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THE PRESIDENT HAS SEEN.

THE WHITE HOUSE

WASHINGTON

January 17, 1975

DOMESTIC COUNCIL REVIEW SESSION

General Revenue Sharing

Saturday, January 18, 1975

12:00 Noon (15 minutes)

The Oval Office

From: Ken Cole



I. PURPOSE

To make some final decisions on the extension of General Revenue Sharing.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background:

You have made all but one of the major decisions necessary to enable us to go forward with the effort to seek reenactment. That remaining decision is of course, the funding level and whether or not to continue the stair-step annual increment increase of \$150 million.

This is now even more important since your announcement to take \$2 billion to be raised from the new import duties and windfall profit taxes, to be returned to State and local governments to offset added energy costs.

Further, there is one issue you have decided which this group would like you to reconsider. It has to do with the authority of the Secretary to withhold funds in discrimination cases.



At present, Treasury takes the position that they are bound to withhold the entire amount of General Revenue Sharing money going to a recipient if any portion is used in a discriminatory way. This can be unfair in some cases and could be more flexible. The proposed change would allow Treasury to hold back only the portion being used wrongfully. A further explanation appears later in this paper.

B. Participants:

Secretary Simon  
Undersecretary Schmults  
Roy Ash  
Jack Marsh  
Ken Cole  
Jim Falk  
Wally Scott

C. Press Plan

To be announced.

III. POINTS OF DISCUSSION

1. All but one key decision has been made and I want to wrap up as much as possible today so the reenactment process can go forward.
2. The funding level and whether or not to continue the stair-step approach, both are parts of the same question.
3. The plan to distribute \$2 billion more by the same formula also may require some strategy decisions.
4. There is also the concern about Treasury's authority to hold back all or only part of the funds in cases involving discrimination.
5. What are the next steps we should take?
6. Ken, what is the State and local reaction so far?

5,638  
6,350  
6,500  
\$11,250



IV. FURTHER BACKGROUND AND RECOMMENDATIONS

A. Magnitude of Funding

In the previous paper we recommended that we seek to continue the stair-step annual increment increase of \$150 million. The paper indicated that we looked seriously at the possibility of "capping" the program at its 1976 level. It is felt that this would raise much fear and criticism and undercut support as well as highlighting the efforts of those who will seek to tie increases to some form of indexing. There are several possibilities:

Options Magnitude of Funding

Seek to "cap" the program by holding expenditures at one annual level \_\_\_\_\_

Seek to continue stair-step increments of \$150 million \_\_\_\_\_

Other \_\_\_\_\_

B. Authority To Withhold

In the previous decision paper the anti-discrimination portions were all set forth in one section and we felt if it was more clearly set out you might reach a different decision. A complete hold back could seriously disrupt a city's governing processes. A partial hold back should be effective enough to bring about a remedy.

At present if City X, which received \$5 million in revenue sharing monies, were utilizing \$500,000 to support a hospital which, discriminated in admitting patients, the Office of Revenue Sharing, under present interpretations would hold back payment of the entire \$5 million. If changed, the Secretary could specifically have the discretion to defer only the \$500,000 going to the hospital and City X would still be able to receive \$4.5 million in revenue sharing payments.

With this explanation we feel it is appropriate to present the question for your re-consideration. There are two options which follow.



Options

1. The Secretary of the Treasury should be granted specifically the discretion to defer, in appropriate cases, only that portion of revenue sharing funding that is used in a discriminatory manner.
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2. The legislation should be reenacted in its present form. The Secretary of the Treasury would retain the ability to defer all GRS funding. The Secretary's ability to defer only that portion of funding used in a discriminatory manner would remain uncertain.
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