The original documents are located in Box 31, folder "Revenue Sharing (14)" of the James M. Cannon Files at the Gerald R. Ford Presidential Library.

rev. chair
f. [Sept. 1976]

TITLE II - ANTIRECESSIONARY GRANTS

This title authorizes a program of emergency support grants to state and local governments to coordinate state and local budget related actions with federal economic recovery efforts. Funds are to be used to maintain basic services and not for the acquisition of supplies and materials or for construction unless this is necessary to maintain basic services.

Funds Authorized

For each of five quarters, beginning July 1, 1976, the title authorizes $125 million, plus $62.5 million for each one-half percentage point over six percent national unemployment. Based on the current unemployment rate (7.8 percent) an estimate for the total 5-quarter period is $1.25 billion (which is the maximum authorized). No funds would be authorized for any calendar quarter during which the national unemployment rate averaged under six percent or for any quarter in which the last month's unemployment rate was below six percent.

Allocation

One-third for states, two-thirds for general purpose local governments (that perform "substantial" governmental functions). In order to get funds, a state or local government must have both of the following conditions:

(a) An average unemployment rate of at least 4.5 percent for the quarter that ended three months before the quarter in which payment is to be made.

(b) An unemployment rate exceeding 4.5 percent for the last month of the quarter that ended three months before the quarter in which payment is to be made.

In other words, if a city expects a countercyclical payment during the third quarter of 1976, starting July 1 its average unemployment rate for the first quarter of 1976 must be at least 4.5 percent and its March unemployment rate must exceed 4.5 percent.

States: Formula based on excess unemployment rate (current unemployment rate minus 4-1/2 percent) and state revenue sharing payment for the year beginning July 1, 1975.

Local Governments: Local governments for which the Labor Department determines unemployment rates under Titles II or VI of CETA (most cities over 50,000) will get funds directly from Treasury under a formula based on local excess unemployment rate (rate minus 4-1/2 percent) and local revenue sharing payment for the year starting July 1, 1975.

All other (balance of state) local governments will receive funds by one of two methods:

(1) A balance of state allocation plan that is submitted by the state under Treasury rules; approved by the Treasury; consistent with the allocation formula for the larger (CETA) localities; developed in consultation with local officials in the state; and approved by the state legislature (or governor, if the legislature is not in session). This alternative formula must be submitted to the Treasury within 30 days after the effective date of the regulations.

(2) Direct allocation by the Treasury under a formula based on (a) the individual jurisdiction's revenue sharing payment for the year beginning July 1, 1975, and (b) the balance of state average excess unemployment rate. The potential inequity in this situation is great. Once the state balance is established cities below 50,000 will receive an allocation proportional to their revenue sharing payments, regardless of their individual unemployment rates.

NOTE: The secretary of Treasury does have the discretionary authority to accept unemployment data which is certified by the Secretary of Labor for smaller units of governments. Cities below 50,000 should immediately contact the Governor's Office to find out if the state collects unemployment data for their jurisdiction. The Labor Department indicates that many states collect small area unemployment data, but that it is seldom sent to Washington.

Eligibility and Participation in the Program

It is estimated that more than 25,000 local units of government are eligible for countercyclical assistance. As soon as an appropriation has been obtained, every revenue sharing recipient will automatically receive a notification of "potential eligibility form" along with an "assurance form" (see below). Every local government should immediately return the forms. The Office of Revenue Sharing will then determine which governments are eligible and will make the first official allocation run on the computers.

The assurance form required from each state or local government under rules developed by the Treasury Department must include the following:

- Assurance that the funds will be used for the maintenance of public employment and basic service levels;
- Assurance that proper fiscal control and accounting procedures will be used for funds granted under this title;
- Assurance that "reasonable reports" will be provided to the Secretary of the Treasury containing such information as the Secretary may deem necessary. Such reports must be published in a newspaper of general circulation.
- Assurance that non-discrimination and Davis-Bacon requirements will be adhered to.
- Assurance that any tax increases or decreases and substantial reductions in public employment or services will be reported to the Treasury Department within six months.

- Assurance that funds will be spent within six months. Treasury indicates the definition of "spent" will be synonymous with the actual dispersal of the funds unlike revenue sharing. To appropriate or obligate the funds will not meet the spending requirement.

Administration and Promulgation of Regulations

The Office of Revenue Sharing within the Treasury Department will administer the program. Regulations will not be published until after the appropriations bill has become law.

Payments of Funds

The Office of Revenue Sharing anticipates that the first checks cannot be mailed until seven weeks after the appropriations bill becomes law. Assuming that the appropriations will be securred by mid/late September, the first checks would be mailed sometime after the first of November. This initial payment will be for two quarters since the program is retroactive to July 1, 1976.

Comment

Local officials should keep in mind that fluctuations in the total amount of funds and individual government entitlements are likely over the 5-quarter period as a result of changes in national, state and local unemployment rates. The $1.25 billion estimate, for example, is based on a national rate of at least 7 percent for the 5-quarter period beginning July 1, 1976. If the national rate falls below 7 percent, the total amount available for distribution per quarter will change from $250 million to $187.5 million. In addition, local allocations will be recomputed every quarter in order to reflect more current unemployment data. The degree of fluctuations to occur cannot be predicted at this time.

THE WHITE HOUSE

WASHINGTON

September 1, 1976

R-5

MEMORANDUM FOR MAX FRIEDERSDORF
JIM CANNON

FROM PAUL MYER

SUBJECT: Cost of Senate Finance Committee General Revenue Sharing Renewal Bill

My earlier memorandum to you on the Senate Finance Committee's bill to revise and extend the General Revenue Sharing program included a cost estimate of $41.61 billion for the 5 3/4-year period, January 1, 1977-September 30, 1982. This estimate was based upon the Committee's apparent decision to fund General Revenue Sharing at a level of $6.9 billion for the 9months of FY77 for which funds are not appropriated in the current Act. However, the Committee staff is of the opinion that the Committee decision reflected a cost of $6.9 billion for FY77. Based upon this interpretation, the total cost of the program would be $41.988 billion, an increase of $378 million above my previously reported calculation.

This matter will be resolved in the drafting and review of the actual statutory language.

Based upon the higher figure, the comparison of projected outlays between the Administration proposal and the Committee bill is as follows:

	Administration Proposal	Committee Bill
FY77	$ 6,537,500,000	$ 6,900,000,000
FY78	6,687,500,000	7,050,000,000
FY79	6,837,500,000	7,200,000,000
FY80	6,987,500,000	7,350,000,000
FY81	7,137,500,000	7,500,000,000
FY82	7,287,500,000	7,650,000,000

An important factor in resolving the actual level of funding in the bill will be Congressional action on the 2nd Budget Resolution which, as reported in both the House and Senate, contains a figure of $6.65 billion, or the House-passed figure.

Under the entitlement financing procedures of the Congressional Budget Act, the bill should be referred to Senate Appropriations since the 1st Budget Resolution provides only $6.542 billion for General Revenue Sharing in FY77. You may recall that this is the procedure we followed in the House. This matter has not yet been given any serious consideration and the highly technical, but sensitive in terms of Senate politics, issue must be worked out between Senators Long, Muskie and McClellan.

It is my opinion that even if the Senate goes along with the $6.9 billion figure for FY77, the House conferees, given the view of Brooks, Adams and Mahon, would never agree to that amount. It is likely that the Senate will yield to the House if the annual increment of $150 million for subsequent years were preserved. This compromise would be most satisfactory in relation to the President's legislative and budgetary recommendations for General Revenue Sharing renewal.

THE WHITE HOUSE
WASHINGTON

Paul
Thanks
Jim

JIM:

I apologize for the length of the attached memorandum. Simply, we have a potential problem which could delay Senate consideration of the General Revenue Sharing renewal bill. The document explains the technical and political aspects involved. Matters could be complicated further by White House signals. Max is aware of the problem.

Paul

R10
Revenue Sharing

THE WHITE HOUSE

WASHINGTON

September 2, 1976

MEMORANDUM FOR MAX FRIEDERSDORF
JIM CANNON

FROM PAUL MYER

SUBJECT: Senate Consideration of General Revenue Sharing Legislation

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

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

I. FUNDING LEVEL

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

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

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

* * * *

ACTION REQUIRED

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

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

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

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

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

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

II. FUNDING MECHANISM

The Senate Finance Committee bill retains the House-passed entitlement financing provision.

This provision would continue long-term financing for General Revenue Sharing and is in accordance with the Congressional Budget Act. Under the entitlement financing provisions of the Budget Act, entitlement legislation is referred to the Appropriations Committees if it would generate entitlement authority in excess of the allocation made under the latest Congressional Budget Resolution. The legislation is referred for no more than 15 days with the Appropriations Committee automatically discharged from consideration if it has not reported during this period. The Appropriations Committee may report the legislation with an amendment limiting the total amount of new entitlement authority; however, their jurisdiction extends only to the cost of the program involved and not to substantive changes.

When this legislation was considered in the House, the Government Operations Committee bill was referred to the House Appropriations Committee under these provisions since the bill proposed entitlement authority in excess of the amount allocated in the First Budget Resolution. As you know, the House Appropriations Committee reported the bill without amendment within three days.

Pending the resolution of the funding level issue discussed above, the Finance Committee bill may therefore be subject to referral under the entitlement financing procedures of the Budget Act.

Senator Long, however, may not be inclined to allow referral of this legislation to the Appropriations Committee. He is giving serious consideration to exercising an exception contained in the Budget Act which would waive referral to the Appropriations Committee. Specifically, Section 401 (d)(2) of the Budget Act provides that the entitlement financing procedures with respect to referral "shall not apply to new spending authority which is an amendment to or extension of the State and Local Fiscal Assistance Act of 1972, or a continuation of the program of fiscal assistance to State and local governments provided by that Act, to the extent so provided in the bill or resolution providing such authority."

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

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

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

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

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

THE WHITE HOUSE

WASHINGTON

September 2, 1976

MEMORANDUM FOR JIM CANNON

FROM PAUL MYER

SUBJECT: Prospective Signing Ceremony for General Revenue Sharing Bill

I believe the legislation to revise and extend the General Revenue Sharing program has progressed along far enough for us to consider a prospective Presidential signing ceremony. It would appear the period of September 27-October 9 is a likely window.

You may recall the original enactment was signed by President Nixon with great ceremony in Philadelphia with a Bicentennial-type backdrop. It was a good political event.

Among the options we have is to hold the signing ceremony in a large urban area (New York, Detroit or Los Angeles would be suitable). My thinking is that such an event might help strengthen the President's urban credentials, particularly if the rhetoric was keyed to the hard fiscal and economic realities facing State and local governments and the President's commitment to less Federal interference in community affairs. At the same time, the strengthened civil rights aspect of the renewal bill could also be used to his advantage.

I have discussed this matter briefly with Steve McConahey. You may wish to take it further at the appropriate time.

cc: Max Friedersdorf

Paul

Need specific suggestion ~~sugg~~ ~~place~~ for a place.

Jim

File

THE WHITE HOUSE

WASHINGTON

September 8, 1976

MEMORANDUM FOR JIM CANNON

FROM: PAUL MYER

SUBJECT: Administration Position on Senate Finance Committee GRS Renewal Bill

In addition to the other steps I have taken in response to the President's concern, the following statement has been given to OMB's legislative staff for their routine circulation of Administration views on pending legislation:

> The Administration supports the General Revenue Sharing bill reported by the Senate Finance Committee. The legislative provisions of the Committee bill delete or modify the objectionable features of the House-passed bill and closely tracks the President's recommendations for renewal of this program. The Administration does object, however, to the proposed FY 77 funding level of \$6.9 billion contained in the Committee bill. This amount exceeds the Administration budget request by \$363 million.

Long today went with \$6.65 B.
Stair-step increase was also
modified to be \$200 M.
from \$150

file

THE WHITE HOUSE

WASHINGTON

September 10, 1976

MEMORANDUM FOR MAX FRIEDERSDORF
JIM CANNON

FROM PAUL MYER

SUBJECT: Status Report -- Senate Consideration of General Revenue Sharing Bill

The Senate will consider the General Revenue Sharing bill next Monday or Tuesday, the week of September 13. This unfortunate delay is the result of the protracted tax conference and a Democratic Senator exercising the so-called "three day rule". While the Senator or his reason for using this Senatorial privilege has not been identified, I believe it may be Senator Gravel (D-Alaska), who is attempting to gain support for two civil rights amendments that he apparently plans to offer (i.e. addition of nondiscrimination prohibitions on grounds of religion, age and handicapped status; provide for the payment of attorneys fees).

As you know, a potential floor fight between the Finance and Budget Committees over the funding level issue was negated when Senator Long earlier this week agreed to offer a floor amendment to revise the FY77 amount in accordance with the Budget Resolution. Specifically, the Committee bill will be modified to provide entitlement payments of $6.65 billion in FY77 (as opposed to $6.9 billion) and increased thereafter by $200 million per year (as opposed to $150 million). This would also reduce the total cost of the program by $750 million.

09012

	Committee Bill	Anticipated Long Amendment
	(in billions)	
FY77*	$ 6.90	$ 6.65
FY78	7.05	6.85
FY79	7.20	7.05
FY80	7.35	7.25
FY81	7.50	7.45
FY82	7.65	7.65
TOTAL	$ 43.65	$ 42.90

(*includes $1,662. million in existing authority)

A number of Senators are preparing various floor amendments to modify certain aspects of the Committee bill. None of the known amendments are considered serious threats. However, the additional time available may lead to more floor amendments than anticipated.

In addition, we may face the problem of certain non-germane amendments. Since we are late in this session and General Revenue Sharing is considered "must sign" legislation, Senators may attempt to use this bill as a "Christmas tree". For example, Senator Taft is considering an OSHA amendment which has been bottled up in the Senate Labor Committee. It is conceivable that other Senators may avail themselves of the opportunity this bill presents.

My major concern is that the Senate may spend more time on this legislation than is necessary or desirable given the tight time circumstances we face and the nature of the prospective House conferees.

The adoption of amendments would greatly complicate the conference. I am working with Senator Long, the Finance Committee staff, and representatives of State and local government to limit the number and nature of amendments which might be offered next week. Since the funding issue has been favorably resolved in accordance with the President's policy, we are in a position to fully support the Committee bill.

Rev Shrg F

THE WHITE HOUSE

WASHINGTON

September 10, 1976

Paul — what would you think of my writing Business Week a letter.

MEMORANDUM FOR JIM CANNON

Paul

FROM PAUL MYER

SUBJECT: Business Week Report on President's General Revenue Sharing Position

The September 20, 1976 Business Week contains a report on campaign issues which does a disservice to the President's General Revenue Sharing policy (page 86). While the one sentence description is accurate, it might be subject to misinterpretation when viewed in the context of the revenue sharing section which reflects little understanding of current law.

Attachment
cc: Art Quern

with two others in the Labor and Justice departments.

Ford's task force may also recommend altering the benefit formulas of block grant programs to put more weight on poverty and other social problems. This would give older, needier cities a better break than at present.

Carter's task force on urban policy is headed by Julius Edelstein, dean for urban policy and programs at City University of New York, and one on land use, housing, and community development by Charles M. Haar, a former assistant secretary for metropolitan development at HUD. These task forces, as well as other experts, are hammering out a dozen or so papers on a wide range of urban issues, everything from land use to urban-suburban relationships to reorganizing HUD. These papers, of course, could generate new Carter positions. But a Carter aide says bluntly, "We've had a lot of 1960 suggestions coming in, and we're not going to go that way. There is no Hubert Humphrey Marshall Plan for the cities in the cards at the moment." What Carter wants, says this aide, are program options with political and economic costs clearly spelled out.

Against this background, the salient proposals from Ford and Carter on issues that affect the cities are these:

HOUSING. Carter wants to return to the production subsidies that Nixon and Ford discarded. His aim is "to fulfill our national commitment to build 2.5 million housing units a year." He plans direct federal subsidies and low-interest loans for low- and middle-income housing. Further, he proposes expansion of housing programs for the elderly; "greatly increased emphasis" on rehabilitation of existing housing, using it as a way to create jobs in the cities; "greater effort" to direct more mortgage money into private housing; "more attention" to the role of local communities; and outlawing redlining.

Ford, far from proposing production subsidies, is seeking ways to shift the housing assistance programs into block grants consolidated with community renewal grants.

WELFARE. Carter labels welfare reform "the single most important action we could take" toward helping the urban poor. He wants a uniform national program of benefits, with strong work incentives for the employable poor and income supplements for the working poor, who would not be penalized for working by having benefits reduced. Except for mothers with preschool children, anyone able to work who refused a job or training would be denied benefits. Cities would be relieved gradually of all welfare payments. City officials would applaud this, of course, but a recent study by the Urban Institute in Washington, D. C., points out that with the notable exception of New York City "the bulk of welfare expenditures have already been transferred to either the state or federal level."

The Republican platform opposes "federalizing" welfare. But if elected, Ford will offer a welfare reform plan to consolidate some existing welfare payments and institute new work requirements to cut welfare eligibility.

REVENUE SHARING. Carter wants a five-year extension of the present program, which is funded at something above $6 billion a year, with an escalator clause for inflation, and changes to permit cities to use the funds for health, education, and social services. Payments would go directly to localities rather than to states for pass-through. He plans to "study" the program to see if benefit formulas should be changed to give needier areas more money. Carter also will consider creating a new agency to help localities sell their securities.

Ford favors extending revenue sharing, plus annual increments for inflation, and would consider formula changes to provide more help to needier localities.

MASS TRANSIT. Carter intends to make more money from the Highway Trust Fund available for public mass transportation, and he will study whether it is feasible to create a total transportation fund for all modes of transportation. Ford's position is similar. Transportation Secretary William T. Coleman Jr. recently increased aid to city mass transit, though the Ford Administration has spent little from the highway fund on such transit. In using mass transit funds, Ford wants to retain the 50-50 balance between operating subsidies and capital projects; Carter favors spending "greater amounts" on operations.

Carter also calls his jobs program (page 77) a vital element of his urban policy. Both he and Ford say they will deal strongly with urban crime.

The two candidates offer some help to the poor living in cities and to hard-pressed city officials. But measured against broader urban problems, neither goes very far.

The root problem of cities today is that they are losing their attractiveness to that part of society that can support them: the middle class and business. Restoring the cities to self-sufficiency means enabling them to compete with the suburbs for those groups and their resources. Nobody knows just how to do this, except that it would require federal, state, and local efforts, as well as large investment, the kind of investment that has reproduced pieces of the city, including whole business districts, in the suburbs over the past several decades. Neither Carter nor Ford is talking about such investment. Anything less is not likely to make much difference to cities as centers of business, social, and cultural life. ■

FOREIGN ECONOMIC POLICY: Living with an aggressive Third World

In international economic affairs, Ford and Carter differ more in style and emphasis than in the specifics of their policies. Both favor liberal trade and the system of floating currencies—with adequate safeguards against cheating. Both see a potential need for arrangements to bail industrial countries out of financial crises such as those that hit Italy and Britain, although Carter has not commented on the Ford-Kissinger scheme for a $25 billion financial "safety net" that is currently hung up in Congress.

The contrasts between the two men show up most clearly in their approach to economic relations with the Third World. The Ford and Nixon Administrations, according to Carter, have concentrated too much on big-power diplomacy while neglecting potentially explosive "North-South" confrontations. Carter is basically more sympathetic than Ford to poor countries' clamor for a "new international economic order." But even in this area, differences between the candidates lie more in the strength of their commitment to specific objectives than in their overall approach.

Commodity agreements. A case in point is U. S. participation in international commodity agreements. Carter says the U. S. should join schemes for such products as tin, coffee, and sugar. He implies that Ford, by contrast, is cool toward commodity agreements. But, in fact, Ford has already won Senate approval for U. S. participation in coffee and wheat accords, and he seems assured of favorable Senate action on tin.

The difference, Carter aides maintain, is that the Democratic candidate would push harder for progress on such accords. Ford, they claim, has allowed Treasury Secretary William E. Simon and Alan Greenspan, chairman of the Council of Economic Advisers, to sabotage Secretary of State Henry Kissinger's initiatives on commodities.

A similar picture emerges on the issue of foreign aid. Carter blames Ford for a $500 million shortfall in appropriations for U. S. contributions, under international agreements, to agencies such as the Inter-American Development Bank. The fact of the matter, however, is that the Democratic Congress balked at Ford's requests for funds. Still, Carter aides charge, with some justice, that the Ford Administration made only languid efforts to defend its aid requests.

An even more basic difference with Ford shows up in Carter's populist and

Revenue Sharing

THE WHITE HOUSE

WASHINGTON

September 14, 1976

MEMORANDUM FOR MAX FRIEDERSDORF
JIM CANNON

FROM PAUL MYER Paul

SUBJECT: Proposed Presidential Statement on Senate Adoption of General Revenue Sharing Legislation

I anticipate the Senate will complete action on the General Revenue Sharing bill early this afternoon. Beyond the three civil rights amendments adopted on the floor (none of which present major problems), the Committee bill will be approved with minor changes. This action represents a major endorsement of the President's own legislative recommendations for renewal.

Attached for your review is a proposed Presidential statement upon Senate adoption of this legislation.

I will be reachable on the Hill.

Attachment

approved by JMC - phoned approval to Melinda 9/15 10:40 kb

PROPOSED STATEMENT BY THE PRESIDENT UPON SENATE ADOPTION OF LEGISLATION TO REVISE AND EXTEND THE GENERAL REVENUE SHARING PROGRAM

I am extremely pleased that the Senate has today overwhelmingly adopted legislation to extend the General Revenue Sharing program. The Senate bill closely tracts my legislative recommendations for renewal of this important domestic program.

Continuation of this program, which provides substantial assistance to State and local governments remains, however, one of the major unfinished items of business on the Congressional agenda.

I urge the Democratic leadership in the House to take responsible and responsive action to convene an immediate conference on this bill. They have sought to portray themselves as friends of our Nation's cities. Their record on this legislation stands in marked contrast to their rhetoric. In delaying action on this bill for over one year, they have jeopardized the fiscal and economic stability of our cities. I hope the Democratic Congress will demonstrate its commitment by moving swiftly and favorably in getting responsible legislation to my desk for signature before they adjourn. To do any less would only serve to aggravate the fiscal problems of State and local governments and undermine economic recovery.

PRESS/BACKGROUND INFORMATION --
GENERAL REVENUE SHARING RENEWAL

* The General Revenue Sharing program was enacted in October, 1972. To date more than $26.6 billion has been provided to the 50 States and 39,000 units of local government. These funds have been used by these governments to meet their priority needs.

* On April 25, 1975, the President recommended a 5 3/4-year renewal of the General Revenue Sharing program. Under the President's proposal, $39.85 billion would be distributed to eligible governments between January 1977 and September 1982. The President's proposal preserved the essential provisions of the current Act and contained recommendations to improve and strengthen the program.

* On June 10, 1976, the House passed a 3 3/4-year extension of the program. The bill contains certain restrictions and burdensome requirements which would limit the program's effectiveness.

* On September 14, 1976, the Senate passed a 5 3/4-year extension of the program. The Senate-passed bill incorporates many of the President's legislative recommendations for renewal. The bill also deletes or modifies the objectionable features contained in the House version of this legislation.

* According to governors, mayors and other local government officials, failure to extend the General Revenue Sharing program will result in increased taxes, cutbacks in essential services or more unemployment.

* * * * *

file

Paul —
Good work —
Keep following
very closely.
Jim

THE WHITE HOUSE

WASHINGTON

September 15, 1976

MEMORANDUM FOR MAX FRIEDERSDORF
JIM CANNON

FROM PAUL MYER

SUBJECT: Senate Action on General Revenue Sharing Legislation (September 13-14, 1976)

The Senate yesterday adopted legislation to revise and extend the General Revenue Sharing program by a vote of 80-4. The Senate basically approved the bill as reported by the Finance Committee with relatively minor amendments. Attached for your information is a summary of the Senate-passed bill and those amendments adopted or rejected during floor consideration.

The Senate has already asked the House for a conference, appointing Senators Long, Talmadge, Hathaway, Gravel, Nelson, Fannin, Hansen and Packwood as its conferees. The conference issues are clear and the differences subject to constructive compromise. I am preparing a memorandum on this subject for your review.

I met separately yesterday evening with Congressmen Brooks, Horton, Fountain and Brown to discuss the conference situation. Brooks was extremely negative and indicated that he would give the matter some thought. The other Members expressed great concern over Brooks' anticipated selection of conferees and conduct during the conference.

I have asked representatives from State and local government and other organizations who have been working with us to contact the House Democratic leadership and other Members to urge them to impress upon Brooks their desire for an immediate and responsible conference.

Attachment

09503

ATTACHMENT A

SUMMARY -- MAJOR PROVISIONS OF THE SENATE-PASSED GENERAL REVENUE SHARING RENEWAL BILL

1. Length of Program -- 5 3/4 years (January, 1977-September, 1982)

2. Funding Level -- $41.23 billion; provides $6.65 billion for FY77 with stairstep increases of $200 million in each year thereafter.

3. Funding Mechanism -- entitlement financing (nondiscretionary annual appropriation of authorized amounts).

4. Distribution of Funds -- no change in existing statutory allocation formula or eligibility requirements.

5. Nondiscrimination -- modifies current nondiscrimination provision to add prohibition on the basis of age, handicapped status or religion; sets forth enforcement procedures which could lead to the suspension of funds where discrimination is found.

6. Other Provisions --

   A. deletes current priority expenditure categories and matching prohibition.

   B. simplifies current reporting, hearing and auditing requirements.

   C. provides for annual, instead of quarterly, payments for small units of government.

   D. authorizes a new study of revenue sharing and the Federal system by ACIR.

ATTACHMENT B

MAJOR SENATE FLOOR AMENDMENTS

Adopted

1. Long amendment to reduce from \$6.9 to \$6.65 billion the FY77 funding level with annual increases of \$200 million each year thereafter (voice vote).

2. Gravel amendment to restore House provisions prohibiting discrimination on the basis of age or handicapped status (60-15).

3. Gravel amendment to provide for awarding of attorney fees to the prevailing party in a suit brought to enforce civil rights compliance (40-35).

4. Gravel amendment to apply existing civil rights prohibitions and exemptions on religious discrimination (59-16).

5. McGovern amendment to provide annual payments to any recipient which receives less than \$4,000 per year.

Rejected

1. Biden amendment to subject program to annual appropriation process (14-62).

2. Fannin amendment to strike Davis-Bacon coverage (15-62).

3. Javits amendment to provide monthly payments to any governmental unit receiving more than \$40 million per quarter and annual payments to any governmental unit receiving less than \$4,000 per year.

[9/23/76]

REVENUE SHARING

Chairman Brooks has been trying to stall a conference with the Senate conferees. He agreed this morning to assemble the House conferees at 10:00 a.m. Monday, and there is a possibility that House and Senate conferees may meet on Monday afternoon.

Recommendation:

If the question of revenue sharing comes up in the debates the President might want to emphasize his long-standing leadership in this area and point out that he is greatly concerned that the time to pass the legislation is very short and with less than a week of this session remaining, Congress has not yet acted.

The principal driving force for action in the House is the fear of Albert , Tip O'Neill, and other Democratic leaders, that if revenue sharing is not passed next week, you will call the Congress back in special session to do so.

Jack Marsh believes this would be an appropriate reason for the recall of Congress, if necessary.

9/23/76

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Rev Sharing

THE WHITE HOUSE

WASHINGTON

September 23, 1976

1976 SEP 24 AM 8 07

MEMORANDUM FOR MAX FRIEDERSDORF
JIM CANNON

FROM PAUL MYER Paul

SUBJECT: General Revenue Sharing Conference

This will confirm my earlier conversation with you regarding the conference on General Revenue Sharing legislation. Chairmen Long and Brooks have agreed to meet on Monday, September 27, 1976, at 2:00 p.m. in Room EF 100 of the Capitol.

Paul - Good work J

092403

THE WHITE HOUSE

WASHINGTON

September 28, 1976

MEMORANDUM FOR THE VICE PRESIDENT

FROM: JIM CANNON Jim

SUBJECT: General Revenue Sharing

Here is a summary of the agreement between the House and the Senate on Revenue Sharing.

attachment

THE WHITE HOUSE

WASHINGTON

September 28, 1976

1976 SEP 28 PM 4 19

MEMORANDUM FOR MAX FRIEDERSDORF
JIM CANNON

FROM PAUL MYER

SUBJECT: Conference Action on General Revenue Sharing Legislation

House and Senate conferees completed action on legislation to revise and extend the General Revenue Sharing program at 12:30 a.m., Tuesday, September 28. The Conference Report will be filed today. However, the Conference Report is still apparently subject to a point of order in the House and may require a Rules Committee waiver to retain the additional funds contained in the bill. Assuming the House rules problem is overcome, Congress should clear the measure for the President on Thursday or Friday. I would expect that the President could sign this bill within the October 6-16 time frame.

The Conference bill extends the program for an additional 3 3/4 years and will provide $25.54 billion to State and local governments. This legislation is consistent with the President's renewal recommendations and contains a number of important improvements in the existing program. While the Conference bill does contain some restrictions and requirements not sought by the Administration, the legislation does grant significant Secretarial discretion, including authority to waive many provisions which may be viewed as burdensome or unnecessary.

Attached for your information and review is a brief summary of the major provisions of the Conference bill.

Attachment

ATTACHMENT

SUMMARY OF MAJOR PROVISIONS

I. Extension, Funding and Amounts

* Extends program for 3 3/4 years (January 1, 1977 through September 30, 1980).

* Provides total of $25.54 billion:

  FY77 - $4.99 billion[1]
  FY78 - 6.85 billion
  FY79 - 6.85 billion
  FY80 - 6.85 billion

  1/ total for FY77 is $6.65 billion; $1.66 billion already appropriated for FY77 under current law.

* Entitlement financing (nondiscretionary annual appropriation of authorized amounts).

II. Distribution of Funds

* Retains existing distribution formula, except for certain technical amendments recommended by the Administration.

* Includes separate provision to provide a percentage of Louisiana's funds to law enforcement officers in that State.

* Resolves dispute involving four Virginia counties and the Office of Revenue Sharing concerning repayment of $3.3 million in shared revenues. The Conference provision would void the repayment.

III. Fiscal Requirements

* Eliminates priority categories, the matching prohibition and related requirements. Local governments could use the funds for any purpose.

* Modifies the existing State maintenance of effort provision, making the base period a two year moving average.

IV. Citizen Participation and Reporting Requirements

* Requires State and local governments to ensure citizen access to information and participation in decisions regarding the planned expenditure of revenue sharing funds (including requirements for hearings and the publication of reports consistent with existing budgetary practices in these units of government). The Conference bill represent a much simplified version of the House bill and grants the Treasury Secretary broad discretionary power to issue regulations and waive certain procedures and requirements contained in the provision.

V. Nondiscrimination

* Expands the existing nondiscrimination provision to prohibit discrimination on account of religion, age or handicapped status. While these represent new prohibitions in the General Revenue Sharing Act, the Conference language is consistent with current civil rights law and practices.

* Continues the existing application of the nondiscrimination prohibitions to any program funded in whole or in part with revenue sharing funds. In adopting this provision, the Conference rejected a House provision which would have also included direct or indirect funding of programs. Had this provision remained in the bill, all programs and activities of a State or local government would have been subject to the nondiscrimination prohibition.

* Sets forth a strong administrative enforcement procedure, including the suspension or termination of revenue sharing funds where discrimination is found.

* Provides that an individual may bring suit for a violation of the Act, but only upon exhaustion of the extensive administrative remedies contained in the Act.

* Provides for the payment of reasonable attorney fees to a prevailing party in an action brought to enforce the nondiscrimination provision.

VI. Accounting and Auditing Requirements

* Requires State and local governments to conduct financial and compliance audits at least every three years in accordance with State or local law and generally acceptable accounting and auditing standards. This provision does not apply to any government receiving less than $25,000 per year in revenue sharing entitlements and the Secretary is granted authority to waive the requirement in certain other circumstances.

VII. Revenue Sharing Study

* Authorizes the ACIR to conduct a three-year study and evaluation of the American Federal fiscal system with particular emphasis on revenue sharing.

9/29/76
file
GRS

TALKING POINTS:

1. The enactment of the General Revenue Sharing Conference Report is essential before you go home.

2. It is my understanding that the Conference Report must be protected against points of order in order to preserve the additional funds which were unanimously agreed to by the Conference Committee.

3. You have asked me to indicate to you today my intentions in regard to the Public Works Appropriation and CETA bills. I am prepared to do so only if I have your commitment that the General Revenue Sharing Conference Report is fully protected from all points of order and cleared for my signature this week.

rev sharing

THE WHITE HOUSE

WASHINGTON

September 30, 1976

MEMORANDUM FOR THE PRESIDENT

FROM JAMES M. CANNON

Congressmen L. H. Fountain and Frank Horton led the successful fight today for House adoption of the General Revenue Sharing Conference Report you had requested. In light of their leadership role, I believe it would be appropriate for you to call them and express your appreciation.

[9/30/76]

I am most pleased that Congress has today passed the extension of the General Revenue Sharing Program.

General Revenue Sharing has proven to be a triumph of the conviction that state, county, city and local government can be far more responsive and flexible in serving citizens than distant bureaucracies and special interest programs.

Revenue Sharing has only one special interest: the return of tax dollars to local authorities so they can best determine how to solve community problems with community solutions.

Without the passage of this program county executives would have been faced with cutting essential services or raising property taxes. States which use the majority of their funds for education would have been confronted with the possibility of severe reductions in school aid and cities would have had their already tight fiscal condition further burdened.

I proposed the extension of General Revenue Sharing on April 25, 1975, and have worked closely and continuously since then with State and local officials to secure passage of this legislation. While the bill passed by Congress today is not all that I and the mayors, county executives and governors had hoped for, it does assure continued growth of this vital program.

Today's action is a most significant accomplishment and all who participated in bringing about this victory are to be congratulated.

THE WHITE HOUSE

WASHINGTON

September 30, 1976

MEMORANDUM FOR: MAX FRIEDERSDORF
JIM CANNON

FROM: PAUL MYER

SUBJECT: Senate Action on General Revenue Sharing Conference Report

The Senate has just cleared for General Revenue Sharing Conference Report for the President's signature by a vote of 77-4.

Revenue Sharing

FOR IMMEDIATE RELEASE SEPTEMBER 30, 1976

File

Office of the White House Press Secretary

THE WHITE HOUSE

STATEMENT BY THE PRESIDENT

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# # #

Revenue Sharing File

The White House
Washington

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2027859577 TDMT WASHINGTON DC 78 09-30 0500P EST

PMS JAMES CANNON

WHITE HOUSE DC 20500

THE FOLLOWING TELEGRAM HAS BEEN SENT TO THE PRESIDENT:

NATIONAL ASSOCIATION OF COUNTIES CONGRATULATES YOU AND YOUR ADMINISTRATION ON YOUR TREMENDOUS VICTORY IN GETTING GENERAL RENENUE SHARING THROUGH BOTH HOUSE AND SENATE. THERE IS NO DOUBT THAT THIS VICTORY WOULD NOT HAVE BEEN ACHIEVED WITHOUT YOUR BRILLIANT LEGISLATIVE STRATEGY.

WE ARE DEEPLY APPRECIATIVE OF YOUR DECISION TO SIGN THE PUBLIC WORKS APPROPRIATIONS AND CETA PUBLIC SERVICE JOBS BILL. THIS AGAIN SHOWS YOUR COMPASSION FOR THOSE IN ECONOMIC DISTRESS.

BERNARD F HILLENBRAND EXECUTIVE DIRECTOR

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2027859577 TDMT WASHINGTON DC 78 09-30 0500P EST
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