

*To Bill Seidman  
I agree with the  
Cannon - but think  
please of any response  
Pat Rowley  
Learnings*



THE WHITE HOUSE

WASHINGTON

September 16, 1975

MEMORANDUM FOR: BILL SEIDMAN  
FROM: JIM CANNON *Jim*  
SUBJECT: Announcement of Presidential  
Countercyclical Aid Decision

I am informed that the Economic Policy Board will be considering the announcement of the President's recent decision on countercyclical aid. Ed Schmults' office is drafting a letter from Secretary Simon to Mayor Landrieu reiterating our stance.

I believe this would be a serious mistake and advise against any announcement of that decision at this time for the following reason:

The countercyclical aid legislation has not been sent to conference; the bill remains at the Speaker's desk. It is being held because the key Democrats involved cannot agree on what to do with this legislation. Without going into detail, the Mayors, ALF-CIO and others are focused on serious Congressional problems-- problems representing a more formidable barrier to their goal of attaining countercyclical aid than the position of the Administration at the present time.

Question: Why should we announce now and give everyone a target and excuse? Under the circumstances, the President would be blamed for their failure to achieve Congressional consensus on this program.

I recognize that such a decision will eventually have to be announced. However, unless the decision must be announced now, I urge delay.



MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

October 20, 1975

Jim Cannon: I had an appointment of long-standing with Charlie to discuss GRS renewal. Conversation inevitably turned to the NYC situation. He has been working a good deal on the problem of a legislative solution (see outline of ideas in attached). Charlie is concerned about the Administration's position and "missed opportunities" regarding the President's ability to shape legislation which would satisfy both policy and political concerns. Shares view that Ashley is inclined to produce a tough bill and work hard to get it through the House. Circumstances are such that liberals would be forced to accept a bill which is attractive to bi-partisan conservative majority. Questions how the Administration can sit on the sidelines during developing stage, eventually forced to sign or veto a bill.

Paul Myer



CHARLES E. WALKER'S  
WASHINGTON ECONOMIC REPORT



1730 PENNSYLVANIA AVENUE, N. W. • SUITE 200 • WASHINGTON, D. C. 20006 • (202) 785-9622

Vol. 3, No. 19 - October 8, 1975

Dear Subscriber:

In this WER, President Gerald R. Ford's bold and surprising "tax cut-spending ceiling" proposal is discussed in a Special Report. In addition, we outline a possible Federal solution to the New York City problem and comment on House Ways and Means Committee actions on taxing U.S. multinationals. Also enclosed is an article from The New York Times which provides a much-needed perspective on the unemployment problem.

NEW YORK CITY: PART II

In our last issue we suggested that the financial problems of New York City will not disappear (in fact, they have worsened); that the problem is not confined to Fun City but is national in scope; that the proposals now before the Congress are not likely to be enacted ("Super Mac" or Federal guarantees of municipal securities); and that there was a chance--but only a chance--that legislation could be fashioned which would clear Congress. Not surprisingly, our statement that existing legislative proposals wouldn't fly prompted queries as to what might. And the fact is that we do have some ideas on what Congress might be willing to do.

Reports indicate that the Administration may be softening its opposition to helping NYC. Statements of Dr. Arthur F. Burns also bolstered the hopes of New York officials and their supporters in Congress that something might be done. To this end, both the Senate and House Banking Committees are gearing up for hearings on the issue.

An RFC for Cities? If Congress feels compelled to do something about New York City, then we believe an adequately funded, toughly managed, 1975-model Reconstruction Finance Corporation to be the preferable approach (let's call it a "Municipal RFC"). What follows is not a specific plan, but some major considerations to be dealt with in any such approach.

First, without doubt, the authority of MRFC should be "generic"--that is, its aid should be available to any eligible city, county, or State local assistance authority that is able and willing to meet its terms and conditions. The chances of getting legislation through that zeroes in on the NYC problem alone seems very small.

Second, an MRFC should provide assistance only through lending cold cash--every effort should be made to make certain that it has no guarantee authority, however circumscribed, that might be twisted around as a back-up for State and local securities. This provision would answer the Treasury's major objection to direct Federal guarantees (that these would create securities as good or better than U.S. obligations). Guarantees of bank loans might be a substitute approach, but why complicate already complex negotiations by bringing a third party into the picture?

Third, although some sort of policy board might have overall responsibility, MRFC should be run by a hard-nosed, take-charge financial type accustomed to driving hard bargains and making them stick. The chairman of the board might well be the Secretary of the Treasury, but the president and the chief operating officer--the hard-nosed manager--would make and enforce the deals, and we do mean deals, with supplicant governments. To help guard against the danger that a politically-oriented operating

officer might later head MRFC, the policy board should contain no elected officials, but perhaps be patterned after the Emergency Loan Guarantee Board, which has done an excellent job in monitoring the Lockheed loan guarantee. It is chaired by the Secretary of the Treasury, and includes the chairmen of the Federal Reserve Board and the Securities and Exchange Commission. Also, the Congressional mandate for MRFC should specify that its chief operating officer be an individual with impeccable financial credentials.

Fourth, rather than providing MRFC with authority for financing on its part, it should simply be able to "tap" the Treasury for an amount specified by Congress. If the full faith and credit of the U.S. backs up MRFC, then there is no reason to go through the charade of providing it with its own financing authority. Moreover, this approach, through the appropriations process, would show Congress and the people just what the effort costs. This is in contrast to so many loan or guarantee programs whose real economic impact is difficult to determine.

Fifth, although the grant of Congressional authority to MRFC should be relatively broad, there should be the strongest of statements concerning the strict terms on which assistance is to be provided. Those terms (including fully competitive interest rates) should be excruciatingly tough. In essence, any applicant should be forced to relinquish its "sovereignty" to MRFC in exchange for emergency financing.

The reasons for this are obvious. New York and some other cities are in trouble because they've been living beyond their means. (The Federal Government would have been in deep trouble long ago but for one important distinction: it has the power to print money; States and localities do not.) In the absence of unlimited credit and/or money-creating powers, a family, business or governmental unit can eat too high on the hog for only so long--then the time comes to pay the butcher.

Although it is unfair to point to the militant NYC unions as the sole culprit (other factors are important, some of which, such as a heavy welfare load, are perhaps beyond the city's control), their demands and power illustrate the point. Their power (including that of endangering the safety and health of the city's inhabitants) is so great that no elected officials can stand up to them. Thus, the logic of transferring some degree of sovereignty from NYC to the State (through Big Mac) is apparent. But NYC's problems are now so huge that Big Mac and the State could be pulled down with it.

Objection will be raised that the MRFC would be in no position to monitor and enforce these necessary tough conditions relating to taxes and spending in general, and services and payrolls in particular. Not so. Our hard-nosed chief operating officer should be so severe in drawing up what is essentially a "trust indenture" with the city that any elected official who approached MRFC would be committing political suicide. As a result, the number of applicants should be few and the "enforcement" problem manageable--by a relatively small group of retired city controllers and bankers.

A final consideration relating to operations of MRFC involves the maturity of the loans MRFC would make. Although there should be some latitude in this respect, generally the loans should be of very short term, perhaps for no more than a year. The purpose of such short maturities would be to keep a leash on the local politicians and power brokers. MRFC would say, in effect, "You must get on the fiscal straight and narrow not only to get the loan, but stay on that path or your credit line will be revoked." In addition, short-term loans would reduce the danger of Uncle Sam coming to play a long-run role in bolstering the fiscal positions of cities. The loans from MRFC would be for the sole purpose of "bridging the gap" while the city took the bitter medicine necessary to restore its credit worthiness.

Such arrangements have almost their exact counterpart in the non-governmental sector. When a corporation is in financial trouble, extension of bank lines of credit are frequently so laden with restrictions on management that it's not much of an exaggeration to say that the head of the company can't even go to the washroom without his banker's permission.

We submit that, if Uncle Sam is going to do something about NYC, that type of arrangement represents the most desirable approach--and one that might be accepted by Congress.

Some Political Problems. First, it will be objected to that MRFC is not really generic, but only a thinly veiled effort to bail out the Big Apple. Answer: Both the level of funding and directives to management should provide strong indications that any distressed city could qualify for help--provided its leaders were to lay certain "sovereign" powers on the line.

Second, some will argue that governors would never support such an approach, because cities are creatures of the State, and MRFC would by-pass State Capitals. Answer: This objection, if valid, could easily be handled by bringing the governor of the particular State into the action through a certifying and auditing role, etc. But is it really a problem? Do the governors want to get in this political crossfire? We don't think so.

Third, others may maintain that with many small businesses and homeowners in distress, Congress will refuse to enact what is likely to be viewed as "bail-out" legislation for some profligate cities while their individual and business constituents suffer. Answer: If so, an additional title (or titles) can be added to provide assistance--but still on tough terms--for distressed businesses and/or homeowners. There is considerable support for this idea on Capitol Hill.

Fourth, many believe that the Ford Administration is set in concrete and is not about to accept any legislation, even if it applies to all cities. Answer: Maybe so. But a tightly drawn bill would be hard to veto. Any such veto, if followed by near-calamitous developments in the financial affairs in New York and elsewhere, would have a strong negative political impact on the White House.

Conclusion. The point of all this is not to lay out in specific terms a legislative proposal. It is instead to recognize that legislation to help New York may pass the Congress. And, if that be the case, it should be drafted with extreme care. Given all our other pressing problems, this is no time to throw the Treasury vaults wide open to New York or any other hard-pressed city.

#### RAISING TAXES ON THE MULTINATIONALS: A REPRIEVE

The two preceding WER's warned that the corporate community was confronted with "double jeopardy" in the tax bill being "marked up" in the House Ways and Means Committee. With only one day scheduled for consideration of measures to promote capital formation (a situation perhaps changed by the Presidential proposal, as noted in the insert), little of benefit seemed probable in that area. Also, organized labor was determined to push Ways and Means toward significant restrictions on the foreign tax credit, taxation of earnings of foreign subsidiaries of U.S. corporations in advance of their payment as dividends, and the tax deferral privileges associated with exports through Domestic International Sales Corporations (DISC).

Hard Work. We concluded that the danger was clear and present and that the business community had its work cut out for it--to "do its homework," "speak with clarity and force," and carry its message to Congress in general and Ways and Means in particular. And, despite well-deserved criticism for sitting on their collective duffs in the past, that's precisely what businessmen did. Effective work to ward off elimination of severe curtailment of DISC had been underway for some time. On the tax credit and "deferral," the 11th hour effort to prevent punitive actions involved consumption of thousands of gallons of midnight oil as financial, tax and economic experts gathered facts and figures and then "packaged" them in an easy-to-understand manner (a difficult task in this highly complex area). Then, legwork--hundreds upon hundreds of contacts with members of Congress, explaining the difficulties and inequities inherent in the proposals before Ways and Means, with special emphasis on their job-destroying impact, and an urge for further study.

Opposite poles on the issues were represented by one group, which would zap the multinationals to a fare-you-well, another which was against any changes in this area of taxation. Therefore, it was the uncommitted member of the committee who had to be convinced that the subject was extremely complex and had been inadequately studied;

that there are a host of misconceptions about taxation of foreign source income (in particular, that it is not comparable to the "shelters" that rich people use to cut their taxes); and that multinationals are not instruments of the Devil.

The Outcome. It paid off. On DISC, the cutback (shifting to an "incremental" basis, or relating it to increases in exports over a moving base period) was much less severe than expected. On the credit and "deferral," Ways and Means voted by almost 2-to-1 to postpone actions (except for some measures approved last year), pending the results of a 6-month study by a special Committee task force.

The lopsided vote can be attributed primarily to an amendment to the "study proposal" suggested by Rep. Phil Landrum (D-Ga.), by Rep. Joseph Karth (D-Minn.), a former labor organizer. The pro-study forces may have had a narrow majority in any event. But when Karth suggested that the items agreed upon a year earlier be acted upon currently, and not deferred for the study--a proposal which passed by an overwhelming 30-5 vote--a large majority favoring the study was assured.

The Study: Merely a Sham? Some observers have interpreted the study as a sham--a delaying action which will bear no fruit. Any multinational businessman who agrees had better have second thoughts. The Landrum motion for an open-ended study was changed to provide for a 6-month deadline. And we are convinced that the task force designated by Chairman Al Ullman (D-Ore.) to carry out the study will be well balanced. Furthermore, the Chairman voted with the majority--indicating that he is staking his own prestige on the quality and sincerity of the effort.

Which is another way of saying, the multinationals have won a big battle, but if they think it's all over and fail to cooperate with the task force--if they fail to marshal their facts, figures and arguments effectively--then odds are that they'll lose the war, and taxation of foreign source income will, as organized labor desires, be heavily increased. If stocks of midnight oil are running low in corporate headquarters, they should be replenished forthwith.

Trouble in the Caucus? There are some who believe that, as in the case with oil depletion in the Tax Reduction Act last winter, the House Democratic Caucus will "order" the Rules Committee to permit separate votes on the foreign source income provisions when the tax bill reaches the floor. Maybe so, but we doubt it, partly because of the heavy vote in favor of the study; partly because the study is quite clearly genuine and the issue will ultimately be resolved, perhaps in the second session of this Congress; and partly because of the prestige and credentials of Ullman, Landrum and Karth.

In addition, not a few Democratic members--new as well as old--believe that only in rare instances should the caucus overturn the work of a substantive committee, such as Ways and Means. The depletion matter, which has been a hot campaign issue, was such an instance. Taxation of foreign source income is not.

Sincerely yours,

*Charles E. Walker*

GENERAL REVENUE SHARING



House Subcommittee hearings will conclude on Tuesday, December 2, 1975, with an appearance by Secretary Simon. The Secretary will review the Administration's position on major issues which emerged during the hearings, answer any questions, and call for immediate mark-up. The House Floor Calendar and incompletd staff work raises questions about the mark-up schedule and chances of much progress prior to the Christmas adjournment. Some informal meetings designed to explore the issues and give direction to the staff appears to be most likely course of action. Actual Subcommittee mark-up on substantive matters will be delayed until early January.

Public interest groups continue to intensify their lobbying campaign, focusing on key Democratic members of the House Leadership and the Government Operations Committee. Following the National Association of Counties rally, attended by 1700 local government officials, the National League of Cities plans to make General Revenue Sharing renewal a major theme of their upcoming national meeting. The next two months should witness a number of actions by governors, mayors and county officials to demonstrate the support for General Revenue Sharing and the need for early Congressional action.

THE WHITE HOUSE  
WASHINGTON

December 11, 1975

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

JIM CANNON

FROM:

JIM CONNOR *JEC*

The attached newspaper clipping was returned in the President's  
outbox with the following notation:

"From the Grand Rapids Paper --  
Very dangerous."

Please follow-up with appropriate action.

cc: Dick Cheney

Article Attached from The Grand Rapids Press  
Sunday, December 7, 1975  
"Local Governments Pay Little Heed to Talk of  
End to Revenue Sharing"



THE PRESIDENT HAS SEEN . . . .

# Local Governments Pay Little Heed To Talk of End to Revenue Sharing

By Ron Cordray

*Grand Rapids Press Bureau*

WASHINGTON—Despite some of the doomsday rhetoric that surrounds the general revenue sharing program, local government officials aren't planning full-scale dollar evacuations in their budgets.

They view the warnings for what they are — rhetoric, even though some of it is coming from the very organizations which

now on revenue sharing, they say, because the budget process for the next fiscal year is already under way. They argue that they can't budget realistically without revenue sharing on the books beyond 1976.

But it's a rare local official, indeed, who is designing a budget sans revenue sharing dollars.

The House Government Operations Committee probably will act on a revenue sharing bill sometime next spring. A staff

heavily on an income tax to pay for services.

Michigan is not unique in having financial difficulties, with Gov. William Milliken seeking ways to cut spending by \$300 million to balance the budget. Without revenue sharing, that job would be considerably tougher since the state gets about \$80 million annually from the program.

The states may have trembled a little last week when Democratic presidential hope-

THE WHITE HOUSE

WASHINGTON

December 15, 1975



ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR

JIM CANNON

FROM

PAUL MYER

SUBJECT:

Grand Rapids Press Article  
on General Revenue Sharing  
Renewal

There are two aspects of the Grand Rapids Press article on General Revenue Sharing which merit attention. First, the attitude of State and local government officials has been of concern to us for some time. However, the article is not an accurate analysis of the current situation.

In August, 1975, our assessment of the GRS situation noted that the President's renewal legislation was in trouble, in part, because "the program's 'natural' constituency, governors, mayors, and county officials and their national organizations have, thus far, not been effective in developing a more favorable climate for GRS in the Congress. This reflects the complacent attitude of too many State and local government officials who assume the program's continuation... ." Additionally, it should be noted that Treasury had done little to dispell this attitude or encourage action by these officials on GRS renewal.

Given this situation, a key element of our renewal strategy has been to focus on State and local government officials directly and through their national and State associations. Without question, this effort must be sustained to insure that the President's initiative and interest in GRS retains high public visibility. I believe that this effort is now beginning to have some impact, and evidence of a changing attitude will continue to be reflected in the lobbying efforts of State and local government officials. (For your background information, attached are two documents from State municipal leagues outlining the GRS renewal campaigns in their States.)

Further, the House Subcommittee will not begin mark-up of a bill until late January. The fiscal realities of delayed action and possible modification of the program which could result in entitlement reductions will obviously generate considerably more interest and alarm. Note that many communities and States are prohibited from including anticipatory revenues based upon a possible Congressional enactment in their budgets. As a result, budgets will necessarily reflect both less GRS income and the related fiscal and program consequences.

The second point partially reflected in this article concerns the fact that GRS renewal will probably be a central issue in the Congressional debate on the FY 1977 budget. There is a presumption that the President's budget for 1977 will include proposed reductions in other forms of assistance to State and local governments. Beyond doubt, the issues will be inevitably joined and intensify public interest group involvement. It is conceivable that the fight to gain renewal of GRS will take on much of the tone and character of the controversy generated by this program at the time of its original enactment. While substantial progress has been made toward gaining assurances of positive Congressional action on some form of GRS renewal legislation, considerable barriers block the course to adoption of a bill consistent with the President's proposal and philosophy.



Association of Michigan  
cities and villages organized in  
1919 for improvement of mu-  
nicipal government by united  
action.



# MICHIGAN MUNICIPAL LEAGUE

HEADQUARTERS:  
1675 Green Road  
P.O. Box 1487  
Ann Arbor, Mich. 48106  
Phone: 313/662-3246

LANSING OFFICE:  
Suite 210 Capitol Park  
501 Townsend Street  
Lansing, Mich. 48933  
Phone: 517/489-3485

Address Reply to Ann Arbor Office

November 24, 1975



## PRESIDENT

Ernest C. Browne, Jr.  
Councilman, Detroit

## TRUSTEES

Edward Bates  
Mayor, Warren

Ernest C. Browne, Jr.  
Councilman, Detroit

George DeFrench  
City Manager, Saint Ste. Marie

Gerald W. Graves  
Mayor, Lansing

Jolly S. Greer  
Commissioner, Marquette

James R. Haley  
Councilman, Harper Woods

Louis Hallacy II  
Mayor, Holland

Thomas W. Kressbach  
City Manager, Grosse Pointe

Mark E. McEvers  
Mayor, Grayling

Clifford R. Miles  
City Manager, Midland

Walter S. Murray  
City Administrator, Ann Arbor

Marjorie E. O'Brian  
Commissioner, Alma

Charles E. Palmer  
Mayor, Clawson

William S. Parks  
Mayor, Grand Rapids

Robert Peer  
At-Large Councilman, Millington

Russell M. Phillips  
Mayor, Flushing

Lloyd E. Walker  
Mayor, Greenville

Barbara A. Waters  
Mayor, Petoskey

## RETIRING PAST PRESIDENTS

Walter Bezz  
Mayor, East Detroit

Gordon R. Bryant  
Mayor, Huntington Woods

Frederick R. Brydges  
Mayor, Battle Creek

Thomas K. Eardley, Jr.  
Mayor, Wyoming

Edward H. McNamara  
Mayor, Livonia

John M. Patriarche  
City Manager, East Lansing

Robert E. Fryer

Mr. Tim Honey  
National League of Cities  
1620 Eye Street, N. W.  
Washington, D. C. 20006

Dear Tim:

Enclosed are some materials from our revenue sharing reenactment efforts in Michigan. Included are a set of draft minutes from our Revenue Sharing Coordinating Committee which you may use as material from freely; although they are not for distribution as yet, because they have not been approved. Also enclosed are reports, including some press clippings from the Congressional District Meetings which were held. We had eight of these meetings with another two scheduled. As indicated in the draft minutes probably over 150 or more individual jurisdictions (county, township, city and village) were represented totally at these meetings. They were rather successful in reaffirming and strengthening favorable positions in the Michigan delegation, and probably accounted for the favorable reaction of Mr. Hutchinson (see press clippings) and resulted in a reported commitment from Mr. Riegle committing his support to continuing revenue sharing. (See letter from Mayor Phillips of Flushing).

The net conclusion of our Revenue Sharing Coordinating Committee meeting was that a response from our delegation to support revenue sharing is not enough. Rather we need a firm commitment to work actively and aggressively to secure reenactment, if not in a timely fashion in 1975, under the old rules, then even harder in 1976 under the much more complicated rules and in the face of the multiple roadblocks that you and I have talked about before. The result of this conclusion was the strategy mapped out as reflected in the draft minutes. Let me know if you have any reactions or suggestions.

Sincerely,

MICHIGAN MUNICIPAL LEAGUE

*Bill*  
William L. Steude  
Legislative Counsel  
for Federal Affairs

MINUTES OF MEETING  
REVENUE SHARING COORDINATING COMMITTEE  
Michigan Municipal League  
Capitol Park Hotel  
Lansing, Michigan  
November 20, 1975

DRAFT

Committee members present:

David Shepherd, Mayor, Oak Park, Chairman  
Sylvester Murray, City Administrator, Ann Arbor, Chairman  
Frederick R. Brydges, Mayor, Battle Creek  
Henry Graper, City Manager, Dowagiac, representing Graham Woodhouse  
Norman Haft, Mayor, Adrian  
Sylvester Murray, City Administrator, Ann Arbor  
David Shepherd, Mayor, Oak Park  
Jack Jelsema, Mayor Pro tem, Wyoming, representing Thomas K. Eard  
Donald E. Johnson, Mayor, Muskegon  
Orin E. Conner, Mayor, Lapeer  
Ami W. Davis, Mayor, West Branch  
Barbara Waters, Mayor, Petoskey  
Jerome Nesbitt, Mayor, Menominee  
Ernest E. Browne, Jr., President, Michigan Municipal League

Committee members absent or excused:

Charles Joseph, Mayor, Benton Harbor  
James R. Haley, City Councilman, Harper Woods  
William Sullivan, Mayor, Wyandotte  
Coleman A. Young, Mayor, Detroit  
Ted Bates, Mayor, Warren  
John M. Carey, Mayor, Grand Blanc  
Paul C. Visser, Mayor, Flint  
Lyman S. Parks, Mayor, Grand Rapids  
John R. Walhout, Mayor, Grand Haven  
Noel D. Bush, Mayor, Gladwin  
John Willertz, Mayor, Bay City  
Harry W. Stark, Mayor, Marysville  
William D. Gilmet, Mayor, Alpena  
Raymond P. Norton, Commissioner, Gladstone  
John C. O'Donnell, Mayor, Iron Mountain  
Frank E. Pingatore, Mayor, Sault Ste. Marie



Others Present:

Ernest E. Browne, Jr., Councilman, Detroit, President,  
Michigan Municipal League  
Robert E. Fryer, Director  
William G. Davis, Associate Director  
William L. Steude, Legislative Counsel

Mayor David Shepherd, Chairman, called the meeting to order at  
10:15 a.m. The committee was briefed on the current situation with respect  
to reenactment of Federal revenue sharing. Legislative Counsel Steude and

REC  
Nov 25

selected Committee members gave reports from the Michigan Congressional District meetings held with Congressman Esch (Two), Browne (Three), Hutchinson (Four), VanderVeen (Five), Carr (Six), Reigel (Seven), Cederberg (Ten), and O'Hara (Twelve). Meetings are scheduled with Congressmen Traxler (Eight) on December 6 and Congressman Reupe (Eleven) on December 5. Reports indicate that attendance at six of the eight meetings already held total some 320 people.

Mayor Shepherd reported on NLC Task Force strategy, indicating that pursuit of a double strategy pressing for early reenactment and reporting the NLC Center and campaign for coordination. NLC is attempting to coordinate congressional contacts and testimony.

Key issues were identified as (1) the duration of revenue sharing; (2) the level of revenue; (3) the state-local split; (4) the formula and constraints; (5) the eligible recipient government; (6) data definition; (7) civil rights; (8) citizen participation; (9) reporting and publication requirements. These issues he indicated local officials must be prepared to answer and must be educated as to responses to criticisms.

He further reported on a November 3 meeting convened by Oakland County executive Dan Murphy and attended by some 75 elected officials in Oakland County, by an ORS representative and by Congressman Esch. Local officials were not responsive to Mr. Esch's request for suggestions to improve revenue sharing. Mayor Shepherd suggested that local officials talk up the good "people benefit" uses and avoid passing resolutions but instead have letters signed by all council members to be sent to all members of the Michigan delegation with copies to their homes, and copies to every member of key committees in Congress.

(2) A Michigan Municipal League strategy for reenactment.



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(a) Preconference Reenactment Workshop. There was consensus that the League should schedule a workshop on reenactment legislation on <sup>in Lansing</sup> February 18, 1976, in the afternoon prior to the League Legislative Conference on the following day. This workshop might have a mocked up bill at that time for discussion. The delegates should be briefed on Federal revenue sharing, following <sup>with</sup> ~~which~~ a telephone hookup with key members of the Michigan delegation (Conyers, Cederberg, Brown, and O'Hara) serving as a panel to discuss and answer questions, paralleling a similar arrangement with Congressman Esch and Ford at the Legislative Conference in 1975. The suggestion was also made that the program ought to dramatize the impact of revenue sharing in terms of three budgets (without revenue sharing, with one-half the revenue sharing allocation, and without any revenue sharing).

(b) NLC City-Congressional Conference - Washington, D. C., March 15-16, 1976. There was consensus that in conjunction with this conference the League should work in conjunction with the Michigan Conference of Mayors to schedule a Michigan rally with all Michigan officials invited, such rally to be scheduled late morning (10:30 or 11:00 a.m.) to avoid the roll-call interruptions starting at Noon. A luncheon would wind-up the rally.

(c) State Legislature Role. There was consensus to approach the Senate and House leadership and the appropriations committees and to involve them in the preconference workshop in Lansing, possibly at the Michigan rally in March, 1976, and to encourage them to promote activity in their national organization in Washington. Follow-up activity could activate a special legislative interim committee on Federal revenue sharing reenactment which might capitalize on a <sup>formal</sup> ~~funnel~~ basis the state interest government interest interest in timely and expanded reenactment. Finally, legislative involvement might be expanded to include all former city officials now members of the State Legislature.

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(d) Role of Unions and Other Organized Groups. There was consensus that both employ public employee and all union organizations should be involved both in talks at the local level and at the state level with state organizations. Other groups which be approached include the Chambers of Commerce, JayCeas, service clubs, League of Women Voters, PTA, Senior Citizen Groups, and student and youth groups. In this connection, it was suggested that each city establish a speaker's bureau with the mayor and council serving as such a bureau to promote local talks before such groups by mayors, managers, finance directors and other city officials. It was also suggested that the Municipal League serve as a speaker's bureau, utilizing among other resources, members of a state coordinating committee to serve as outside speakers in various locations.

(e) Role of Counties, Townships. There was consensus that the Michigan Council on Intergovernmental Relations was perhaps the best <sup>forum</sup> ~~form~~ for keeping up momentum to do things jointly wherever possible, for example, in meeting with the Legislature and the Governor.

(f) Role of Media. It was indicated that the media have a double audience, both members of Congress and citizens and citizen groups. There was consensus on the timing of scheduled press conferences starting in January under MCIR auspices, with a follow-up conference in February in conjunction with the League pre-conference workshop on revenue sharing with the expectation that local press conferences would then follow throughout the state. ~~The timing app~~ This schedule appeared to be timed to focus pressure on consideration of an adequate appropriate and/or authorization level for revenue sharing by the March 15 deadline imposed by the new budget reform act.

~~(g) -- Role of Citizen and Fi-~~

(1) Role of Citizen and Citizen Groups. The Committee agreed to work in subcommittee in any atate wide contact with legislative

leaders, private interest groups such as chamber of commerce or state organized labor. Specifically, staff and subcommittee would attempt to set up an informal meeting with representatives from the Booth newspaper chain for an informal briefing on the issue.

### 3. A Local Strategy for Reenactment.

One of the key objectives it was agreed is to involve the ordinary citizen in the community. Citizen awareness should be highlighted with the fact that Federal taxes will not be reduced without reenactment but fewer federal dollars will come into the community and services will be cut without a local property tax cut. There was consensus on three approaches: (a) an immediate campaign to demonstrate the impact through cuts in services, such impact to be forcefully presented through a double budget showing what the local budget would be with only half of revenue sharing and in fiscal 76-77 and perhaps with no revenue sharing in fiscal 77-78 or public discussion along similar lines; (b) small groups of community leaders meeting with elected and administrative officials; and (c) radio and TV talk shows on city finance problems with federal revenue sharing a major per focus.

### 4. Future Structure of Coordinating Committee.

The Committee was originally organized on the basis of League regions. There was consensus that the committee should be reorganized by congressional districts, with perhaps three municipal officials in each of the districts, with one key member in each member. This would constitute a committee of approximately 50. The committee would continue as a whole and as individual district representatives to cooperate and encourage municipal participation in similar efforts by the counties and the townships.

The meeting was adjourned at 2:45 p.m.



DIRA

League of California Cities

From: Bill Morgan

F.Y.I.

California Cities  
Work Together

Sacramento, California  
November 20, 1975

TO: LEAGUE OF CALIFORNIA CITIES REVENUE SHARING TASK FORCE

Mary Henderson, Council Member, Redwood City - Chairman  
David Shiffman, Mayor, Santa Barbara  
Don Dillon, Council Member, Fremont  
Grace McCarthy, Council Member, Pacifica  
Art Holmes, Council Member, San Clemente  
Ernie Kell, Council Member, Long Beach  
Ralph Bolin, Mayor, Napa  
Anne Rudin, Council Member, Sacramento  
Warren Widener, Mayor, Berkeley  
Bertye Smith, Mayor, Claremont  
Dave Cunningham, Council Member, Los Angeles  
Jess Perez, Council Member, Orange

EX OFFICIO: Pete Wilson, Mayor, San Diego

TECHNICAL COMMITTEE:

Bob Huntley, City Administrator, Westminster  
Jim Fales, City Manager, Redwood City  
Ted Tedesco, City Manager, San Jose  
Tom Dunne, City Manager, Walnut Creek  
Martin Allen, Finance Director, Sacramento  
Hugh McKinley, City Manager, San Diego  
Ken Frank, Assistant to the City Manager, Berkeley

FROM: Ken Emanuels, Legislative Representative

SUBJECT: RECOMMENDATIONS FROM FIRST TASK FORCE MEETING AND AGENDA  
FOR DECEMBER 16 MEETING

Time: 10:00 a.m., Tuesday, December 16

Place: Vintage Room, Hilton Inn  
San Francisco International Airport

Developing a League organization to conduct an intensive campaign.

(a) Selection of Revenue Sharing Coordinator for each district. Members of the Task Force represent each division of the League. By December 16, each member is requested to select a revenue sharing coordinator for each congressional district within the division. (The Task Force

member himself may wish to also act as a coordinator for his or her own congressional district.) League staff will supply Task Force members with list of cities within each district. Selection of coordinators should be made carefully and at least partly on the basis of personal influence with the Congressman.

(1) Task Force members and coordinators will be asked to build community support for revenue sharing by cultivating editorial support, encouraging a letter-writing campaign by community and business groups, and by arranging for personal meetings with Congressmen.

(2) Task Force members and coordinators will be asked to forward immediately all responses and commitments by their Congressmen to the Sacramento League office.

(b) Christmas recess briefing. By the December 16 meeting, Task Force members and their coordinators should have completed arrangements for a Christmas recess briefing with each Congressman and city, county, and community leaders.

## 2. Need for campaign materials.

(a) Revenue Sharing Campaign Kit. By December 16, League staff will prepare and ask the Task Force to review a revenue sharing campaign kit, including:

(1) Critics arguments against revenue sharing and the counter arguments for use by city officials.

(2) Suggested format for letter to Congressman from city and community leaders.

(3) Research on city and county property tax increases which would result if Congress failed to renew revenue sharing.

(4) Check list for reporting local campaign activities to the League.

(5) Suggested format for local newspaper editorials.

(6) List of kinds of groups and organizations in each community which might be enlisted as allies in campaign.

(b) Revenue Sharing Action Letter. During December, the League will initiate a monthly series entitled Revenue Sharing Action Letter - which will incorporate the major elements of the campaign kit.

## 3. Coordination With Other Interested Organizations.

League staff report on CSAC activities at December 16 meeting.

### Sharing Box Score

At December 16 meeting, League staff will report to the Task Force on support commitments received to date. This will be a feature of the Revenue Sharing Action Letter.

(b) Establish coordinator's responsibilities:

- (1) Arrange for personal briefings for Congressman by city and county officials;
- (2) Lead a letter-writing campaign by each city and county in district;
- (3) Coordinate local campaign with county officials;
- (4) Gain local public support through news media, especially editorial support;
- (5) When firm commitment is gained, communicate that to state and national League offices.

4. Campaign coordination with Governor, Legislature and CSAC.

5. Approaching the major media statewide - role of Task Force:

- (a) Press conferences in principal cities;
- (b) Meet with editorial boards of major papers and broadcast media;

6. Gaining support from non-governmental groups:

- (a) League of Women Voters;
- (b) Local Chambers of Commerce;
- (c) California Taxpayers' Association;
- (d) Others.

7. Assistance needed from Technical Committee:

- (a) What should a letter from city to Congressman contain?
- (b) Are any statewide surveys needed, beyond each city's own documentation of use of funds and need for reenactment?

8. Would a specially designed League "action letter", issued as needed, entitled "Revenue Sharing Special Report" be useful during the reenactment campaign?

We look forward to your participation.

Kenneth Emanuels  
Legislative Representative



Enclosures: Henderson Report at 1975 League Annual Conference  
NLC Washington Report (October 22, 1975) "Special Report on  
Revenue Sharing"  
Revenue Sharing Reenactment Bulletin Board from NLC Washington  
Report, October 31, 1975

Wilson, Mayor, San Diego