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.

* * * * *

April 15, 1976

SUBJECT: REVENUE SHARING

Yesterday the House Government Operations subcommittee reported out a revenue sharing bill that would: a) extend the program for 3-3/4 years b) extend it at current levels; that is, $6.5 billion a year, and c) allow the money to flow without annual Congressional review. The whole committee is now faced with the task of clearing the bill before May 15.

<u>What is the President's reaction to the subcommittee bill?</u>

GUIDANCE: The President is gratified that the subcommittee finally reported a bill, as he has been advocating, but he is not completely satisfied with the substance of the bill.

The President had two major objections to the subcommittee bill: the first is that it is not enough money--the President has supported an annual increase of $150 million a year to cover inflation; and secondly, it is for a shorter term than the President had advocated (3-3/4 years as opposed to his proposal of 5-3/4 years).

He feels these two provisions are very important, and he will continue to push for his revenue sharing legislation.

ME

March 2, 1976

SUBJECT: REVENUE SHARING REPORT

This morning the League of Women Voters, in conjunction with some other groups including the National Urban Coalition, proclaimed that the current revenue sharing fund distribution does not put the money in the areas where it is needed the worst--the rural areas and inner cities--and discriminates against minorities and the poor.

<u>What is the President's reaction to this strong indictment of his revenue sharing program?</u>

GUIDANCE: Obviously the President is aware of and concerned about criticisms of this program, which he so strongly believes in. However, I should point out that there are other research documents, including the Brookings Institution study, which contradict the conclusions of the LWV study, and support an extension of the current revenue sharing program.

Also, of course, the President is gratified that his proposal has received unanimous support from the national groups representing the Nation's mayors, governors, state legislators and city councils. This, he feels, is strong testimony to the need to continue general revenue sharing.

ME

November 6, 1975

SUBJECT: MEETING ON GENERAL REVENUE SHARING

The President met at 9 o'clock this morning with the Chairman and three other members of the Government Operations Committee to discuss the extension of General Revenue Sharing. There was a photo of the meeting, and a list of attendees has been posted.

As you know, the current General Revenue Sharing Act expires on December 31, 1976. On April 25, 1975, the President proposed legislation to extend and revise the revenue sharing act for 5-3/4 years. The President again today stressed the need for early enactment of the Act so that state and local governments can make sound fiscal plans and avoid the fiscal impact of uncertainty and delay.

The President is deeply committed to this program and is concerned about the impact on state and local communities, should the Act not be extended. The President today discussed with the Committee members any problems they might be having and encouraged them to get the bill out of subcommittee by the end of the year.

JGC

April 28, 1975

SUBJECT: REGULATORY REFORM SPEECH TO THE U.S. CHAMBER OF COMMERCE

The President says in the coming weeks he will be sending to Congress a comprehensive transportation program designed to achieve maximum reform of Federal regulations governing railroads, airlines, and trucking firms.

When will the President send this transportation program forward?

GUIDANCE: I would expect the President to send legislation forward permitting the railroads to begin adjusting their rates within specified limits and for improving procedures for mergers and abandonments sometime in the next ten days. As for legislation dealing with trucking reforms, I would expect that to go foward sometime within the next two weeks. As regarding the airlines, we are hopeful to have that legislation ready to go in about 30 days.

What is meant by the term "Fair Trade laws"?

GUIDANCE: The Miller-Tidings Act, enacted in 1937, and the McGuire Act, enacted in 1952, permit states to establish laws allowing manufacturers to dictate the retail prices at which their merchandise can be sold. This has the effect of eliminating price competition and raising costs to the consumer.

How are you able to determine/estimate the cost of this at two billion dollars a year?

GUIDANCE: CEA in 1969 estimated the cost to be about $1.5 billion, based on a Justice Department survey of particular items in both Fair Trade and non Fair Trade states. The Justice Department found prices in Fair Trade states to be 19% to 27% higher. Now extrapolating this to total retail sales at that time, they came up with $1.5 billion. The Justice Department last year updated the CEA's 1969 study, and came up with $3 to $7 billion as the cost of Fair Trade laws. So we have used a conservative estimate of about $2 billion.

(More)

What is the Robinson-Patman Act?

GUIDANCE: This is another form of a Fair Trade law, but it works at the wholesale level. The Robinson-Patman Act does not permit a manufacturer to sell his products to a retailer at different prices. Regular Fair Trade laws do not permit the retailer to sell to the consumer at different prices.

How many states still have Fair Trade laws?

GUIDANCE: At the present time, 36 states still have Fair Trade laws, comprising almost one-half of the population (Maryland and Virginia both have Fair Trade laws).

Hasn't the President already announced that he wanted to end the so-called Fair Trade laws?

GUIDANCE: Yes, the President announced on January 29th, that he supported Senator Brooks' bill to repeal legislation which allowed the states to enact Fair Trade laws. We also have introduced similar legislation in the House. In addition, in Concord, New Hampshire, the President gave a similar type speech in which he advocated the repeal of the Fair Trade laws.

Hasn't the President already sent some other legislation to the Hill concerning Regulatory Reform?

GUIDANCE: The President has sent forward legislation repealing the Fair Trade laws, and on March 19th, sent to Congress the Financial Institutions Act which would phase out some of the most anti-competitive Federal regulations governing banks and thrift institutions. In addition, the President has transmitted to Congress a proposal to remove Federal price controls on new natural gas sold in interstate markets.

In his speech today, the President says that it costs as much as $30 billion a year to reduce the level of occupational noise exposure, approximately 5 decibels. How did the Administration or the President come up with these figures?

AEI study

GUIDANCE: It is my understanding that Murray Weidenbaum in an article, Government Mandated Price Increases, page 51, cites these figures, and they are based on an OSHA estimate (Occupational Safety and Health Administration) so if you have any additional questions, you may want to contact the Department of Labor.

(More)

What are the ten major independent regulatory agencies?

GUIDANCE:	ICC	NRC
	CAB	CFTC
	SEC	FCC
	FMC	FPC
	FTC	CPSC

When will the President convene the meeting of the Commissioners of the ten major independent regulatory agencies?

GUIDANCE: No firm date has yet been set, but I would expect it to take place some time in the next few weeks.

When was the Commission on Federal Paperwork established, and who makes up the Commission?

GUIDANCE: The Commission on Federal Paperwork was signed into law on December 27, 1974. It is made up of six Commissioners and they are: OMB Director James Lynn, Elmer Statts of GAO, Congressmen Frank Horton and Tom Steed, and Senators Bill Brock and Thomas McIntyre. The Commission is to be in operation by June 1, 1975.

JGC

June 24, 1975

SUBJECT: PRESIDENT TO MEET WITH CONGRESSIONAL MEMBERS TO DISCUSS REGULATORY REFORM

For Announcement

At 8 o'clock tomorrow morning in the Cabinet Room, the President will meet with 24 members of Congress, 12 from each House, and 12 from each party, to discuss regulatory reform. The meeting is expected to last about 90 minutes and following that meeting, we would expect to have Rod Hills, Counsel to the President, and Mr. Paul MacAvoy, the new member of the Council of Economic Advisors, and two House members and two Senators out here to brief you on that meeting.

Ron, what is the format of the meeting?

GUIDANCE: I think the President will open the meeting and speak for about ten minutes on his general regulatory reform package, and he will also discuss the upcoming meeting with the regulatory commissioners. Following the President, Mr. MacAvoy and Mr. Hills will say a few words.

The meeting will discuss three major areas: economic regulation, safety and health regulation, and administrative procedures. The Congressional members will give their views on one or more of these areas.

When will the President meet with the regulators, and which independent agencies are being invited?

GUIDANCE: The meeting is now tentatively scheduled for July 9, and those being invited include:

CAB	FMC
CFTC	FTC
CPSC	ICC
FCC	NRC
FPC	SEC

Who are the Congressional members being invited to attend the meeting tomorrow?

GUIDANCE: See attached list.

JGC

Congressional Members Attending June 25 Meeting with President on Regulatory Reform

Senate Members:

Democrats	Republicans
Pastore, R. I.	Hruska, Nebraska
Hartke, Indiana	Pearson, Kansas
Moss, Utah	Fannin, Arizona
Kennedy, Mass.	Percy, Illinois
Ford, Kentucky	Stafford, Vermont
Ribicoff, Conn.	Javits, New York

House Members:

Democrats	Republicans
Moss, California	Devine, Ohio
Rogers, Florida	Anderson, Illinois
Leggett, California	Horton, New York
Wright, Texas	Archer, Texas
Howard, N. J.	Thone, Nebraska
Jones, Okla.	Cederberg, Michigan

October 2, 1974

SUBJECT: HEAD OF RENOGIATION BOARD TO RESIGN

Has the President received a letter of resignation from William S. Whitehead, the Chairman of the Renogiation Board?

GUIDANCE: The letter of resignation from William S. Whitehead was received over the weekend.

Will it be accepted by the President?

GUIDANCE: I would assume that Mr. Whitehead's request would be fulfilled.

Why is he leaving?

GUIDANCE: I haven't seen his letter of resignation, but it is my understanding that Mr. Whitehead is 68 years old and he feels it is time to retire.

JGC

November 6, 1975

SUBJECT: MEETING ON GENERAL REVENUE SHARI G

The President met at 9 o'clock this morning with the Chairman and three other members of the Government Operations Committee to discuss the extension of General Revenue Sharing. There was a photo of the meeting, and a list of attendees has been posted.

5.4B annually, 150M a year increase

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The President is deeply committed to this program and is concerned about the impact on state and local communities, should gress not extend the Act ~~not be extended~~. The President today discussed with the Committee members any problems they might be having and encouraged them to get the bill out of subcommittee by the end of the year.

29 - different pending bills.

2/3 = counties, municipalities.
1/3 = States.

JGC

July 7, 1975

SUBJECT: MAYORS CHARGE THEY ARE SHORT-CHANGED ON GENERAL REVENUE SHARING

There is a charge by some mayors (and governors) that they are getting less aid, since the enactment of general revenue sharing than they did under the categorical grant system. What are the actual figures?

GUIDANCE: The facts on the Federal aid to state and local governments in billions of dollars are:

	Total*	General R.S.	Total minus General R.S.
1960	$ 7.1B		$ 7.1B
1965	10.9B		10.9B
1970	23.9B		23.9B
1971	29.9B		29.9B
1972	35.9B		35.9B
1973	43.9B	$ 6.6B	37.3B
1974	46.0B	6.1B	39.9B
1975	52.7B	6.2B	46.5B
1976	55.6B	6.3B	49.3B

*Does not include, for example, full Federal assumption of financial responsibility for the basic SSI program (in 1973).

This program is now operating at an annual rate of $5.5 billion. Prior to 1973, states shared approximately 50% of the costs of this program.

JGC

July 8, 1975

SUBJECT: DEFENSE SPENDING VRS. PAYMENTS TO INDIVIDUALS--1966-1976

Since 1968, real spending for Defense has been reduced from $151 billion (FY'76 dollars) to $87 billion.

Over the same period, real spending for payments for individuals has increased from $80 billion to $160 billion.

In percentage terms, Defense spending is 58% of what it was in 1968, while payments for individuals is 200% of the 1968 level.

Defense/Payments To Individuals

In Current Dollars (Fiscal Years)

	Defense	Payments to Individuals
1966	$54B	$36B
1967	67	42
1968	77	48
1969	78	57
1970	77	62
1971	73	77
1972	74	89
1973	71	100
1974	74	116
1975	79	144
1976	87	160

In Constant 1976 Dollars

	Defense	Payments to Individuals
1966	$112B	$ 64B
1967	136	73
1968	151	80
1969	145	88
1970	130	94
1971	114	111
1972	108	123
1973	96	133
1974	91	141
1975	87	157
1976	87	160

Payments to Individuals include: Social Security, Railroad retirement, Federal employees' retirement and insurance (including Military retired pay), Unemployment assistance, Veterans' benefits, Medicare, Medicaid, Housing payments and Public assistance.

REVENUE SHARING

Q. There has been criticism of federal revenue sharing on the grounds that many poorer communities which need federal funds are not getting them in large enough quantities while richer communities receive more than they actually need. There also have been criticisms that local administrators take a percentage of these funds for overhead costs, and that only a portion reach the people they were intended for. Do you have any plans to revise the federal revenue sharing concept so that it benefits all the people?

A. The Administration has proposed only limited changes in the General Revenue Sharing program because we feel that on the whole it has fulfilled its basic missions. It has contributed to a better fiscal balance within our Federal system, making it possible for our State and local governments, which are closest to the people, to perform the tasks they do best. The program has further provided a form of Federal assistance less bound by national restrictions and red tape. We feel that this strengthening of our decentralized Federal system, a system which helps protect our basic liberties as well as provide rational government in a large and diverse nation, is of benefit to all Americans.

Another essential goal of the revenue sharing approach to intergovernmental aid has been to relieve fiscal crises at the State and local level -- especially in communities where resources are limited and demands great. Major changes in the allocation formula have not been recommended by the Administration because we have concluded that the present mode of distribution does a good job of meeting need. This is true, especially when one considers how difficult it is to construct an allocation procedure which accounts for the wide range of philosophies and local situations which must be given consideration by the Congress. We have, however, proposed to gradually raise to 175% the constraint which holds local allocations to 145% of State-wide per capita entitlement in order to benefit certain large cities.

The Brookings Institution, the Advisory Commission on Intergovernmental Relations, and certain research sponsored by the National Science Foundation indicates that the revenue sharing formula responds to need by placing more money per capita in lower income States as opposed to wealthier States. Similarly, hard-pressed center cities generally receive more shared revenue per capita than their wealthier suburbs. There are additional indications which suggest that the relatively great fiscal needs of urban areas generally are being reflected in the distribution of shared funds.

REVENUE SHARING (cont'd.)

Finally, the Administration is not disturbed by the apparent use of perhaps 10% of shared funds for general overhead support of non-Federal governments. One basic assumption behind the program is that elected State and local officials know better how to allocate resources among certain important public functions than we do in Washington. Another basic assumption is that general purpose governments, with their advantages for coordination and elected leadership, should be the beneficiaries of the program. The dollars which go into multi-purpose or general government spending help provide the facilities and staff essential to the operation of legislative, executive, and judicial branches of general purpose State and local governments. It is often expenditures for these purposes, which really determine the wise use of most other resources, that fall victim to budgetary stringency.

* * * * *

July 7, 1975

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1976	55.6B	6.3B	49.3B

*Does not include, for example, full Federal assumption of financial responsibility for the basic SSI program (in 1973).

This program is now operating at an annual rate of $5.5 billion. Prior to 1973, states shared approximately 50% of the costs of this program.

JGC

April 24, 1975

SUBJECT: GENERAL REVENUE SHARING BRIEFING

<u>For Announcement</u>

The President will transmit to Congress tomorrow proposed legislation to extend and revise the General Revenue Sharing Act of 1972. At 10:30 tomorrow here in the briefing room, we will have Under Secretary of the Treasury, Edward Schmults, and Graham Watt, the Director of the Office of Revenue Sharing, here to summarize this legislation and answer any of your questions.

Since this legislation will not be actually transmitted to the Hill until the afternoon and since the President will have remarks on the Revenue Sharing package in the afternoon, the briefing and the material provided at that time will be embargoed until 2 o'clock p.m.

FYI: James Cannon, the Executive Director of the Domestic Council, Jim Falk, an Associate Director of the Domestic Council, and Wally Scott, an Associate Director of the Office of Management and Budget, will also attend and be available to answer questions at the briefing.

Material to be distributed at the briefing includes: Presidential Message to Congress, a Fact Sheet, copies of the legislation, and a booklet from Treasury with a section-by-section analysis of the legislation, and Q & A's.

END FYI.

JGC

REVENUE SHARING REENACTMENT

In his State of the Union message and in numerous meetings with State and local elected officials, the President has repeatedly stated "that he was, he is and he will continue to be an advocate for General Revenue Sharing."

The President has also stated that he will propose the extention of the present program in substantially its present form with some improvements to strengthen the program which has proven to be one of the most effective of all Federal assistance programs.

It is important that Congress act well in advance of the expiration date of the program which is December 31, 1976 because many State governments budget on a two year basis and predictability is essential to proper planning by all 38,000 units of State and local government.

Will send Revenue Sharing legislation.

Jim Falk
3/11/75

January 27, 1975

SUBJECT: REVENUE SHARING REFORMS URGED

A Brookings Institute study concludes that thousands of small units of Government should be eliminated from Federal Revenue Sharing benefits, and the ceilings should be removed on the amounts going to some large cities.

What's your reaction to the Brookings Institute study of General Revenue Sharing?

GUIDANCE: The President will be sending up his proposal for the extension of General Revenue Sharing in the Budget on February 3, and legislation that is needed will be sent following that date. We did meet with and discuss the Brookings study on several occasions, and I'm not surprised by their report.

However, the President's thoughts and decisions on General Revenue Sharing will be announced in the Budget, so it would be premature for me to comment here.

JGC