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OFFICE OF THE WHITE HOUSE PRESS SECRETARY

THE WHITE HOUSE
PRESS CONFERENCE
OF
WILLIAM E. SIMON
SECRETARY OF THE TREASURY
MOON LANDRIEU
MAYOR OF THE
CITY OF NEW ORLEANS
AND
RALPH PERK
MAYOR OF THE
CITY OF CLEVELAND
THE BRIEFING ROOM

4:10 P.M. EDT

MR. NESSEN: I think you know basically how the meeting of the mayors went. The President and Vice President spoke first. You had an opportunity to see that and film that.

Then there was a working session with Treasury Secretary Simon presiding, and so Bill Simon is here; also, Mayor Moon Landrieu, of New Orleans, who is the President of the U.S. Conference of Mayors; and Mayor Ralph Perk, of Cleveland, who is the head of the new organization of Republican Mayors. They will talk to you a little bit about their meeting and answer your questions.

SECRETARY SIMON: Thank you, Ron.

We met for two hours upstairs, with roughly the first hour spent with the President, the Vice President, and my brief remarks -- and my remarks will be passed out in a minute, and we will respond to any questions.

Then, we spent the second hour -- and it is still going on upstairs -- with give and take with all of the participants in the meeting.

I would say that the major focus was on two subjects: one, general revenue sharing and its possible extensions, which we favor very strongly, and how it can be done.

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We discussed changes in the formula, potential changes in the formulas to make it perhaps more equitable, and the countercyclical proposal that has been under discussion many times. We agreed to take another look at the countercyclical proposal which we will do in a very brief period of time.

I would like to call on the mayors to make a very brief comment on the session we had, and then we will open it up for any questions you might have, which the three of us will be glad to answer.

Mayor Landrieu.

MR. LANDRIEU: Thank you, Mr. Secretary.

We are grateful to the President and the Council for bringing this meeting together. We are going to make an all-out effort, and that is what it is going to take to re-enact general revenue sharing.

There has been much discussion over the past several years about its effectiveness from students of Government who have examined it from every angle. Insofar as we are concerned, and I think insofar as most of the reports are concerned, general revenue sharing has been a smashing success.

There have been those who could find a fault here or a fault there, or who could suggest in their own judgments a formula which might do what they individually might prefer to have done. But by and large, in our judgment, it is the best program that the Federal Government has enacted in the last 25 years, if not more. It has certainly done everything that we had hoped that it would do, and we **very** strongly support its re-enactment.

We have very strong allies in the Governors Conference, in the county officials, and certainly with the leadership of the Administration we expect to be successful in that.

We are also grateful that the Administration gave us the opportunity to express our views with respect to the anti-recession legislation which we have been fostering.

Despite the fact that general revenue sharing has been tremendously helpful to all units of Government across this country, there are a number of units of local governments that are very severely impacted by the recession.

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That does not appear to be a permanent situation but many local governments are finding it extremely difficult to maintain the basic level of police, fire and sanitation services that are essential, if those cities are not to rapidly deteriorate.

Secretary Simon indicated they will review their position on that matter, as he stated quite appropriately for himself, that we are not wed to any particular kind of formula, or a particular amount, though we have suggested that an area of \$2 billion is an appropriate formula that would put that money where it is needed on those most heavily impacted cities. That would be certainly extraordinarily beneficial to this country.

So we leave today on a very positive note; that is, one of total cooperation in terms of the general revenue sharing, and hopefully coming together on some immediate assistance for those heavily impacted areas.

MR. PERK: The one conclusion we all came out with is nearly every mayor in the country, whether he be Republican, Democrat or independent, is solidly behind President Ford's proposal for re-enactment of revenue sharing. This appears to be the number one priority in the minds of all the mayors throughout the country and particularly those represented today at the White House.

I believe that all of us gave President Ford a very enthusiastic welcome and a standing ovation, and all of you witnessed that, because when he talked about revenue sharing he was talking about the very heart of the cities, the very heart of the need of the cities, but more important than the money that goes with that is the fact that we are reestablishing and continuing this important principle of returning Government back to the people through revenue sharing, allowing the people at the local level, the elected officials at the local level to determine the priorities that are best needed for their communities, and then let those elected officials be responsible to the people locally for the decisions that they make.

Now with respect to the countercyclical bill, the one discussion that I think came out of that which is extremely important is the fact that the Administration agreed -- and I say the Administration because both Mr. Simon and Jim Lynn said they would be willing to look at some kind of a bill that might be of a compromise nature.

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This Administration in the White House has proven itself not to be inflexible. This Administration has proven itself to be willing to work with those on the Hill, with the mayors, also, with the Governors, the county officials, and because it is not inflexible we believe that perhaps a countercyclical bill with a different triggering percentage -- you see, at the moment, as I understand the bill, it has a triggering of some 6.5 percent unemployment figure, to trigger the assistance.

Perhaps at 10 percent it might not be so inflationary insofar as the Federal budget is concerned. And yet, the cities with the greatest need would be getting some assistance.

And there are cities where unemployment is beyond the 10 percent level or above the 10 percent level, and that would need that kind of assistance. I think we have got to sit down with the Congressional leaders, and with Congress, and work out -- and with the President and the White House -- and work out some kind of a compromise there.

But the important thing that all of us have on our minds is that, number one, the Congress should be passing revenue sharing and passing it immediately. And then we can go on to the other issues to see where there is greater need beyond what revenue sharing will provide for the cities.

Q May I ask whether, Secretary Simon, when you agreed to review this request for \$2 billion or so, were you speaking for the President? Because a few days ago we got the view here from the White House that the President was not amenable to any additions.

SECRETARY SIMON: That is correct. We wrote a letter to the chairman of the committee that proposed that -- the name escapes me now, I can give it to you because I have it in a folder -- with our arguments against the countercyclical proposal as it had been presented to us, grants to State and local governments tied to unemployment levels would interfere primarily with the national fiscal policy, the facts of the unemployment, State and local economic conditions, considering them jointly.

Also, it would obviously increase the needed borrowing on the part of the Federal Government. It is only \$2 billion, some people say.

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This was pointed out upstairs, as Everett Dirksen used to say, a billion here, a billion there, and pretty soon we are talking about real money. That is where we are. We are already facing a staggering deficit. We have to make sure the monies we spend are not going to be counterproductive.

Q What have the mayors said?

SECRETARY SIMON: I said Jim Lynn and myself have said we will take another look at that. I am sure we will be testifying on this proposal in a very short period of time so we will go to work and take another look at the proposal.

Q It sounds as though you will take another look and say no, judging by what you said.

SECRETARY SIMON: I wouldn't pre-judge any suggestions to the original proposal. That isn't to say there couldn't be a proposal that would be acceptable to us. I don't wish to encourage that notion. I don't want to say pro or con or pre-judge the outcome of the study.

Q The mayors are encouraged. Are they wrong to be encouraged?

SECRETARY SIMON: The mayors are encouraged because we said that we would take another look at it and rely on the discussion here in the Executive Branch. They know full well, as Mayor Perk said, we have exercised flexibility in the past.

As I said, I wouldn't want to pre-judge what might be acceptable or whether the notion is acceptable or not.

MR. PERK: All of us are so anxious to have revenue sharing passed immediately so we can then debate the other questions.

We would like to give our message to Congress. The message should be to pass revenue sharing tomorrow, if it is possible.

All the mayors there were asking, how do we contact the committee chairman? How do we contact the various influential Members of Congress so we can ask them to pass revenue sharing immediately? Then we can go on with these other issues. That is important.

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Countercyclical is important to continue to discuss and to find a common ground because there are some cities with a very low level of unemployment, but there are other cities with a very high level.

Q Do you have reason to believe Congress is not going to pass it?

MR. PERK: We have at the U.S. Conference of Mayors -- the executive director told us by his count about a week ago or two weeks ago we were short about 50 votes in the House. We believe we need some very strong lobbying efforts on the part of the mayors, the county officials and the Governors.

And we have the strongest coalition -- and I like to refer to this as the Ford coalition because in this particular case, the Ford Administration in trying to hold together the Governors, the county officials and the city officials, the mayors as a coalition for the rapid re-enactment of revenue sharing is very important to the cities. Unless it is passed very quickly, we as mayors will not be able to determine how to handle our budgets for 1976.

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Q Mayor Landrieu, is it the position of the U.S. Conference of Mayors that first Congress should extend revenue sharing and then consider anti-recession aid to the cities?

MR. LANDRIEU: Our position has been that we need three things now.

First of all, the first priority has always been the re-enactment of general revenue sharing. The question of timing on that is important to us because many cities are now going into their budgetary process and it is impossible under many city charters to budget money that is not legally appropriated.

So, it makes it extraordinarily difficult and counterproductive, really, for Congress to delay in re-enacting revenue sharing.

Simultaneous with that, we have asked for and have lobbied for, and will continue to do so, a counter-recession piece of legislation that somehow or another comes to the aid of those cities that are on the verge of bankruptcy as a result of this recession. We have also asked for a public works bill.

Q Which is your priority?

MR. LANDRIEU: It is difficult to talk in terms of priority unless you listen carefully to what I say about the timing. General revenue sharing is the number one priority of the U.S. Conference of Mayors, has been and will continue to be.

But simultaneous with that -- and that does not expire for another year -- is the immediate passage of a countercyclical bill. We are not talking about a countercyclical bill that puts money in all cities across this country. We are only talking about one that would help very significantly those that are on the verge of severe financial crisis or in severe financial crisis.

Of course, you have read of any number of those that are in that position.

Q Would a 10 percent unemployment trigger be acceptable to the conference?

MR. LANDRIEU: I can't respond to that, and I wouldn't expect the Administration to respond to that at this point, either. We came with a feeling that up to this point we had had a no and, of course, we are happy over the fact that we have now gotten at least a look-see, if not at that particular proposal that has been made, at one that is similar to it, if on a different formula and on a reduced basis.

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The Administration certainly expressed its concern and as I know it had to be concerned and the President has been sensitive to the plights of some of those cities, that are on the verge of bankruptcy.

Q When the bill has a \$2 million figure in it and the Secretary has spoken of a compromise, how little money will this cost?

MR. LANDRIEU: We have not discussed the question of a compromise.

Q He did. I think the Secretary did just now.

MR. LANDRIEU: We made a suggestion that the Administration re-evaluate -- Mayor Perk was one of our spokesmen in this regard -- its position on the countercyclical legislation.

There is a definite proposal there. The Administration did not lead us to believe that they would immediately reverse themselves and support that legislation. They did indicate that they understood the problem, were concerned about it and would review their position and perhaps could see their way clear to some kind of a bill with a different triggering mechanism.

I don't take that, and I don't think any mayor did, as a reversal of the Administration's position or as support of a countercyclical bill. We also expressed to the Administration, at least I might say I did, that we felt so strongly about the countercyclical bill that we would go it alone if we had to, although we understood the pitfalls in that and how difficult it would be. We had no choice.

Q If you had about a \$2 billion and a 10 percent figure, roughly how many cities could you reach?

MR. LANDRIEU: I couldn't begin to tell you that. It would be a distribution factor. Until you computerize it and quantify all of those elements, no human being could tell you what it would look like.

MR. PERK: I might mention that question by saying I mentioned 10 percent, Mayor Coleman Young said 15 percent would satisfy him because he has 22 percent unemployment.

Q What I am getting at, is this aid something that would help cities in really dire straits like New York, Detroit, or is it something that would be spread over 50 or 60?

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MR. PERK: It was made rather clear to us at the White House Conference of Mayors that the unemployment is spread pretty evenly across the country today. A year ago the unemployment was in various pockets of the country, such as the larger cities, but now it is spread kind of evenly across the country, so I would imagine, regardless of where you set the figure, if it can be a compromise, those in need will be receiving some additional funding.

I would like to see something like 10 percent. That was only a suggestion. I don't know how much money that would involve because we weren't talking about reducing the amount of money in the actual bill. We were talking about changing the language and perhaps changing the triggering mechanism.

That was not agreed upon by anyone. It wasn't opposed by anyone. It was merely a discussion.

MR. LANDRIEU: I am speaking for a group of mayors. I wouldn't want it to be assumed that we have altered our position in support of a \$2 billion bill triggered at 6 percent. We haven't, nor have we spoken other than just generally about the need for that kind of bill, about any kind of compromise.

All we have asked the Administration to do is to re-evaluate its position.

SECRETARY SIMON: I would like to comment on both subjects very briefly, relative to a question, Helen, I believe you asked, about is revenue sharing in danger of being enacted in the Congress.

Yes, we are going to have problems enacting revenue sharing in the Congress. I don't think that that is a very surprising thing. It is not a surprise. It is well known to you the philosophy of this Administration that we desire to reduce the role of the Federal Government and the turning of the decision-making, as Mayor Perk said, back to the State and local Governments.

We consider revenue sharing as a critical priority in this Administration, that the State and local Governments have a better ability to understand their own priorities than the Federal bureaucracy does.

They can do it more efficiently, cheaper and it is the direction this country should go.

Is this really the way many Congressmen feel? Perhaps not.

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Q They are down on their knees now and they have had revenue sharing and they are asking for \$2 billion more and you are turning them down.

SECRETARY SIMON: We are talking about revenue sharing, which is an ongoing extension of a five and three-quarter program which doesn't expire for another two years. The notion Congress would be giving \$39 billion out in one block, in voting the extension on revenue sharing vis-a-vis the usual way they give money out, or \$500 million here, a billion there, for sewers, they seem to pick up more chits for that type spending.

Obviously, it is going to be more difficult, but we intend to work with the mayors and with the Governors, and State and local Governments in getting an enactment of that program.

Countercyclical has an additional problem I didn't mention. We are concerned about the Congressional support for revenue sharing being watered down if we go for the countercyclical proposal. They might change revenue sharing, reduce the amount, or just not extend it, saying we have done this for State and local Government.

Look what we are doing for State and local Governments now. Almost \$60 billion is going to the State and local Governments this year directly. That includes the money for revenue sharing as well.

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Q What response did you get to your public works request?

MR. LANDRIEU: That was just mentioned, and I must say it was not discussed in any detail at all.

Q How will this affect the taxpayers, Mr. Secretary, the citizens back in the cities?

SECRETARY SIMON: How will what affect the taxpayers?

Q The revenue sharing that you propose for the 1976 budget?

SECRETARY SIMON: Revenue sharing is already in the budget.

Q Then in 1977?

SECRETARY SIMON: The present revenue sharing program doesn't expire until 1978.

Q Then 1978 -- how will it affect the taxpayer?

SECRETARY SIMON: It would affect them. A great percentage of the revenue sharing payments have gone out to reduce taxes in the State or local governments, or to avoid an increase in taxes that would be inevitable if revenue sharing were not in existence.

Q How many cities now have unemployment rates of 6.5 percent or above, and what are the rates in Cleveland and New Orleans?

SECRETARY SIMON: I don't know the number, frankly, of how many cities ---

Q Do any of the mayors know how many cities?

MR. PERK: I would imagine a great number of the cities have unemployment rates beyond 6.5 percent. The Cleveland rate at the moment is about 11.7 or 11.8 percent. Detroit has a 22 percent unemployment rate. Most of the mayors who stood up said that they had 12 to 15 to 17 percent unemployment in their areas.

Now those were the mayors getting up to talk because they would be affected by the countercyclical bill.

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It would appear to me that if the national average -- and I don't have these figures -- but if the national average is nine percent, it would be rather foolhardy on the part of Congress to pass a counter-cyclical bill that would trigger at 6.5 percent. It would certainly be inflationary.

All of the mayors who understand the economy know that we don't want the Federal Government going into a tremendous deficit because, when they go on the money market, that deficit takes up all the money on the money market and our interest rates go up. The building trades begin to go down. There is no new money for new tools of production, and inflation takes place and recession results from there.

So we understand the danger of a tremendous Federal deficit. We would like to work with the Administration in providing money for the cities wherever needed but work in such a way that it won't cause inflation, that won't cause a tremendous deficit which will affect us to the point where we will have unemployment.

Q Mayor Landrieu, how does general revenue sharing fundamentally return Government to the cities if the cities have to keep coming back to Washington for more revenue sharing? Hasn't the Government got you still on a pretty strong leash?

MR. LANDRIEU: No, the general revenue sharing bill reflected a tremendous change in Federal-city relationships. Prior to the passage of general revenue sharing, the only way you could get a return of what we considered to be local dollars sent to Washington was by filing an application under a categorical grant concept or program. That was a very burdensome, sometimes rather arbitrary process.

Then the money was made available only for those things the Federal Government determined the money could be used for.

General revenue sharing effectively transferred, over the past five years, some \$30 billion out of the Federal Treasury back to local treasuries to be spent as the local government officials thought it should be spent within some extraordinarily broad guidelines. We think that is a substantial improvement.

Q Aren't you asking for supplements all the time?

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MR. LANDRIEU: I frankly wish there was some magical way that an automatic amount of money on a formula built into the United States Constitution would transfer it back to the local governments, but I have not been able to enact such a piece of legislation.

In the absence of that, general revenue sharing has been the best thing since ice cream, so far as we are concerned.

I want to make one point quite clear. I am not here to argue with Mayor Perk, because we are colleagues, even though from different parts of the country, but I do have somewhat of a different responsibility than he.

The U.S. Conference of Mayors does not all look at this counter-recession legislation as being inflationary with a trigger of six percent. We feel quite strongly that a \$2 billion expenditure with a triggering device at six percent is not inflationary in light of the overall Federal budget, in light of the gross national product, and we feel very strongly that, if the economic base of the cities can be maintained, that an uplift in employment will more than make up for that.

I might say to say the mere saving of money at the Federal level does not mean that money is not going to be spent by local governments, because there isn't a local government I know of that has to make the difficult choice of cutting through, and too deeply, into its police, and fire and sanitation departments that is not going to be raising taxes anyway, and spending more money.

It has been pointed out the raising of local taxes is even more inflationary than raising Federal taxes or borrowing by the Federal Government.

MR. PERK: In further answer to your question, we are told that there are over a thousand Federal domestic programs and there are tens of thousands of categorical grants. If you will combine those categorical grants and programs into a fewer number of programs, and that aid goes directly to the cities, there is no question in my mind the cities with the greatest need will have sufficient funds to run their operations.

I believe that most of us would rather see the categorical grants turned over to revenue sharing, if it is possible, because there are so few strings attached to revenue sharing. And there is so much red tape and so much bureaucracy attached to categorical grants.

I am sure we agree on that, don't we, Mr. Mayor?

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MR. LANDRIEU: Yes.

Q Secretary Simon, given the Administration's agreement with the mayors to get enactments on revenue sharing, why did you invite all these mayors down here today?

SECRETARY SIMON: The President, Vice President and the President's council invited the mayors down today because these topics were brought up in the Mayor's Conference in Boston this past week. Revenue sharing and countercyclical proposals were two of the major ones.

We thought that was important enough to bring them down and have a dialogue with the Administration about the problems we see with respect to its enactment.

In the area of the countercyclical proposals, let's remember we have many countercyclical functions in Government right now. One of the largest is the expanded employment and public service employment programs where we are going to spend over \$20 billion in 1976.

Obviously, that amount grows according to the need, according to the trigger we have put in, food stamps, SSI, all the rest of those proposals.

MR. PERK: To answer your question directly -- no offense to anyone -- but I was involved in that. Several weeks ago Carla Hills called about 100 mayors down to a meeting in which she was going to announce a program. At that time, many of the mayors asked the White House if we could have a conference on revenue sharing so we could get a better understanding where it stands in the Congress.

The White House decided to do that, but many of the mayors went home before they had a chance to get to the White House. Those of us that came here about several weeks ago asked if we could have another White House conference on revenue sharing so we could all have some input and all be a part of the organized effort to get revenue sharing adopted as quickly as possible.

In response to that, to the request from the mayors, the invitation was extended.

Q Secretary Simon, do you have any objection to the triggering mechanism now at 6 percent? Does the exact figure of unemployment mean anything to you one way or another?

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SECRETARY SIMON: Of course, we use the unemployment triggering mechanism in programs we already have in place.

Q Did your objections to the proposal include the 6 percent figure?

SECRETARY SIMON: The objections we gave didn't relate to the particular trigger at 6 percent.

Q It is the money?

SECRETARY SIMON: Of course it is the size of the money, the inference with the fiscal program in Government, the need to borrow, the threat to general revenue sharing. All the reasons I mentioned before were part of our rationale going into proposal.

Q What kind of figure would you sit still for? How much can you reduce a mere \$2 billion and still leave a program --

SECRETARY SIMON: A mere \$2 billion? These mere \$2 billion are the things that got us into the problem we are in now.

Q How much can you reduce that figure and still leave any kind of meaningful program that would aid anybody's city?

MR. PERK: I wouldn't want the Secretary to answer that question because we would like to work out some kind of a compromise.

SECRETARY SIMON: As I was about to say before Ralph popped in, I am not going to get pinned down on any particular number or whether indeed we will accept or reject a countercyclical proposal. We are going to open the subject up for further discussion, and after we have looked at the whole package, a potential trigger, the pros and the cons, then we will make a decision, the President will make a decision.

Q Do you believe it is possible to reduce that \$2 billion figure by something significant and still leave a program that will make any difference to cities? I would like all three of you to answer that.

SECRETARY SIMON: Again, it all depends on whether it is feasible or possible to do as Mayor Landrieu said and recognize the problem exists in just a few cities or some particular cities, and the notion that if we give to some we have to give to all really doesn't apply in this instance.

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We have to take a look at where the problem areas are. I guess what you would say, Moon, is attack it with a rifle rather than a shotgun approach.

This has political problems, as you well know, when you go to the Congress to ask for funds or a program that affects just a few. The instant reaction is if they are going to get it, we should get it, too.

MR. LANDRIEU: If you had \$2 billion and you could play God and weren't limited by any of the formulas you have to pass through Congress, you could certainly place \$2 billion around in impacted areas and be of significant help.

As a matter of fact, you could place a million dollars around and be of significant help. I am not prepared to say what you can reduce that to and distribute it on the basis of a formula and do any significant good.

The problem is not to try to duplicate general revenue sharing with a countercyclical bill. General revenue sharing gives money to 38,000 jurisdictions. All 38,000 jurisdictions are not impacted the same by the recession in which we find ourselves.

For instance, there are cities that are normally much healthier from a long-term standpoint than the cities of New Orleans, who are impacted far worse by the current recession than we are because we are in a service kind of an economy. We are poor and we stay poor.

There are those cities that do extremely well in periods of prosperity, but in a period of decline cannot meet their bills. So, we are urging some kind of review of the Federal policy that would analyze the current situation in light of the impact of the recession.

MR. PERK: I would rather have a compromise countercyclical bill than no countercyclical bill at all. I think that is why it is important for the Administration and the mayors to get together and work out the same kind of compromise we worked out together in the President's Cabinet bill on the mass transit bill.

The same kind of compromise we worked out on community development block grants, the same kind of compromise we worked out on the Comprehensive Employment and Training Act. It is more important to have these bills adopted on a compromise because better legislation comes out of compromises, and I would like to see that happen without nailing any one of us down to a figure, because I don't think we could do that here at a press conference.

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Q Mr. Simon, what persuaded the President to give a second look?

SECRETARY SIMON: The President was not in the room. This was during a panel session in discussing this countercyclical proposal and revenue sharing where Jim Lynn and I in response to questions said we would take another look at this.

Q Were the initial suggestions based on a Presidential decision or based on your own decision?

SECRETARY SIMON: This was based on the decisions in the Economic Policy Board and by the group who studies this, these programs, and the Labor Department, obviously is part of this Board.

Q Who would make the final decision?

SECRETARY SIMON: In this instance this is of sufficient importance, in my judgment, that it would go to the President.

THE PRESS: Thank you, gentlemen.

END (AT 4:43 P.M. EDT)