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THE WHITE HOUSE

WASHINGTON

September 6, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: JAMES T. LYNN  
FROM: JAMES E. CONNOR *JEC*  
SUBJECT: General Revenue Sharing

The President has reviewed your memorandum of September 3rd on the above subject and has approved the following recommendation:

-- Accept Senate bill as preferable to House,  
but seek funding reductions in conference.

Please follow-up with the appropriate action.

cc: Dick Cheney

---

On 9/6/76 told Jim that we had never seen the original of this --- how to treat since it was not staffed since it did not go thru us.

Treat as outbox - firm decision.

per Jim Connor 9/6/76



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

THE PRESIDENT HAS SEEN....

ACTION

MEMORANDUM FOR: THE PRESIDENT  
FROM: James T. Lynn  
SUBJECT: General Revenue Sharing

The Senate Finance Committee has voted to report out a General Revenue Sharing bill. The Finance Committee bill would:

- Extend the program for 5 3/4 years as requested by the Administration; versus the 3 3/4 years of the House bill.
- Provide \$6.9 billion in new authorizations for 1977, an increase of \$350 million over the Administration's proposal, with annual increases of \$150 million as requested by the Administration; versus \$6.65 billion in 1977 with no annual increases in the House bill.
- Tighten civil rights requirements more than proposed by the Administration but substantially less than the House bill (principally by eliminating coverage for religion, age, and handicapped status).
- Soften the onerous reporting and auditing requirements included in the House bill although the overall requirements would be more burdensome than those proposed by the Administration.

The Senate Finance Committee staff have not finished drafting the Committee bill, and there is still some uncertainty about portions of the civil rights coverage and reporting and auditing requirements.

Civil Rights

The current law prohibits discrimination based on race, color, or sex for State and local programs funded with General Revenue Sharing and provides general enforcement powers to the Secretary of Treasury. The Administration proposed to increase the Secretary's flexibility in administering this provision primarily by explicitly providing for the termination of only part of a jurisdiction's General Revenue Sharing funds at the Secretary's discretion (the Justice Department believes this alternative is available under current law).

The House bill also prohibits discrimination based on age, religion, or handicapped status, and extends discrimination coverage to all State and local programs except those in which a recipient can prove by "clear and convincing evidence" that the program was not funded in whole or part, directly or indirectly, by General Revenue Sharing. In addition, very detailed compliance procedures with very restrictive deadlines are included in the bill. The Senate has not included age, religion, or handicapped status and appears to be adopting significantly less complex procedures and a somewhat narrower (but similar to House) definition of programs to be covered.

### Public Hearings

Current law does not explicitly provide for public hearings. The Administration proposed that the public have ample notice and opportunity to express their views on use of funds in a public hearing or through some other procedure.

The House bill requires two public hearings (one prior to finalization of the report showing the planned uses of the funds and another before the adoption of the local budget). The Senate bill does not require a public hearing unless current local procedures for soliciting public comments are inadequate. This is clearly less onerous than the House provision, but the language will have to be carefully reviewed to assess its full impact.

### Auditing and Reporting Requirements

Current legislation provides for a planned use report detailing how the locality intends to spend revenue sharing funds (primarily prepared for local residents although Treasury receives a copy) and an actual use report indicating how funds were used. Governments are required to follow standard accounting and auditing procedures. The Administration proposed that the Secretary be given additional discretion in establishing reporting requirements for smaller jurisdictions.

The House bill substantially expands reporting requirements, including multiyear comparisons of fund utilization. In addition, two new summary reports showing the impact (proposed and actual) of General Revenue Sharing on local expenditures and taxes are required. The Senate, on the other hand, actually reduces the current reporting requirement by eliminating the actual use report.

Although the Senate bill provides funding substantially above the Administration's proposal, the reporting, auditing, and civil rights requirements are preferable to the onerous House provisions.

### Funding Level

The minority staff of the Senate Budget Committee have contacted us, and asked if the Committee could count on strong White House support to reduce the 1977 authorization to the House level. Senator Muskie is somewhat reluctant to take on the Finance Committee again after the recent defeats over tax legislation, but might be persuaded to battle for lower authorizations. White House support would be very helpful in such a battle.

The funding problem is complicated by an apparent dispute between the Finance and Budget Committee staffs over the implications of the Second Concurrent Resolution. The Finance Committee staff argue that they are within the levels of the resolution since the combined revenue sharing and countercyclical programs (which are in the same major function) will be below the resolution amount. Budget Committee staff believe the resolution has been exceeded because General Revenue Sharing is over the amount contemplated for it. The Senate Appropriations Committee apparently does not plan to get involved in the fray (although the dispute over the Second Concurrent Resolution or Senator McClellan's opposition to General Revenue Sharing could change this).

### Options

Provide White House support to Senate Budget Committee by strongly opposing the increased 1977 authorization.

- Would emphasize Administration's commitment to hold down Federal spending.
- Would signal strong support for the congressional budget control process.

Accept Senate bill as preferable to House version, but seek reduction in the 1977 authorization in conference.

- Would minimize the possibility that, by interjecting the Administration into the Muskie-Long battle, the Finance Committee would not support in conference the longer extension, reduced reporting and auditing of requirements, and more reasonable civil rights procedures.
- Could still result in lower funding levels since the House will probably seek to retain their lower authorization in conference (and the Administration could propose a compromise: The 1977 House authorization with annual increases in 1978-1982 as proposed by the Senate and the Administration).

Recommendation

OMB and Domestic Council staff would prefer to address the funding issue in conference. Treasury staff strongly support the Senate bill over the House version but defer to OMB and the White House on funding.

Decision

Major White House effort to reduce funding in Senate.

NR

Accept Senate bill as preferable to House, but seek funding reductions in conference (Domestic Council staff; OMB).

Official File (Justice/Treasury Branch)

DO Records

DO Chron

Director

Deputy Director

Mr. McOmber ✓

Mr. Kranowitz

Mr. Frey

Mr. Kearney

Ms. Walker

return, Mr. Mullinix

EGD:JMullinix:jl 9/3/76

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OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

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