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MEMORANDUM

THE WHITE HOUSE
WASHINGTON

June 1, 1976

MEMORANDUM FOR

JIM CANNON
MAX FRIEDERDORF

FROM

PAUL MYER

SUBJECT:

Briefing Paper for
Presidential GRS
Meeting



Attached for your review is a proposed briefing paper for the Presidential meeting with the New Coalition and House leadership on General Revenue Sharing.

Attachments

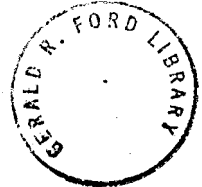
THE WHITE HOUSE

WASHINGTON

MEETING ON GENERAL REVENUE SHARING
RENEWAL LEGISLATIVE SITUATION

Thursday, June 3, 1976
2:30 p.m. (90 minutes)
State Dining Room

From: James M. Cannon
Max Friedersdorf



I. PURPOSE

To discuss the General Revenue Sharing legislative situation with representatives of the New Coalition and the House bi-partisan leadership and seek support for House adoption of an acceptable bill.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

- A. Background: The House is tentatively scheduled to consider the General Revenue Sharing renewal bill (H. R. 13367), as reported by the Government Operations Committee and Appropriations Committee, next week. Although this bill includes many of the major elements of your renewal proposal and were contained in the Fountain Subcommittee bill, the Committee adopted four amendments which are unacceptable (see Tab A).

An effort may be made to substitute the Subcommittee bill for the Committee bill. While neither bill is as good as your original proposal, the Subcommittee bill is closer to your position and enjoyed bi-partisan support. The public interest groups share this view but have not endorsed the substitute.

The New Coalition requested you to call this meeting in an effort to obtain the support of the House bi-partisan leadership for the best possible General Revenue Sharing bill (see Tab B). The State and local government officials would like to see the same degree of bi-partisan support

and Congressional-White House cooperation which led to the original enactment of the program.

- B. Participants: See Tab C.
- C. Press Plan: To be announced; photo opportunity; briefing opportunity after meeting.

III. TALKING POINTS

1. The renewal of General Revenue Sharing remains a top priority on my agenda. If it is not extended, the fiscal and economic consequences would be severe in many States and local communities.
2. I have sought to work with the Congress in order to achieve adoption of sound legislation. In that spirit, I have asked you here today.
3. The House will soon begin consideration of the Committee bill, H. R. 13367. While I am pleased that a bill has finally emerged, I have great reservations about the Committee bill. I know that many of you share those concerns.
4. I hope the House will endorse the revenue sharing concept and adopt a bill which is consistent with the objectives of my original renewal proposal. I am prepared to continue to work with the bi-partisan leadership and representatives of State and local government to achieve that goal.

TAB A -- REVIEW OF MAJOR ISSUES

1. Length of Program and Level of Funding

President's Proposal: 5 3/4 years; total funding of \$39.5 billion, including \$150 million annual increase.

Subcommittee Bill: 3 3/4 years; total funding of \$24.9 billion, with no annual increase (funds frozen at 1976 level of \$6.65 billion).

Committee Bill: Identical to Subcommittee bill.

2. Method of Funding

President's Proposal: Continue the present combined authorization-appropriations approach.

Subcommittee Bill: Establishes an "entitlement" financing approach.

Committee Bill: Identical to Subcommittee bill.

3. Civil Rights

President's Proposal: Retains current nondiscrimination requirement, but clarifies the Secretary's authority to withhold all or a portion of entitlement funds, to require repayments, and terminate eligibility where revenue sharing funds have been expended in a discriminatory fashion.

Subcommittee Bill: Expands nondiscrimination requirements to cover all State and local programs except where recipient can prove "with clear and convincing evidence: that the program was not funded, directly or indirectly, with revenue sharing funds.

Extensive hearing and compliance procedures are spelled out requiring time limits for investigations, compliance, administrative procedures and court actions. Private civil suits are authorized only after the exhaustion of administrative remedies.

Committee Bill: Broadens nondiscrimination requirements of the Subcommittee bill specifically authorizing actions by the Attorney General and private citizens.

4. Formula Provisions

President's Proposal: Retains current formula with a slight increase in upper constraint.

Subcommittee Bill: Retains current formula without change, but attempts to tighten eligibility criteria.

Committee Bill: Retains the current formula without change, but adds a "Supplemental Fiscal Assistance" provision to distribute \$150 million in accordance with a new formula based on a poverty factor.

5. Government Modernization

President's Proposal: No provision.

Subcommittee Bill: No provision.

Committee Bill: Recipients must report to the Secretary on efforts to "modernize and revitalize" State and local governments. The goal and advisory criteria of a master plan is set forth.

6. Davis-Bacon

President's Proposal: No change in current law.

Subcommittee Bill: No change in current law.

Committee Bill: Davis-Bacon would apply to any construction project funded in whole or in part with revenue sharing funds. Currently, Davis-Bacon coverage applies only to projects funded 25% or more with revenue sharing funds.



TAB B -- NEW COALITION

The following is the text of the New Coalition's telegram to the President requesting this meeting:

The President
The White House
D. C. 20500

Dear Mr. President:

Since revenue sharing is so important to the organizations and people represented by the members of the New Coalition, the leaders of the New Coalition believe it would be extremely helpful if you would call a meeting of the Democratic and Republican leaders of the House and a member of each Coalition organization in order to discuss our major concerns over the revenue sharing bill scheduled to come before the full House in the near future.

If you, too, see that there would be value in such a meeting and would be willing to call us together with the Leadership, we would be most appreciative.

Governor Robert D. Ray, Chairman
The New Coalition and National Governors' Conference

Mayor Hans Tanzler, Chairman
National League of Cities

Supervisor Vance Webb, President
National Association of Counties

Mayor Moon Landrieu, President
U. S. Conference of Mayors

Representative Tom Jensen, President
National Conference of State Legislatures

TAB C -- PARTICIPANTS

I. Congressional

Carl Albert, The Speaker
Tip O'Neill, Majority Leader
John McFall, Majority Whip
L. H. Fountain, Chairman, House Subcommittee on
Intergovernmental Relations and Human Resources
John Rhodes, Minority Leader
Bob Michel, Minority Whip
John Anderson, Chairman, House Republican Conference
Frank Horton, Ranking Minority Member, House Govern-
ment Operations Committee
Jack Wydler, Ranking Minority Member, House Subcommittee
on Intergovernmental Relations and Human Resources

II. New Coalition

Bob Ray, Governor of Iowa (Chairman of the New Coalition)
Pat Lucey, Governor of Wisconsin
Dan Evans, Governor of Washington
Tom Jensen, Minority Leader, Tennessee House of Repre-
sentatives
Martin Sabo, Minnesota House of Representatives
John Poelker, Mayor of St. Louis, Missouri
Moon Landrieu, Mayor of New Orleans, Louisiana
Kenneth Gibson, Mayor of Newark, New Jersey
Tom Moody, Mayor of Columbus, Ohio
William Beech, Supervisor, Montgomery County, Tennessee
Elizabeth Hair, Mechlenberg County, North Carolina
Jack Walsh, Supervisor, County of San Diego, California

Steve Farber, Executive Director, National Governors
Conference
Earl Mackey, Executive Director, National Conferece of
State Legislatures
Alan Beals, Executive Vice President, National League of
Cities
John Gunther, Executive Director, U. S. Conference of
Mayors
Bernard Hillenbrand, Executive Director, National Asso-
ciation of Counties

III. Administration

The Vice President

Jack Marsh, Counsellor to the President

Max Friedersdorf, Assistant to the President for Legislative Affairs

James M. Cannon, Assistant to the President for Domestic Affairs

Paul O'Neill, Deputy Director, Office of Management and Budget

Paul Myer, Assistant Director, Domestic Council

Charles Leppert, Deputy Assistant to the President

Tom Loeffler, Special Assistant for Legislative Affairs

Steve McConahey, Special Assistant to the President for Intergovernmental Affairs

Pat Delaney, Associate Director, Domestic Council

Ray Shafer, Counsellor to the Vice President

Jack Veneman, Counsellor to the Vice President

Ed Schmölts, Deputy Counsel to the President

Richard Albrecht, General Counsel, Department of the Treasury

Harold Eberle, Assistant Secretary for Legislative Affairs

Pat Rowland, Special Assistant to the President

THE WHITE HOUSE

WASHINGTON

MEETING ON GENERAL REVENUE SHARING
RENEWAL LEGISLATIVE SITUATION

Thursday, June 3, 1976
2:30 p.m. (90 minutes)
State Dining Room

From: James M. Cannon
Max Friedersdorf



June 11.6

I. PURPOSE

To discuss the General Revenue Sharing legislative situation with representatives of the New Coalition and the House bi-partisan leadership and seek support for House adoption of an acceptable bill.

II. BACKGROUND, PARTICIPANTS & PRESS PLAN

- A. Background: The House is tentatively scheduled to consider the General Revenue Sharing renewal bill (H. R. 13367), as reported by the Government Operations Committee and Appropriations Committee, next week. Although this bill includes many of the major elements of your renewal proposal and were contained in the Fountain Subcommittee bill, the Committee adopted four amendments which are unacceptable (see Tab A).

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and Congressional-White House cooperation which led to the original enactment of the program.

- B. Participants: See Tab C.
- C. Press Plan: To be announced; photo opportunity and coverage of opening remarks; briefing opportunity after meeting.

III. TALKING POINTS

1. The renewal of General Revenue Sharing remains a top priority on my agenda. If it is not extended, the fiscal and economic consequences would be severe in many States and local communities.
2. I have sought to work with the Congress in order to achieve adoption of sound legislation. In that spirit, I have asked you here today.
3. The House will soon begin consideration of the Committee bill, H. R. 13367. While I am pleased that a bill has finally emerged, I have great reservations about the Committee bill. I know that many of you share those concerns.
4. I hope the House will endorse the revenue sharing concept and adopt a bill which is consistent with the objectives of my original renewal proposal. I am prepared to continue to work with the bi-partisan leadership and representatives of State and local government to achieve that goal.

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TAB B -- NEW COALITION TELEGRAM

The following is the text of the New Coalition's telegram to the President requesting this meeting:

May 21, 1976

The President
The White House
D. C. 20500



Dear Mr. President:

Since revenue sharing is so important to the organizations and people represented by the members of the New Coalition, the leaders of the New Coalition believe it would be extremely helpful if you would call a meeting of the Democratic and Republican leaders of the House and a member of each Coalition organization in order to discuss our major concerns over the revenue sharing bill scheduled to come before the full House in the near future.

If you, too, see that there would be value in such a meeting and would be willing to call us together with the Leadership, we would be most appreciative.

Governor Robert D. Ray, Chairman
The New Coalition and National Governors' Conference

Mayor Hans Tanzler, Chairman
National League of Cities

Supervisor Vance Webb, President
National Association of Counties

Mayor Moon Landrieu, President
U. S. Conference of Mayors

Representative Tom Jensen, President
National Conference of State Legislatures

TAB C -- PARTICIPANTS

I. Congressional

Carl Albert, The Speaker
Tip O'Neill, Majority Leader
John McFall, Majority Whip
Phil Burton, Chairman, House Democratic Caucus
Jack Brooks, Chairman, House Government Operations
Committee
L. H. Fountain, Chairman, House Subcommittee on
Intergovernmental Relations and Human Resources
John Rhodes, Minority Leader
Bob Michel, Minority Whip
John Anderson, Chairman, House Republican Conference
Frank Horton, Ranking Minority Member, House Govern-
ment Operations Committee
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Pat Lucey, Governor of Wisconsin
Dan Evans, Governor of Washington
Tom Jensen, Minority Leader, Tennessee House of Repre-
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Martin Sabo, Speaker, Minnesota House of Representatives
John Poelker, Mayor of St. Louis, Missouri
Moon Landrieu, Mayor of New Orleans, Louisiana
Kenneth Gibson, Mayor of Newark, New Jersey
Tom Moody, Mayor of Columbus, Ohio
William Beech, Supervisor, Montgomery County, Tennessee
Elizabeth Hair, Supervisor, Mecklenburg County,
North Carolina
Lou Mills, Executive, Orange County, New York

Steve Farber, Executive Director, National Governors'
Conference
Earl Mackey, Executive Director, National Conference of
State Legislatures
Alan Beals, Executive Vice President, National League
of Cities
John Gunther, Executive Director, U. S. Conference of
Mayors
Ralph Tabor, Director of Federal Relations, National
Association of Counties

III. Administration

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Jack Marsh, Counsellor to the President

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James M. Cannon, Assistant to the President for
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Paul O'Neill, Deputy Director, Office of Management
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Paul Myer, Assistant Director, Domestic Council

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Tom Loeffler, Special Assistant for Legislative
Affairs

Pat Rowland, Special Assistant to the President

Steve McConahey, Special Assistant to the President
for Intergovernmental Affairs

Pat Delaney, Associate Director, Domestic Council

Ray Shafer, Counsellor to the Vice President

Jack Veneman, Counsellor to the Vice President

Ed Schmults, Deputy Counsel to the President

Richard Albrecht, General Counsel, Department of
the Treasury

Harold Eberle, Assistant Secretary for Legislative
Affairs, Department of the Treasury

JUNE 3, 1976

OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE

EXCHANGE OF REMARKS
BETWEEN THE PRESIDENT
ROBERT RAY
GOVERNOR OF IOWA
AND
VICE PRESIDENT NELSON ROCKEFELLER
ON GENERAL REVENUE SHARING

THE STATE DINING ROOM

2:55 P.M. EDT

THE PRESIDENT: Mr. Speaker, Mr. Vice President, Governors, Mayors, Members of the Congress:

This meeting was called at the suggestion of the New Coalition which is composed of Governors, Mayors and other locally elected officials because of their concern as to the status of general revenue sharing. I have been concerned, as I think all of you know, because the date is getting very close at hand when the present legislation expires on December 31, 1976.

In the meantime, Governors, Mayors and other locally elected officials have a serious problem of determining what they can include or what they can't include in their budgets that must be submitted to their constituents. I have talked to Members of Congress on both sides of the aisle, I talked to the leadership of both the House and the Senate. Time is running short. So I am delighted to have this opportunity of bringing the Governors and Mayors and others together with the Members of the House, the leadership, Democratic as well as Republican, to determine how quickly we can act and what kind of legislation we can expect.

If legislation is not enacted, the Governors as well as the Mayors and others will be faced with making decisions, either they have to increase local taxes or they have to cut back services. It seems to me the better solution is to get an extension of our general revenue sharing legislation which was first enacted in 1972 and under the proposal I made would extend for another five and three-quarter years.

Time is running short. I hope that out of this meeting we can come to some agreement as to what can be done and how quickly it can be done.

MORE

25



I am familiar with the fact that the House Committee on Government Operations has concluded its deliberations and has gotten a rule to proceed next week, I understand it is anticipated -- or I would hope it is anticipated -- it would be on the floor very quickly.

In conclusion, I would simply emphasize the need for action and the kind of action which would extend the present law to the maximum degree, both as to dollars and as to time.

I thank you all for being here.

Mr. Speaker, would you like to make a statement?

SPEAKER ALBERT: We have put it down subject to a rule Wednesday next.

THE PRESIDENT: That would be good.

Bob, would you like to make a statement?

GOVERNOR RAY: Mr. President, I want to, first of all, thank you for honoring our request. The New Coalition is comprised of the groups I mentioned -- the Conference of Mayors, National Conference of State Legislators, the National Association of County Officers, National League of Cities and National Governors Conference.

The people who have been working in this area in these respective organizations asked if it would be possible to meet with you and the leadership of the House because it is of great concern to their membership and the people from these various organizations.

We are greatly concerned about the time and, Mr. Speaker, that is good news for us, and we are also concerned about the period of time that revenue sharing will be continued because one year, for instance, would just create havoc and chaos for us who tried to administer State Government and local Government.

So, these are the two main points that we would like to make and we, of course, are very appreciative of your leadership in this area. But likewise, we had a good meeting with the leadership, the Democratic leadership on the Hill, back in February, and we are most appreciative of that, also.

But that is the purpose of our desire to meet with you and we certainly want to say thank you for giving us the time and discussing with us. If there is any way we can impress upon people the importance of revenue sharing for us who are in our States and in our cities and in our counties, we certainly would like to do that. These people that represent these organizations -- I am sure if we have a few minutes they would like to have an opportunity to be heard.

MORE



THE PRESIDENT: I think it might be helpful to call on the Vice President. In 1972 he was in the forefront of getting the basic legislation enacted and, of course, he is really the only representative of the Senate here today.

Mr. Vice President, would you wish to make any comment?

VICE PRESIDENT ROCKEFELLER: First, I can assure you if it is a tie vote, I will vote favorably.

Secondly, you made most of the points, Mr. President. There are two, I think, which are important. One is, the Federal Government is the large collector of income tax revenues and they are the fast growing revenues. Many States don't have income taxes, and they have real estate taxes and sales taxes which don't grow as rapidly so that the Federal Government has a revenue that is growing more rapidly, and this is one reason.

The other reason is a philosophical one; namely, the concept of a Federal system, Federal, State and local Governments, with the categorical grants.

Now, 1000 local Governments -- that is, State and local Governments -- are losing the kind of flexibility which they have had traditionally to be responsive to their own constituents. They are bound by legislative regulations, administrative regulations on these hundreds and hundreds of programs so that the flexibility is lost.

Revenue sharing gets around that and does give flexibility, which I think is part of our tradition as a form of Government. So, I think it is tremendously important to have this. I think the experiment is extremely useful, and I am delighted with what everyone here is doing to re-enact this legislation.

Thank you.

END (AT 3:10 P.M. EDT)



FOR IMMEDIATE RELEASE

Revenue Sharing
June 10, 1976

Office of the White House Press Secretary

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

I am extremely pleased that the House of Representatives has finally passed a bill to extend the General Revenue Sharing program. While the bill which passed the House does not contain many of my proposals for renewal of this critical domestic program, it does preserve the revenue sharing concept and incorporates certain changes I have proposed. I am hopeful that the Senate will proceed to consider this legislation quickly and will examine my recommendations to improve the program. The re-enactment of this legislation is urgently necessary in order to avoid serious economic and fiscal problems for many states and units of local government.

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Bw Min



OFFICE OF THE SECRETARY OF THE TREASURY
WASHINGTON, D.C. 20226

DIRECTOR
OFFICE OF REVENUE SHARING



Dear Jim,

Just a note to say that not only did I enjoy your remarks today at Senator Perry's luncheon, but heard many appreciative comments on your presentation after you left. Your sincere and honest approach was particularly noticed, and, in my opinion, is so important to the President, whom we represent.

I'm sure that you too find the round of public appearances somewhat heavy and thought you might find some honest feedback heartening!

With kindest regards,

Sincerely,
Joanna

June 14, 1976.

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

June 14, 1976

MEMORANDUM FOR JIM CANNON
FROM PAUL MYER
SUBJECT: Washington Post Story
on GRS Extension

Attached for your information is the text of the Friday, June 11, 1976 Washington Post story on House passage of a General Revenue Sharing bill. The attached is clipped from the Congressional Record. I call your attention to the first sentence of paragraph 4.

Attachment



tween a legally mandated decision of a court and the promulgation of its idea of what the law should be.

Respectfully yours,
MILTON L. WILLIAMS,
President, Harlem Lawyers Association.

GENERAL REVENUE SHARING PROGRAM

HON. JOHN Y. MCCOLLISTER

OF NEBRASKA

IN THE HOUSE OF REPRESENTATIVES

Friday, June 11, 1976

Mr. MCCOLLISTER. Mr. Speaker, I would like to express my delight at the manner in which the House has acted to extend the general revenue-sharing program and to reject amendments which would have converted it into yet another categorical grant program.

As one who traveled the length and breadth of this Nation campaigning for the original enactment of general revenue sharing, I am gratified that the House voted to remove the remaining restrictions on use of revenue sharing funds by local units.

Rejection by the House of the Rosenthal and Fasel amendments represents a vote of confidence in the Nation's Governors and mayors and in the original program itself. Using revenue sharing as a lever to restructure local governments or to provide supplemental unemployment assistance would have clearly converted revenue sharing into just another special categorical grant program. Instead, by resisting these committee amendments, the House has given Governors and mayors the green light to direct this Federal assistance to those programs which in their judgment should get priority funding.

Much has been said and written about the need to promote responsive government. Of late, we are being lectured on the imperative of effective and efficient government as well. One may well argue that Federal programs are responsive to the expressed desires of our people. But the tailoring of governmental response to local priority concerns is uncontestedly superior to broad Federal programs. For this reason, general revenue sharing should be continued and expanded to take advantage of the Federal Government's superior tax collecting capacity and the superior targeting ability of State and local governments.

The impact of House approval of the bill is well assessed by Richard L. Lyons in the Washington Post. I include Mr. Lyons's story at this point in the RECORD:

REVENUE SHARING EXTENSION IS VOTED
(My Richard L. Lyons)

The House yesterday voted an extension of revenue sharing that would hand out \$25 billion over the next 3½ years in no-strings aid to state and local governments.

The bill was sent to the Senate, which is also expected to give it friendly treatment, by a vote of 361 to 35 after the House rejected an attempt to convert the guaranteed payout to an annual appropriation.

The outcome was a victory for the nation's mayors, who had lobbied heavily to continue the long-range funding, and for the administration, which was able to eliminate some provisions it didn't like. It was a

defeat for Democrats who favor aid for specific programs with federal guidelines and who oppose handing out federally raised tax money to be spent by other levels of government with no accountability.

By an earlier vote of 233 to 172 the House cut out of the bill several provisions that President Ford had said would cause him to consider a veto. Stricken were provisions calling for reports from state and local governments on what they were doing to modernize their operations, a change in the allocation formula that would have based allotments in part on the number of families below the poverty line instead of per capita income, a requirement that if any revenue sharing funds are used for construction projects, prevailing wage rates for construction workers must be paid, and part of a toughened anti-discrimination provision.

Civil rights spokesmen said that action left the anti-discrimination section weaker than existing law. The bill provides new procedures to suspend revenue sharing aid to recipients where there is a finding of discrimination. But the section also prohibits any citizen to file a court suit alleging discrimination until he had "exhausted all administrative remedies." Opponents said this language appears in no civil rights law and was not clear.

But before the bill was passed, an amendment was adopted without opposition which provides that a citizen need not spend more than 60 days seeking administrative relief before going to court.

As passed by the House, the bill is an entitlement program. Cities and states are entitled to the \$6.65 billion a year, and Congress may not reduce the amount during the 3½-year life of the program.

Rep. Brock Adams (D-Wash.), chairman of the House Budget Committee, which is trying to regain congressional control over spending, was defeated, 244 to 150, in his efforts to make the amount of aid subject to annual appropriation action by Congress. He would have continued the program as it is for two years, then provide that Congress appropriate the money one year or more in advance.

The mayors lobbied hard to keep the present procedure, saying they needed long-range assurance of the amount of aid they would receive to plan for its intelligent use.

The cities and states wanted the program extended for 5½ years and with more money. The \$6.65 billion a year it provides in grants is the same amount now being handed out. But the bill does not contain the existing law's inflation factor, which has increased the total by \$150 million a year.

John Gunther, executive director of the National Conference of Mayors, issued this statement after the bill passed.

"The key issue was long-range funding. We got it. The only thing we didn't get was more money to cover inflation. We'll work for that in the Senate."

The League of Women Voters said, "House failure to pass legislation which would establish modest but critical reforms in the general revenue sharing program is an abomination. The reforms, sought by the league and others, were designed to make the program more responsive to human needs and to eliminate some of its fiscally irresponsible features."

PERSONAL EXPLANATION

HON. JOHN CONYERS, JR.

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

Friday, June 11, 1976

Mr. CONYERS. Mr. Speaker, because of circumstances beyond my control, I was not able to be present in the Cham-

ber for passage of House Resolution 1260, which permits the Ethics Committee to draw funds directly from the contingency fund for any investigations pending. Had I been present, I would have voted "aye" on House Resolution 1260.

UNITED STATES SHOULD KEEP PROMISE TO WITHDRAW FROM THE ILO

HON. JOSHUA EILBERG

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

Friday, June 11, 1976

Mr. EILBERG. Mr. Speaker, the United States has threatened to withdraw from the International Labor Organization because of that group's policy of getting into issues which have nothing to do with its purpose. This stand, clearly stated by Secretary of State Henry Kissinger, is to be applauded. Since our warnings have not been heeded, we should prove that we mean what we say and begin the steps of withdrawal from the ILO. At this time I enter into the RECORD an editorial from the Philadelphia Inquirer concerning this situation. The newspaper is to be commended for its position:

UNITED STATES SHOULD KEEP PROMISE TO WITHDRAW FROM THE ILO

Last November Secretary of State Henry Kissinger, noting the tendency of the International Labor Organization to "become increasingly and excessively involved in political issues," served formal notice that the U.S. intends to withdraw from the 126-member United Nations agency unless it "returns to its basic principles."

Now that the agency has departed even further from its basic principles, the U.S. should make it clear that it means exactly what it said.

The immediate issue is the decision of the ILO's governing body to admit the Palestine Liberation Organization, a terrorist group, not a government, to an ILO-sponsored conference on world employment.

Earlier, the governing body had decided, by a single vote, to ban the Palestinians from representation at the conference. Then, brushing off the American contention that it was flouting its own rules, the governing body reversed itself, under pressure of Arab governments, other "third world" countries and the Communist bloc.

The reason was clear enough. The Arabs themselves had made it clear that they intended to boycott the conference if they lost on the issue. The ILO plainly took their threats more seriously than it took the American warning.

After the reversal, a PLO spokesman hailed the seating of his organization as "a defeat for Israel and the advocate of Israel, which is the United States." Precisely so. That was the intention.

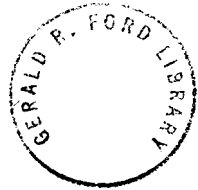
If the Arab countries and their "third world" and Communist supporters want to twist the eagle's feathers, however, there is no reason why the U.S. should sit still for it. Nor is there any reason why the U.S., which puts up one-fourth of the ILO's annual \$50 million budget, should continue paying for the privilege of having the ILO used as an anti-American sounding-board.

For this is not simply a matter of one vote lost. Like other specialized U.N. agencies, the ILO is supposed to be neutral and nonpartisan, dedicated to the improvement of workers' conditions and the advancement of human rights. Yet as Mr. Kissinger pointed out last November, the ILO has shown in recent years

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

June 14, 1976



MEMORANDUM FOR

JIM CANNON

FROM

PAUL MYER

SUBJECT:

General Revenue Sharing
& Countercyclical Assistance

Congress should soon approve the Conference Report on the Public Works-Countercyclical Aid Bill (S. 3201). This legislation is nearly identical to the previous bill vetoed by the President with a slightly reduced price tag (roughly \$4 billion, as compared with \$6 billion). It is likely that the President will veto S. 3201, and we stand a good chance of having the veto once again sustained in the Senate.

If such a veto is sustained, the President should be made aware of the fact that it is likely the countercyclical aid provision will be added to the General Revenue Sharing bill when the Senate considers this legislation in July.

cc: Max Friedersdorf

Call O'Neill -

June 15, 1976

Dear Frank:

Although the Senate Finance Committee will not begin consideration of General Revenue Sharing legislation until after the upcoming Congressional Recess, I have requested the Treasury Department to begin preparation of Administration testimony. As a part of that process, I have asked them to use this opportunity to review major policy issues, particularly those which emerged during House consideration of the bill.

Because of your substantive and legislative experience with this legislation, I believe it is most important that you and other Republican Members of the House Government Operations Committee give us your views and recommendations. I am hopeful that the Senate will agree to our recommended modifications and to the extent we are in agreement, facilitate the eventual Conference.

Thank you for your consideration of this request. I look forward to hearing from you.

Sincerely,

Paul J. Myer
Office of
Congressional Relations

Honorable Frank Horton
House of Representatives
Washington, D. C. 20515



bcc: Max Friedersdorf
Jim Cannon
Charlie Leppert
Dick Allison

THE WHITE HOUSE
WASHINGTON

June 21, 1976

R6
G.E.S

MEMORANDUM FOR

MAX FRIEDERSDORF
JIM CANNON

FROM

PAUL MYER

SUBJECT:

General Revenue Sharing --
Treasury Analysis of
H. R. 13367

Attached for your information is a copy of
an analysis on the House-passed General
Revenue Sharing bill (H. R. 13367) prepared
by the Treasury Department.

Attachment



JUN 23 1976



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

June 17, 1976

MEMORANDUM FOR: Mr. Richard R. Albrecht
FROM: Kent A. Peterson *K.A.P.*
SUBJECT: H.R. 13367, General Revenue
Sharing Bill Passed by the
House of Representatives,
June 10, 1976.



I. Funding Level

- A. \$24,937,500,000 to be distributed Jan. 1, 1977 through September 30, 1980.
- B. \$17,925,000 provided for non-contiguous States adjustment amounts.

II. Funding Mechanism

3 3/4 year entitlement. (Appropriations Committee's annual authority limited to adjustments between funding levels of legislative committee and budget resolution).

III. Annual Increment

No increment as currently. Funds are frozen at the 1976 level of \$6.65 billion. (July-Dec. 1976 appropriation annualized).

IV. Eligibility

To participate local governments must:

- (1) Be defined as a unit of general purpose government by the Census Bureau or be a recognized government of an Indian tribe or Alaskan native village. (Extent of current standard).
- (2) Impose taxes or receive intergovernmental transfer payments. A tax collected by another government from a government's geographic area and the net proceeds of which are returned to a government are deemed to be imposed by the government to which the proceeds are returned.
- (3) Provide "substantially" for at least 2 of the following services for its citizens: police protection, courts and corrections, fire protection, health services, social services for poor and aged, public recreation, public libraries, zoning or land use planning, sewerage disposal or water supply, solid waste disposal, pollution abatement, roads or street construction and maintenance, mass transportation, and education.
- (4) Spend at least 10% of their total expenditures for each of two of the services (exclusive of general and financial administration and for property assessment) or provide for four of them in the most recent fiscal year.

The 10% requirement does not apply if a unit has been and continues to perform two or more services since January 1, 1976.

V. Formula Provisions

- A. Annual amounts up to \$6.5 billion distributed as currently:

- (1) Allocated by 2 interstate formulas, one based on population, per capita income, and tax effort, the other on these factors plus state income tax collections and urbanized population. Allocations within state are based on population, per capita income, and tax effort.
- (2) States receive 1/3 of funds distributed, local governments 2/3.
- (3) Sets maximum entitlement to local governments at 145% of the average Statewide per capita amount.
- (4) Sets minimum entitlement to local governments at 20% of the average Statewide per capita entitlement.
- (5) No local government to receive GRS in excess of 50% of its own source non-school revenues plus intergovernmental transfers.
- (6) Any general purpose government due to receive less than \$200 annually will not participate in the program.



VI. Citizen Participation and Public Hearings (a new set of requirements)

A. Pre-Report Hearing:

Recipient governments must hold public hearings on the Proposed Use Reports at least 7 days before submission of a report to ORS. The Secretary may waive the hearing in accordance with regulations if it would be unreasonably burdensome in relation to funds to be received.

B. Pre-Budget Hearing:

Recipient governments must hold a second hearing, at least 7 days before adoption of their budgets. These hearings will deal with proposed use of GRS funds in relation to the entire budget. Citizens will have the opportunity to provide oral and written comment and have questions answered on GRS use and the entire budget.

The Secretary may waive requirement in accordance with regulations or if processes are already in place which assure the opportunity for participation as contemplated here and include a hearing on proposed use of GRS funds in relation to the entire budget.

- C. "Adequate notice" of both hearings is required and notice of pre-budget hearings must be 30 days prior to the hearing which must be at a place and time that "permits and encourages" citizen participation.
- D. Allocation of GRS monies must be in accordance with State and local law as currently.
- E. Any hearing required must provide senior citizens and their organizations an opportunity to be heard prior to the allocation of funds.

VII. Reporting and Publicity Requirements

- A. Current Planned Use Reports are renamed Proposed Use Reports and expanded to include comparison of the expenditure or obligation of GRS funds to be received during the current entitlement period with the use of funds during the two previous entitlement periods. Recipients must compare these past, current and proposed uses to items in the official budget. Proposed Use Reports are also expanded to specify whether the proposed uses are for a new or expanded program, a continuation of an activity, or for tax stabilization or reduction. The Secretary determines the form, detail, and time of submission prior to the beginning of an entitlement period.
- B. Thirty days before the pre-budget hearing the government must publish in a general circulation newspaper and make available to the public, its Proposed Use Report and a summary of its budget. The official budget must "specify with particularity" those items funded in whole or part with shared revenues. The budget must be made available for inspection.

- C. Actual Use Reports must be filed with ORS and be made available to the public. These reports are expanded over current Actual Use Reports to require an explanation of any differences between proposed and actual uses and with particularity the relation of GRS uses to budget items. As with Proposed Use Reports, reporting is related to entitlement periods rather than fiscal years of recipients.
- D. Within thirty days after adoption of its budget, a recipient must publish in a general circulation newspaper and make available to the public a narrative of the budget. This narrative must relate budget items and GRS use and explain changes from the proposed budget.
- E. Budgets and budget summaries and Proposed Use Reports must be available at the principal government offices and libraries.
- F. Publication requirements may be waived in whole or part in accordance with regulations of the Secretary where they are unreasonably burdensome relative to funds made available under GRS or where publication would be impractical. The 30-day requirement for publication and availability of Proposed Use Reports and budget material may be modified to the minimum degree necessary to comply with State and local law if the Secretary is satisfied there will be adequate notification.
- G. Local Proposed and Actual Use Reports to be provided to Governors by the Secretary.
- H. The Proposed Use Report to be submitted by governments in metropolitan areas to areawide organizations at the time of publication.
- I. Committee report language states that the Secretary should take into account governments' budget cycles in drafting regulations to carry out participation, reporting, and publicity requirements.

VIII. Anti-Discrimination Provisions

- A. Discrimination prohibited on the basis of handicapped status, age and religion in addition to race, color, sex, and national origin (as currently) under all State and local programs except where a recipient can prove "by clear and convincing evidence" that the program was not funded in whole or part, directly or indirectly, with GRS monies. (Handicapped aspect applies to construction begun on January 1, 1977).
- B. Extensive hearing and compliance procedures are spelled out including:
 - (1) 10 days for the Secretary to notify a recipient (and Governor) of non-compliance when there has been receipt of notice of a finding, after notice and opportunity for hearing (except in the case of a finding by the Secretary), by a Federal or State court, by a Federal or State administrative agency, or by the Secretary (after opportunity to submit documentary evidence).
 - (2) Voluntary agreements to be signed by the Secretary, the Governor, and the chief executive officer of a locality and provided prior to effectiveness to complainants.
 - (3) Semiannual compliance reports to be filed with the Secretary and the Attorney General.
 - (4) 15 day period after receipt of compliance reports in which the Secretary is to supply complainants with copies of compliance reports.

- (5) Suspension of payments 90 days after notification of the finding if compliance is not achieved, or as a result of a civil suit by the Attorney General alleging discrimination in violation of the GRS Act in any activity of a recipient.
- (a) Recipients may request a preliminary hearing within 90 days of notification, which if findings are favorable to the recipient may delay suspension of funds resulting from a determination by the Secretary for up to 210 days after notice or until the determination of a hearing on the merits is made (within 30 days after conclusion of such hearing.)
 - (b) Suspension as the result of a civil suit by the Attorney General may be the subject of preliminary relief by the court within 45 days after filing of the case.
- (6) Recipients may request a hearing on the merits at any time after notice but within 120 days after suspension, to be initiated in 30 days. The Secretary may also initiate such a hearing if the preliminary hearing resulted in a finding favorable to the recipient.
- (7) Within 30 days after conclusion of such hearing, or in the absence of a hearing, within 210 days after notice of noncompliance, the Secretary shall make a finding of compliance or noncompliance. In case of a finding of noncompliance, he shall notify the Attorney General, terminate funds, and if appropriate, seek repayment. In case of a finding of compliance, payment of suspended funds will resume.



- (a) Suspended funds are paid only if a recipient enters into a compliance agreement, a recipient complies fully with a Federal or State court order (covering all matters raised in the original notice), or the Secretary finds compliance as a result of a hearing on the merits.
 - (b) Recipients have access to judicial review of a final determination of the Secretary.
 - (8) The Secretary is directed to enter into agreements with Federal and State agencies and promulgate regulations establishing reasonable time limits for compliance actions by Treasury and cooperating agencies.
- C. The Attorney General, as presently, has independent authority to bring civil suits when he has reason to believe recipients are engaging in patterns or practices of discrimination.
- D. Private suits are authorized upon the exhaustion of administrative remedies. Administrative remedies are deemed exhausted 60 days after the filing of a complaint with ORS or another agency unless within this period there has been a determination on the merits in which case remedies are deemed exhausted when the determination becomes final. The Attorney General may intervene in these suits.

IX. Matching Prohibition

Current prohibition against use of GRS funds to match other Federal funds is eliminated.

X. Davis-Bacon

Prevailing wage requirement is applied as currently to projects where 25% or more of funds are derived from GRS.

XI. Priority Categories

Present requirement restricting local use of GRS for operating and maintenance purposes to 8 expenditure categories is eliminated.

XII. Congressional Review

- A. The Secretary of the Treasury must make an annual report to Congress on January 15 (March 1 currently) which includes in addition to current items the following: efforts to obtain civil rights compliance, extent of citizen participation, compliance with auditing and accounting requirements, use of funds, administrative problems with recommended solutions, and State and local modernization.
- B. The Comptroller General may review operations and compliance as currently.

XIII. State Maintenance of Effort

Current requirement that States maintain level of fund transfers to localities as of FY 1972 is updated to FY 1976.

XIV. Auditing Requirements

Current requirement that governments must follow standard fiscal, accounting and auditing standards is broadened to require

of each recipient an annual independent audit of its financial accounts in accordance with generally accepted auditing standards.

The Secretary may provide regulations to accomplish this, however, he may provide for less formal or frequent reviews to assure that they are not unreasonably burdensome in relation to GRS entitlements. These regulations will also provide for the availability of audit documents to the public.

XV. Anti-lobbying Provision

The House bill adds a prohibition against direct or indirect use of GRS monies for "lobbying or other activities intended to influence any legislation regarding the provisions of the Act". Dues of national or State associations exempted. The Committee Report suggests that compliance be certified on use reports.

XVI. Dates of Effectiveness

Close of December 31, 1976 except funding section on enactment, and eligibility section on the close of September 30, 1977.

Sent 7/7

Revenue Sharing

THE WHITE HOUSE
WASHINGTON

July 6, 1976

TO: JACK MARSH

FROM: JIM CANNON

Were you aware of this Revenue
Sharing problem in four Virginia
Counties?



THE WHITE HOUSE

WASHINGTON

June 21, 1976

MEMORANDUM FOR

JIM CANNON

FROM

PAUL MYER

SUBJECT:

General Revenue Sharing
and Virginia Counties

Attached for your information and review is a memorandum from the Department of the Treasury regarding a significant development which will affect the General Revenue Sharing allocation for Virginia counties.

In brief, four counties in Virginia will (1) be required to repay to the Treasury over \$3 million and (2) have their revenue sharing entitlements adjusted downward.

You will note that Fairfax County is the largest unit affected.

The memorandum provides considerable detail and background on this situation. The Secretary's decision to require repayment will probably be announced toward the end of this week.

I have asked Treasury to review this general problem and recommend possible legislative or administrative changes.

cc: Jim Cavanaugh
Steve McConahey

Attachment



Date:

MEMORANDUM FOR: Paul Myer

From:

Joe Adams *JA*

Subject:

Adjustment of Virginia Counties' Revenue Sharing Entitlements

This is in response to your memorandum of June 14th to Dick Albrecht requesting information about revenue sharing adjustments to be made to the entitlements of four Virginia counties. The counties involved and their negative adjustments are as follows:

Chesterfield	\$ 433,908
Dinwiddie	95,846
Fairfax	2,799,248
Madison	9,477
Total	<u>3,338,479</u>



Our plan is to have Under Secretary Thomas and Jeanna Tully meet personally with the supervisors of Fairfax County to explain what has happened and to propose that the required repayment of the funds involved be spread over the next four years. We will make a similar proposal by telephone to the officials of the other three counties.

This matter has been given careful consideration and the decisions to require repayment and to proceed in this way have been approved by Secretary Simon. We recognize that the impact on Fairfax county will be particularly severe. It has been reduced from an annual allocation of \$6.7 million to \$5.8 million as a result of the new method of allocation. To require it to repay \$2.8 million from past years is the equivalent of taking away half of one year's entitlement. We know from local publicity that Fairfax County is already experiencing great difficulty in balancing its budget for next year. The appropriate solution for that problem is clearly to spread out the required repayment over the next four years to ease the impact.

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



The background of this matter is rather complex. Virginia is one of eight States in the nation in which funds for education are raised and appropriated by general purpose governments rather than by independent school districts. Early in the program, a dispute arose between certain Virginia counties and the Office of Revenue Sharing as to the proper method of calculating what portion of their revenues were attributable to education.

Of the 95 counties in Virginia, 20 utilize an accounting method for allocating funds to education that has never been in dispute. The remaining 75 counties have a different accounting system, one which ORS found did not properly reflect the amount of tax dollars going to education. Accordingly, ORS and Census required that a special method of calculating tax effort be used for those counties.

ORS regulations provide that a protest must be filed within two years of an allocation, otherwise the allocation becomes final. Fifty-one of the 75 counties filed a protest against the method applied by ORS to determine their non-school tax effort. ORS and the complaining counties were unable to reach agreement, and 25 of those counties then filed suit against ORS. After a number of pre-trial conferences, agreement was reached on a method of apportioning the plaintiffs' school and non-school taxes.

After the settlement was agreed to, four of the plaintiff counties discovered they would lose rather than gain by use of the new method, and they voluntarily removed themselves from the case. The court approved dismissal of the four counties from the suit without prejudice to the right of ORS to seek repayment of overpayments to them.

The court approved the settlement with the other 21 counties and payments are being made to them for all "open" years. The new method of allocation is now being used for all Virginia counties.

The question presented was whether ORS should seek to recover overpayments in prior years from the four counties who dropped out of the lawsuit.

It is the opinion of the General Counsel of the Treasury and of the Chief Counsel of the Office of Revenue Sharing, that ORS is required to seek repayment of these amounts. The last sentence of Section 102 of the Revenue Sharing Act reads:

Proper adjustments shall be made in the amount of any payment to a State government or a unit of local government to the extent that the payments previously made to such government under this subtitle were in excess of or less than the amounts required to be paid. (Emphasis added)

Revenue sharing regulations implementing this requirement provide for adjustments through alteration to entitlements for future entitlement periods. Where this is a substantial downward adjustment, the Secretary may demand immediate repayment to the Trust Fund of overpaid entitlements.

I want to review the letters of explanation to the counties which ORS is now preparing before meeting with Fairfax officials and calling the other officials. It now appears that the meeting and calls can take place toward the end of next week. We think it is desirable to get the full story out at once and put our offer to spread out repayment on the table (and in the press) at the outset.

The Bethlehem situation has been satisfactorily resolved by an agreement to stretch out the repayment by taking deductions out of Bethlehem's next three entitlement periods. This worked out to roughly 11% cut per payment. Bethlehem officials are pleased with this solution.

If you have any questions about these matters please contact me.

cc: Mr. Albrecht

