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GRS
[March 1976]

Dear _____: (Governor, mayor, city or township executive)

The General Revenue Sharing program will terminate at the end of this year unless the Congress enacts legislation to extend it. As you may know, President Ford has sent legislation to Congress to renew revenue sharing for five and three quarters years.

The attached computer printout provides information concerning the impact of the current revenue sharing program, as well as the President's renewal proposal, on your government. Should you have any questions about this data, please contact _____.

We are all aware of how essential revenue sharing funds are in helping State and local governments to provide public services needed by their citizens. This new, unrestricted form of Federal assistance has done much to strengthen government at both the State and local levels. It is our hope that the Congress will see fit to renew General Revenue Sharing in the near future.

Sincerely,





Revenue Sharing
[March 1976]

you could tell that your words fell on friendly ears when you talked about giving the states some control over their affairs, and allowing them to have some flexibility with the funds that come from the federal government, but first come from the people that live within our states and thank you so very, very, much.

(Applause)

(Whereupon, the President left the conference room.)

GOVERNOR RAY: Will you take your seats again, please.

May I have your attention please. You will notice by your program that we have some very important people to discuss with us a very important matter. Our topic is general revenue sharing, which is something that is very dear to every governor. We have long felt that the advantages of revenue sharing should be obvious to everyone.

It is obvious that those advantages are not something that meets with the approval of everyone, and in inviting our distinguished members of Congress, and Senator Long, I received a letter in response to that invitation from Senator Long, and I would just like to share a couple of lines of that letter.

One, he says, "Frankly revenue sharing is in trouble and, two, he says that is not something that can be taken for granted." He can speak for himself about the rest of the contents, and can do it very eloquently. But the people who will have a great voice in whether or not revenue sharing continues are the three

people that are on this program. So I want to ask that you pay attention. Those of you who are our guests we would appreciate it greatly if you would listen, and if you wish to talk please talk outside of this room in the hall.

To moderate this part of the program, I want to call upon our colleague, Pat Lucey who is Chairman of the Committee on Executive Management and Fiscal Affairs, a person who is very knowledgeable about revenue sharing, and who has a great interest as all of us do. Governor Pat Lucey.

(Applause)

GOVERNOR LUCEY: Thank you, Governor Ray. About a half an hour ago before the President came on, Reubin Askew and I were sitting in the back there and you were speaking to all of us with the Presidential seal on the front of the podium, and we thought it was very becoming.

I think that it is especially appropriate that this should be the subject matter of our first plenary session of the winter meeting of the National Governors' Conference, and certainly we could not get off to a more auspicious start than by having the President's message precede this plenary session with his strong endorsement of a continuation of federal revenue sharing.

I know of no incumbent governor who would not support a continuation of revenue sharing. In fact, I can only think of one former governor who does not support the continuation of

federal revenue sharing.

I don't want to be facetious about it, but I think that while there may have been some issues, some legitimate argument, with the philosophy of federal revenue sharing in 1972. I think that now that federal revenue sharing is in place asking to suddenly cut it off is like asking a drug addict to take the cold turkey treatment, because the money has been incorporated in our various programs.

I think in many states, if they are like Wisconsin, an end to federal revenue sharing would simply mean a very substantial increase in property taxes which is the most regressive part of our tax system, and it would mean that instead of collecting that money by the most progressive means--the federal income tax--we'd be going back to the home owners and small businesses of Wisconsin to raise the dollars.

I think that the governors would argue that this program has been a good one; that the money has been used intelligently. I suppose that is true of any federal program, or any other governmental program, that if one looks hard enough you can find examples of abuse. But I would submit that if you compare general revenue sharing with any other federal expenditure in relation to state and federal funds you will not find a more efficient use of tax dollars than you'd find in the case of revenue sharing, and I am just delighted that we have here with us this morning three

members of the Congress who are in positions to exert great leadership in the determination of whether or not this Congress does, in fact, during calendar 1976, extend federal revenue sharing.

I'd like to, at this time, to call upon our colleague Dolph Briscoe of the state of Texas who will introduce the first speaker.

GOVERNOR RAY: I am not Dolph Briscoe, but I have just been advised by one of my colleagues that it is virtually impossible for some of the governors to hear with all the chatter that is going on. We don't want to be mean about it, but the fact of the matter is we don't want to be discourteous to the people who have been invited here to speak to us. So those of you who are in the room, if you really want to visit, will you please go outside and do your visiting so that the ones that are here to listen will have an opportunity to hear.

We will just take a couple of seconds so that you can exit if you like, and if you make the decision to stay will you please pay the courtesy to the others around you, to the governors, and particularly our guests so that we can hear. Thank you.

GOVERNOR BRISCOE: Governor Lucey, Governor Ray, my fellow governors and guests, it is a great personal pleasure for me today to present a man who has been my good friend since we were at the University of Texas before World War II, and the

Texas legislature immediately after World War II, and who has been a hunting partner. I had the privilege of being the best man at his wedding, and our friendship has continued through the years.

There were two great democrats who had a saying about members of Congress, and they were Vice President John Nance Garner and Speaker Sam Rayburn, and they gave this advice. Pick them young, pick them bright, send them there, and keep them there. That is what the people of the 9th Congressional District in Texas have been doing since 1952 when they elected Jack Brooks to Congress. They have kept him there since then, and they will for many, many, years in the future.

Jack, I'd say to you and in presenting you that I share your concern about so-called revenue sharing when there is no revenue to share, but rather a 74 or 76 billion dollar deficit. I appreciate your concern, and your attitude, and I think it is supported by the people of Texas.

It is my privilege to present my long time close friend, the Chairman of the House Government Operations Committee, Congressman Jack Brooks.

(Applause)

CONGRESSMAN BROOKS: Thank you, Governor, for the gracious introduction, and I will say that I have treasured the friendship of you and your wife for more than 30 years but even more than that I treasure your willingness to face the facts of

this world as a politician and elsewhere.

I am pleased to have this opportunity to speak to such a distinguished audience about a subject in which all of you have shown such a strong interest. I am sure most of you are basically familiar with my views about revenue sharing. Judging from the mail, various associations, and the trade press there have been things brought up showing there are grave reservations about revenue sharing.

Well I have opposed revenue sharing, and I can tell you why in a very few words. I think public officials should be held strictly accountable for their expenditure of public funds. There was a popular saying here about some 200 years ago, no taxation without representation, and I'd like to go one step beyond this and add no expenditures without accountability, and separating the right to expend public funds from the pain of extracting those funds from the taxpayers is not consistent with our democratic form of government.

I am also concerned about the effect revenue sharing has on the future of our federal system of government. Revenue sharing was originally presented as a means of decentralizing the power building up in Washington, but when I hear local officials after getting the money for a few years, and at a time when it amounted to only two to four percent of the total budget, that the cities can't survive without it then I wonder what price we

really are paying for that program.

I remember a county judge when he talked to the county commissioners, and the county judge told them essentially the same thing. This county judge said when they first brought revenue sharing in and he was talking to the commissioners--and nobody is closer to the people as you all know than the county commissioners--and he was talking to them and he said, "This is a great program," he said, "They are going to raise it and we are going to spend it. You will be in office forever." They are still in office and still spending.

They took a poll among that same group, and would you believe it about 85% of those asked about the money said they'd like to keep on getting it, and they had a senator that used that as a good example. It wasn't my distinguished and able friend Russell Long, he knew better than that to use that as an example.

Revenue sharing is now in its infancy, and I think it is kind of like snakes. You ought to kill them when they are little. But as your dependence upon--and I ought not to put this in I guess--but as your dependence upon revenue sharing grows it will become an infinitely more powerful lever for the federal government to use. On an occasion, when the power resides in the wrong hands it can be an extremely dangerous political tool or weapon.

Far from leading to decentralization, revenue sharing may be establishing a base for the complete nationalization of

local government.

Another assumption behind revenue sharing relates to the solving of municipal problems, the modernization of local government and apparently that has not happened. Testimony at our Committee hearings on revenue sharing shows that most of the money has been absorbed in the regular operating and capital expense budget, and that the basic problems remain untouched.

Ours is a dynamic nation, with the population moving from the cities to the suburbs and back to the cities from north to east and west to south. Dynamic state and local governments are needed to accommodate that transient population in a shifting social environment. Our revenue sharing study has reflected that these revenue sharing funds have tended to prop up antiquated governmental structures rather than requiring them to reform as needed.

Now my philosophical reservations about revenue sharing are compounded substantially since we started this thing five years ago by my concern over the current fiscal condition of this country. At the present time, the federal government is operating at approximately a \$74 billion deficit, with nearly 20% of the federal budget being financed with borrowed dollars. I am not afraid of borrowed dollars, but I just point this out. The most optimistic prediction for next year is that we will get another \$43 billion into the red.

The House Budget Committee, and we have the distinguished Chairman Mr. Brock Adams here today, says that we will go \$50 billion into the red at least, and that the expenditures will run instead of in the neighborhood of 395 billion in the neighborhood of \$410 billion, and is there anybody here that would like to bet our next year's salary that President Ford ~~isn't~~ right about a \$43 billion deficit? I am looking for that kind of a taker.

In states having local elections last November, the voters rejected 93% of the dollar value of proposed bond issues, and that seems to me a very clear message that the people in this country are wary about unlimited government spending, and they must be equally concerned with the federal government borrowing as much as \$20 billion in the next five years to fund revenue sharing.

Disguising that deficit in the form of revenue sharing does not change the fact that it is still a debt that the same taxpayers are going to have to pay.

Now I have stated to you that I have a very sincere and deep concern about the principle of the practicality of revenue sharing, and some of the dangers, and I want to tell you what my position is. As Chairman of the House Government Operations Committee with jurisdiction over this little monster, I have taken no action to delay it, to impede it, or to obstruct the passage of revenue sharing legislation. To the contrary,

I have made every possible resource available to the Inter-Governmental Relations Subcommittee that they have requested whose Chairman is L. H. Fountain of North Carolina. With my support, that Subcommittee has undertaken a most strong and probing review of the revenue sharing program this time and, indeed this review was essential before action could be taken upon an almost \$40 billion program.

This Subcommittee will be moving into a mark-up in a very few days, and I would predict that at this point that a revenue sharing bill will be reported out by the Subcommittee, and by the full Committee. It is my intention to work with the supporters of revenue sharing to ensure that any extension of this program will provide the taxpayers of this nation with the most efficient productive and responsible government that this concept will allow.

I just hope that the implementation of any extension of this ill-advised concept does not do irreparable damage to our nation's government at all levels. If the program is to be extended, it is absolutely essential that the program be funded in a manner consistent with the congressional effort to solve our fiscal problems by establishing responsible control over our budget process, and I would strongly recommend that revenue sharing--like most other government programs--be funded through an annual appropriation process recognizing the need of state and local governments to conduct planning and budgeting in order to

use these funds more efficiently.

I will support a one year forward funding of those appropriations. Secondly, the suggested five and three-quarter years extension of this program is an unreasonably long term for a program of this size to go without further consideration by the authorizing committees of the Congress. Five and three-quarter years would mean that neither of the next two Congresses would have any opportunity to review and even act on revenue sharing.

I would propose a more equitable and realistic extension be adopted. A secret ballot in the Congress would probably kill the whole program two to one.

Thirdly, some changes in the formula for allocation and distribution appears to be needed to remove inequities in the present program to funnel these funds into areas where they are most needed and most deserved.

I recognize that many local governments are presently experiencing severe fiscal problems. It is not my intention to cut off precipitously the Committee effort to report out a bill that meets the above mentioned criteria, and I believe that we will have met our responsibilities to the American people at that time. Thank you.

(Applause)

GOVERNOR LUCEY: Thank you very much, Jack. I will ask the governors to refrain from questions until we have heard from

all three speakers, and they have all generously agreed to stay on and respond to questions after their presentations. I would now like to call on Governor Dan Evans of Washington who will present the next speaker.

GOVERNOR EVANS: Thank you very much. The temptation to respond to the previous speaker is almost overwhelming, but I will contain myself because it is my responsibility to introduce the next speaker. I will do this by introducing him to the 50 governors who virtually are all gathered here, and they represent 50 jurisdictions who have consistently--and I believe for many years--engaged in revenue sharing with their own local communities.

It is such a traditional and long term part of our inter-governmental relationship between the states and the various localities that it is somewhat puzzling to us, I think, that only one deliberative body of this country, the Congress, finds it a strange, new, and rather distressing procedure.

In our own state, many state collected funds are re-distributed to the cities and counties without reporting, without strings, without matching and that is in the true essence revenue sharing, and that has been the case for many, many, years.

Now I do have the opportunity to present to you a long time colleague of mine. We first engaged, I guess, in governmental affairs as then members of the board of directors of the Seattle

Junior Chamber of Commerce. They are part of the JC organization. We, at that time, joined together in attempting to change some things in the state by our own initiative and not successfully at the time. But subsequent to that we have both taken an active role in political life.

In 1964 Brock Adams was elected to Congress from Washington State's 7th District. He has served ever since as a member of Congress, and was chosen this year as the first Chairman of the House Budget Committee which is a most prestigious responsibility and one which I believe reflects the skills, and the respect with which Brock is held by his colleagues in the House of Representatives. It is my pleasure to present to you the Chairman of the House Budget Committee the Honorable Brock Adams from the State of Washington.

(Applause)

CONGRESSMAN ADAMS: Governor Ray, Governor Lucey, Governor Evans, distinguished guests, it is a pleasure to be here. Governor Ray, I got your invitation and it said in it that I had some reservations about revenue sharing. Now, ladies and gentlemen, your invitation to me sort of indicated that you knew I was going to say something that you perhaps would not like, and I find that in my capacity as Chairman of the Budget Committee I am required to deliver more and more messages of blood, sweat, and tears in the United States.

Now my message to the nation's governors is that America can not, at this time, afford a five year commitment to a revenue sharing program as long as the federal budget is in deficit. There are, by definition, no revenues to share. Also as pointed out so ably by my colleague, the Chairman of the Government Operations Committee, and I will refer to the relationship between the Government Operations Committee and the Budget Committee more fully in a moment, the program destroys the basic principle of taxpayer control by having one level of government raise taxes and another spending it.

Now since revenue sharing started in 1972 we have never had a surplus in the federal budget. We could have reduced our total deficit by about \$35 billion if we had not enacted the program, and as you all know that it is well pointed out in the brown booklet that during 1972, '73 and '74 the states ran a unified budget surplus of over \$36 billion.

Now from my point of view, as Chairman of the Budget Committee, the present revenue sharing system is bad budgeting. It is bad because we are trying to gain control over the federal budget, but we can't in less than three years because there are too many mandatory spending programs such as revenue sharing built into the budget. I want to repeat that, we cannot get to a point of balancing the federal budget in anything less than three years because of the number of mandatory programs built into it.

Last year out of \$374 billion of spending over \$270 billion were mandated to be spent by past actions of the Congress, and could not be touched through the appropriations or the authorization process.

Now the relationship between the Budget Committee and the Government Operations Committee, as Chairman of the Budget Committee I consider myself as I know Jack Brooks does a servant of the House of Representatives, and of the people. If it is decided that revenue sharing is to be passed, then I will advocate-- as does Chairman Brooks--that it be made subject to the appropriation process.

Now I came to give this message today here rather than accepting an invitation to address the mayors and the county commissioners, because I think there is a great difference between the two units of government. The mayors and country executives basically are creatures of the state government, either by constitution or by statute. Whereas the state governments have the same basic power that the federal government does to tax, namely, a plenary power to tax in whatever fashion your constituents will support.

Now the federal government is there to aid the nation's urban areas in carrying out their duties, and I believe it should, I believe it will have to. Then I think we should bite the bullet and send federal revenues directly to those supplying

vital services in the form of grants to maintain local services such as police, fire, and public health services.

Last week because the President made a proposal for the budget, and because we are in the process of getting from each committee such as the Government Operations Committee recommendations on revenue sharing, and each and every other committee that sends grants to the states and local governments is sending to us their proposals as to what we should enact, and we will have these by March 15th. But we are trying to avoid the problem we have had in the past of each separate category coming forward and not knowing what the other was doing, and at the end of the year ending up with no new programs but with a massive federal deficit.

We are trying to get them into one package in order that each would know what the other was doing, and I made a proposal on Wednesday of last week as to where I thought the budget might come forth, and this was done after consultation incidentally with people who have been close advisors to you. We had in, for example, people who have advised on the budgets in Ohio and Illinois. We also had come in to help us budget directors for the cities, one of whom has just been made budget director of New York City. There has been great pressure to listen to Governor Dukakis.

We have had mayors from various cities, all of them came

in and made some proposals, and out of that it appears to me that we could probably reduce the federal budget this year about a third from about \$75 billion to about \$50 billion, or maybe a little below, and I might state that if we did drop the revenue sharing program our deficit would probably be lower than the President's proposed deficit, but we have not built into a budget as yet as to whether or not we will take revenue sharing. It will depend upon what the committees of the House and Senate do with it.

Now I wanted to point out the mandatory nature before I turn to the philosophical problem of why I once supported revenue sharing in the early 1970s and have a different position at this time. But I am willing to try to work out a compromise with you. In 1970 when this was originally proposed we were looking for the economy--according to the economists and those in public office--to have in the United States a surplus during the middle 1970s.

In order to avoid the cutting of federal taxes, a revenue sharing program was proposed at that time. One of the leading advocates of it was economist Walter Heller. We went through a great deal of effort, but instead the Congress chose to reduce taxes and we have reduced taxes at intervals since 1972. In fact, if we had left our federal income and corporate taxes at the level of 1972 and '73 we would have had 54 million higher in corporate taxes and 15 million higher in excise taxes and there would have been enough revenue to have balanced the federal budget last year.

But instead we cut taxes and we did this in order that the states and local governments could flow into this and pick up these revenues. When we finally enacted this program in 1972, however, things had changed. That year the federal deficit was \$23 billion, while the combined state and local unified budgets were in surplus by \$13 billion, the brown booklet again, and I think this is analyzed extremely well because what happens in periods of good times is the receipts for states and local governments rise more rapidly than spending, because you have much the same problem that we do of revenues and spending tending to be frozen for periods of time.

After this when we sent into a recession then, of course, the opposite effect occurs. You have pressures on your budgets at that time, and you run into a deficit figure. But when we did this, what we did was we started in '72 going into a deeper and deeper deficit position for the federal government in order to give it to the states and local governments across the board.

Now I brought this message this morning, as I say, not because I am happy with it. Not in any sense of saying we are attempting in any way to tell you that we don't like state governments, or local governments, or that we don't think that you do a good job. Quite the contrary, we think you do a very good job. We think you have desperate problems in terms of financing, and that is what this panel is about.

What I am saying to you is that the federal government has some pretty desperate problems with regard to what you governors are saying that there is no free lunch, and there is no free lunch from the federal level either. I am trying to make recommendations to the House so that they won't be called big spenders. For example, to get the budget under control when I tell them it has to be done over three years they look at me and say, well, you have got to do a lot better than that. So I have had to give a message to the housing people when they came to town, and one to you, and there will be other groups and I will say this that everybody in the United States is against spending in general and for spending in particular, particular being their program.

Now what I am saying to you is I am just trying to be realistic as to where we are, so that when this program comes out of Jack's committee and comes on to the floor, you will understand that our problem is difficult. Now I think we should move toward establishing a federal budget surplus and in my remarks last week, and when we get to the questions and answers, I will indicate to you how I believe we can do it in three years and have a budget surplus, and that budget surplus should be used for the needs of the United States, and for the needs of the people, and revenue sharing at this point where revenues are there to share may very well be a program that should be passed.

But I want to warn you if you are in the appropriations and authorization process, which I think is legitimate for the federal government to require, you are going to be confronted with national health insurance advocates; with advocates of cutting the federal deficit so that the interest rate won't be so high, with advocates saying there should be another tax cut, with advocates that say we should do more in our central cities.

My message, then, this morning is we are trhing very hard to do the right thing. I don't think we should, as one of the earlier governors said, put you on cold turkey. But I might say that we might stretch you out a little bit over the next two or three years. I won't say what kind of a drug we will use. We know you are in trouble during the recession, but we are saying to you that during this period of time we will try to ease the pain as it goes along, but our problems are the same as yours.

Governor Ray, I appreciate your invitation to speak this morning. I see a number of old friends of mine who were governors, in the audience, looking at me with rather strained expressions on their faces. You are very patient to have listened to this, and I am looking forward to hearing the other panelist and then Jack and I are ready to receive your comments. Thank you very much.

(Applause)

GOVERNOR LUCEY: Thank you Congressman Adams. I am also

tempted to comment right now, but I will restrain myself and keep in mind that we are going to have a question and answer period. I hope that the press doesn't get the impression that this is somehow a partisan issue between President Ford and the Democratic congressmen having such severe reservations. But, as Brock pointed out, Walter Heller was really the father of revenue sharing however in order to give the thing a little more balance I think now we will hear from a democrat who has been a long advocate of a point of view shared by most if not all governors in support of federal revenue sharing.

As Chairman of your Committee on Executive Management and Fiscal Affairs, I went over and met with Russell Long some months ago. He gave me about two hours of his time, and I was just thrilled with finding how deeply he feels about this issue, and how supportive he is of our objectives here.

But he made one very telling point on that occasion. He said so far I am not receiving any pressure from the parishes of Louisiana, and I suspect Gaylord Nelson is not getting high heat from the towns and villages of Wisconsin, and this is absolutely true, and I think that we as governors have really not been doing the kind of work we ought to be doing on this issue. I would hope to hear today that we are finally beginning at long last to turn that around and this afternoon, as I am sure you are aware, a group of the governors will get together with county executives

and legislative leaders, as well as the mayors, and will be going over to meet with the leadership of both Houses to let them know how strongly we feel, and how united we are in support of a continuation of general revenue sharing.

Without further ado, now, I'd like to call on the Honorable Russell Long, Chairman of the Finance Committee over on the Senate side and let him express his point of view on the matter of federal revenue sharing.

(Applause)

SENATOR LONG: When your Chairman opened this program making reference to me, he referred to the letter I wrote to him which said you shouldn't have Russell Long before your Committee, you ought to get yourself some fellow from the House. What you fellows need for revenue sharing is a good strong author in the House to carry the fight for you. You have got one in the Senate, you are looking at him. You are not in trouble in the Senate.

(Applause)

You have heard from two great congressmen, and I like both of them, and I hope that nothing I say in the course of all this will separate our friendship. But Jack Brooks is a tough guy, and I know he thinks he is right. He is twice as tough as anybody I know, and I don't expect to change that vote. So as far as revenue sharing, come what may, if you want anything like that kind

of program you have to out vote Jack Brooks or you have to go and find votes on the other side.

The same thing might be true of Brock Adams, and when I hear all this talk about fiscal responsibility my reaction to all this is gets down to a matter of whether it is your program or the other guy's program. I have never yet seen any of those fellows who have worked for a period of years take the view that you can't find the money in the budget for his program.

Now, furthermore, there was a time when the idea occurred of having printing press money and nobody seemed to worry too much over the fiscal responsibility of building all these bases in Texas with printing press money, and we fellows did what we could to get along with our Texas friends, and so many military bases and federal installations were put in Texas with money that came out of either the Federal Reserve, or out of the Reconstruction Finance Corporation, or the Armed Services Department, that they had to double deck the place to put another military base there.

(Applause)

Now so when Russell Long gets involved in all these things, I learned a lot from my friends in Texas. I learned from watching LBJ, and Bob Kerr, and seeing how they got all their money for their state. Now this budget committee recommends that we should have a balanced budget, and have come up with all these ideas and are

trying to push down the President's throat something he is unwilling to sign and trying to override a veto, and begging everybody to vote for their program that would cost on an annual basis about the same as your revenue sharing program would, and they can find plenty of dough if it happens to be something for one of these fellows who has worked on it and thinks it would be a good idea.

Somebody thought the railroads were in bad shape, that went along with Brock Adams leading the charge from the House side to just pour billions of dollars in federal money into the northeast to try and save the railroads, and what they should have done is get rid of the featherbedding and they probably wouldn't need all that money. But they went along with them on this and found the money for it because they thought the program was of sufficient priority.

Now economic conditions being what they are in the country, everybody knows it is important but difficult to try to balance the budget at this point. I don't think that you ought to be expected, if you can find enough votes to pass a revenue sharing bill now, to have to go along with your bill being written by somebody who is against your program.

It seems to me that if you are going to have a revenue sharing bill it ought to be written on the Senate side by people who believe in the idea, and we have a majority vote, and we ought to be able to pass it, and we can do it in the Senate in my opinion.

If you people don't believe in it enough to fight for it, just forget it, and let's not waste our time on it. I think if you are willing to fight for your program, and if the mayors are willing to fight for their program, and if those county commissioners and local officials are willing to fight for revenue sharing, I don't have the slightest doubt that you can get the folks to vote for it.

Now these two men you are looking at here are great statesmen. They are the product of the House reform. There were 70 congressmen leading the charge and one of the things they did was take revenue sharing away from the Ways and Means Committee in the House which recommended that bill, in my opinion, and put it over in the Government Operations Committee which has the idea that if possible we are going to make it tough to pass the bill.

I can think of no greater reform that I could advocate for the House, and I have advocated it for 20 years, that if a majority of the people in the House wanted to vote for something they ought to have an opportunity whether the committee chairman likes it or whether he doesn't like it.

(Applause)

I feel the same way about the Senate, if I don't like something and the Senate wants to vote, they have the right to vote and I have had it happen many times, and I am prepared to accommodate myself and I would ask these two statesmen to take the same

attitude.

If a majority of those members elected to the House want to vote for something, let them have the opportunity. As far as my congressional district is concerned, we have had our mandate. The congressman who represented my district was against revenue sharing, but he might have voted for the final passage after doing everything he could do to prevent its passage. Now the local officials knew it, and they went out and fought him and beat him. I was for revenue sharing, and I got 75% of the vote in that district.

You can fight for your program , and you can get it, and the President will help you get it but if it doesn't mean that much to you just forget about it and you can save me a lot of time and trouble, and I can work on something else. Thank you very much.

(Applause)

GOVERNOR LUCEY: Questions?

GOVERNOR NOEL: I really appreciated the frankness and candor from the panelists. I must admit that since the opening remarks of Congressman Brooks and Congressman Adams that I have been champing at the bit and it was hard to wait for the panel to finish so that I could have a chance to respond, and I'd like to say to my colleagues in the federal government so that they will understand that I have had some experience at all levels of

government.

I served six years as a councilman which is, in our section of the country, the equivalent of a county commissioner's position. I served for six years as a mayor and now as governor of my state, and I have been in government for 16 continuous years and I would like to say as part of this debate that ever since revenue sharing was first proposed--and I can understand the philosophical problems of Congressman Brooks with regard to accountability, about the fears that you might have of a system where one level of government raises the money and another spends it, and certainly if we were debating revenue sharing as an isolated issue I may be on that side of that philosophical debate--however I want to talk a little bit about the theory of relativity.

We are talking about revenue sharing in 1976, and the backdrop is a whole myriad and maze of confusion, a mess of bureaucracy that has been foisted on the states and local governments by the Congress of the United States over the years, and when I look at revenue sharing in 1976 I am for it because it is a hell of a lot better than anything you have given us in the last 20 years.

People in this country are sick and tired of your kind of accountability which means that they are opted out of their choice of responsive government, and they have to fight their way through a whole bunch of statements that say you can't do this,

and you can't do that, and if we were starting from base zero I'd be on your side of this issue. But with this backdrop of confusion, this mess of so-called federalism, I say that revenue sharing is a hell of a lot better than anything I have seen in the 16 years that I have labored in the other two levels of government.

I think we should look at it in this light and not just standing on its own. That is my statement about revenue sharing. I am for it. I am willing to fight for it on the House side, the Senate side, and I hope that the congressmen and senators on both sides will look at it in the context of the federal and state relationship that exists in this day and age, and not something that they would hope for in a better day.

GOVERNOR LUCEY: Did you have a question?

GOVERNOR NOEL: I have no questions.

GOVERNOR LUCEY: Who has a question directed to this?
Governor Bond.

GOVERNOR BOND: Mr. Chairman, I'd like to express our appreciation for the presentation of Congressmen Brooks and Adams. I have often wondered where it was that people in Washington got these funny ideas, and I think they must talk to each other. I have never had a clearer expression of the Congress' Potomac myopia than I have heard today, and I would address this question to Congressman Brooks who spoke so eloquently about public

accountability, and opposition to the imposition of taxes at one level and expenditures at another.

Granted that he is against revenue sharing, may we count on Congressman Brooks to balance the budget in other areas; to oppose congressional programs which force upon the states unwanted and unneeded expenditures? I would cite Title 4D as one area in which we, in Missouri, are going to have to spend \$800,000 because Congress in its wisdom has determined that we should spend it. Will you, Congressman, oppose the federal categorical grant programs which tell us how we have to not only spend the dollars that you provide us but how we have to increase our taxes, or use our existing revenues, for federal programs that you mandate; will you be consistent in not only opposing revenue sharing but opposing the imposition of new spending programs on the states where they may not be our priorities but they are yours?

CONGRESSMAN BROOKS: I would be pleased to cut back the amount of money we give you and that you spend, and would hope that it would help the national budget. Just recently, about ten days to two weeks ago, we had the Public Employment Bill coming up and in that was a proposal to spend one billion two hundred million dollars in the sharing of federal funds with the states, and I opposed that on the floor of the Congress, and was not successful. It was put in conference committee, and in the conference committee they put that billion and a quarter in, and I fought it unsuccessfully.

But you can count on me to fight that kind of a proposal. I think we are spending too much. I think we are going to have to have a little harder priority look or we are not going to get reelected and maybe you won't.

GOVERNOR LUCEY: Governor Kneip.

GOVERNOR KNEIP: Mr. Chairman, the Governor of Rhode Island expressed my views quite adequately and I'd like to ask the question if these same gentlemen that oppose general revenue sharing are going to, at the same time, go across the board and fight for block type grants? I'd like to tell you something that happened in South Dakota that should serve as a good example for you.

In our 6th Planning District, we tried very diligently to combine health programs, manpower programs, and social service programs and to share offices, personnel, and budgets and of course doing this we worked directly with the Regional Council and in the final analysis flatly were told no, and unquestionably we could save many, many, dollars in trying to get away from all these categorical approaches.

Will you gentlemen oppose block grants on the same basis which allows us to be the decision makers back where we know what the problems are?

CONGRESSMAN ADAMS: I have some longer prepared remarks that go through this category by category as to what should be

done in each of the block grants, and each of the functional categories, in order to even arrive at a \$410 billion figure rather than a \$422 billion current services figure, and one of the proposals that I hope will be adopted during this next three to four year period is that we do such things as federalizing the welfare program at a flat level without matching which frees up funds for you, and you can decide whether or not you want to supplement.

The same thing is true in some of the block grant programs. We are agreed that a number of these should be in a position where the money goes over and it is used for particular categories and in 1975 we said, for example, it is much better to send it out in flat grants to the people who are handling education which is done at the local level rather than going into specific categorical programs.

The answer to your question is yes. The problem that we are trying to address at this point with you is that we should have wider momentum built into these programs, and we are trying to hold them all back and stop them to a point where this next year we don't go with a lot of new matching programs requiring you to spend money, but to control what we have got which are already built into the budget, and then let the country decide where they want the federal government to go, and where they want the state government to go in terms of responsibility. But the responsibility

in each case would be direct lines. You'd raise your money for a function, and you'd spend it, and the federal government will raise its money for a function and spend it.

What we are saying to you is, yes, we do expect to do that and we agree with what the Governor of Rhode Island said that there are too many maze type operations that have to go out. But when we start to cut back beware of it in the budget, because the figures that we have run through for the four block grant programs--and I am sure Jim Lynn will be here to analyze them from his side--and I hope that your staffs analyze them, because our indication is that if we were to adopt these programs in the Congress this year you'd get a billion eight less than you did last year, and more important there is no future growth.

In other words, as you have more people, or the quality of life changes in the states, all of the responsibility will fall upon you as governors to either cut back those services or raise taxes. That is the thrust of the block grant program, and lots of us are trying to keep that from happening all at once, and that is why there is pressure on every program--federal revenue sharing; the Defense Department; food stamps--each one of them, and we are consistent with them because they are all running too high for us to keep borrowing money to afford.

GOVERNOR LUCEY: Next question? Governor Noel.

GOVERNOR NOEL: I like that last statement, and I might

say that in the future years if we ever get to the point for a true redistribution of responsibility, straighten out what the federal government is doing, and the state governments are doing, then at that point in time I'd be on the side of those who oppose revenue sharing.

But in the context of what we have now in the way of a federal-state relationship I am in favor of revenue sharing. I think it is a must. Hopefully, as we go down the road, there will come a time in this country where we won't need a revenue sharing program, because we will have put our respective houses in order at all levels of government. So I appreciate those remarks, Congressman, and I look forward to that day. I hope I am around to participate in that debate.

CONGRESSMAN-ADAMS: I hope I am, too.

GOVERNOR LUCY: Governor Longley.

GOVERNOR LONGLEY: I think this has been a very interesting morning and, unlike Governor Noel, this is my first year in public life but I have over a quarter of a century in business, so I'd like to ask a question. Assuming your billion eight cutback, Congressman Brooks, is accurate do you have any idea of what the bottom line approach is? Out of that billion eight we might be getting just a fraction of that billion eight in categorical grants.

Now, needless to say, as a businessman I am shocked to

see the erosion of dollars that we are sending to Washington, and then coming back with mandated programs along with bureaucracy and red tape, and harrassment, that is imposed upon us and in effect this is taking liberties in the legislation of the revenues sharing that come back as to how our municipalities and our towns-- who pretty much determine their priorities--can go about it and how they can put the dollars in use.

I am wondering, sir, is there any attempt to equate the bottom line benefit, because I will submit that there is a staggering of benefits in revenue sharing through the categorical and block grant approach.

CONGRESSMAN ADAMS: Governor, the problem we have with doing anything in terms of reevaluating revenue sharing is that the money goes generally into the budget, and the reporting system is under the complete control of those who spend it, so that if you want to report that you spent it to cut taxes you can. If you want to report it that you put it into police salaries, you can because the money is in one pot, and you can select and say we have got this amount and we, therefore, spent it in these particular categories which are acceptable categories as far as the federal government is concerned.

Now I think of greater concern to this Conference, and also your financial panel, is the fact that a very detailed analysis shows that we sent approximately \$60 billion to the states in

Fiscal Year 1976 which won't come close considering inflation, and considering the additional number of people in the states that you represent. Therefore, what is happening in the budget and what we are trying to wrestle with now is you may get your revenue sharing. It is going through the appropriations process, and you heard what Chairman Brooks said, and there may well be the votes to do it but even if you get it, and even if the President is successful in his budget, you will still not meet your current services with the money that is coming in from the federal government regardless of regulations.

We are trying to at least get that back for you, and that is going to cost us somewhere between ten and fifteen billion dollars just to hold those programs where they are; no increase; no really building up of program growth. There are only two places in the federal budget presented by the President where there is any real growth.

GOVERNOR LONGLEY: You are saying, in effect, that the voices you hear are in support of your approach and that it could be that--as Senator Long has said--that we as governors and our municipalities and town officials haven't successfully conveyed to the Congress the priorities that we feel and the benefits that we, in fact, see and if that is the case then perhaps are you suggesting you need more evidence from us of the accountability of performance?

CONGRESSMAN ADAMS: Not at all, because there is no way that you can account for general revenue sharing or build a base among your people because it goes into your general budget, and from your general budget and your general efficiency, or lack of it in your budgetary practices, is what the voters elect you on or defeat you on, and there is no way that that can be reflected to us. So I think revenue sharing, if it is needed now, and it may well be particularly in this time of recession that we have to accept the fact that it comes to you as general revenue sharing, and you spend it for whatever you feel is correct, and if you go out to your constituents and say to them, well, police and fire salaries are going to be cut if revenue sharing isn't enacted then the reaction of the Congress probably will be all right we will send you the money for police, fire, and health services if that is what you are lacking.

That goes back to Chairman Brooks' remarks, that once you break the spending and tax link and the money goes to you under general revenue sharing, it is gone as far as we are concerned.

GOVERNOR LUCEY: Any other questions? Governor Exon.

GOVERNOR EXON: I will address this question to Congressman Brooks or Congressman Adams because I am not sure who made the point. But, in the first place let me try and put into context what many governors have said around the table. You take away the 15 million from the State of Nebraska, that is all we get out of

revenue sharing. Now it isn't going to break us up in the State of Nebraska. All that I would like you to do, Congressman, is to accept a list that I will be happy to supply to you with and that you at the federal level will change some of the laws passed by you and your colleagues to get out of some of the bureaucracy in Washington, D. C. If you do that, we can save more than \$15 million in Nebraska.

I get a little weary of sitting here and listening to this kind of discussion, and I think my good friend Senator Long responded to this very ably, and there are those of us in state government who have followed a program of cutting down and holding the line. Certainly the governors of these states have led the way in fiscal responsibility, not the Congress of the United States, nor do I think the President, and there are others who have led the way toward fiscal responsibility.

Let me ask you a question, will you work with us; will you work with me specifically if I would outline to you what we can do to save more than \$15 million in Nebraska, then I will agree that you should take away revenue sharing and we might be able to do better than that. Congressman, would you work with me in support of such programs?

CONGRESSMAN BROOKS: I will guarantee you I won't support them until I see what they are, there will be no checkoff from me. I'd be delighted to look at your recommendations as to how

you might save \$15 million in Nebraska, and certainly you are right if they take revenue sharing out of Nebraska and you lose that \$15 million your State could continue to operate and function effectively, I agree with you to that extent. If you have got any suggestions on how we can practically reform some of the bureaucratic excesses that come about in Washington, I'd like to know.

I have not been running the government for the last five or six years, most of us democrats just work here now, and I know there are serious problems with government bureaucracies, and agencies, and I'd be pleased to work with you in trying to cure some of those. Maybe you can help me cure some of mine.

GOVERNOR EXON: I get the implication of your statement about being a democrat and I am like you, I guess, but I have led the way to fiscal conservatism in the State of Nebraska and I repeat again that we, as democrats, while we should properly criticize the opposition I do not believe that we can entirely blame the Executive Branch for the runaway spending and inflation that we have in this country. We all share that to a considerable degree.

I will be glad to give you some ideas and suggestions on how this can be cut down, and I think what we say in Nebraska and what we recommend in Nebraska would apply equally to all the other states. Now I have a correction on what you said, I thought you

kind of put words in my mouth. \$15 million would hurt us in Nebraska, because we have been very careful with our expenditures and our appropriations and taxes. Most of the money that came down from the federal government to Nebraska was invested in aid to education not expensive new programs. We have used it well, and I think the program has been used generally well by the state and the subdivisions of the state government.

GOVERNOR LUCEY: Thank you.

GOVERNOR KNEIP: I wonder if the Congressmen, themselves, know that what was really intended along with the revenue sharing was that there would be a dismantlement of a great part of the federal bureaucracy. Now, you know, each of us are concerned about these categorical grants and all the rules and regulations that come about in a federal bureaucracy, and I happen to believe firmly that the opposition to block grants, and general revenue sharing, comes not so much from the congressmen themselves as the bureaucracy that is built into it.

I will give you an example, this was something that began generating in South Dakota. We tried innovative things in categorical areas, and we combined rural area payments and services under the welfare system. We were penalized three and a half million dollars, and found ourselves in court trying to just subtract that penalty alone, and I could give you example after example where those rules and regulations have tied our

hands and we were not able to use the money wisely or efficiently and I think you should be told that.

Now even with block grants that have come in which cover a broad range of programs, there has not been any dismantling of the federal bureaucracy as was intended, and I think that is one of the reasons that make many of the congressmen object because the intent of the system is not being carried out, and elected officials at the local level just don't feel that you understand their problems. You can't run these programs from Washington.

GOVERNOR LONGLEY: I want to echo what Governor Kneip has said. The bureaucracy is the most influential lobbying group right now that you have got, both in the Congress and the state houses, and we have got to get accountability back and give the people an opportunity to speak up such as happened in Senator Long's district, and the people of the country are fed up with run away bureaucracy and the lobbying influences that are imposed on the spending of our dollars.

I am talking about the revenue sharing people who are working in the factories and the mills of this country, they can't move into the state houses and into the congress, and so maybe we as governors and also the municipal and town officials have got to be more effective and that is a message that I think is important and maybe we have failed in conveying to you people how important

it is to take a good look at the accountability and the dollar cost of a lot of these categorical grants.

As Governor Noel said, we have all this red tape and it is costing us much more money than we are getting.

GOVERNOR KNEIP: I'd like to comment on that statement, Governor. You could save a lot of money if you cut out all the forms, and paperwork, and all the expeditors and investigators. Every time you fill out a form it costs you money, and costs the government money because 48¢ of the dollar is deductible from federal taxes, and you could save \$6 billion in revenue sharing cost if you just eliminated a great deal of this unnecessary paperwork to report on the money that is spent.

GOVERNOR LUCEY: Governor Busbee.

GOVERNOR BUSBEE: I know we have gone past our time, here, but I would like to summarize and also ask a question of Congressmen Brooks and Adams. Now I completely share the views of Governors Noel and Bond, and Exon. Revenue sharing has not been effective. Now I have been in the government for 20 years. I came to the White House when revenue sharing was proposed. I was one of two representatives from the state governments that was totally opposed to revenue sharing.

Since that time, I have seen difficult financial conditions in my state. We now have a balanced budget, and we have balanced it during hard times. I commend you two gentlemen for wanting to

balance the budget but I caution you on something and it is this. Since revenue sharing has been implemented, you have increased our categorical grants and we all listened to the President here, and we should work together to develop priorities and there is no reason why revenue sharing can't work so that it does have some meaning to the states and local governments.

Now matching funds have been increased, and you have increased categorical grants, and you mentioned Medicaide. It started off with 1% that we have to put up at the local level, and from the state government level, and now we have to put up a higher percentage. What you are doing in creating all these federal programs is you are requiring that we match these at the local level to get our own tax dollars back.

There is a highway bill that is bogged down up here, and we have plenty of money to paint center lines which is one category but we don't have any bridge money, so what I am saying is this that the time has come for the governors of the states to be able to represent their sovereign states and sitting down and working with the Congress, and having an open line of communications, and I think that time is now.

Now I appreciate the matter of fiscal responsibility, and many of the governors here have a balanced budget. But you cannot keep dumping these categorical grants on us and increasing the amount of money that we must match at the state level where you

write the program, we administer the program, and we jointly finance the program. It will not work. So I would like to see the governors, through the Governors' Conference, have an opportunity to work in a bipartisan manner and non-partisan manner to address some of the problems that we have in this nation.

I think all of us want to address these problems, but you cannot isolate revenue sharing to the extent that you two gentlemen have indicated.

CONGRESSMAN ADAMS: I agree with you. I would commend to your staff, and to those that are here, the comments that were made with regard to isolation. In the floor statement that I made on Wednesday of last week, I outlined every category and how much money would be spent in each one which would reduce the deficit by only one-third, and I support the idea of going into this like we did with the community grant program. We supported this, and we did away with urban renewal and a number of others.

All I am saying to you is that we are prepared to move forward, for example, to remove matching in areas like Medicaide, or in areas like national health insurance, or welfare, by removing--and food stamps--by putting them into a federalized system and I hope you will look at it and that you will tell us whether or not you like what was said, and whether you think it should be changed in some way. But we are just having to fight

for every program now, not just this one, and we are not addressing it in isolation. Believe me we are not.

SENATOR LONG: One point, I fought that federalized welfare thing because I felt it would end up costing ten times as much, and the people who wanted to federalize every last one of these programs had one thing in common. They thought if they federalized the lid would be off and they would get any amount of money they wanted for that program.

Now I personally very much like the idea of doing what we can to give the states and local people a great deal more freedom about how they run the welfare program. But when I hear somebody talking about federalizing and that it will mean taking the lid off, and that there will be no minimum on what the thing will cost, I think that is inconsistent with the objectives of balancing some budgets.

GOVERNOR MANDEL: The thing that really makes me laugh is when I hear people talking about the governors running these programs. We don't run any programs. I mean who is kidding who. We don't run a program. The only program we run is revenue sharing, because the money comes to us and we can decide what to do with it. But the rest of the programs we don't run, they are run out of Washington, the bureaucracy is running the program and we are just getting the money and they and they are telling us what to do with it, and how to spend it, and this may be sacrilegious

but I'd like to get a little less money from Washington and let us run the programs, because we can do it better and more efficiently and we can perhaps help you reduce your expenditures by helping you reduce some of your bureaucracy.

But this business of saying that we are running the program, I am laughing because we don't run any programs. We just take the rules, the regulations, and we try to read them and understand them. No one understands them. You have got a mess in welfare and Medicaide. You take an \$8,000 a year clerk and tell him to read 10,000 regulations and make sense out of them so he can prepare a form properly, it just can't be done. I will challenge any one of you to sit down and read those rules and regulations and make a form out that doesn't have some mistake in it.

You have to go to college to understand those rules and regulations, and then after you graduate you don't understand them. This is where the problem is. We are not running the thing, we are being run.

GOVERNOR THOMSON: I simply want to go on record as being one who certainly commends the two Congressmen. I think that the time has come when the states, if we want to be sovereign, have got to begin backing away from the federal trough and so I would like to ask Congressman Brooks if there is any thought in the Congress with regard to revenue sharing to gradually decrease the

amount over a period of several years. I think this is what is going to have to be done. All of the states would suffer if you did it immediately, but if you began to do it and also in connection with that I can see what you are trying to do is tackle the other high costs of federal government, and let the states begin to share the responsibility and the sovereignty that goes with it, and if that is the case I commend you on that too. I'd like to know if that is one of your thoughts.

CONGRESSMAN BROOKS: Thank you, Governor. Certainly the gradual remission of revenue sharing is one possibility, but it is a little bit difficult to say that you would cut back the first year. Probably not many of the states and local communities would really be able to survive this to be honest about it, and some of the local communities no doubt feel like they are in real trouble so they will probably want to get their full allocation this year with the hope that if we reevaluate it in both the appropriation and authorization process in the next couple of years that they will be able to then reevaluate their needs, and maybe you can cut back that thing gradually, and taper it off.

GOVERNOR LONGLEY: With due respect to the Governor of Georgia, there is more than bipartisan support here, there is tripartisan support. Republicans, democrats, and one independent and I'd like to go on record to show this.

GOVERNOR LUCEY: I would like to thank Senator Long and

Congressmen Adams and Brooks for being here with us, and I would like to remind you that the standing committees are open meetings for those who are interested and that Congressman Adams will be our lead-off witness with regard to the federal budget, so if anyone wants to sit in on that meeting--which will begin very shortly--you are welcome. I will now turn the meeting back to the conference chairman, Governor Ray.

GOVERNOR RAY: Thank you very much, and I think we get the message from you and I hope we left you with a message. Now will you please hurry to your next meeting. We purposely let this run over slightly because of the importance of the subject matter.

GOVERNOR BYRNE: I wanted to thank my fellow governors for the opportunity they have given me to wage an aggressive program that attracted quite a bit of attention in New Jersey.

GOVERNOR RAY: Thank you.

(Whereupon, the first plenary session was adjourned at 11:20 o'clock, a.m., Monday, February 23, 1976.)

* * * * *

[March 1976]

TENTATIVE SCHEDULE FOR REVENUE SHARING

March 10, 1976

Markup by Fountain subcommittee begins.

March 31, 1976

Bill out of subcommittee by this time.

April 13, 1976

House Government Affairs Committee will meet
on the bill.

April 16, 1976

Bill will be out of full committee.

May 10, 1976

House to vote on the bill by this date.



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House to vote on the bill by this date.



ACTION ITEMS

- A. Jack Wydler is requesting that every Congressman be sent a copy of a computer print-out which shows what every unit of government within the Congressman's district has received thus far under revenue sharing and would receive under the Ford extension of revenue sharing.

Sample



- B. The public interest groups have asked for copies of this information and will send it out to editors and television and radio stations throughout the country.
- C. We suggest a letter, signed by the President or Vice President, to all recipient governments encouraging them to intensify their efforts in behalf of revenue sharing renewal and including a summary of what that unit of government has received and will receive.
- D. We are preparing a proposed special text insert on revenue sharing to be distributed to Cabinet and sub-Cabinet officials, departmental speech writers, and scheduling offices. We will encourage them to include this in every speech made by an Administration official.

- E. Treasury is meeting with the public interest groups to provide them with additional data to strengthen the case for continuation of existing formula as proposed by the President.
- F. The Vice President has indicated that Governor Shafer can be made available to speak on revenue sharing to key groups throughout the country.
- G. Art Fletcher is available to speak on revenue sharing throughout the country.
- H. Steve McConkey & Domestic Council are coordinating GRS renewal activities with MID-WINTER MEETINGS OF MAJOR PUBLIC INTEREST GROUPS. (eg Governors, Mayors, County officials) ~~to give the Congress~~



QUESTION: Why is the Administration supporting General Revenue Sharing but opposed to the countercyclical aid bill, which is also a form of revenue sharing?

ANSWER: The General Revenue Sharing program is an effective and efficient means of providing needed financial assistance to all units of general government. To date, it has provided more than \$23.5 billion to the States and some 39,000 units of local government. This money has been used to provide important programs, to maintain services and stabilize taxes. In many areas these funds have become an integral part of the overall fiscal plan. If revenue sharing re-enactment is delayed or the program is terminated, States, cities and counties would either have to cut back substantially on essential services causing increased public and related private employment or tax more, or borrow more. For that reason, the President is greatly concerned about favorable Congressional action at the earliest possible date. (The President's proposed renewal legislation would provide \$39.8 billion through September, 1982.)

Countercyclical aid, on the other hand, is a form of specialized, temporary assistance to those areas which are experiencing unemployment above the national average. The President feels quite strongly that the way to reduce unemployment is through the program he outlined in his

State of the Union Address and in his Budget to provide for real, permanent jobs in the private sector. He believes that existing programs providing for public service employment and other training and employment opportunities are sufficient and that the legislation recently passed by the Congress providing only \$1.5 billion in temporary assistance to certain communities would have very little impact on the problem.

* * * *



THE WHITE HOUSE

WASHINGTON

March 1, 1976

MEMORANDUM FOR

ED SCHMULTS
DICK PARSONS
ART FLETCHER
DICK ALBRECHT

FROM

PAUL MYER

SUBJECT:

Presidential Illinois
Trip -- Chicago General
Revenue Sharing/Civil
Rights Situation

Attached for your review and comment is a Q&A anticipated on the President's upcoming travel to Illinois regarding the Chicago General Revenue Sharing/civil rights situation.

As you know, there are broad implications involved in this matter. I have indicated to Jim Shuman that a response would be available by noon, Wednesday. Your comments and assistance will be greatly appreciated.

Attachment

cc: ✓ Jim Cannon
Jim Cavanaugh
Art Quern



Q. General Revenue Sharing funds have been withheld from the City of Chicago because the Chicago police department has been judged guilty of discrimination in its hiring practices. Similarly, the Office of Civil Rights of HEW found that the Chicago Board of Education discriminated in its facility assignments and ordered the Board to formulate and implement a facility re-assignment plan which does not discriminate or face losing \$150 million in Federal elementary and secondary education funds. You have said that one of the advantages of General Revenue Sharing is that it allows local communities to make their own decisions on how to spend Federal tax money in their community. Do you think these Federal monies should be used as a policeman to enforce policies established not at the local level, but in Washington?

A. The General Revenue Sharing program provides funds directly to State and local units of government to help them meet their priority needs. The decisions on the use of these funds are made at the local level rather than the Federal level by an all-powerful central bureaucracy. To date, over \$23.5 billion has been distributed to the 50 States and nearly 39,000 units of local government. These funds have been wisely used by these jurisdictions as they determined necessary for a wide range of essential public purposes and to develop solutions suited to their unique problems.

As a matter of national policy our Government has sought to ensure that no Federal funds are used in a discriminatory manner. The Revenue Sharing Act specifically contains a non-discrimination requirement -- one of the few restrictions which govern the



the use of these funds by recipient governments. It is a requirement which I fully support.

Essentially, local communities are not told how to spend the Federal funds they receive under this program. There is neither a burdensome grant application process nor is prior approval or clearance from the Federal government required. The program is designed to let the citizens and locally-elected officials of a community determine the most appropriate use of these funds. However, the program does require that any expenditure of shared revenues be in compliance with our Nation's civil rights statutes. Although the Federal government does not exert any control over a community's expenditure decisions, where discrimination on the basis of race, color, national origin or sex in the use of shared revenues is found, the Government is required by law to take appropriate action. I believe this represents a proper balance between our desire to strengthen local decision-making over the expenditure of Federal funds in a community and the enforcement of our national civil rights policies.

