

**The original documents are located in Box 31, folder “Revenue Sharing (13)” of the James M. Cannon Files at the Gerald R. Ford Presidential Library.**

### **Copyright Notice**

The copyright law of the United States (Title 17, United States Code) governs the making of photocopies or other reproductions of copyrighted material. Gerald Ford donated to the United States of America his copyrights in all of his unpublished writings in National Archives collections. Works prepared by U.S. Government employees as part of their official duties are in the public domain. The copyrights to materials written by other individuals or organizations are presumed to remain with them. If you think any of the information displayed in the PDF is subject to a valid copyright claim, please contact the Gerald R. Ford Presidential Library.

R-5 [Aug-1976]  
Hoed

Dear (to all governors, selected mayors and ~~county~~ officials):

The President is concerned about the prospects for revenue sharing and he recently asked me to assist him in his efforts to extend the General Revenue Sharing program which will expire on December 31, 1976. As you may recall, I was actively involved with the original enactment of the General Revenue Sharing program in 1972 while serving as Governor of New York. Those of us who have served on the State and local level realize the importance of continuing the flexible general purpose source of revenue which has been provided through the General Revenue Sharing program.

Since the enactment of the General Revenue Sharing program in 1972, the fifty States and some 39,000 units of local government have received over \$23.5 billion. Cancellation of the program would have a severe impact on State and local governments, requiring them either to raise taxes or abolish programs.

The proposed legislation to extend the program would maintain the existing allocation formula and distribute \$39.85 billion from January, 1977 through September, 1982. Enclosed is information which describes the impact of the current and proposed legislation on your jurisdiction.

I'm sure you share our concern over the need to continue the program and hope that this information will be of assistance to you.

Sincerely,



THE WHITE HOUSE  
WASHINGTON

August 2, 1976

*File (- See consideration)*  
File  
Revenue Sharing

MEMORANDUM FOR

FROM

SUBJECT:

*[Signature]*  
JIM CANNON

*[Signature]*  
PAUL MYER

Review of Administration  
Policy on General Revenue  
Sharing Renewal

Following House passage of the General Revenue Sharing renewal bill, I initiated an analysis and policy review by the Treasury Department. Representatives from State and local government and key Senate staff have been involved in the process.

Treasury is now completing the preliminary stage of this review. The attached document sets forth those areas which will require your review and consideration. I would like to discuss these matters with you to obtain your views and guidance on appropriate follow-through.

Attachment

~~cc:~~ Art Quern



I. FUNDING LEVEL

The House bill would result in outlays of \$6,650,000,000 for FY 1977, \$112,500,000 more than the Administration's request for \$6,537,500,000.

The \$6.65 billion figure was derived by "annualizing" the funds already available under the current Act for the transition quarter and the first quarter of FY 1977 -- \$3,325,000,000 for the period July 1, 1976-December 31, 1976 (\$1,662,500,000 per quarter), the final entitlement period of the existing program. This figure includes the \$150 million annual stairstep increment over the FY 1976 amount (\$6.35 billion) even though the period covers only six months. The House elected to ignore this element of existing law and provided funding for the remaining nine months of FY 1977 at the same level. The House bill thus provides \$4,987,500,000 for FY 1977 in addition to the \$1,662,500,000 already appropriated for the first quarter of the new fiscal year. The result is an "extra" \$150 million increase in funding for FY 1977 (\$6.65 billion as opposed to \$6.50 billion).

The Administration had proposed a technical amendment to modify the existing authority in order to synchronize the program with the new fiscal year and maintain the \$150 million annual stairstep increase. The recommended modification proposed \$1,625,000,000 for the transition quarter and \$6,537,500,000 for FY 1977. The "extra" annual increase would have been limited to reflect the proportional amount of the annual increase for the final 6-month entitlement period of the existing program (\$75 million) and provide a transitional increment of \$37.5 million for FY 1977 in recognition of the extra quarter.

Had the Administration's renewal proposal been adopted prior to June 30, 1976, the technical modification would have represented a workable transitional proposal. However, given the present time frame and the nature of the House-passed funding provision, the viability of this position is now questionable.

Treasury was required to notify all eligible governmental units of the anticipated amounts they will be receiving for the July 1, 1976-December 31, 1976 entitlement period. These allocations are based upon



appropriations available under the current Act and will be paid in October, 1976 and January, 1977. Most recipients' current and anticipated fiscal plans assume that any continuation of the program will, at a minimum, maintain the current level of funding for the first year. This feeling has been strengthened by the House action.

In order to maintain its original position on level of funding, the Administration would now have to 1) seek an immediate rescission of appropriated funds, separate from the renewal bill, 2) continue to support a lower amount for all of FY 1977 in the renewal bill, or 3) ask for a sizable reduction in the unfunded period of the program in FY 1977. With respect to the latter, the \$4,875,000,000 required to fund the 9-month period of FY 1977 within the Administration's original budget target would mean a reduction of \$112,500,000 in payments when compared to the level of payments made to recipients in the first quarter of the fiscal year.

None of these options will now be viewed as technical or transitional. Treasury will recommend that we accept the \$6.65 billion funding level for FY 1977.

## II. CIVIL RIGHTS

The House bill would greatly broaden the non-discrimination standards of the current Act. Unfortunately, this provision, the result of an abortive House compromise, is deficient in many respects. It is opposed by civil rights advocates, representatives of State and local government view it as unduly burdensome and unworkable, and it is inconsistent with Administration policy.

While the Administration had proposed a clarification and strengthening of the existing enforcement authority, Treasury would retain the broad discretionary powers of the existing Act. This is a reasonable position. However, due to Treasury's extremely poor enforcement record and the House fight over the non-discrimination provision, a major attack upon the program by civil rights groups is anticipated. Under the prevailing circumstances, Treasury does not believe the present Administration position would result in adoption of a satisfactory provision or neutralize the issue. Treasury is therefore reviewing the non-discrimination provision of the countercyclical aid program which recently became law.



### III. ALLOCATION FORMULA

The House bill maintains the existing allocation formula. This is in keeping with the Administration policy with the exception of the request to raise the 145% constraint to 175% in several steps. In view of the data and analytical information made available in the past months which indicate that this change in the formula, allegedly designed to allow certain needy large cities and some rural places receive larger allocations, is substantially and politically counterproductive, the Treasury Department will recommend dropping Administration support for this modification.

The Administration will continue to pursue the adoption of certain technical amendments related to the allocation formula which were proposed in the original submission. In addition, Treasury now has under study a means to limit fluctuations of allocations to recipient governments from one entitlement period to another. During the past year, many recipients have been severely penalized as a result of modifications of the various data elements used in the formula. Several methods have been suggested to lessen the degree to which entitlements vary from one period to another, including using a moving average to determine entitlements of a particular data element in applying some sort of constraint (such as  $\pm 10$  percent) to the amount an entitlement can fluctuate from one period to another.

### IV. PRIORITY EXPENDITURE CATEGORIES & MATCHING REQUIREMENT

These two provisions of the current Act were dropped in the House bill. The House, on the strength of the "fungibility" argument, concluded that these restrictions on the use of revenue sharing funds were ineffective. The Treasury Department will concur with this judgment.

### V. OTHER PROVISIONS

The Administration will continue to advocate modification of those provisions of the current Act with respect to:



1) eligibility requirements, 2) reporting and citizen participation, and 3) auditing. The complex provisions of the House bill dealing with these issues are either unnecessary or unduly burdensome on recipient governments. In light of the House action, amendments are presently being drafted which conform to existing Administration policy and meet a number of the concerns and needs which must be dealt with by the Senate.

THE WHITE HOUSE

WASHINGTON

August 5, 1976

MEMORANDUM TO: PAUL O'NEILL  
FROM: JIM CANNON *J Cannon*  
SUBJECT: General Revenue Sharing Renewal

Soon after Labor Day Secretary Simon will need to testify before the Senate Finance Committee on revenue sharing.

Here is a Domestic Council analysis of the House bill which you might want to have someone go over.

Worth noting:

The House bill includes for FY 77 \$112.5 million more than the President requested.

When you have a chance, I would like to discuss this with you.





Revenue  
Sharing

THE WHITE HOUSE

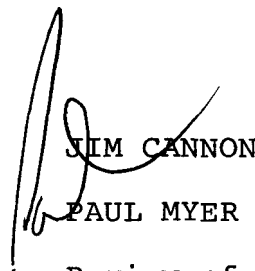
WASHINGTON

August 2, 1976

MEMORANDUM FOR

FROM

SUBJECT:



JIM CANNON

PAUL MYER

Review of Administration  
Policy on General Revenue  
Sharing Renewal

Following House passage of the General Revenue Sharing renewal bill, I initiated an analysis and policy review by the Treasury Department. Representatives from State and local government and key Senate staff have been involved in the process.

Treasury is now completing the preliminary stage of this review. The attached document sets forth those areas which will require your review and consideration. I would like to discuss these matters with you to obtain your views and guidance on appropriate follow-through.

Attachment

cc: Art Quern



I. FUNDING LEVEL

The House bill would result in outlays of \$6,650,000,000 for FY 1977, \$112,500,000 more than the Administration's request for \$6,537,500,000.

The \$6.65 billion figure was derived by "annualizing" the funds already available under the current Act for the transition quarter and the first quarter of FY 1977 -- \$3,325,000,000 for the period July 1, 1976-December 31, 1976 (\$1,662,500,000 per quarter), the final entitlement period of the existing program. This figure includes the \$150 million annual stairstep increment over the FY 1976 amount (\$6.35 billion) even though the period covers only six months. The House elected to ignore this element of existing law and provided funding for the remaining nine months of FY 1977 at the same level. The House bill thus provides \$4,987,500,000 for FY 1977 in addition to the \$1,662,500,000 already appropriated for the first quarter of the new fiscal year. The result is an "extra" \$150 million increase in funding for FY 1977 (\$6.65 billion as opposed to \$6.50 billion).

The Administration had proposed a technical amendment to modify the existing authority in order to synchronize the program with the new fiscal year and maintain the \$150 million annual stairstep increase. The recommended modification proposed \$1,625,000,000 for the transition quarter and \$6,537,500,000 for FY 1977. The "extra" annual increase would have been limited to reflect the proportional amount of the annual increase for the final 6-month entitlement period of the existing program (\$75 million) and provide a transitional increment of \$37.5 million for FY 1977 in recognition of the extra quarter.

Had the Administration's renewal proposal been adopted prior to June 30, 1976, the technical modification would have represented a workable transitional proposal. However, given the present time frame and the nature of the House-passed funding provision, the viability of this position is now questionable.

Treasury was required to notify all eligible governmental units of the anticipated amounts they will be receiving for the July 1, 1976-December 31, 1976 entitlement period. These allocations are based upon



appropriations available under the current Act and will be paid in October, 1976 and January, 1977. Most recipients' current and anticipated fiscal plans assume that any continuation of the program will, at a minimum, maintain the current level of funding for the first year. This feeling has been strengthened by the House action.

In order to maintain its original position on level of funding, the Administration would now have to 1) seek an immediate rescission of appropriated funds, separate from the renewal bill, 2) continue to support a lower amount for all of FY 1977 in the renewal bill, or 3) ask for a sizable reduction in the unfunded period of the program in FY 1977. With respect to the latter, the \$4,875,000,000 required to fund the 9-month period of FY 1977 within the Administration's original budget target would mean a reduction of \$112,500,000 in payments when compared to the level of payments made to recipients in the first quarter of the fiscal year.

None of these options will now be viewed as technical or transitional. Treasury will recommend that we accept the \$6.65 billion funding level for FY 1977.

## II. CIVIL RIGHTS

The House bill would greatly broaden the non-discrimination standards of the current Act. Unfortunately, this provision, the result of an abortive House compromise, is deficient in many respects. It is opposed by civil rights advocates, representatives of State and local government view it as unduly burdensome and unworkable, and it is inconsistent with Administration policy.

While the Administration had proposed a clarification and strengthening of the existing enforcement authority, Treasury would retain the broad discretionary powers of the existing Act. This is a reasonable position. However, due to Treasury's extremely poor enforcement record and the House fight over the non-discrimination provision, a major attack upon the program by civil rights groups is anticipated. Under the prevailing circumstances, Treasury does not believe the present Administration position would result in adoption of a satisfactory provision or neutralize the issue. Treasury is therefore reviewing the non-discrimination provision of the countercyclical aid program which recently became law.

### III. ALLOCATION FORMULA

The House bill maintains the existing allocation formula. This is in keeping with the Administration policy with the exception of the request to raise the 145% constraint to 175% in several steps. In view of the data and analytical information made available in the past months which indicate that this change in the formula, allegedly designed to allow certain needy large cities and some rural places receive larger allocations, is substantially and politically counterproductive, the Treasury Department will recommend dropping Administration support for this modification.

The Administration will continue to pursue the adoption of certain technical amendments related to the allocation formula which were proposed in the original submission. In addition, Treasury now has under study a means to limit fluctuations of allocations to recipient governments from one entitlement period to another. During the past year, many recipients have been severely penalized as a result of modifications of the various data elements used in the formula. Several methods have been suggested to lessen the degree to which entitlements vary from one period to another, including using a moving average to determine entitlements of a particular data element in applying some sort of constraint (such as  $\pm 10$  percent) to the amount an entitlement can fluctuate from one period to another.

### IV. PRIORITY EXPENDITURE CATEGORIES & MATCHING REQUIREMENT

These two provisions of the current Act were dropped in the House bill. The House, on the strength of the "fungibility" argument, concluded that these restrictions on the use of revenue sharing funds were ineffective. The Treasury Department will concur with this judgment.

### V. OTHER PROVISIONS

The Administration will continue to advocate modification of those provisions of the current Act with respect to:

1) eligibility requirements, 2) reporting and citizen participation, and 3) auditing. The complex provisions of the House bill dealing with these issues are either unnecessary or unduly burdensome on recipient governments. In light of the House action, amendments are presently being drafted which conform to existing Administration policy and meet a number of the concerns and needs which must be dealt with by the Senate.



*Rev. Sharing*

THE WHITE HOUSE  
WASHINGTON

ACTION

August 10, 1976

MEMORANDUM FOR

*Paul*  
JIM CANNON

FROM

PAUL MYER

SUBJECT:

Senate Consideration of  
General Revenue Sharing  
Legislation

The new Senate schedule for General Revenue Sharing accelerates our need to review the policy issues I raised with you late last week and were forwarded to Paul O'Neill for his consideration.

*Paul*  
*was*  
*John*



General Rev.  
Sharing

THE WHITE HOUSE  
WASHINGTON

INFORMATION

August 11, 1976

MEMORANDUM FOR

MAX FRIEDERSDORF  
JIM CANNON

FROM

*Paul Myer*  
Paul Myer

SUBJECT:

Senate Consideration of  
General Revenue Sharing  
Legislation

*File*  
*G-R-S*

I prepared the attached document to provide some assistance to those who are working on Senate consideration of legislation to revise and extend the General Revenue Sharing program.

Attachments

cc: Dick Allison



## THE SENATE and GENERAL REVENUE SHARING

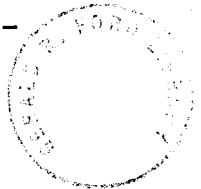
### I. Background -- 1972 Enactment

Following House passage of the "State and Local Fiscal Assistance Act." H. R. 14370, on June 22, 1972, the Senate Finance Committee held three days of hearings on the House-passed General Revenue Sharing bill (June 29, July 26-27). On August 9, the Finance Committee ordered reported a substantially amended version of the House bill (S. Rept. 92-1050).

The major revision in the Committee bill was a modified allocation formula which increased the amounts provided to low income, more rural States and urban areas as opposed to the House provision which favored the more populous urban and industrialized States. However, the committee bill also contained an annual \$1 billion supplemental social services grant program which was, in part, designed to offset this re-distribution of funds. The Committee bill made a number of other changes, including elimination of restrictions on the use of funds by local units of government, but did maintain the controversial "trust fund" financing provision of the House bill.

On August 10, the Senate Appropriations Committee voted to assert jurisdiction over the Finance Committee bill. Senator John McClellan (D-Ark.), who had recently succeeded to the Committee Chairmanship, raised the same objections as House Appropriations Committee Chairman Mahon, charging that the measure would subvert the traditional authorization-appropriations process.

The Senate Finance Committee then reconsidered its action on August 11. Following a series of unsuccessful attempts to achieve an acceptable compromise on the issue, on August 16 the Finance Committee ordered reported, by a vote of 12-4, the earlier bill with a revised financing provision to provide for a "permanent" appropriation of 7 percent of personal income tax receipts to the trust fund established by the bill. The action was taken only





after Finance Committee Chairman Long was convinced he had the votes to defeat any Appropriations Committee jurisdictional claim or amendment to alter the financing provision on the Senate floor.

After 7 days of lengthy floor debate and consideration of amendments, the Senate passed H. R. 14370 on September 12. The vote on final passage was 64-20.

During floor action, the Senate upheld the major revisions recommended by the Committee to the House-passed bill, accepting only principal amendments regarding Davis-Bacon Act coverage (Hartke), eligibility of Indian tribes and Alaskan villages (Metcalf), and supplemental allocations to Alaska and Hawaii (Inouye). Two key votes were taken:

\* Appropriations Committee Chairman McClellan offered an amendment on behalf of his Committee to make the program subject to the annual appropriations process. The McClellan amendment provided for 18 months advanced funding with annual appropriations thereafter. The amendment was defeated 34-49. Of the 34 votes in favor of this amendment, 21 were cast by members of the Senate Appropriations Committee.

\* The Senate also rejected attempts to change the allocation formula. One amendment offered by Senator Ribicoff (D-Conn.), which would have revised the formula to increase the amounts provided to more populous, highly urbanized States, was defeated by a vote of 24-61.

In the following Conference, the differences in the allocation formula provision were most critical. The Conference produced a generally acceptable compromise allowing each State to receive its allocation under either the House or Senate formula, whichever would provide a higher amount.

The Conference Report (S. Rept. 92-1229) was filed on September 26 and accepted by the Senate on October 13, by a vote of 59-19.

II. Current Situation

In general there is considerable bi-partisan and diverse ideological support for General Revenue Sharing in the Senate. 34 Senators (15 D; 19 R) have co-sponsored the Administration's proposed renewal bill, S. 1625. (Attachment A)

During 1975, the Revenue Sharing Subcommittee of the Senate Finance Committee held hearings on the General Revenue Sharing program. While these hearings were of an oversight nature, the extensive testimony of proponents and opponents of the program as well as recognized experts in this field focused on the renewal issue.

On August 25, the Senate Finance Committee will hold a hearing on the House-passed renewal bill, H. R. 13367. It is Chairman Long's intention to move to executive session the following day to mark-up the bill. The Senate leadership has indicated an interest in completing Senate floor action prior to the scheduled Labor Day Recess on September 1.

This represents an extremely tight and optimistic schedule. The anticipated Tax Bill Conference, the fact that the Senate does have a number of other major bills which could be scheduled for that week, and the unknown intensity of certain efforts which may be made to amend and modify the revenue sharing bill could cause a delay.

\* \* \*

There has been a significant turnover in the Senate since 1972 when General Revenue Sharing was enacted. The 24 "new" Senators (17 D; 7 R) represent a substantial shift in membership. (Attachment B)

With respect to current Senators serving in 1972, Attachment C is a summary and analysis of their record on key General Revenue Sharing votes.

\* \* \*

The terms of 33 Senators (22 D; 11 R) expire in 1976 (Attachment D).

Eight Senators (4 D; 4 R) are not seeking re-election:

Fannin (R-Ariz.)	Mansfield (D-Mont.)
Fong (R-Hi.)	Pastore (D-R.I.)
Hart (D-Mich.)	Scott (R-Pa.)
Hruska (R-Neb.)	Symington (D-Mo.)

Twelve Senators (7 D; 5 R) seeking re-election are considered "marginal" by some political observers on the basis of their having received less than 55% of the vote in the 1970 election:

Beall, R-Md. (50.7%)	Hartke, D-Ind. (50.1%)
Bentsen, D-Tex. (53.4%)	Montoya, D-N.M. (52.3%)
Brock R-Tenn. (51.3%)	Taft, R-Ohio (49.6%)
Buckley R/C-N.Y. (38.7%)	Tunney, D-Calif. (53.9%)
Byrd, D/I-Va. (53.5%)	Weicker, R-Conn. (41.7%)
Chiles, D-Fla. (53.9%)	Williams, D-N.J. (54.0%)

Senators Beall, Buckley, Byrd, Hartke, Montoya, Taft and Weicker are considered to be facing the most serious challenge. The seats of two other Senators, Roth (R-Del.) and Stafford (R-Vt.) are also considered in jeopardy.

III. Issues

Although the Senate is expected to revisit the same issues raised in the House, the nature and intensity of efforts to modify various aspects of the program is expected to be of a different character than experienced in the House renewal fight.

Given the broad bi-partisan and diverse ideological support for revenue sharing in the Finance Committee and the Senate in general, a major fight on the question of renewal may not materialize. The tight time schedule and anticipated rush toward adjournment may also contribute to more favorable and expeditious consideration of the bill, leading to the adoption of a long-term extension which includes a growth factor in the level of funding and retains the essential features of the current program.

There is, for example, apparently little dissatisfaction with the existing allocation formula. For this reason, attempts to revise the allocation formula to distribute more funds to areas of greater need may not be a serious threat. Senators generally accept the State allocations under the current formula and enactment of the "countercyclical aid" program should serve to minimize efforts to revise it.

Concern over the enforcement of the non-discrimination provision will generate debate and an effort will be made to gain adoption of stronger protections. Inter-related with the civil rights issue will be questions with respect to reporting requirements and citizen participation. This debate will focus attention on the overall accountability-priority theme developed in the House by opponents of the program. However, the extent to which it will be pursued in the Senate remains uncertain.

The issue of how the program is financed is not expected to be as controversial an issue as during Senate consideration in 1972. The Finance Committee will probably adopt the entitlement financing provision contained in the House bill. It is significant

that the Budget Act provisions relied upon to uphold entitlement financing during House consideration were contained in the original Senate bill establishing the new budget procedures in 1974 (S. Rept. 93-688). In light of the House action and Senate Budget Committee Chairman Muskie's support for long-term funding, a major floor fight is not anticipated.

The Senate may consider the issue of placing more restrictions on the expenditure of funds and other requirements beyond items raised in the House.

Of particular concern is the matter of public employee coverage under the Fair Labor Standards Act (FLSA).

In a 5-4 decision the Supreme Court recently held that the minimum wage and overtime provisions of the FLSA cannot constitutionally be applied to State and local government employees. The Court, in National League of Cities, et al. v. Usery, not only invalidated the 1974 FLSA amendments insofar as they extended the Act's minimum wage and overtime provisions to such employees, but it also expressly overruled the 1968 decision in which the Court upheld the 1966 extension of the Act's minimum wage and overtime provisions to employees of State schools and hospitals (Maryland v. Wirtz).

Public employee unions and the AFL-CIO Executive Council could seek to overturn this decision through legislative action, including efforts to "assure that every Federal grant carries with it the requirement that the State and local governments observe the provisions of the Fair Labor Standards Act."

The nature and broad scope of the General Revenue Sharing program would make the renewal bill a possible target of this effort -- if it is undertaken.

ATTACHMENT A

SENATE CO-SPONSORS OF S. 1625

Sparkman, D-Ala.	Fannin, R-Ariz.
Tunney, D-Calif.	Goldwater, R-Ariz.
Clark, D-Iowa	Roth, R-Del.
Culver, D-Iowa	McClure, R-Idaho
Huddleston, D-Ky.	Percy, R-Ill.
Ford, D-Ky.	Dole, R-Kan.
Johnston, D-La.	Beall, R-Md.
Long, D-La.	Hruska, R-Neb.
Muskie, D-Me.	Laxalt, R-Nev.
Hathaway, D-Me.	Domenici, R-N. M.
Kennedy, D-Mass.	Javits, R-N. Y.
Mondale, D-Minn.	Bartlett, R-Okla.
Morgan, D-N. C.	Packwood, R-Ore.
Hollings, D-S. C.	Scott, R-Pa.
McGee, D-Wyo.	Thurmond, R-S. C.
	Brock, R-Tenn.
	Tower, R-Texas
	Garn, R-Utah
	Hansen, R-Wyo.

ATTACHMENT B

"NEW" SENATE MEMBERS (24)

Republicans (7)

McClure (Idaho)  
Laxalt (Nevada)  
Domenici (New Mexico)  
Helms (North Carolina)  
Bartlett (Oklahoma)  
Garn (Utah)  
Scott (Virginia)

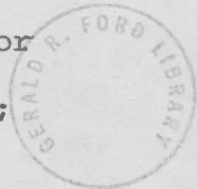
Democrats (17)

Bumpers (Arkansas)  
Haskell (Colorado)  
Hart (Colorado)  
Biden (Delaware)  
Stone (Florida)  
Nunn (Georgia)  
Clark (Iowa)  
Culver (Iowa)  
Huddleston (Kentucky)  
Ford (Kentucky)  
Johnston (Louisiana)  
Hathaway (Maine)  
Durkin (New Hampshire)  
Morgan (North Carolina)  
Glenn (Ohio)  
Abourezk (South Dakota)  
Leahy (Vermont)

Thirteen of the above Senators are former State or local government officials, including four former governors (Laxalt; Bartlett; Bumpers; Ford) and two former mayors (Domenici, Albuquerque; Garn, Salt Lake City).

Five are former House Members:

McClure -- voted against rule, did not vote on final passage  
Culver -- voted for rule and program  
Hathaway -- voted against rule, for program  
Abourezk -- voted against rule and program  
Scott -- voted against rule and program



U. S. SENATE

1. Annual Appropriations -- McClellan (D-Ark.) amendment to H. R. 14730 appropriating revenue sharing funds for two years only and requiring annual appropriations review for subsequent three years of program. Rejected 34-49 (R 11-23; D 23-26), September 7, 1972. A "N" vote was in support of GRS.
2. Formula Change -- Ribicoff (D-Conn.) amendment to H. R. 14730 revising distribution formula to benefit urban states. Rejected 24-61 (R 11-29; D 13-32), September 6, 1972. A "N" vote was in support of GRS.
3. Final Passage -- Adopted 64-20 (R 32-5; D 32-15), September 12, 1972. A "Y" vote was in support of GRS.
4. Conference Report - Motion to accept conference report. Adopted 59-19 (R 29-5; D 30-14), October 13, 1972. A "Y" vote was in support of GRS.

Code

Y = Yea  
N = Nay  
✓ = Paired For  
X = Paired Against  
? = Not Voting



VOTE NO. 1 (McCLELLAN)

	<u>Republicans</u>		<u>Democrats</u>		<u>Total Senate</u>	
	1972	1975	1972	1975	1972	1975
Y	11	6	23	20	34	26
N	23	17	26	21	49	38
✓	3	2	1	1	4	3
X	3	3	1	1	4	4
?	5	3	4	2	9	5
TOTAL	45	31	55	45	100	76
NEW*		7		17		24
TOTAL**		38		62		100

\*Senators elected since 1972  
 \*\*Composition of Senate for 94th Congress

VOTE NO. 2 (RIBICOFF)

	<u>Republicans</u>		<u>Democrats</u>		<u>Total Senate</u>	
	1972	1975	1972	1975	1972	1975
Y	11	9	13	12	24	21
N	29	18	32	25	61	43
✓	0	0	0	0	0	0
X	0	0	0	0	0	0
?	5	4	10	8	15	12
TOTAL	45	31	55	45	100	76
NEW*		7		17		24
TOTAL**		38		62		100

\*Senators elected since 1972

\*\*Composition of Senate for 94th Congress

VOTE NO. 3 (FINAL PASSAGE)

	<u>Republicans</u>		<u>Democrats</u>		<u>Total Senate</u>	
	1972	1975	1972	1975	1972	1975
Y	32	23	32	27	64	50
N	5	4	15	12	20	16
	3	1	1	1	4	2
X	3	2	1	1	4	3
?	1	1	7	4	8	5
TOTAL	44	31	56	45	100	76
NEW*		7		17		24
TOTAL**		38		62		100

\*Senators elected since 1972

\*\*Composition of Senate for 94th Congress

VOTE NO. 4 (CONFERENCE REPORT)

	<u>Republicans</u>		<u>Democrats</u>		<u>Total Senate</u>	
	1972	1975	1972	1975	1972	1975
Y	29	20	30	25	59	45
N	5	3	14	12	19	15
✓	1	1	0	0	1	1
X	1	1	0	0	1	1
?	8	6	12	8	20	14
TOTAL	44	31	56	45	100	76
NEW*		7		17		24
TOTAL**		38		62		100

\*Senators elected since 1972  
 \*\*Composition of Senate for 94th Congress

1972 Record

Comments

1. 2. 3. 4.

ALABAMA

John J. Sparkman (D) N N ? ?

James B. Allen (D) Y N Y Y

ALASKA

Ted Stevens (R) Y Y Y N

Mike Gravel (D) Y Y Y Y

ARIZONA

Paul J. Fannin (R) N N ? N

Barry Goldwater (R) ? N X ?

ARKANSAS

John L. McClellan (D) Y N Y Y

Dale Bumpers (D)

CALIFORNIA1972 RecordComments

Alan Cranston (D)	N	Y	Y	Y
-------------------	---	---	---	---

John V. Tunney (D)	N	Y	Y	Y
--------------------	---	---	---	---

COLORADO

Floyd K. Haskell (D)				
----------------------	--	--	--	--

Gary Hart (D)				
---------------	--	--	--	--

CONNECTICUT

Abraham A. Ribicoff (D)	N	Y	Y	Y
-------------------------	---	---	---	---

Lowell P. Weicker, Jr. (R)	X	Y	Y	Y
----------------------------	---	---	---	---

DELAWARE

William V. Roth (R)	Y	Y	Y	Y
---------------------	---	---	---	---

Joseph R. Biden (D)				
---------------------	--	--	--	--

1972 RecordCommentsFLORIDA

Lawton Chiles (D)	Y	N	N	N
-------------------	---	---	---	---

Dick Stone (D)				
----------------	--	--	--	--

GEORGIA

Herman E. Talmadge (D)	N	N	Y	Y
------------------------	---	---	---	---

Sam Nunn				
----------	--	--	--	--

HAWAII

Hiram L. Fong (R)	✓	?	Y	Y
-------------------	---	---	---	---

Daniel K. Inouye (D)	Y	Y	Y	Y
----------------------	---	---	---	---

IDAHO

Frank Church (D)	N	N	X	N
------------------	---	---	---	---

James A. McClure (R)				
----------------------	--	--	--	--

	<u>1972 Record</u>				<u>Comments</u>
<u>ILLINOIS</u>					
Charles H. Percy (R)	N	N	N	Y	
Adlai E. Stevenson (D)	N	Y	N	N	
<u>INDIANA</u>					
Vance Hartke (D)	N	Y	Y	Y	
Birch Bayh (D)	Y	Y	Y	Y	
<u>IOWA</u>					
Dick Clark (D)					
John C. Culver (D)					
<u>KANSAS</u>					
James B. Pearson (R)	N	N	Y	Y	
Bob Dole (R)	N	N	Y	Y	



1972 RecordCommentsKENTUCKY

Walter Huddleston (D)

Wendell H. Ford (D)

LOUISIANA

Russell B. Long (D)      N    N    Y    Y

J. Bennett Johnston (D)

MAINE

Edmund S. Muskie (D)      N    N    Y    ?

William D. Hathaway (D)

MARYLAND

Charles McC. Mathias (R)    N    N    Y    Y

J. Glenn Beall (R)        N    N    Y    Y

	<u>1972 Record</u>				<u>Comments</u>
<u>MASSACHUSETTS</u>					
Edward M. Kennedy (D)	N	Y	?	?	
Edward W. Brooke (R)	Y	Y	Y	Y	
<u>MICHIGAN</u>					
Philip A. Hart (D)	N	Y	Y	Y	
Robert P. Griffin (R)	N	?	Y	Y	
<u>MINNESOTA</u>					
Walter F. Mondale (D)	N	N	Y	Y	
Hubert H. Humphrey (D)	N	N	Y	Y	
<u>MISSISSIPPI</u>					
James O. Eastland (D)	Y	N	Y	Y	
John C. Stennis (D)	Y	?	N	N	

	<u>1972 Record</u>				<u>Comments</u>
<u>MISSOURI</u>					
Stuart Symington (D)	Y	N	N	Y	
Thomas F. Eagleton (D)	?	N	N	N	
<u>MONTANA</u>					
Mike Mansfield (D)	✓	N	N	N	
Lee Metcalf (D)	N	?	Y	?	
<u>NEBRASKA</u>					
Roman L. Hruska (R)	Y	N	Y	?	
Carl T. Curtis (R)	N	N	X	?	
<u>NEVADA</u>					
Howard W. Cannon (D)	?	?	Y	Y	
Paul Laxalt (R)					

	<u>1972 Record</u>				<u>Comments</u>
<u>NEW HAMPSHIRE</u>					
Thomas J. McIntyre (D)	N	?	?	?	
John Durkin (D)					
<u>NEW JERSEY</u>					
Clifford P. Case (R)	Y	Y	Y	Y	
Harrison Williams (D)	N	Y	Y	Y	
<u>NEW MEXICO</u>					
Joseph M. Montoya (D)	Y	N	Y	Y	
Peter V. Domenici (R)					
<u>NEW YORK</u>					
Jacob K. Javits (R)	N	Y	Y	Y	
James Buckley (R-C)	N	Y	Y	Y	

1972 RecordCommentsNORTH CAROLINA

Jesse A. Helms (R)

Robert Morgan (D)

NORTH DAKOTA

Milton R. Young (R)      Y   N   N   N

Quentin Burdick (D)      Y   N   N   N

OHIO

Robert Taft (R)      ?   ?   N   Y

John Glenn (D)

OKLAHOMA

Henry L. Bellmon (R)      ?   N   Y   Y

Dewey F. Bartlett (R)

	<u>1972 Record</u>				<u>Comments</u>
<u>OREGON</u>					
Mark O. Hatfield (R)	√	?	N	X	
Bob Packwood (R)	N	N	Y	Y	
<u>PENNSYLVANIA</u>					
Hugh Scott (R)	N	Y	Y	?	
Richard Schweiker (R)	N	Y	Y	Y	
<u>RHODE ISLAND</u>					
John O. Pastore (D)	Y	Y	Y	Y	
Claiborne Pell (D)	Y	?	Y	Y	
<u>SOUTH CAROLINA</u>					
Strom Thurmond (R)	X	N	√	Y	
Ernest F. Hollings (D)	Y	N	Y	Y	

1972 RecordCommentsSOUTH DAKOTA

George McGovern (D)	X	?	✓	?
---------------------	---	---	---	---

James Abourezk (D)				
--------------------	--	--	--	--

TENNESSEE

Howard H. Baker (R)	X	N	Y	?
---------------------	---	---	---	---

William Brock (R)	N	N	Y	Y
-------------------	---	---	---	---

TEXAS

John Tower (R)	N	N	Y	✓
----------------	---	---	---	---

Lloyd M. Bentsen (D)	N	N	N	N
----------------------	---	---	---	---

UTAH

Frank E. Moss (D)	N	N	Y	Y
-------------------	---	---	---	---

Jake Garn (R)				
---------------	--	--	--	--

	<u>1972 Record</u>				<u>Comments</u>
<u>VERMONT</u>					
Robert T. Stafford (R)	N	N	Y	?	
Patrick J. Leahy (D)					
<u>VIRGINIA</u>					
Harry F. Byrd (D)	N	N	N	N	
William Lloyd Scott (R)					
<u>WASHINGTON</u>					
Warren G. Magnuson (D)	Y	?	Y	Y	
Henry M. Jackson (D)	Y	N	Y	Y	
<u>WEST VIRGINIA</u>					
Jennings Randolph (D)	Y	N	Y	?	
Robert C. Byrd (D)	Y	N	N	N	



1972 RecordCommentsWISCONSIN

William Proxmire (D)	Y	N	N	N
----------------------	---	---	---	---

Gaylord Nelson (D)	N	N	N	N
--------------------	---	---	---	---

WYOMING

Gale W. McGee (D)	Y	?	?	?
-------------------	---	---	---	---

Clifford P. Hansen (R)	N	N	Y	Y
------------------------	---	---	---	---

ATTACHMENT D

EXPIRATION OF SENATE TERMS -- 1976

(33 Senators: 22 Democrats, 11 Republicans)

Beall, J. Glenn Jr. (R Md.)  
Bentsen, Lloyd (D Texas)  
Brock, Bill (R Tenn.)  
Buckley, James L. (R/C N.Y.)  
Burdick, Quentin N. (D N.C.)  
Byrd, Harry F. Jr. (D/I Va.)  
Byrd, Robert C. (D W.Va.)  
Cannon, Howard W. (D Nev.)  
Chiles, Lawton (D Fla.)  
Fannin, Paul J. (R Ariz.)  
Fong, Hiram L. (R Hawaii)  
Hart, Philip A. (D Mich.)  
Hartke, Vance (D Ind.)  
Hruska, Roman L. (R Neb.)  
Humphrey, Hubert H. (D Minn.)  
Jackson, Henry M. (D Wash.)  
Kennedy, Edward M. (D Mass.)  
McGee, Gale W. (D Wyo.)  
Mansfield, Mike (D Mont.)  
Montoya, Joseph M. (D N. M.)  
Moss, Frank E. (D Utah)  
Muskie, Edmund S. (D Maine)  
Pastore, John O. (D R. I.)  
Proxmire, William (D Wis.)  
Roth, William V. Jr. (R Del.)  
Scott, Hugh (R Pa.)  
Stafford, Robert T. (R Vt.)  
Stennis, John (D Miss.)  
Symington, Stuart (D Mo.)  
Taft, Robert Jr. (R Ohio)  
Tunney, John V. (D Calif.)  
Weicker, Lowell P. Jr. (R Conn.)  
Williams, Harrison A. Jr. (D N. J.)

THE WHITE HOUSE  
WASHINGTON

August 18, 1976

*File  
Revenue  
Sharing*

MEMORANDUM TO: JIM CANNON  
FROM: ART QUERN *AQ*  
SUBJECT: REVENUE SHARING ISSUE

As I understand it, the one key issue related to Revenue Sharing which remains to be addressed is the difference in the FY77 outlays between the Administration's request and the House bill requirements.

The Administration's FY77 request for outlays is \$6,537,500,000.

The House bill will result in outlays of \$6,650,000,000.

The difference is, therefore, an additional \$112.5 million required by the House Bill.

The reasons behind this are mostly technical and it would seem that the best course of action would be to accept the House figure of \$6.65 billion.

~~This issue needs to be resolved prior to August 25. I suggest you speak with O'Neill on Monday.~~



MEMORANDUM

THE WHITE HOUSE  
WASHINGTON

August 16, 1976

MEMORANDUM FOR

FROM

SUBJECT:



ART QUERN

PAUL MYER

Treasury Letter to  
Senate Finance Committee  
on General Revenue  
Sharing

Attached for your review and consideration is a copy of the letter sent by the Department of the Treasury to Senator Long, Chairman of the Senate Finance Committee, regarding the Administration's views on H. R. 13367, the House-passed bill to revise and extend the General Revenue Sharing program.

This letter covers all major issues associated with the renewal bill, with the exception of the funding level for FY 1977. As you know, this issue is discussed at some length in an earlier memorandum I sent to Jim Cannon. We will need an answer on that point prior to Treasury's appearance before the Finance Committee on Wednesday, August 25.

Attachment



THE GENERAL COUNSEL OF THE TREASURY  
WASHINGTON, D.C. 20220

AUG 13 1976

Dear Mr. Chairman:

This is in response to your request for the views of this Department on H.R. 13367, the Fiscal Assistance Amendments of 1976, as passed by the House of Representatives on June 10, 1976.

The Treasury Department endorses the renewal of the General Revenue Sharing program as proposed by President Ford in S. 1625 (H.R. 6558). While H.R. 13367 extends and maintains much of the essential character of revenue sharing, it varies in several important ways from the President's proposal. Generally the House Bill increases the Federal requirements placed on recipients of shared funds as well as the costs to the Department of administering the program.

Section 5 of H.R. 13367 extends the program for three and three-quarters years, while the President proposed a five and three-quarters year extension. It also omits the provision of S. 1625 which would require the Secretary of the Treasury to make recommendations to Congress concerning a further extension of the program well in advance of the expiration of the renewed revenue sharing program. State and local governments need the longer period of assured funding to plan effectively for use of funds made available.

The Department strongly recommends retention of the "entitlement" mode of funding incorporated into the House bill, which helps to provide assured funding for the renewal period. As a consequence, recipient jurisdictions can incorporate revenue sharing funds into their long range planning activities.

Secondly, the House measure does not provide for the \$150 million annual stair-step increase in appropriations contained in S. 1625 as a modest response to the effects of inflation on the cost of state and local government. We regard this as another weakness of the House-passed legislation.

Thirdly, we urge elimination of Section 7 of H.R. 13367. That section would require that governments impose taxes or



receive intergovernmental transfers and spend at least 10% of their expenditures on each of two public services listed in the section. If a government performed four of the functions or had been performing two of them since January 1, 1976, the 10% standard would not apply.

This eligibility standard would be burdensome and costly for the Department and the Census Bureau to administer. Yet it will likely not solve the problem of distinguishing multi-function from single function governments and active from inactive governments. It is too qualified to be meaningful. Further, the functional expenditure categories utilized in this section vary from established Bureau of Census classification for no apparent reason, and the standard of tax imposition utilized, which is also inconsistent with that used by Census, could prove confusing to recipients.

There are four further amendments bearing on the allocation of funds contained in the Administration bill which are intended to improve the administration of this Federal assistance program and make it more internally consistent. Section 5 of S. 1625 would permit the use of Census tax data for the period ending before the beginning of the entitlement period. This would eliminate the necessity for adjustments during an entitlement period.

The second "technical" amendment is contained in Section 4(a) of S. 1625 and would amend Section 108(b)(4) of the Revenue Sharing Act to distribute entitlements waived by Indian tribes and Alaskan native villages to the government of the county within which they are located, as is the case with entitlements waived by other governments.

Thirdly, Section 4(c) of S. 1625 would amend Section 108(c)(1) of the Act to update to the end of the renewal period the time period during which an optional State formula for local allocations would need to be effective. The House measure does not make such an update.

Finally, Section 1 of S. 1625 would amend Section 108(c)(1) of the Act to give statutory sanction to the current administrative practice of setting aside out of the appropriation for an entitlement period a small adjustment reserve. This is used in making adjustments to final entitlements necessitated by improvements in data without disturbing the entitlements of other jurisdictions.



The Treasury Department feels that H.R. 13367 clearly expands Federal requirements which must be met by recipients of shared funds. The bill similarly increases the cost and burden to be borne by the Department in administering the program. It is most important to consider to what degree these two aspects of H.R. 13367 contradict the basic purpose of General Revenue Sharing.

The first way in which Federal requirements are extensively increased is in the matter of reporting, publicity, and public participation requirements. Section 8 of the House measure would greatly expand the content of the current Planned (renamed "Proposed") and Actual Use Reports and require preparation and publication of a summary of the proposed budget and a narrative of the adopted budget of the recipient government. The basic thrust of these requirements is to relate use of shared revenues to the entire budget of a jurisdiction. Additionally, Section 8 of H.R. 13367 requires reporting on all differences between proposed and actual use of funds, and on whether proposed uses are for new or expanded programs, continuation of present activity, or for tax stabilization or reduction.

Proposed Use Reports, budget summaries, and budget narratives would be required to be published and made available at governmental offices and libraries. Proposed Use Reports would be required to be published and available 30 days prior to the pre-budget hearing also required by Section 8 of the bill. Local Proposed and Actual Use Reports would also be provided to the appropriate Governor by the Secretary. Proposed Use Reports would also be required to be sent to areawide organizations by governments in metropolitan areas.

H.R. 13367 does give the Secretary of the Treasury some authority to waive certain of the publication requirements to avoid burdens to recipients not commensurate with funds received, to avoid impractical requirements, or to comply with State or local law.

Section 8 of H.R. 13367 further adds extensive requirements to the current Act in an effort to assure greater citizen participation in decisions on the use of revenue sharing funds. State and local recipients would be required to hold two public hearings--one on Proposed Use Reports seven days before their submission to ORS and one on the relation of the use of revenue sharing funds to their entire budgets at least seven days prior to adoption of those budgets. Specific statutory provisions prescribe the notice that would be required to be given for each of those hearings. Further, a specific provision requires

assurance that senior citizens and their organizations are given an opportunity to be heard at these hearings.

Section 8 would grant the Secretary authority to waive the pre-budget hearing requirement when adequate processes are already in place and when it would be burdensome or out of proportion to entitlement funds.

We support the idea of encouraging participation by citizens and citizen groups in the decision-making processes of their governments. This is an important part of our system of representative government. We also recognize that such participation depends on an informed public.

However, the Treasury Department believes that the vast expansion of statutory requirements for reporting, publicity, and participation contained in the House bill contradicts the purpose of revenue sharing. It will also increase the cost of administering the program, and really does not guarantee effective public awareness of and participation in revenue sharing-related decision making. As an example of a likely increased administrative burden, it is quite possible that a large percentage of the approximately 39,000 recipient governments will request waivers to the publicity and hearing requirements, each of which must be processed in a reasonable time.

The Administration proposed in S. 1625 that the Secretary of the Treasury be given increased discretion to make reporting requirements more suitable to the variety of reporting units and that jurisdictions provide notice and opportunity for citizens to participate in decisions concerning use of revenue sharing funds. The Treasury Department continues to endorse the principles involved in these proposals, while opposing many of the detailed requirements contained in Section 8 of H.R. 13367.

More specifically, there are two somewhat more technical concerns we have about the reporting requirements of the House bill. First, reporting on use of shared funds should be in terms of the fiscal years of governments, rather than revenue sharing entitlement periods as the bill states. The Bureau of the Census collects its governmental fiscal data in terms of the fiscal years of governments because the data received is more up-to-date and more accurately reflects the fiscal affairs



of a recipient government. Secondly, to the degree possible Census Bureau functional expenditure categories should be used on Actual Use Reports. Except for cities under 5,000 population and rural Midwest townships, all governments now report their financial data to Census in these standard terms. These technical changes would make Actual Use Reports more useful to the Federal government, especially in conjunction with other Census data accumulated over time.

Section 9 of the House-passed revenue sharing renewal bill would provide an elaborate and detailed statutory scheme for dealing with alleged violations by recipient governments of the nondiscrimination provisions. In effect, it seeks to legislate a more vigorous civil rights enforcement program and to impose by statute many procedural requirements usually left to regulations.

The Treasury Department fully endorses the goal that no revenue sharing funds be used in support of discriminatory activities. Our concern with Section 9 is that it may place primary Federal responsibility for assuring nondiscrimination on the part of States and localities in an inappropriate institutional location. Federal agencies other than the Treasury Department are the current major executors of national civil rights legislation. Placing extensive new detailed requirements with Treasury's Office of Revenue Sharing, without considerable expansion of compliance resources, may actually weaken the existing compliance program.

Provisions of H.R. 13367 which would greatly expand Treasury Department civil rights responsibilities include the following:

- extension of nondiscrimination provisions to handicapped status, age, and religion.
- the application of these prohibitions to all activities of a government except where it can prove by "clear and convincing evidence" that shared revenues were not involved directly or indirectly.
- notification of noncompliance to a recipient by the Secretary within 10 days after a finding of a pattern or practice of discrimination by any Federal or State agency or any Federal or State court.



- a requirement that the Secretary prescribe time limits for actions by cooperating Federal or State agencies.

The House bill also contains a number of time limits for Treasury activities relating to suspension of funds, notification of complainants, the holding of administrative hearings, the making of determinations, and final compliance actions. Further, it provides that administrative remedies shall be deemed exhausted sixty days after the filing of an administrative complaint unless there has been a determination on the merits of such a complaint. At this point or when the determination is final, a complainant could resort to a private civil action.

The antirecession provisions of Title II of the Local Public Works Employment Act, enacted on July 22, are closely related to the provisions of the general revenue sharing laws. The recipients are substantially the same (with the exception of some small governmental units) and the allocations are based on the application of an "excess unemployment percentage" to general revenue sharing entitlements. Because of the close relationship of the two programs, Treasury intends to administer that program through the Office of Revenue Sharing.

Section 207 of that law contains a nondiscrimination provision that is somewhat more detailed than the present revenue sharing law. For example, it adds religion to the prohibited classification. It also, imposes, in section (b), some specific times within which certain enforcement steps must be taken by Treasury. It also authorizes withholding or suspension, in whole or in part, of any payments under that Act as sanctions for discriminatory activity.

We believe that the orderly administration of these two programs requires their nondiscrimination provisions to be, at the least compatible, and preferably identical. It is also unfair and unwise to impose two different sets of standards and two different sets of procedures on recipient governments--one applicable to each of two quarterly checks received from the same office in the Federal government. It is not unlikely that the resulting confusion would more than overcome any advantages gained from the efforts to legislate vigorous enforcement.

We recommend that the nondiscrimination provision of Title II of the Local Public Works Employment Act be used as

the starting point for the revenue sharing bill. Any additions to those provisions in the revenue sharing bill should be wholly consistent with those provisions so that a realistic compliance effort can be undertaken.

In addition to reporting and participation standards and nondiscrimination restrictions, H.R. 13367 places important new requirements on recipient units in the area of audit standards. Each program participant would be required to have an annual independent audit of its financial accounts in accordance with generally accepted audit standards, unless the Secretary determined they would be too burdensome. This provision (Section 10) would utilize General Revenue Sharing to require audits not currently undertaken by many governments. It would also place new operational responsibilities on the Office of Revenue Sharing.

Few recipient governments conduct annual audits of their entire budgets. Most recipient governments, including States, have audits conducted by government auditors, some of whom may not be regarded as sufficiently independent. Lastly, many government audits are not conducted in accordance with generally accepted auditing standards.

These requirements will place a heavy burden on recipient governments to change their entire auditing procedures in order to participate in one Federal program. The provisions of the bill will also place a concomitant enforcement burden on the ORS since it is estimated that fewer than one-half of recipient governments can presently produce financial statements meeting these requirements.

These added burdens are by no means consistent with the "no strings attached" policy of the General Revenue Sharing Program. The Department therefore recommends that no change be made in the present audit provisions or that statutory audit requirements be limited to the general requirement of a periodic audit of revenue sharing funds.

A new restriction against use of shared revenues for the purpose of lobbying by recipient governments on legislation related to revenue sharing is added by Section 11 of the House bill. Dues paid to national or State organization or governments are excepted from this restriction. The Committee may wish to consider whether this subject might more appropriately be dealt with in general legislation dealing with the regulation of lobbying activity.

We believe the Senate Finance Committee should give consideration to certain changes in the State maintenance of effort requirement embodied in Section 6 of H.R. 13367. In order to make it possible to administer this provision more effectively, consideration should be given to using an average of several years rather than a fixed calendar year, to determine the base amount against which effort is measured. Also, State transfers should be measured in terms of the State's fiscal year as opposed to the U.S. government fiscal year.

Section 8 of H.R. 13367 would require a report to Congress by the Secretary of the Treasury which is much expanded over that demanded by the current Act. Section 8 would further require submission of this report on January 15, rather than March 1. In order to assure that all necessary data is available for preparation of the Secretary's report, we would urge retention of the March 1st deadline, or alternatively the designation of a February deadline.

Section 123(a)(2) of the Act and Section 51.70(b) of the regulations requires the use, obligation or appropriation of revenue sharing funds within 24 months from the end of the entitlement period to which the check is applicable. In many instances, there will be funds remaining from entitlement periods covered by the present Act, because of the two year period during which recipient governments may expend the funds. Some of such funds may lawfully be expended until January 1, 1979 (or later) and must be spent in accordance with the provisions of the current Revenue Sharing Act and regulations.

Accordingly, many recipient governments will be expending revenue sharing funds covered by two separate acts and with two separate sets of restrictions and prohibitions. This would require, for example, the submission of separate planned and actual use reports, or at least provision on the reports for "old" entitlement funds and "new" entitlement funds. To remedy this situation, the Department recommends that the Act provide specifically that the provisions of the renewal legislation are applicable to all revenue sharing funds not spent by a recipient government prior to January 1, 1977.

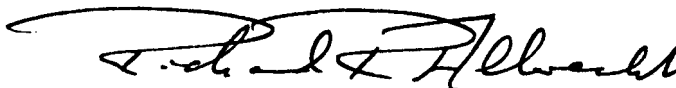
A number of provisions in the House bill are of the nature that could cause problems either for Treasury or for recipient governments during a transition period. Accordingly, we believe careful staff attention to the question of effective dates is required.



We stand ready to make available Treasury staff and Treasury resources to work with the Committee and its staff in an effort to produce an acceptable solution to the questions we have raised.

The Department has been advised by the Office of Management and Budget that there is no objection to the submission of this report to your Committee, and that enactment of S. 1625 would be in accord with the President's program.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Richard R. Albrecht".

Richard R. Albrecht  
General Counsel

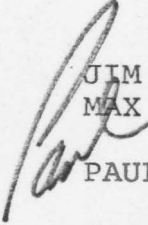
The Honorable  
Russell B. Long, Chairman  
Committee on Finance  
United States Senate  
Washington, D.C. 20510

THE WHITE HOUSE

WASHINGTON

August 10, 1976

MEMORANDUM FOR

  
JIM CANNON  
MAX FRIEDERSDORF

FROM

PAUL MYER

SUBJECT:

Senate Consideration of  
General Revenue Sharing  
Legislation

This memorandum will confirm my earlier conversation with you regarding Senate consideration of legislation to revise and extend the General Revenue Sharing program.

Senator Long has announced a Finance Committee hearing on the House bill (H. R. 13367) for August 25, 1976. He would like to hold an executive session the following day to mark-up a bill. The Senate leadership has expressed its interest in completing Senate floor action prior to the Labor Day recess.

This represents an extremely tight and optimistic schedule. The anticipated Tax Bill Conference, the fact that the Senate does have a number of other major bills which could be scheduled for that week, and the unknown intensity of certain efforts which may be made to amend and modify the revenue sharing bill by opponents of the program could cause a delay. Senator Long told me this afternoon that he would work to expedite the bill and expected assistance and cooperation from the Administration and representatives of State and local governments.

cc: Paul O'Neill  
Dick Allison  
✓ Art Quern  
Steve McConahey

THE WHITE HOUSE

WASHINGTON

August 2, 1976

MEMORANDUM FOR

FROM

SUBJECT:



JIM CANNON

PAUL MYER

Review of Administration  
Policy on General Revenue  
Sharing Renewal

Following House passage of the General Revenue Sharing renewal bill, I initiated an analysis and policy review by the Treasury Department. Representatives from State and local government and key Senate staff have been involved in the process.

Treasury is now completing the preliminary stage of this review. The attached document sets forth those areas which will require your review and consideration. I would like to discuss these matters with you to obtain your views and guidance on appropriate follow-through.

Attachment

✓cc: Art Quern

## I. FUNDING LEVEL

The House bill would result in outlays of \$6,650,000,000 for FY 1977, \$112,500,000 more than the Administration's request for \$6,537,500,000.

The \$6.65 billion figure was derived by "annualizing" the funds already available under the current Act for the transition quarter and the first quarter of FY 1977 -- \$3,325,000,000 for the period July 1, 1976-December 31, 1976 (\$1,662,500,000 per quarter), the final entitlement period of the existing program. This figure includes the \$150 million annual stairstep increment over the FY 1976 amount (\$6.35 billion) even though the period covers only six months. The House elected to ignore this element of existing law and provided funding for the remaining nine months of FY 1977 at the same level. The House bill thus provides \$4,987,500,000 for FY 1977 in addition to the \$1,662,500,000 already appropriated for the first quarter of the new fiscal year. The result is an "extra" \$150 million increase in funding for FY 1977 (\$6.65 billion as opposed to \$6.50 billion).

The Administration had proposed a technical amendment to modify the existing authority in order to synchronize the program with the new fiscal year and maintain the \$150 million annual stairstep increase. The recommended modification proposed \$1,625,000,000 for the transition quarter and \$6,537,500,000 for FY 1977. The "extra" annual increase would have been limited to reflect the proportional amount of the annual increase for the final 6-month entitlement period of the existing program (\$75 million) and provide a transitional increment of \$37.5 million for FY 1977 in recognition of the extra quarter.

Had the Administration's renewal proposal been adopted prior to June 30, 1976, the technical modification would have represented a workable transitional proposal. However, given the present time frame and the nature of the House-passed funding provision, the viability of this position is now questionable.

Treasury was required to notify all eligible governmental units of the anticipated amounts they will be receiving for the July 1, 1976-December 31, 1976 entitlement period. These allocations are based upon



appropriations available under the current Act and will be paid in October, 1976 and January, 1977. Most recipients' current and anticipated fiscal plans assume that any continuation of the program will, at a minimum, maintain the current level of funding for the first year. This feeling has been strengthened by the House action.

In order to maintain its original position on level of funding, the Administration would now have to 1) seek an immediate rescission of appropriated funds, separate from the renewal bill, 2) continue to support a lower amount for all of FY 1977 in the renewal bill, or 3) ask for a sizable reduction in the unfunded period of the program in FY 1977. With respect to the latter, the \$4,875,000,000 required to fund the 9-month period of FY 1977 within the Administration's original budget target would mean a reduction of \$112,500,000 in payments when compared to the level of payments made to recipients in the first quarter of the fiscal year.

None of these options will now be viewed as technical or transitional. Treasury will recommend that we accept the \$6.65 billion funding level for FY 1977.

## II. CIVIL RIGHTS

The House bill would greatly broaden the non-discrimination standards of the current Act. Unfortunately, this provision, the result of an abortive House compromise, is deficient in many respects. It is opposed by civil rights advocates, representatives of State and local government view it as unduly burdensome and unworkable, and it is inconsistent with Administration policy.

While the Administration had proposed a clarification and strengthening of the existing enforcement authority, Treasury would retain the broad discretionary powers of the existing Act. This is a reasonable position. However, due to Treasury's extremely poor enforcement record and the House fight over the non-discrimination provision, a major attack upon the program by civil rights groups is anticipated. Under the prevailing circumstances, Treasury does not believe the present Administration position would result in adoption of a satisfactory provision or neutralize the issue. Treasury is therefore reviewing the non-discrimination provision of the countercyclical aid program which recently became law.

### III. ALLOCATION FORMULA

The House bill maintains the existing allocation formula. This is in keeping with the Administration policy with the exception of the request to raise the 145% constraint to 175% in several steps. In view of the data and analytical information made available in the past months which indicate that this change in the formula, allegedly designed to allow certain needy large cities and some rural places receive larger allocations, is substantially and politically counterproductive, the Treasury Department will recommend dropping Administration support for this modification.

The Administration will continue to pursue the adoption of certain technical amendments related to the allocation formula which were proposed in the original submission. In addition, Treasury now has under study a means to limit fluctuations of allocations to recipient governments from one entitlement period to another. During the past year, many recipients have been severely penalized as a result of modifications of the various data elements used in the formula. Several methods have been suggested to lessen the degree to which entitlements vary from one period to another, including using a moving average to determine entitlements of a particular data element in applying some sort of constraint (such as  $\pm 10$  percent) to the amount an entitlement can fluctuate from one period to another.

### IV. PRIORITY EXPENDITURE CATEGORIES & MATCHING REQUIREMENT

These two provisions of the current Act were dropped in the House bill. The House, on the strength of the "fungibility" argument, concluded that these restrictions on the use of revenue sharing funds were ineffective. The Treasury Department will concur with this judgment.

### V. OTHER PROVISIONS

The Administration will continue to advocate modification of those provisions of the current Act with respect to:

1) eligibility requirements, 2) reporting and citizen participation, and 3) auditing. The complex provisions of the House bill dealing with these issues are either unnecessary or unduly burdensome on recipient governments. In light of the House action, amendments are presently being drafted which conform to existing Administration policy and meet a number of the concerns and needs which must be dealt with by the Senate.

THE WHITE HOUSE

WASHINGTON

August 26, 1976

MEMORANDUM FOR

MAX FRIEDERSDORF

JIM CANNON

FROM

PAUL MYER

SUBJECT:

Status Report -- General  
Revenue Sharing Legislation

The Senate Finance Committee has completed its one day of hearing on the House-passed bill to extend the General Revenue Sharing program. Mark-up has been scheduled for Monday, August 30.

In general, the members of the Finance Committee support a bill which is consistent with Administration policy and the reported bill should substantially modify or delete those provisions of the House bill which we find objectionable. It is anticipated that the bill will provide for renewal for at least 5 3/4 years with "entitlement" financing and annual increases in funding (probably in excess of the \$150 million sought by the Administration), such funds to be distributed in accordance with the existing distribution formula. Additionally, the unnecessary and unduly burdensome administrative provisions of the House bill with respect to citizen participation, reporting and auditing will be simplified or deleted in accordance with Administration policy.

However, one issue -- civil rights -- remains a substantial and dangerous area of controversy. In fact, the question of nondiscrimination in the use of shared revenues dominated the discussion and debate at the recent hearing. The extent of disagreement over the nature and enforcement of the Act's nondiscrimination prohibition now threatens our renewal efforts.

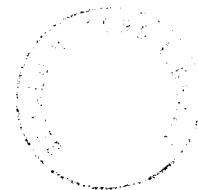


In brief, the Committee is clearly divided on the issue between advocates of a stronger provision than current law or the House-passed provision, which greatly broadens and strengthens the existing prohibition and enforcement procedures, and Senators desiring either no change in current law or supporting more moderate improvements. The dispute crosses party lines. It is clear that neither current law nor the Administration's original proposal would be acceptable to the Senate. Consequently, in an effort to avoid a major civil rights floor fight or adoption of the House provision, discussions are now under way to draft a compromise provision.

The success of those discussions could greatly affect the total character of the bill which passes the Senate and similarly influence the conference committee's work.

In light of this situation, it may be necessary to review current Administration policy on this issue.

The only other issue which may emerge on the Senate floor concerns coverage of State and local governments under the Fair Labor Standards Act (FLSA). The AFL-CIO and its affiliated public employee unions have been cautiously pursuing this matter. Discussions have been held with Senators Williams and Javits and the Democratic leadership regarding a possible amendment to the General Revenue Sharing bill to require that all employees of a recipient government be covered by the minimum wage and overtime provision of the FLSA. Although staff is drafting such an amendment, at this point no decision has been made to fight this issue on the floor. Senate defeat of such an amendment would be extremely detrimental and for this reason the AFL-CIO will likely not push unless they are confident they can prevail.



*File - Revenue Sharing*

THE WHITE HOUSE  
WASHINGTON

August 27, 1976

*Paul  
Travels  
Jim*

MEMORANDUM FOR: MAX FRIEDERSDORF  
FROM: PAUL MYER *Paul Myer*  
SUBJECT: General Revenue Sharing -- Davis-Bacon Act Coverage

The current General Revenue Sharing Act (Section 123) provides that any construction project of a state or local unit of government which is funded with 25% or more of General Revenue Sharing funds shall be subject to the Davis-Bacon Act. This was a compromise provision and has not had an adverse impact on state or local government. The Administration has proposed no change in current law and the House-passed Bill retains this provision. A Floor amendment in the House to drop the 25% limitation was defeated in the House.

Senator Fannin still plans to offer an amendment to delete Davis-Bacon coverage entirely when the Senate Finance Committee marks up the General Revenue Sharing Renewal Bill on Monday afternoon, August 30. I have been informed that Senator Dole wishes to be associated with this amendment and his position would therefor be inconsistent with present Administration policy.

cc: Jim Cannon ✓

