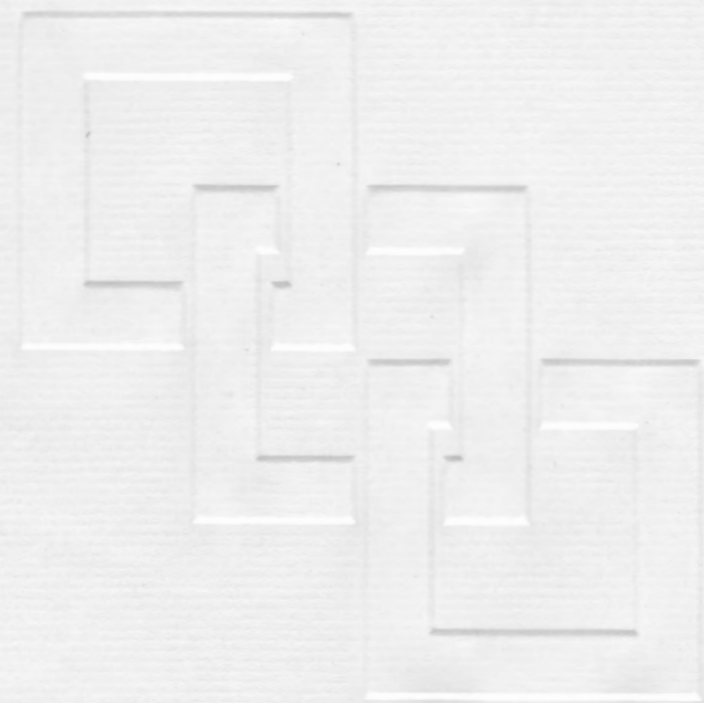


The original documents are located in Box 48, folder “1975/07/10 - Bipartisan Group of Mayors” of the James M. Cannon Files at the Gerald R. Ford Presidential Library.

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REVENUE SHARING BRIEFING (Mayors)
THURSDAY, JULY 10, 1975
2:00 p.m.
The East Room - Residence



GENERAL REVENUE SHARING

Department of the Treasury
Office of Revenue Sharing
2401 E St. N.W.
Washington, D.C. 20226





GENERAL REVENUE SHARING
FACT SHEET

Introduction

General revenue sharing is authorized by Title I of the State and Local Fiscal Assistance Act of 1972 (P.L. 92-512). The law authorizes the return of some \$30.2 billion to units of general government in the United States over a five-year period that ends with December 1976. Nearly 39,000 states, counties, cities, towns, townships, Indian tribes and Alaskan native villages are now receiving "shared revenues" on a regular basis - in four quarterly payments each year.

Basic Requirements

Although no application is made for shared revenues; and despite the fact that the money may be spent with very few restrictions, there are some simple requirements of the State and Local Fiscal Assistance Act of 1972 that must be observed. For example,

- the money must be spent in accordance with laws and procedures that apply to the expenditure of a recipient government's own funds.
- shared revenues may not be used to match other Federal funds.
- the law prohibits the use of the funds in any activity in which there is discrimination because of race, color, national origin or sex.
- if shared revenues are used to pay 25% or more of the cost of a construction project and \$2,000 or more is involved, Federal wage rates must be paid (i.e. the Davis-Bacon Act applies).
- a state government may spend its money for any activity that is a legal use of its own funds.
- a local government (i.e. county, city etc.) may use the funds for any capital project (capital, as defined by local law) or for operating and maintenance of programs and projects in the following so-called "priority category" areas: public safety, public transportation, recreation, environmental protection, financial administration, health, libraries, and/or social services for the poor or aged.

Some Facts and Figures

The law authorizes the distribution of general revenue sharing funds according to the following schedule:

<u>Entitlement Period</u>	<u>Amount (Billions)</u>	<u>When Paid</u>
Jan-Jun '72	\$2.65	12/7/72
Jul-Dec '72	2.65	1/5/73
Jan-Jun '73	2.99	4/6/73 and 7/6/73
Jul '73 - Jun '74	6.05	Quarterly: Oct '73, Jan, Apr, Jul '74
Jul '74 - Jun '75	6.20	Quarterly: Oct '74, Jan, Apr, Jul '75
Jul '75 - Jun '76	6.35	Quarterly: Oct '75, Jan, Apr, Jul '76
Jul '76 - Dec '76	3.33	Oct '76, Jan '77

Private organizations and agencies or special-purpose governmental units (such as fire districts) may request and receive shared revenues from states and/or local governments if the governments' own laws permit such transfers of their own funds.

On April 25, 1975, President Ford requested the 94th Congress to renew General Revenue Sharing to October 1982.

Department of the TREASURY

OFFICE OF REVENUE SHARING

WASHINGTON, D.C. 20226

NEWS

TELEPHONE 634-5248



WHAT IS "GENERAL REVENUE SHARING"?

General Revenue Sharing is a new form of Federal fiscal assistance to states and local governments. It has become a vital and indispensable part of a Federal aid system which includes categorical and block grants to support programs and activities in specific areas of national concern.

Through General Revenue Sharing, \$30.2 billion from federally-collected individual income tax receipts is being returned over a five year period to all of nearly 39,000 states, counties, cities, towns, townships, Indian tribes and Alaskan native villages. Since December 1972, when the first checks were mailed, more than \$18.9 billion has been returned by the Office of Revenue Sharing to other-than-federal levels of government.

No applications are required of the tens of thousands of general governments that receive the funds. There is no time-consuming, expensive project review procedure, for the money is intended to be spent to meet local needs, as they are established locally.

The money is distributed to recipients at regular intervals in predictable amounts. Checks are mailed four times a year: in October, January, April and July.

The amount of money to be paid each local or state government is calculated according to objective and impartial formulas contained in the State and Local Fiscal Assistance Act of 1972 (the revenue sharing law). The formulas use data including population, per capita income, local tax effort and intergovernmental transfers which are supplied to the Office of Revenue Sharing by the U.S. Bureau of the Census. These data are reviewed each year by the recipient governments themselves before being used to allocate general revenue sharing funds.

Few restrictions are imposed by revenue sharing law on expenditures of the money, for it was the intent of both the Administration and the Congress when the State and Local Fiscal Assistance Act of 1972 was passed that the money be spent according to local priorities and needs, and not as Washington-based bureaucrats would have it spent.

Revenue sharing law does, however, include a strong civil rights requirement that prohibits the expenditure of shared revenues in any program or activity in which there is discrimination on the grounds of race, color, national origin or sex.

General Revenue Sharing emphasizes the local accountability of public officials for decisions regarding uses of public funds. In so doing, it enhances public control and community involvement in the conduct of public affairs at the state and local levels of government. By returning decision-making power and authority -- with money -- to States and local governments, General Revenue Sharing is strengthening the State and local partners in the Federal system.

Last month, when he announced his cosponsorship of the Administration's bill to renew the program past 1976, Senator Edmund S. Muskie declared that "...general revenue sharing has been an important shot in the arm for our Federal system."

In transmitting the renewal measure to Congress on April 25th, President Gerald R. Ford said of the program: "There could be no more practical reaffirmation of the Federal compact which launched this country than to renew the program which has done so much to preserve and strengthen that compact --General Revenue Sharing."

OFFICE OF REVENUE SHARING

Graham W. Watt, Director

Priscilla R. Crane, Manager Public Affairs



GENERAL REVENUE SHARING: NEED AND EFFECT

Need

In the early 1970s, when General Revenue Sharing was first under consideration in the halls of Congress, the States and local governments were critically in need of fiscal relief.

The demands for services at other-than-Federal levels of government had increased to the point where States and local governments were finding it impossible to meet the resulting costs. Regressive property and sales taxes had been increased to near unbearable levels; and taxpayers the length and breadth of the land were demanding relief.

The Administration and Congress agreed that the progressive and productive Federal individual income tax was an appropriate source of assistance and should be shared with the state and local governments so close to the problems demanding attention.

During the past decade, Federal categorical grant programs had proliferated to the point where few States and localities could keep track of sources of Federal aid, prepare complex applications, and monitor the projects funded. The Federal aid system had become so complex and confusing that many communities with very real needs could not participate.

It was thought by Congress and the Administration that basic, unrestricted fiscal assistance should be provided without red tape, to all units of general-purpose government -- this to be used to meet locally-established needs. The thought was, and still is, that since Federal individual income tax dollars are collected from citizens in all communities, and since all communities have public service needs, then all should benefit to some extent in the fiscal assistance provided by sharing Federally-collected dollars.

Over a period of approximately three decades, as the number and variety of Federal aid programs increased, more and more decisions affecting the conduct of the public business on the State and local levels of government were being made in Washington, D.C.

General Revenue Sharing is a vehicle to reverse this trend, for decision-making power and authority over uses of the money are returned to the State and local recipients with the funds provided.

As more decisions were made in Washington, individual citizens found it more difficult to hold their local officials accountable for the provision of services. Public participation in the processes of government -- the essence of democracy -- was discouraged, since individuals did not have ready access to those who were making policy for their communities.

In returning decision-making power to the local level, and by requiring that information about recipient governments' planned and actual uses of shared revenues be published for the general public, the General Revenue Sharing program was intended to interest and to involve individuals again in the affairs of government.

Shortly after the General Revenue Sharing program was authorized in 1972, the United States entered into a period of economic recession and inflation. Soon most of the States and local governments that had been able to use shared revenues to begin new projects and to hold the line on regressive taxes in the early 1970s found that their revenue sharing dollars were needed to cover increased costs of basic services. A vicious cycle was set in motion wherein recession and the unemployment it engendered increased demands on States and local governments to provide public services and, at the same time, made it virtually certain that locally-raised revenues would be reduced - this at a time when the costs of the required services were increasing due to inflation.

General Revenue Sharing dollars which had been used to provide some relief from regressive forms of taxation and to begin some new programs, now must be used with increased frequency to avert fiscal disaster in States, counties, cities and other places that are recipients of the money.

Effects

The record shows that General Revenue Sharing succeeded in alleviating fiscal crises among the units of government that are recipients of the money.

In June of last year, Charles Wheeler, the Mayor of Kansas City, Missouri told the Subcommittee on Intergovernmental Relations of the Senate Government Operations Committee that "...this magnificent piece of legislation...has saved our city from financial disaster in these inflationary times." At the same hearing, Moon Landrieu, Mayor of New Orleans, Louisiana, said "Revenue sharing cannot be terminated without a devastating impact on the fiscal viability of municipal government. If the 94th Congress does not reenact the general revenue sharing program, it must accept full responsibility for the resulting decline in basic municipal services and the inevitable increase in local property taxes."

The National Association of Counties testified before the Subcommittee on General Revenue Sharing of the Senate Finance Committee in April 1975 that "without revenue sharing, many more counties would have to raise taxes in complete opposition to the federal policy of cutting taxes to stimulate the economy."

General Revenue Sharing has been providing funds to nearly 39,000 States, counties, cities, towns, townships, Indian tribes and Alaskan native villages in predictable amounts, at regular intervals since 1972. The reaction of public officials and individual citizens alike to this uncomplicated, common-sense approach to Federal fiscal assistance has been almost unanimously favorable.

In a letter he wrote last year, the Mayor of Butler, Alabama said "This is without a doubt the best and most practical program that Congress has yet devised for the benefit of towns and cities." The Mayor of Los Gatos, California wrote that "Administration of this program is extremely simplified, for which we are deeply grateful, since some Federal funding is so bogged down in red tape that it almost acts as an incentive not to participate."

A survey of citizens and community group leaders conducted for the National Science Foundation by the Opinion Research Corporation of Princeton, New Jersey in 1974 showed an overwhelming, favorable response to the program. Respondents said that as a result of General Revenue Sharing, local governments are able to deal with local problems more effectively than before.

The Board of Directors of the Chamber of Commerce of the United States, which opposed enactment of General Revenue Sharing in 1972, has reversed its position, saying that General Revenue Sharing is a highly efficient way to distribute Federal funds.

Because all general-purpose governments benefit through General Revenue Sharing, in the words of the Advisory Commission on Intergovernmental Relations, "Revenue Sharing reflects the pragmatic character of federalism where accommodation to various interests must be made."

The procedures used at the local level to establish priorities for uses of shared revenues vary as widely as do the characteristics of the recipient governments themselves. Research conducted by public and private groups finds generally, however, that local accountability and citizen involvement are being enhanced as a result of the program, as was intended when revenue sharing law was passed. The General Accounting Office reported earlier this year that "...revenue sharing had brought about increased citizen participation in local budgetary processes...". And the Brookings Institution of Washington, D.C., which is engaged in a multi-year study of the program, has found "...indications that revenue sharing is resulting in greater interest in, and prominence of, state and local decision making processes".

The organizations representing state and local government officials strongly support the continuation of this program. The National Association of Counties: "We believe that general revenue sharing has met the test of time and should be made a permanent part of the Federal fiscal system." The National Conference of State Legislatures: "The importance of the program cannot be under-estimated ... Support for revenue sharing among state legislators is absolutely bipartisan.... We are a nation based on the principle of shared powers and responsibilities between the Federal government and the states. The general revenue sharing program embodies the very essence of this principle." The National League of Cities and U.S. Conference of Mayors: "It is the only Federal program that permits us to maintain basic services without destroying the ratable base upon which the future social and economic prosperity of our cities depend."

State human rights commissions and other public and private civil rights organizations are finding encouragement in the very strong anti-discrimination provisions of revenue sharing law which provide that "no person in the United States shall on the grounds of race, color, national origin or sex be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with ... (revenue sharing money)." These provisions of law apply to each and every one of the nearly 39,000 units of general-purpose state and local government that receive shared revenues. Accordingly, the General Revenue Sharing program offers unprecedented opportunity to improve equality of opportunity in such areas as the provision of services and in public employment.

Recent critics of the General Revenue Sharing program have attempted to attribute to General Revenue Sharing purposes that Congress did not have in mind when revenue sharing law was passed. Of the fact that the program is meeting its intended goals, there can be no question. The record is clear.



ALLOCATION OF FUNDS UNDER GENERAL REVENUE SHARING

Data and Procedures

The amount of revenue sharing funds to be distributed to each unit of government is determined by applying descriptive data for each government to a set of formulas.

State Area Allocation Process: The amount of money available for an entitlement period* is allocated among the States according to the three-factor Senate formula (population, general tax effort, and per capita income) and the five-factor House formula (population, urbanized population, per capita income, State income tax collections, and general tax effort). The higher of the two amounts is selected for each State and adjustments are made so that the total allocation equals the appropriation for the entitlement period; special noncontiguous State allowances for Alaska and Hawaii are calculated. One-third of the allocation computed for each State area goes to the State government, and the remaining two-thirds is apportioned among county areas within each State.

County Area Allocation Process: The State amount for local governments is distributed to county areas based on the three-factor formula (population, per capita income, tax effort [adjusted taxes; aggregate income]). Adjustments are made to ensure that the per capita allocation to any county area does not exceed 145% or fall below 20% of the per capita entitlement for all units of local government within the State. The resulting surplus or deficit is shared by all of the remaining unconstrained county areas within the State.

* An entitlement period is a fiscal year or half-year specified in the law for which a given amount of money is to be allocated and distributed to all units of general-purpose State and local government.

Local Government Allocation Process: Each county area allocation is subdivided into amounts for Indian tribes/Alaskan native villages, the county government, all townships and all cities. The percent of the county area allocation that goes to Indian tribes and Alaskan native villages corresponds to the ratio of tribal/village population to the total population of the county area. The division of the remaining funds into a county government share, a township share and a city share is determined by the ratio of total adjusted taxes attributed to the type of government to the total adjusted taxes of the county area. Finally, allocations are made among townships and among cities separately on the basis of the three-factor formula (population, general tax effort, and relative income).

The allocations are adjusted in accordance with the 145% maximum and 20% minimum per capita constraints. If any township or city receives more than 50% of its adjusted taxes plus intergovernmental transfers, the surplus is passed to the county government, and if the county government receives more than 50% of its taxes plus transfers, the surplus is passed to the State government. This process is repeated for local governments until the amounts allocated to the State and local governments total 100% of the State area entitlement.

Data Used for Allocation to States for Entitlement Period 6
(7/1/75 - 6/30/76)

Population: July 1, 1974 estimates of total resident population as published in Current Population Reports, Series P-25
Source: U.S. Bureau of the Census.

Urbanized Population: 1970 total resident population within urbanized areas from the 1970 Census. Source: U.S. Bureau of the Census.

Per Capita Income: Calendar year 1972 estimated mean of total money income received by all persons residing in state. Updates of 1970 Census incorporating data from IRS and the Bureau of Economic Analysis. Source: U.S. Bureau of the Census.

State Individual Income Tax: Calendar Year 1974 collections of taxes imposed upon the income of individuals by the State:
Source: U.S. Bureau of the Census.

Federal Individual Income Tax Liabilities: Calendar Year 1973 Federal individual income tax after credits attributed to the residents of the State. Source: Internal Revenue Service, U.S. Treasury Department.

State and Local Taxes: Fiscal Year 1973 total taxes exacted by the State or any political subdivision of the State for public purposes. Source: U.S. Bureau of the Census.

General Tax Effort Factor: Fiscal Year 1973 State and local taxes (defined above) divided by calendar year 1972 aggregate personal income (total income received by all persons residing in State as determined by the Department of Commerce for national income accounts purposes). Source: U.S. Bureau of the Census.

Data Used for Allocations to Local Governments for Entitlement Period 6 (7/1/75 - 6/30/76)

Population of Counties, Cities, Towns and Townships: July 1, 1973 estimates of resident population. Updates of 1970 Census data reflecting data from IRS tax return files and other data sources. Source: U.S. Bureau of the Census.

Population of Indian Tribes and Alaskan Native Villages: July 1, 1973 estimates of resident population. Source: Bureau of Indian Affairs, U.S. Department of The Interior.

Per Capita Income: Calendar year 1972 estimated mean income of persons residing in local government areas. Updates of 1970 Census reflecting data from IRS tax return files and State and county data from the Bureau of Economic Analysis. Source: U.S. Bureau of the Census.

Adjusted Taxes: Fiscal Year 1974 total taxes, excluding taxes for education. Source: U.S. Bureau of the Census.

Intergovernmental Transfers: Fiscal Year 1974 total amounts received from other governments excluding general revenue sharing funds. Source: U.S. Bureau of the Census.

Data Improvement Program for Entitlement Period 6

The data improvement program is an administrative procedure to identify and correct data errors. As part of this program, each government is asked to examine its data for each entitlement period and to submit proposed corrections for any data elements which it believes to be in error. For entitlement period 6, the data were provided to recipient governments in February 1975, and more than 2400 governments responded with proposed corrections. This resulted in revised data for about 500 governments. The revised data were used in the initial allocation for entitlement period 6 and were thereafter reflected in the entitlement period 6 Planned Use Reports which were mailed to recipient governments in April. All but approximately 150 inquiries received in the entitlement period 6 data improvement program were resolved before the April allocation. Completion of the data improvement program before the initial allocation for an entitlement period is an important way to minimize the need for future adjustments.



HOW GENERAL REVENUE SHARING DOLLARS ARE SPENT

It was the intent of the Administration and of Congress when the State and Local Fiscal Assistance Act of 1972 (revenue sharing law) was passed that funds be provided through General Revenue Sharing to States and local units of general-purpose government to be used to meet needs established by the recipient governments themselves as being of highest priority.

The law requires that each recipient unit of government periodically report to the Office of Revenue Sharing the amounts of money that have been spent in certain broad areas of activity.

The latest of the "Actual Use" reports, filed by September 1, 1974, showed that approximately \$6.7 billion in shared revenues were spent by States and local governments between July 1, 1973 and June 30, 1974. Of each dollar spent,

- 23¢ was used in support of public safety by paying operating costs of police and fire departments, providing crime prevention and drug rehabilitation programs, in traffic safety and through the purchase of equipment.
- 21¢ was devoted to public education. Of this amount, most was spent by State governments as assistance for primary and secondary education at the local level. State governments spent 52% of their revenue sharing receipts in the field of education.
- 15¢ paid for improvements in public transportation services and facilities such as mass transit systems, highways, bridges, and traffic control systems. Some revenue sharing money spent for public transportation has been used to subsidize mass transit fares, to provide free or subsidized transportation for the elderly, and to construct special sidewalk intersection ramps for the handicapped.
- 10¢ was devoted to multi-purpose/general government expenses involving, for example, general planning and central administrative services.

- 7¢ was spent in support of health, to provide medical equipment and facilities and to pay operating costs of ongoing health programs.
- 7¢ paid expenses involved in environmental protection/conservation efforts including, for example, soil, water and air pollution control and sanitation services.
- 5¢ provided recreation facilities and services.
- 4¢ went directly into social services for the poor or aged. It is important to note that some money listed as spent in other categories may be considered to have been used to provide social services for the poor or aged, as well. Public transportation expenditures to subsidize intracity transportation for the elderly are an example of this.
- 2¢ was spent in financial administration to help meet local costs associated with tax collections, accounting, debt management and other, related matters.
- 1¢ provided materials, publications, improvements and general support for public libraries.
- 1¢ used in the field of housing and community development supported housing and redevelopment projects.
- less than 1¢ was spent in corrections by State governments where increasing awareness of the importance of rehabilitation has generated new efforts related to work release and related programs.
- less than 1¢ was devoted by recipient governments to promote economic development.
- less than 1¢ paid for social development programs and services not included in categories listed above. Community centers may be considered a typical expense in this category.
- 4¢ provided other services that represent innovative ways to meet particular needs of individual communities.

Categorization of reported uses is the responsibility of State and local chief executives. Although use reports filed with the Office of Revenue Sharing provide a useful indication of the direct impacts of revenue sharing dollars on the activities of recipient units of government, the data cannot and do not measure the indirect effects and the ultimate impact of shared revenues on the total spectrum of services provided at the State and local levels of government. The \$6.7 billion in shared revenues spent during Federal fiscal year 1974 represents an estimated 3% of the total expenditures of States and local governments during that period.



ASSURING COMPLIANCE WITH REVENUE SHARING LAW

The General Revenue Sharing program is authorized by Title I of the State and Local Fiscal Assistance Act of 1972 (Public Law 92-512). Although General Revenue Sharing represents a virtually strings-free form of Federal fiscal assistance to States and local units of general-purpose government, the law does impose some restrictions as the funds are spent. These include the following:

- the law prohibits the use of the funds in any program or activity which there is discrimination because of race, color national origin or sex.
- "shared revenues" may not be used to match other Federal funds.
- the money must be spent in accordance with laws and procedures that apply to the expenditure of a recipient government's own funds.
- if shared revenues are used to pay 25% or more of the cost of a construction project and \$2,000 or more is involved, Federally established wage rates must be paid (i.e. the Davis-Bacon Act applies).
- a state government may spend its revenue sharing money for any activity that is a legal use of its own revenues.
- a local government (i.e. county, city etc.) may use the funds for any capital purpose (capital, as defined by local law) or for operation and maintenance of programs and projects in the following "priority category" areas: public safety, public transportation, recreation, environmental protection, financial administration, health, libraries, and social services for the poor or aged.

To assure compliance with the civil rights and other provisions of revenue sharing law, the Office of Revenue Sharing has developed a system that brings together resources and expertise already existing in Federal, state and local government and in the private sector. The system is composed of the following elements:

1. Cooperative Audit Agreements have been negotiated with audit agencies in 44 states. Through these agreements, state auditors are extending their own audits or their reviews of privately-conducted audits of state agencies and local governments to include coverage of general revenue sharing funds. These revenue sharing-related audits are being performed according to standards published by the Office of Revenue Sharing in "Audit Guide and Standards for Revenue Sharing Recipients".
2. The Office of Revenue Sharing Audit Guide is an important element of the system we are developing. The Audit Guide was prepared with the assistance of such organizations as the American Institute of Certified Public Accountants, the National Society of Professional Accountants, the Municipal Finance Officers Association, public interest groups and national civil rights organizations.

The revenue sharing Audit Guide contains specific procedures for testing compliance with civil rights requirements.

3. Interagency cooperative working arrangements are being developed with other Federal agencies which have responsibilities to enforce anti-discrimination provisions of Federal laws. The first of these, an agreement with the Equal Employment Opportunity Commission signed in October 1974, has already generated cooperative efforts of enormous significance. For example, the data that the Equal Employment Opportunity Commission collects on employment of minorities and women among thousands of larger public employers has been provided to the Office of Revenue Sharing. These employment data can be used by us for units of government against which there is evidence or complaint of noncompliance with revenue sharing law. The information helps to plan and to expedite investigations of discrimination in the use of revenue sharing funds by public employers.

The Office of Revenue Sharing and the Equal Employment Opportunity Commission are cooperating on the production of an affirmative action handbook for public employers - the first ever. This handbook also will cover affirmative action in public services.

The Office of Revenue Sharing also has reached an understanding with the Office of the Assistant Secretary for Equal Opportunity of the Department of Housing and Urban Development and a formal cooperation agreement will be signed soon.

In addition, we have executed an agreement with the Office for Civil Rights of the Department of Health Education and Welfare which provides for continuing exchange of information about civil rights-related investigations contemplated and in progress, and joint administrative action.

4. Agreements with state civil rights agencies are being negotiated by the Office of Revenue Sharing. Generally, these provide that state civil rights agencies will assist the Office of Revenue Sharing by investigating complaints of discrimination in the use of revenue sharing funds. The state agencies may also extend their ongoing monitoring and enforcement activities to include reviews of compliance with the civil rights provisions of revenue sharing law. We expect to conclude such agreements with all of the 35 state human rights agencies which are recognized by the U.S. Equal Employment Opportunity Commission. To date, agreements have been executed with the appropriate agencies in Maryland, Connecticut and South Dakota.
5. Audits are being conducted by Office of Revenue Sharing staff as another way of measuring compliance with revenue sharing law. Because our own staff is small, we utilize assistance from other Federal agencies to carry out this phase of our activities.

Where a recipient unit of government has been found not in compliance with revenue sharing law, it is the policy of the Office of Revenue Sharing first to seek resolution of the issue through voluntary action. Where negotiation fails, appropriate legal action is instituted. Of the 544 cases opened by June 1975, 222 have been resolved, 297 are under investigation, and 25 are in litigation or resolved pending routine monitoring.



LEGAL ISSUES AND GENERAL REVENUE SHARING

The major legal issues in which the Office of Revenue Sharing has been involved have concerned compliance with civil rights provisions of revenue sharing law, the applicability of the National Environmental Protection Act to the expenditure of revenue sharing funds, and the applicability of the Hatch Act to State and local government employees paid with revenue sharing entitlement funds.

Civil Rights

The most significant decision in the area of civil rights is the case of Robinson v. Shultz which was initiated in February 1974 in the District Court for the District of Columbia. The case involves an allegation of discrimination in employment practices within the Police Department of the City of Chicago where General Revenue Sharing funds have been used to pay Police Department salaries.

The District Court for the District of Columbia denied the plaintiff's motion to require the Secretary to promulgate regulations to defer the payment of revenue sharing funds pending the outcome of an administrative hearing. However, in November 1974, the United States District Court for the Northern District of Illinois, in a related action brought by the United States against Chicago, enjoined the City from continuing certain discriminatory employment practices in its police department. Thereafter, the District of Columbia Court directed the Office of Revenue Sharing to withhold further revenue sharing funds to Chicago. The Motion of the City to vacate or modify the Order of the District of Columbia Court was denied in April 1975. Accordingly, the Office of Revenue Sharing continues to withhold quarterly payments from the city. The discrimination case is now being heard on its merits in the District Court for the Northern District of Illinois.

The only legal action initiated by the Office of Revenue Sharing against a State government is the case of the United States v. the School District of Ferndale, Michigan and the State of Michigan. In this action the United States alleges that the Ferndale School District continues to operate a racially segregated school and that the State of Michigan, as a recipient of revenue sharing funds, has allocated and disbursed those funds to the General School Aid Fund for use in the Michigan Public Employee's Retirement System, in contravention of the non-discrimination section of the Revenue Sharing Act. A civil suit was filed by the Department of Justice on May 21, 1975 in the U.S. District Court in Detroit. At the same time, a motion for a preliminary injunction requested the court to require school officials to develop a plan to desegregate the Ferndale elementary school for the 1975-76 school year.

National Environmental Protection Act (NEPA)

The case of Carolina Action v. Simon raised the question regarding the applicability of NEPA to the expenditure of revenue sharing funds. In a Memorandum Opinion of February 27, 1975, Judge Gordon of the United States District Court for the Middle District of North Carolina, denied the plaintiff's relief and dismissed the plaintiff's action, concluding that the clear intent of the Revenue Sharing Act and its legislative history warranted the dismissal of the plaintiff's suit on the grounds that NEPA does not apply to the expenditure of General Revenue Sharing funds.

The plaintiff appealed the decision to the United States Court of Appeals for the Fourth Circuit where the appeal was denied in June 1975.

Hatch Act

On April 28, 1975, the Office of Legal Counsel of the Department of Justice supported the view of the Office of Revenue Sharing by rendering the opinion that the Hatch Act administered by the Civil Service Commission, was not applicable to employees of state and local governments paid with revenue sharing funds.



RENEWAL OF GENERAL REVENUE SHARING

On April 25, 1975, President Ford requested the 94th Congress to act promptly to extend General Revenue Sharing past its current expiration date of December 31, 1976. In transmitting his proposed renewal legislation to the Congress, the President urged that body to "...act to continue this highly successful and important new element of American Federalism well in advance of the expiration date, in order that State and local governments can make sound fiscal plans."

The Administration's renewal proposal was developed by a task force made up of representatives of the U. S. Treasury Department, the Office of Management and Budget, and the President's Domestic Council after careful study and consultation with other Federal agencies and many interest groups.

The key elements of the renewal bill are:

- General Revenue Sharing would be extended for an additional 5 3/4 years, through September 1982. The current stair-step increase in the total amount of money to be distributed would continue at the rate of \$150 million per year. Accordingly, the proposal requests \$39.85 billion plus a non-contiguous states (Alaska and Hawaii) appropriation of \$27.5 million.
- The allocation formula would remain as it now is, except that the present maximum constraint of 145% of the average statewide local per capita allocation would be increased to 175% at the rate of six percentage points per entitlement period.
- The present strong anti-discrimination requirement of revenue sharing law would be retained, and the Secretary's enforcement powers would be clarified: the Secretary would expressly be authorized to withhold all funds or that portion used in a discriminatory program or activity, to require repayment, and to terminate the eligibility of a government to receive one or more payments.

- The proposal would give to the Secretary of the Treasury full discretion to determine the form and content of recipients' planned and actual use reports, and to authorize new methods to publicize the reports.
- To strengthen public participation in local decision-making regarding uses of "shared revenues", recipient governments would be required to assure the Secretary that the public has access to a public hearing or other appropriate means of participation.
- The Administration's bill authorizes the Secretary of the Treasury to reserve a percentage of the total funds available for any entitlement period to be used to make any necessary adjustment payments after the final payment amounts have been determined for all governments. This procedure has been prescribed by regulation and express inclusion in the statute is now proposed. The reserve fund allows adjustment payments to be made to one or more governments without adjusting the payments of all governments.
- The Secretary of the Treasury would be required to review the program and report to Congress two years before the new expiration date.

The Administration bill is now before the Senate as S.1625 and the House of Representatives as HR 6558.

Department of the TREASURY

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THE ADMINISTRATION OF GENERAL REVENUE SHARING

General Revenue Sharing is by far the least expensive of Federal fiscal assistance programs in terms of its administrative costs. Currently, the total cost to administer Revenue Sharing is less than 12/100ths of one percent of the amount of money distributed each year. The appropriation for operating the Office of Revenue Sharing for Federal fiscal year 1975 is \$2,133,000.

As of June 1975, the Office of Revenue Sharing employed 51 professional and 31 support staff. Of these, 41 are male and 40 female. Of the thirty-seven minority employees, five are Spanish-speaking.

A student intern work-study program conducted by the Office of Revenue Sharing provides five college sophomores with experience working in a Federal agency. During the summer, five additional college students are employed in various divisions of the Office of Revenue Sharing.

The Office of Revenue Sharing is administratively a part of the Office of the Secretary of the Treasury. The staff is located in the Columbia Plaza office building in Washington, D.C. at 2401 E Street, Northwest. The Office of Revenue Sharing has no regional offices.

Renewal of General Revenue Sharing

“There could be no more practical reaffirmation of the Federal compact which launched this country than to renew the program which has done so much to preserve and strengthen that compact - General Revenue Sharing.”

President Gerald R. Ford
Message to Congress
April 25, 1975

Department of the Treasury
Washington, D.C. 20220

Renewal of General Revenue Sharing

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General Revenue Sharing

President Gerald R. Ford

Message to Congress

April 25, 1975

Department of the Treasury

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PRESIDENTIAL GENERAL REVENUE SHARING RENEWAL LEGISLATION

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April 25, 1975

In 1972, when General Revenue Sharing was passed, the Federal partnership was in trouble. The Federal Government, with its highly efficient taxing system, then collected some two-thirds of the Nation's total tax revenues. Federal revenues, particularly because of the income tax, grew with the economy. However, State and local revenues are more dependent on real property taxes and sales taxes. These governments had to meet rising demands for services and costs through endless rounds of tax increases. Simply stated, revenues had grown fastest at the Federal level, while needs were growing fastest at the State and local levels.

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April 25, 1976

PRESIDENTIAL MESSAGE ON GENERAL REVENUE SHARING RENEWAL LEGISLATION

TO THE CONGRESS OF THE UNITED STATES:

I am today transmitting to the Congress proposed legislation to extend and revise the State and Local Fiscal Assistance Act of 1972. The act, and the General Revenue Sharing program which it authorizes, expires on December 31, 1976. I strongly recommend that the Congress act to continue this highly successful and important new element of American Federalism well in advance of the expiration date, in order that State and local governments can make sound fiscal plans.

The Value of Federalism

The genius of American government is the Federal system of shared sovereignty. This system permits and promotes creativity and freedom of action simultaneously at three levels of government. Federalism enables our people to approach their problems through the governments closest to them, rather than looking to an all-powerful central bureaucracy for every answer.

With the Federal Government heavily committed to international affairs, the Nation's defense, the state of the economy and the energy problem, we need strong, effective State and local government to meet the everyday needs of our people—for good police and fire protection, education, transportation, sanitation, and the basic services of a well-governed society.

In 1972, when General Revenue Sharing was passed, the Federal partnership was in trouble. The Federal Government, with its highly efficient taxing system, then collected some two-thirds of the Nation's total tax revenues. Federal revenues, particularly because of the income tax, grew with the economy. However, State and local revenues are more dependent on real property taxes and sales taxes. These governments had to meet rising demands for services and costs through endless rounds of tax increases. Simply stated, revenues had grown fastest at the Federal level, while needs were growing fastest at the State and local levels.

The Federal Government, then as now, sought to help States and communities meet their needs through Federal aid. For the most part, this aid is in the form of categorical grants—that is, narrowly defined, closely controlled grants for specific purposes. Today, over one thousand of these categorical grants are available for almost every imaginable objective.

However, the necessity to go to Washington for the solution to many local problems has had a stifling effect on the creativity and accountability of State and local governments. Along with Federal aid comes Federal restrictions which limit local initiative and flexibility.

Furthermore, until the concept of block grants was developed, States and localities were limited to categorical grants which were designed to lead State and local governments in new directions. Consequently, the recipients, all too often, headed in the direction where the grant monies were available, rather than where their genuine needs existed.

Finally, much of the aid the Federal Government makes available has to be matched by State and local funds. The impact of this requirement is often to aggravate rather than to alleviate a State or local government's financial plight.

This was the situation the executive branch and the Congress faced in 1972—a Federal system endangered by the growing impoverishment of two out of the system's three partners. This is the situation that the Federal Government wisely met, by the passage of General Revenue Sharing.

This program has been a resounding success. Since its enactment, General Revenue Sharing has provided nearly \$19 billion to 50 States and some 39,000 local governments—money which these governments could use as they saw fit to meet their priority needs. These Federal revenue sharing dollars have meant new crime fighting equipment and more police on the street, help for essential mass transportation, a better environment, improved fire protection and many other useful public activities. If some communities have not used their revenue sharing funds wisely, they are a miniscule fraction of governments which have used this money well.

The current revenue sharing act has also enabled individuals and citizen groups to play their part in determining the use of these Federal funds in their communities by placing the decision on the use of these funds at the local rather than the Federal

level. This citizen participation strengthens our democracy in the best possible way. It is my intention to strengthen our efforts to encourage the widest possible citizen participation.

The Need Goes On

General Revenue Sharing has also been the keystone of additional efforts to reform Federal aid. The new block grant programs, more decentralized grant management, joint funding projects and grant integration, improved program information, and executive reorganization have all been included in a large-scale effort to make better sense of and to get greater results from the billions granted to State and local governments.

The General Revenue Sharing program enacted in 1972 turned a corner. It caught a serious problem in time and helped us get back on the road to a sounder Federalism, of shared rights and responsibilities.

Many State and local governments are facing deficits with the prospect of having to raise additional taxes or cut services. Our States and localities are facing these adverse developments at a time when their fiscal responsibilities have mounted due to the impact of inflation on their expenditures and the tax burdens placed on citizens. Further, the present high unemployment is taking its toll in terms of lower tax receipts and higher costs on States and communities. This combination of financial pressures is likely to continue to bear down on these governments for the foreseeable future.

Many units of government, particularly in distressed urban areas, count on these funds for their budget planning. If the flow of shared revenues were to be turned off or scaled down, the results would be immediate and painful. Our efforts to revive the economy would suffer a serious blow. States, cities, counties and small communities would have to either cut back essential services causing increased public and related private unemployment or tax more or borrow more—thus defeating the objectives of our national efforts to reduce the total tax load and revive the economy.

Enactment of Federal revenue sharing was a wise decision in 1972. Its continuation is imperative now. Before deciding to recommend extension of this program, I directed that an exhaustive study be made of the present program to identify its strengths and weaknesses. This assessment has been carried out and has

taken into account the views of the Congress, State and local government officials, interested citizen bodies and private study groups analyzing government policy. I will also consider any significant findings which may yet emerge from studies presently underway.

Based on our review of this work, I am now proposing to the Congress legislation which will maintain the basic features of the existing revenue sharing program while offering several improvements.

The principal elements of the renewal legislation I am proposing are:

—The basic revenue sharing formula is retained. Experience to date suggests the essential fairness of the present formula and I recommend its retention.

—Funds will be authorized for five and three-quarters years. The effect of this provision is to conform the time period to the new Federal fiscal year.

—The current method of funding with annual increases of \$150 million will be retained to compensate, in part, for the impact of inflation. Over the five and three-quarters years, this level will produce a total distribution of Federal revenues of \$39.85 billion. By the final year, the revenues shared will have increased by \$937 million over the current level of payments.

—Recognizing the need to raise the existing per capita constraint on the basic formula, my proposal would permit those hard-pressed jurisdictions now constrained by the per capita limitation to receive more money. The impact of this change on other communities would be minimized by phasing the change in five steps and by the increase of \$150 million annually.

—To strengthen the civil rights provisions of the existing statute, the proposed legislation would authorize the Secretary of the Treasury to invoke several remedies to enforce the nondiscrimination provisions of the Act. This is accomplished by stating explicitly that the Secretary has authority to withhold all or a portion of entitlement funds due a State or unit of local government, to terminate one or more payments of entitlement funds, and to require repayment of entitlement funds previously expended in a program or activity found to have been discriminatory. This change will further enhance the Secretary's ability to ensure that none of our citizens is denied on grounds of race, color, sex or national origin the benefits of any program funded in whole or in part through revenue sharing.

—To strengthen public participation in determining the use of shared revenues, the proposed legislation requires that recipient governments must provide a procedure for citizen participation in the allocation of revenue sharing monies.

—The Administration proposal would also make reporting requirements more flexible to meet varying needs from community to community. The legislation would grant the Secretary of the Treasury greater latitude in determining the form of reports and the kind of information required of recipients. Similarly, he would have more flexibility to determine the method by which recipient governments must publicize their use of funds.

—Finally, the proposal requires a reconsideration of the program two years before its expiration.

Early Renewal is Important

I urge the Congress at its earliest convenience to begin deliberations on the renewal of the State and Local Fiscal Assistance Act of 1972. Effective planning at the State capitols, city halls, and county courthouses will require action in this first session of the 94th Congress. In fact, in the fall of 1975 many of our States and local governments will be preparing their fiscal year 1977 budgets. It will be essential for them to know at that time whether General Revenue Sharing funds will be available to them after December, 1976.

The expiration of the present General Revenue Sharing law is coincident with the year in which the Nation celebrates its bicentennial. There could be no more practical reaffirmation of the Federal compact which launched this Country than to renew the program which has done so much to preserve and strengthen that compact—General Revenue Sharing.

GERALD R. FORD

THE WHITE HOUSE
April 25, 1975

KEY PROVISIONS OF GENERAL REVENUE SHARING LAW

CURRENT AUTHORIZATION

RENEWAL PROPOSAL

\$30.2* billion to be distributed January 1972–December 1976.

\$39.85* billion to be distributed January 1977–September 1982.

Non-contiguous states (Alaska and Hawaii) appropriation of \$23.9 million, January 1972–December 1976.

Non-contiguous states (Alaska and Hawaii) appropriation of \$27.5 million, January 1977–September 1982.

Funds authorized and appropriated for entire 5-year period.

Funds authorized and appropriated for entire 5¾-year period.

All units of general government to be eligible participants (States, counties, cities, towns, townships, Indian tribes and Alaskan native villages).

No change.

No general review of program required.

Secretary of the Treasury to report to Congress two years before expiration date.

Money allocated by formula set forth in the law, using data supplied primarily by U.S. Bureau of the Census.

No change, except as noted below with regard to 145% maximum constraint.

States receive ⅓ of the funds distributed; local governments receive ⅔.

No change.

Allocation to local governments limited to 145% of average statewide per capita allocation within their states.

145% limit to be raised to 175% by 6 percentage points per entitlement period in five steps.

Allocations to local governments are not to be below 20% of average statewide per capita allocation within their states.

No change.

To keep citizens informed, recipient governments must publish use reports in newspapers of general circulation. All media must be notified.

Secretary of the Treasury may authorize other methods to publicize use information locally.

No provision to require assurance that there will be a public hearing or other method by which public may participate in deciding how shared revenues are to be spent.

Recipient governments must assure the Secretary of the Treasury that public has access to a public hearing or other appropriate means of participation in decision-making for uses of shared revenues.

* The dollar amount for the renewal proposal includes \$75 million to be moved forward from the last months of the present program to provide linear stairstep increases in funding levels.

Key Provisions of General Revenue Sharing Law

CURRENT AUTHORIZATION

RENEWAL PROPOSAL

Law prescribes reports on amounts and purposes of planned and actual expenditures.

Secretary of Treasury would have full discretion to determine form and content of recipients' use reports.

Law contains strong anti-discrimination requirement. Secretary's enforcement powers are stated in general terms: to refer matter to Attorney General for civil action, to exercise powers and functions provided by Title VI of Civil Rights Act of 1964, or to take such other action as may be provided by law.

Strong anti-discrimination requirement and general powers retained. Secretary expressly authorized to withhold all funds or that portion used in discriminatory program or activity, to require repayment, and to terminate eligibility for one or more payments.

Revenue Sharing funds may not be utilized to meet Federal grant matching requirements and the Davis-Bacon Federal minimum wage rate law applies to certain construction projects funded through revenue sharing. Local governments may use funds for any capital projects but only for operating and maintenance expenses of programs in eight priority expenditure categories.

Restrictions retained in their present form.

A: \$30.2 billion over the five-year period. An additional \$23.9 million is provided for non-contiguous states: Alaska and Hawaii.

Q: What steps is the Administration taking to extend the program?

A: After careful review, the Administration is proposing a 5¾ year renewal along the general lines of the present program.

Q: Will the funding level of the new program be similar to that currently in effect?

A: Yes. The funding level is to continue to increase at the rate of \$150 million per year. \$39.85 billion would be provided for 5¾ years. It should be noted that this amount includes \$75 million moved forward from the last six months of the present program to provide linear stairstep increases in funding levels. The non-contiguous states of Alaska and Hawaii would receive an additional \$27.5 million.

Eligible Participants

Q: Who are the recipients of the money that is distributed through General Revenue Sharing?

Secretary of Treasury would have full discretion to determine form and content of reports. Secretary would be required to submit reports to Congress.

Strong anti-discrimination requirement and general powers retained. Secretary expressly authorized to withhold all funds of that portion used in discriminatory program or activity, to require repayment, and to terminate eligibility of recipients of such programs.

All States, counties, cities, towns, and villages (villages) participated in the program.

No general program to review laws on

Money allocated by formula set forth in the law, using data supplied primarily by U.S. Bureau of the Census.

States receive 75% of the funds distributed; local governments receive 25%.

Allocation to local governments limited to 145% of average statewide per capita allocation within their states.

Allocations to local governments not to be below 20% of average statewide per capita allocation within their states.

To keep citizens informed, recipient governments must publish use reports in newspapers of general circulation. All media must be notified.

No provision to require assurance that there will be a public hearing or other method by which public may participate in deciding how shared revenues are to be spent.

Law prescribes reports on revenues and purposes of planned and actual expenditures. -1971 annual submission of reports.

Law contains strong anti-discrimination requirement. Secretary's enforcement powers are stated in general terms; to refer matter to Attorney General for civil action, to exercise powers and functions provided by Title VI of Civil Rights Act of 1964, or to take such other action as may be provided by law.

Revenue Sharing funds may not be utilized to meet Federal grant matching requirements and the Davis-Bacon Federal minimum wage rate law applies to certain construction projects funded through revenue sharing. Local government may use funds for any capital project but only for operating and maintenance expenses of programs in eight priority expenditure categories.

No change, except as noted below.

No change.

145% limit to be raised to 175% by 5 percentage points per step.

No change.

Secretary of the Treasury may authorize other methods to publicize use information locally.

Recipient governments must assure the Secretary of the Treasury that public has access to a public hearing or other appropriate means of participation in decision-making for use of shared revenues.

* The dollar amount for the renewal proposal includes \$75 million to be moved forward from the last months of the present program to provide linear stairstep increases in funding levels.

QUESTIONS AND ANSWERS ABOUT HOW GENERAL REVENUE SHARING WORKS AND WHAT CHANGES ARE PROPOSED

Length of Program and Funding Levels

Q: When did the General Revenue Sharing program begin and for how long does it last?

A: The State and Local Fiscal Assistance Act (P.L. 92-512) was signed into law on October 20, 1972. Title I of the Act authorized General Revenue Sharing and made it retroactive to January 1, 1972. The first checks went out on December 11, 1972. The program is due to expire on December 31, 1976.

Q: How much money is being distributed under the present program?

A: \$30.2 billion over the five-year period. An additional \$23.9 million is provided for non-contiguous states: Alaska and Hawaii.

Q: What steps is the Administration taking to extend the program?

A: After careful review, the Administration is proposing a 5¾ year renewal along the general lines of the present program.

Q: Will the funding level of the new program be similar to that currently in effect?

A: Yes. The funding level is to continue to increase at the rate of \$150 million per year. \$39.85 billion would be provided for 5¾ years. It should be noted that this amount includes \$75 million moved forward from the last six months of the present program to provide linear stairstep increases in funding levels. The non-contiguous states of Alaska and Hawaii would receive an additional \$27.5 million.

Eligible Participants

Q: Who are the recipients of the money that is distributed through General Revenue Sharing?

A: All units of general government in the United States are eligible to receive General Revenue Sharing funds. Nearly 39,000 States, counties, cities, towns, townships, Indian tribes and Alaskan native villages are receiving the money on a regular basis.

Q: Must all units of general government participate in the program?

A: No. Local governments may elect to waive participation. When a government waives its revenue sharing money for an entitlement period, those funds are paid to the next higher level of government. Currently, one-third of one percent of all eligible governments have chosen not to participate directly in General Revenue Sharing.

Allocation Procedure

Q: How is the money allocated to recipient units of government?

A: The funds are distributed quarterly according to formulas contained in the law. Data relating to population, per capita income, tax effort and other factors are supplied, principally by the U.S. Bureau of the Census, for each unit of general government. Using sophisticated computer techniques, these data are applied to the formulas to compute amounts to be paid each recipient government during each entitlement period.

Q: Do governments apply for the money?

A: No. Unlike grants, shared revenues are "entitlement" funds which are distributed automatically, on a regular basis, in October, January, April and July.

Q: Does the legislation propose any change in the way revenue sharing funds are allocated?

A: Only one change is proposed. After careful evaluation of existing and alternative formulas, it was decided to propose a gradual rise in the 145% maximum constraint to 175% in five steps. This provision presently limits the entitlements of local governments to 145% of the average per capita allocation for localities in the States in which the jurisdiction is located.

Q: Why is the Administration proposing to raise the maximum constraint?

A: The increase would permit the basic formulas to function in a less constrained manner. Thus many governments with

high tax effort or low per capita income, or both, including some large urban governments, which have been constrained will receive more money. Due to the gradual rise of six percentage points per entitlement period in the maximum constraint and continuation of the \$150 million annual funding increases, virtually all other local governments will not suffer a decrease in funding.

Expenditure Decisions

Q: Who decides how revenue sharing money should be spent?

A: The basic purpose of the General Revenue Sharing program continues to be that of providing funds to be used to meet needs identified by the recipient State and local general purpose governments.

Q: Can revenue sharing funds be spent for any purpose?

A: Under both the present program and the Administration's proposed renewal program, all States and local governments must spend their "shared revenues" in accordance with the laws and procedures that apply to the expenditure of their own revenues. State governments are not restricted in the areas of activity for which they may use the money. Local governments (i.e., cities, counties, etc.) may use the funds for any *capital* project (capital, as defined by local law) or for *operating and maintenance expenses* of programs and projects in the following categories: public safety, public transportation, recreation, environmental protection, financial administration, health, libraries, and social services for the poor or aged.

Q: What general restrictions are imposed on uses of the money?

A: The President's proposal retains restrictions that now apply to all expenditures of shared revenues. The money may not be used to match other Federal funds. Use of the money in any program or activity in which there is discrimination because of race, color, national origin, or sex is prohibited. In addition, if shared revenues are to be used to pay 25 percent or more of the cost of a construction project, and if the total cost of the project is \$2,000 or more, then Federally established minimum wage rates must be paid (i.e., the Davis-Bacon Act applies).

Q: When must recipient governments spend their shared revenues?

A: Governments must use, obligate, or appropriate their shared revenues (including any interest they earn on the money) within 24 months from the end of the entitlement period to which the check is applicable, unless approval is obtained from the Office of Revenue Sharing for an extension of this time.

Q: How have governments been spending their shared revenues?

A: States and local governments together have spent approximately 60 percent of their shared revenues in the fields of public safety, education, and public transportation. During fiscal year 1974, State governments used 52 percent of their revenue sharing money in support of public education. The latest figures indicate that more money was spent during fiscal year 1974 to operate and maintain programs than for capital expenditures.

Reporting Requirement

Q: Does the Administration proposal seek to make any changes in the reports which recipient governments must file with the Office of Revenue Sharing?

A: Yes. The current law requires each recipient government to file two one-page reports with the Office of Revenue Sharing for each entitlement period. Prior to the beginning of each period, the recipient government must submit a report on its plans for use of the money it expects to receive for the coming period. After June 30 of each year, the recipient government must report for what purposes funds have been spent. The Administration proposal widens the discretion of the Secretary of the Treasury to determine the form and content of these reports so that the data obtained will be more useful to interested citizens and to the Federal Government.

Citizen Participation

Q: Is current information available to local citizens about the uses to which shared revenues are put?

A: Recipient units of government establish their own procedures to set priorities for using their shared revenues. The present law requires that each Planned and Actual Use Report be published in one or more newspapers which are published within the State and have general circulation within the geographic area of the recipient government involved. The proposed legislation seeks to improve this process by permitting the

Secretary of the Treasury to prescribe alternate procedures for publicizing reports. These would be utilized where it is determined that the requirement of publication in a newspaper is unreasonably expensive in relation to the amount of funds involved or where the Secretary finds that there are better methods for bringing information to the attention of residents of a community.

Q: Does the Administration's proposal further the goal of increasing public participation in the expenditure of revenue sharing funds?

A: Yes. The proposed legislation would add a new provision to the current law to require that a recipient government give written assurance to the Secretary that it provides its residents the opportunity of a public hearing or the like to give recommendations and views on how revenue sharing funds should be spent.

Revenue Sharing and Civil Rights

Q: Is there a provision in the proposed legislation to assure that revenue sharing funds are not used in a discriminatory manner?

A: Yes. Section 122 of Title I of the State and Local Fiscal Assistance Act of 1972 provides that "No person in the United States shall, on the ground of race, color, national origin, or sex, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under, any program or activity funded in whole or in part with [entitlement] funds . . .". This provision is retained in the proposed legislation.

Q: Has the Administration proposed any changes in the section of the current law which empowers the Secretary of Treasury to secure compliance with the non-discrimination requirement?

A: Yes. The proposed legislation makes it clear that the Secretary has the flexibility to invoke one or more of several remedies where a recipient government is found to have used revenue sharing funds in a discriminatory activity. The legislation expressly states that the Secretary may withhold all or a portion of entitlement funds due that government, may require the repayment of funds expended in a discriminatory manner, and may terminate the eligibility of a State or local government to receive one or more payments.

Administration

Q: What does it cost to administer the General Revenue Sharing program?

A: The Fiscal Year 1975 appropriation for operating the Office of Revenue Sharing is \$2,133,000. Administration of the General Revenue Sharing program currently costs 12/100ths of one percent of the amount being distributed.

Q: What is the size of the Office of Revenue Sharing staff?

A: The Office of Revenue Sharing is authorized a maximum of 85 positions, all of which are located in Washington, D.C. A total request of 116 positions has been made to Congress in the Fiscal Year 1976 budget.

A SUMMARY OF THE STATE AND LOCAL FISCAL ASSISTANCE ACT AMENDMENTS OF 1975

The State and Local Fiscal Assistance Act Amendments of 1975 will extend and improve the General Revenue Sharing program to provide essential fiscal assistance to general purpose governments through September of 1982. The bill amends the State and Local Fiscal Assistance Act of 1972 (Public Law 92-512). The bill has nine sections, which are summarized below.

1. Reserve for Adjustments

This section provides the means for making adjustment payments to governments where data corrections are necessary after the time when final allocations of funds have been made for eligible State and local governments. The amount of payments to each of approximately 39,000 governments is a share of a national total, and each share is determined according to data factors for each government relative to data factors for all governments. A change in the data for one government may change the shares for a large number of governments. The current Act gives the Secretary authority to make necessary adjustments after payments have been made, but does not mention the means of funding such adjustments.

The bill authorizes the Secretary of the Treasury to reserve a percentage of the total funds available for any entitlement period to be used to make any necessary adjustment payments after the final payment amounts have been determined for all the governments. This method previously has been prescribed by regulation and express inclusion in the statute is now proposed. The method allows adjustment payments to be made to one or more governments without adjusting the payments of all governments.

2. Funding of Payments

The second section of the bill provides continuing funding of payments to recipient governments, including Indian tribes and Alaskan native villages, through September of 1982. The funding level is an extension of the funding established in the

original Act, and continues to provide annual step increases of \$150 million each Federal fiscal year beginning after June 30, 1976. Fixed appropriations are provided for each Federal fiscal year, through and including fiscal year 1982, so that all levels of government may undertake with confidence their financial, program, and project plans for future years. Total appropriations for 5¾ years amount to \$39.85 billion, which includes \$75 million to be moved forward from the last six months of the present program to provide linear stairstep increases in funding levels.

Funds for adjustments to allocations to Alaska and Hawaii are continued at the present annual rate of \$4.78 million, totaling \$27.5 million for the 5¾-year extension period.

A three-month appropriation provides for transition to the new Federal fiscal year which begins October 1, 1976.

As permitted in the Congressional Budget Act of 1974, this section specifically provides that funds appropriated for the extension of the General Revenue Sharing program are exempted from certain annual appropriation procedures otherwise required by the Congressional Budget Act.

The bill also requires the Secretary of the Treasury to submit a report, with recommendations concerning the extension of the General Revenue Sharing program, to the Congress a full two years before the proposed expiration date. Review of the General Revenue Sharing program at such time will minimize future uncertainty for State and local governments regarding availability of shared revenues.

3. State Maintenance of Transfers to Local Governments

The third section of the bill deletes a special rule to measure State assistance to local governments during the final six-month entitlement period included in the original Act. The special rule is no longer needed as that six-month entitlement period is modified in the bill to become a 15-month entitlement period ending September 30, 1977. The current regulations of the Office of Revenue Sharing provide that the point of reference for measuring a State's assistance to local governments will be that State's fiscal year, making a special statutory rule unnecessary for the fifteen-month entitlement period.

4. Raising the Maximum Constraint on the Formula

Section Four of the bill increases the amount of funds that may be received by local governments characterized by unusually

high tax effort or low per capita income or both. The original Act limits a local government to an amount which may not exceed on a per capita basis 145% of the average per capita amount for all local governments in a State.

By raising the 145% constraint to an upper limit of 175%, the bill will allow governments now constrained to receive all or a greater part of the shared revenues otherwise allocated to them by the formula. The potential negative impact on other governments will be minimized by increasing the upper limit gradually, by six percentage points each entitlement period until the 175% limit is reached and by the annual \$150 million increase in the total appropriations. The 175% upper limit will continue to serve, as Congress originally intended, to prevent excessive amounts being allocated to jurisdictions with unusual characteristics whose needs are distorted by the prescribed data, such as certain resort communities and industrial enclaves.

Should an Indian tribe or Alaskan native village waive receipt of its shared revenue payment, the bill provides that the funds will be paid to the county government as is the case with funds waived by any unit of municipal government.

The present Act gives State governments the option of adoption of an alternate formula for distributing shared revenues to its county areas and municipalities. The bill extends to September 30, 1982, the time period during which any such law must remain in effect.

5. Date for Determining State and Local Taxes

The fifth section of the bill makes the definition of the "most recent reporting year" for the State and local taxes component of the data factor, called the "General Tax Effort of States," consistent with the definitions for all other data elements used in the General Revenue Sharing formulas. For all data elements, the data used for allocations will be the most recent data available before the beginning of each entitlement period.

6. More Effective Reports on Use of Funds

The sixth section of the bill gives the Secretary of the Treasury increased discretion to prescribe the form and content of recipient government reports made before and after use of shared revenues.

The bill also allows the Secretary of the Treasury to authorize new ways to publicize the use reports where newspaper pub-

lication costs would be excessive in relation to the amount of shared revenues received by the local government, or where better methods for informing the public are available.

7. Non-Discrimination

Section Seven of the bill clarifies the authority of the Secretary of the Treasury to enforce the broad non-discrimination requirements of the existing law. The bill states explicitly that when a jurisdiction is found to have discriminated in the use of revenue sharing money, the Secretary may withhold all of the jurisdiction's entitlement funds or that portion used in a discriminatory program or activity. The Secretary also is specifically authorized to terminate the eligibility of the jurisdiction to receive one or more future payments, and to require repayment by the jurisdiction of revenue sharing funds expended in a discriminatory program or activity.

8. Increased Public Involvement in Expenditure Decisions

Section Eight expands the opportunity for the public to participate in decisions by State and local governments on the use of shared revenues. In addition to the requirement for publicity of the report on the planned uses of shared revenues, each government is required to assure the Secretary of the Treasury that it will provide its residents with an opportunity to give their recommendations and views on the proposed expenditures of shared revenues. This opportunity for public involvement may be provided either in a public hearing or by other appropriate means prescribed in regulations to be issued by the Secretary of the Treasury.

The bill also removes a burdensome restriction on those Indian tribes and Alaskan native villages whose members reside in more than one county. The original Act required them to apportion the benefits of expenditures among county areas in the same ratios as those used in the revenue sharing allocation of funds. This bill will allow all Indian tribes and Alaskan native villages to concentrate their revenue sharing expenditures in areas of greatest need.

9. Entitlement Periods

The ninth and last section of the bill defines the entitlement periods which govern the distribution of funds to recipient governments. A fifteen-month entitlement period beginning July 1, 1976, and ending September 30, 1977, permits transition to the new Federal fiscal year. Funds distributed during this fifteen-

month entitlement period are provided from both the transition quarter appropriation and the appropriation for fiscal year 1977. Five quarterly payments will be made to all recipient governments during this period. Each entitlement period after September 30, 1977, has the same beginning and ending dates as the applicable Federal fiscal year.

State	County	Metropolitan	Nonmetropolitan	Total	Allocation	Allocation
Alabama
Alaska
Arizona
Arkansas
California
Colorado
Connecticut
Delaware
District of Columbia
Florida
Georgia
Hawaii
Idaho
Illinois
Indiana
Iowa
Kansas
Kentucky
Louisiana
Maine
Maryland
Massachusetts
Michigan
Minnesota
Mississippi
Missouri
Montana
Nebraska
Nevada
New Hampshire
New Jersey
New Mexico
New York
North Carolina
North Dakota
Ohio
Oklahoma
Oregon
Pennsylvania
Rhode Island
South Carolina
South Dakota
Tennessee
Texas
Utah
Vermont
Virginia
Washington
West Virginia
Wisconsin
Wyoming
Total

(This number is subject to change)

GENERAL REVENUE SHARING
PAYMENTS THROUGH APRIL 7, 1975
(with numbers of recipients by category)

State Name	State	Counties	Municipalities	Townships	Indian Tribes & Alaskan Native Villages	Totals
Alabama	\$106,595,657 (1)	\$ 79,811,942 (67)	\$133,713,837 (399)			\$ 320,121,436 (467)
Alaska	8,151,177 (1)		15,610,757 (126)		\$ 502,614 (92)	24,264,548 (219)
Arizona	62,746,495 (1)	50,361,909 (14)	69,635,925 (66)		5,473,525 (18)	188,217,854 (99)
Arkansas	69,510,107 (1)	70,833,435 (75)	55,238,944 (458)			195,582,486 (534)
California	670,854,042 (1)	809,818,743 (57)	531,332,619 (411)		439,280 (54)	2,012,444,684 (523)
Colorado	65,926,982 (1)	46,565,115 (62)	85,251,972 (247)		125,967 (2)	197,870,036 (312)
Connecticut	79,662,535 (1)		85,046,335 (33)	\$ 74,404,145 (149)		239,113,015 (183)
Delaware	21,513,093 (1)	20,746,117 (3)	14,328,555 (54)			56,587,765 (58)
Dist. of Columbia	84,346,800 (1)					84,346,800 (1)
Florida	182,940,956 (1)	162,485,967 (66)	204,068,115 (386)		67,526 (2)	549,562,564 (455)
Georgia	131,235,067 (1)	151,975,678 (158)	110,326,599 (510)			393,537,344 (669)
Hawaii	27,769,366 (1)	13,785,221 (3)	41,753,506 (1)			83,308,093 (5)
Idaho	25,409,184 (1)	29,286,689 (44)	21,250,024 (191)		281,613 (5)	76,227,510 (241)
Illinois	321,490,473 (1)	145,128,416 (102)	375,071,021 (1266)	84,200,590 (1435)		925,890,500 (2804)
Indiana	133,429,274 (1)	91,027,087 (91)	144,268,402 (556)	31,538,816 (1000)		400,263,579 (1648)
Iowa	88,919,482 (1)	103,446,064 (99)	74,369,178 (942)		39,024 (1)	266,773,748 (1043)
Kansas	60,543,743 (1)	61,612,162 (105)	52,727,466 (610)	6,677,819 (1150)	24,620 (4)	181,585,810 (1870)
Kentucky	119,366,078 (1)	87,677,671 (120)	101,332,824 (394)			308,376,573 (515)
Louisiana	146,682,050 (1)	117,231,843 (62)	169,081,739 (295)		19,977 (1)	433,015,609 (359)
Maine	38,310,773 (1)	5,082,942 (16)	31,631,228 (22)	39,760,365 (474)	147,619 (3)	114,932,927 (516)
Maryland	124,631,230 (1)	145,159,546 (23)	104,154,181 (150)			373,944,957 (174)
Massachusetts	198,483,338 (1)	22,853,112 (12)	223,428,876 (39)	151,235,999 (312)		596,001,325 (364)
Michigan	266,937,865 (1)	155,459,927 (83)	329,785,203 (533)	48,891,318 (1246)	87,832 (5)	801,162,145 (1868)
Minnesota	124,450,206 (1)	132,688,249 (87)	100,936,211 (851)	15,347,576 (1786)	722,432 (12)	374,144,674 (2737)
Mississippi	107,730,187 (1)	129,712,527 (82)	72,631,500 (277)		139,963 (1)	310,214,177 (361)
Missouri	117,788,182 (1)	77,955,694 (114)	152,024,347 (871)	5,375,451 (340)		353,148,674 (1326)
Montana	24,795,577 (1)	32,917,719 (56)	14,867,791 (125)		1,799,394 (7)	74,380,481 (189)
Nebraska	45,242,176 (1)	44,942,342 (93)	42,449,611 (520)	2,888,578 (467)	188,852 (3)	135,711,559 (1084)
Nevada	13,808,081 (1)	17,260,681 (16)	10,133,099 (17)		214,000 (17)	41,415,861 (51)
New Hampshire	20,065,455 (1)	5,241,933 (10)	19,023,527 (13)	15,994,890 (222)		60,325,805 (246)
New Jersey	197,304,585 (1)	139,546,268 (21)	175,520,213 (333)	79,616,848 (232)		591,987,914 (587)
New Mexico	40,936,304 (1)	32,313,628 (32)	40,412,093 (90)		5,262,231 (22)	118,924,256 (145)
New York	701,017,982 (1)	300,426,090 (57)	952,937,060 (619)	148,175,049 (930)	376,761 (6)	2,102,932,942 (1613)
North Carolina	161,145,301 (1)	173,513,583 (100)	149,191,324 (458)		351,242 (1)	484,201,450 (560)
North Dakota	25,086,436 (1)	25,784,127 (53)	16,806,213 (347)	6,565,389 (1360)	1,030,470 (5)	75,272,635 (1766)
Ohio	250,822,997 (1)	159,058,849 (88)	293,615,356 (934)	48,927,549 (1320)		752,424,751 (2343)
Oklahoma	70,365,929 (1)	51,984,173 (77)	87,464,599 (531)		1,258,880 (25)	211,073,581 (634)
Oregon	62,368,422 (1)	47,356,878 (36)	77,147,921 (232)		203,642 (4)	187,076,863 (273)
Pennsylvania	330,060,562 (1)	186,699,849 (66)	369,484,186 (1013)	104,552,547 (1548)	400 (1)	990,797,544 (2629)
Rhode Island	28,324,916 (1)		40,294,723 (8)	16,346,341 (31)		84,965,980 (40)
South Carolina	88,306,116 (1)	90,005,513 (46)	80,005,022 (256)			258,316,651 (303)
South Dakota	27,940,838 (1)	32,593,747 (61)	17,320,150 (301)	4,024,127 (957)	1,920,825 (9)	83,799,687 (1335)
Tennessee	118,634,753 (1)	103,267,923 (94)	136,445,761 (321)			358,348,437 (416)
Texas	298,229,926 (1)	220,569,873 (254)	374,361,656 (993)		61,583 (2)	893,223,038 (1250)
Utah	37,112,350 (1)	36,921,263 (29)	36,672,985 (216)		572,734 (5)	111,279,332 (251)
Vermont	17,661,991 (1)	434,430 (14)	12,186,527 (55)	22,765,017 (237)		53,047,965 (307)
Virginia	124,558,263 (1)	92,153,679 (96)	157,419,760 (228)		5,649 (2)	374,137,351 (327)
Washington	90,873,182 (1)	81,461,633 (39)	99,535,101 (266)	3,401 (3)	773,299 (22)	272,646,616 (331)
West Virginia	81,122,395 (1)	48,335,893 (55)	56,008,362 (227)			185,466,650 (283)
Wisconsin	158,038,834 (1)	156,134,786 (72)	134,753,494 (574)	25,195,870 (1268)	483,197 (10)	474,606,181 (1925)
Wyoming	11,669,645 (1)	16,985,238 (23)	6,011,605 (86)		258,757 (2)	34,925,245 (112)
National Totals						
Funds	\$6,410,917,358	\$4,806,616,154	\$6,699,067,503	\$932,487,685	\$22,833,908	\$18,871,922,608
Recipients	(51)	(3,039)	(18,451)	(16,467)	(343)	(38,351)

20

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THE WHITE HOUSE

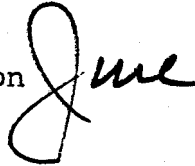
WASHINGTON

July 9, 1975

MEETING WITH BIPARTISAN GROUP OF MAYORS

Thursday, July 10, 1975
2:00 p.m. (15 minutes)
East Room

From: Jim Cannon



I. PURPOSE

This meeting is being held in response to numerous requests from individual Mayors. The Mayors actually requested a meeting prior to their conference in Boston which ends today, but it was not possible to schedule due to the intervening Fourth of July weekend. The main subject they wanted to discuss was General Revenue Sharing and the position the Mayors' Conference would take on its reenactment.

II. BACKGROUND, PARTICIPANTS AND PRESS PLAN

A. Background

The Conference has now concluded with major victories for the Administration. The Conference resolutions on General Revenue Sharing were what we proposed. Efforts sparked by Mayor Daley and others on resolutions asking Congress to change the formula were defeated.

In other resolutions adopted this morning, all the critical references to defense spending were deleted by a vote of 105-86. This resulted from the Republicans sticking together and gaining the support of a good number of Democrats. This is one of the most significant changes in position to occur at this Conference in many years.

This will be a broadly representative group with representatives from almost all the States. The group is bipartisan and from small as well as large cities.

B. Participants

See Tab A.

C. Press Plan

There will be full coverage of the President's participation. Press will depart following your departure.

III. TALKING POINTS

To be submitted under separate cover through Paul Theis.

IV. SEQUENCE OF EVENTS

See Tab B.

PARTICIPANTS

I. MAYORS

Approximately 130 Mayors from every region representing over 40 States.

II. PUBLIC INTEREST GROUPS

Approximately 70 persons representing the governmental and non-governmental public interest groups.

III. ADMINISTRATION

The Vice President

Secretary of the Treasury Simon

Undersecretary of the Treasury Ed Schmults

Secretary of Labor Dunlop

Jim Lynn

Jim Cannon

Jim Falk

SEQUENCE OF EVENTS

- 2: 00 p.m. THE PRESIDENT
- 2: 20 p.m. BREAK
- 2: 30 p.m. THE VICE PRESIDENT
- 2: 40 p.m. Secretary Simon
- 3: 00 p.m. Questions and Answers of Panel:
Secretary Simon
Undersecretary Schmults
Secretary Dunlop
Director Lynn
James Cannon
James Falk
- 4: 00 p.m. Reception in State Dining Room
(PRESIDENT returns)

PARTICIPANTS

MAYORS

Joseph Alioto
Tom Allen
Robert Anderson
John Apostol
Henry Arrington
Fred Ashton
Richard Baker
Tim Barrow
Abraham Beame
George Bersted
Robert Blackwell
Helen Boosalis
John Bourne
Bobbie Brooks
Robert Buhai
Gabriel Cazares
Edwin Chertok
Vincent Cianci
Stanley Cmich
Lyla Cockrell
Eldon Cooley
A. J. Cooper
Ellen Craig
Michael D'Arminio
Russell Davis
Evan Doubell
John Drummond
Frank Duci
Maurice Ferre
Peter Flaherty
John Ford
Gerald Goldman
Walter Hannon
Conrad Harrison
Don Henderson
Richard Hentges
Robert Heskin
Ervine Hill
Arthur Holland
Wallace Holland
Charles Horn

San Francisco, California
Olympia, Washington
Everett, Washington
Anapolis, Maryland
Seat Pleasant, Maryland
Easton, Pennsylvania
Newark, Ohio
Phoenix, Arizona
New York City, N.Y.
Mammoth, Illinois
Highland Park, Michigan
Lincoln, Nebraska
North Charleston, South Carolina
Riveria Beach, Florida
Highland Park, Illinois
Clearwater, Florida
Laconia, New Hampshire
Providence, Rhode Island
Canton, Ohio
San Antonio, Texas
Mesa, Arizona
Prichard, Alabama
Urbancrest, Ohio
Hackensack, New Jersey
Jackson, Mississippi
Pittsfield, Massachusetts
Amarillo, Texas
Schenectady, New York
Miami, Florida
Pittsburg, Pennsylvania
Tuskegee, Alabama
Passaic, New Jersey
Quincy, Massachusetts
Salt Lake City, Utah
El Paso, Texas
Fargo, North Dakota
Bismark, North Dakota
Norfolk, Virginia
Trenton, New Jersey
Pontiac, Michigan
Kettering, Ohio

Jack Hunter
Tom Jester
Bob Justmann
Harry Kessler
Ann Kilgore
Richard King
Lawrence Kramer
John Krout
Moon Landrieu
Richard LaPoint
Patience Latting
Jackson Lee
Matilda Levin
John Linnell
William LoPiano
Emmitt Loury
Thomas Maloney
Thomas Mann
Angelo Martinelli
Dan Matkin
Eugene McCafrey
Robert McGaw
Jim McGee
William McCormick
Malcom McLane
William McNichols
Jack Mickel
Tom Moody
Judith Moss
William Muegge
Lewis Murphy
Bill Nation
William Nicely
Lawrence Ochs
Richard Olson
Lyman Parks
John Peribanic
Ralph Perk
Eugene Peters
August Petrillo
Herbert Pfuhl
John Poelker
James Puckett
John Quine

Youngstown, Ohio
Denton, Texas
Debuke, Iowa
Toledo, Ohio
Hampton, Virginia
Independence, Missouri
Paterson, New Jersey
York, Pennsylvania
New Orleans, Louisiana
Concord, California
Oklahoma City, Oklahoma
Fayetteville, North Carolina
Newton, Iowa
Auburn, Maine
Tempe, Arizona
Texas City, Texas
Wilmington, Delaware
Newton, Massachusetts
Yonkers, New York
Irving, Texas
Warwick, Rhode Island
Rockford, Illinois
Dayton, Ohio
Topeka, Kansas
Concord, New Hampshire
Denver, Colorado
Columbus, Georgia
Columbus, Ohio
Mountainview, California
Wheeling, West Virginia
Tucson, Arizona
Cheyenne, Wyoming
Parkersburg, West Virginia
Colorado Springs, Colorado
Des Moines, Iowa
Grand Rapids, Michigan
McKeesport, Pennsylvania
Cleveland, Ohio
Scranton, Pennsylvania
Mount Vernon, New York
Johnstown, Pennsylvania
St. Louis, Missouri
Alliance, Ohio
Meridan, Connecticut

John Reading
Arthur Richards
James Richey
Ken Ritter
Frank Rizzo
David Rodgers
Leo Roof
James Rupp
Tom Ryan
Benie Salden
Donald Schaefer
Larry Schifano
Richard Scott
George Seibels
E. Clay Shaw
David Shepard
Eugene Shirk
Harvey Sloane
Paul Soglin
Charles Stanton
Geraldine Sylvester
James Taft
Penfield Tate
Walter Taylor
Kyle Testerman
Bill Tynes
Wesley Uhlman
Bill Walmier
Walter Washington
Warren Widner
Ted Wills
Wes Wise
Coleman Young

Oakland, California
Warren, Ohio
Lakewood, Colorado
Beaumont, Texas
Philadelphia, Pennsylvania
Spokane, Washington
Waterloo, Iowa
Decatur, Illinois
Kankakee, Illinois
Port Arthur, Texas
Baltimore, Maryland
Morgantown, West Virginia
Lancaster, Pennsylvania
Birmingham, Alabama
Ft. Lauderdale, Florida
Oak Park, Michigan
Reading, Pennsylvania
Louisville, Kentucky
Madison, Wisconsin
Manchester, New Hampshire
Dover, New Hampshire
Cranston, Rhode Island
Boulder, Colorado
Englewood, New Jersey
Knoxville, Tennessee
Irving, Texas
Seattle, Washington
Pekin, Illinois
Washington, D.C.
Berkley, California
Fresno, California
Dallas, Texas
Detroit, Michigan

Public Interest Groups

James Johnson
Bernard Hillenbrand
Paul Sweet
Jerry Sohns
William Besuden
Dorothy Brodie
Tom Cochran
Eugene Russell
Alan Beals

Acting Director, National Governors' Conf.
Exec. Director, National Assoc. of Counties
National Conference of St. Legislatures
Wash. Rep., National Conf. of St. Legis.
International City Management Assoc.
U.S. Conference of Mayors
U.S. Conference of Mayors
U.S. Conference of Mayors
National League of Cities

Republican National Committee

Joe Gaylord

Treasury

John Parker
Pricilla Crane
Joe Adams
Ed Schmults, Undersecretary
Kent Peterson
Graham Watt

THE WHITE HOUSE

WASHINGTON

July 9, 1975

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Secretary of Labor Dunlop

Jim Lynn

Jim Cannon

Jim Falk

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Undersecretary Schmults
Secretary Dunlop
Director Lynn
James Cannon
James Falk
- 4: 00 p.m. Reception in State Dining Room
(PRESIDENT returns)

Revenue story

2/10/75

R - S - ~~_____~~
II ~~///~~ ~~///~~

1st step

Free
Need
People

Taken w/ formula.

_____ ↑

Highway Bill ~~_____~~

great jobs over 20 yrs
\$2,500 -

30 categorical grants

Done



I'm an optometrist about
where this country is going
in the future.

America is going up and
down

Job opportunities

There is no future, that is
just a bright day ahead



Central statistics
in cities

What will be



MR. CANNON

TALKING POINTS:

MEETING WITH MAYORS ON

GENERAL REVENUE SHARING

THURSDAY, JULY 10, 1975

1. I AM PLEASSED TO SEE SO MANY OF YOU HERE TODAY.

AND I LOOK FORWARD TO A FULL, OPEN AND FRUITFUL EXCHANGE

OF IDEAS ON A PROGRAM WHICH IS VITAL -- NOT JUST TO YOU

AS MAYORS -- BUT TO THE WHOLE NATION.

2. FIRST OF ALL, LET ME INVITE YOU TO JOIN
SOME OF MY CABINET MEMBERS AND STAFF AND ME IN A
RECEPTION AT THE CONCLUSION OF THIS PROGRAM IN THE
STATE DINING ROOM. I LOOK FORWARD TO MEETING AND
TALKING WITH EACH OF YOU AT THAT TIME.

3. LET ME REASSURE YOU AT THIS POINT THAT I AM NOT GOING TO PREACH TO YOU ABOUT FISCAL RESPONSIBILITY. YOU HAVE TOUGH DECISIONS AND HARD CHOICES TO MAKE EACH DAY, JUST AS I DO, AND WE ALL KNOW THE CONSTRAINTS UNDER WHICH WE AS ELECTED PUBLIC SERVANTS MUST OPERATE. ALTHOUGH I AM AWARE OF YOUR CONCERN OVER THE DEFENSE BUDGET, I THANK YOU FOR EASING YOUR STAND AGAINST IT AT THIS TIME. WE NEED AN ADEQUATE DEFENSE AND THIS BUDGET PROVIDES IT.

4. I RECOGNIZE THAT THE CITIES HAVE UNIQUE PROBLEMS AND DIFFICULT CHALLENGES, PARTICULARLY IN THE DIFFICULT ECONOMIC PERIOD WE HAVE BEEN PASSING THROUGH. BUT BY WORKING TOGETHER, WE CAN MAKE PROGRESS.

5. I WOULD LIKE TO MENTION TWO SPECIFIC PROBLEMS

WHICH I URGE YOU TO SUPPORT: BOTH OF THEM WILL HELP YOUR

CITIES AND THE WHOLE COUNTRY. THE FIRST IS FOR AN

EXTENSION OF THE GENERAL REVENUE-SHARING PROGRAM, WHICH

I CONSIDER TO BE THE FOUNDATION FOR FEDERAL ASSISTANCE TO

STATE AND LOCAL GOVERNMENTS.

6. AS A MEMBER OF CONGRESS, I VOTED FOR
GENERAL REVENUE SHARING; I SUPPORTED IT AS VICE PRESIDENT.
AS PRESIDENT, I ADVOCATED RE-ENACTMENT OF THE GENERAL
REVENUE-SHARING BILL IN A MESSAGE TO CONGRESS IN APRIL
OF THIS YEAR.

7. YOU KNOW BETTER THAN I DO HOW THE PROGRAM
WORKS IN YOUR OWN CITIES. BUT IT'S APPARENTLY WORKING
WELL, BECAUSE I'VE HEARD CONSISTENTLY SINCE MY FIRST DAYS
AS PRESIDENT THAT THE MAYORS, ALONG WITH THE GOVERNORS,
STATE LEGISLATORS AND COUNTY OFFICIALS ACROSS THE COUNTRY,
REGARD CONTINUATION OF THE GENERAL REVENUE-SHARING
PROGRAM AS ONE OF THEIR HIGHEST PRIORITIES.

8. ALTHOUGH GENERAL REVENUE SHARING IS A SOUND PROGRAM, YOUR HELP IS NEEDED TO MAKE SURE IT IS CONTINUED. YOU HAVE WORKED TOGETHER IN THE PAST TO PURSUE A COMMON GOAL. I ASK YOU TO WORK WITH ME AND ON THE CONGRESS TO REACH A GOAL WHICH WE ALL SEEK -- A RESPONSIBLE AND EFFECTIVE REVENUE-SHARING PROGRAM.

9. THE REVENUE-SHARING RESOLUTION ADOPTED

AT YOUR RECENT CONVENTION IS A POSITIVE STEP IN THAT

DIRECTION. AS A MEMBER OF CONGRESS WHO HELPED

WRITE THE ORIGINAL FORMULA, I APPLAUD YOUR DECISION

IN ASKING FOR ITS CONTINUATION IN SUBSTANTIALLY ITS

PRESENT FORM.

10. A SECOND PROPOSAL I WANT TO DISCUSS

WITH YOU IS MY NEW HIGHWAY BILL. EARLIER THIS WEEK,

I SENT TO THE CONGRESS PROPOSALS TO MODIFY THE HIGHWAY

TRUST FUND, AND CONSOLIDATE 30 FEDERAL HIGHWAY PROGRAMS

UNDER THREE BROADLY-BASED CATEGORIES DEALING, RESPECTIVELY,

WITH URBAN AND SUBURBAN TRANSPORTATION, RURAL

TRANSPORTATION AND HIGHWAY SAFETY IMPROVEMENTS.

11. THE HIGHWAY PROGRAM IS A CLASSIC EXAMPLE
OF A FEDERAL PROGRAM THAT HAS EXPANDED OVER THE YEARS
INTO AREAS OF STATE AND LOCAL RESPONSIBILITY, DISTORTING
THE PRIORITIES OF THOSE GOVERNMENTS.

12. THE LEGISLATION I PROPOSED WOULD REFOCUS
FEDERAL ATTENTION ON THE INTERSTATE SYSTEM, WHICH IS CLEARLY
OF NATIONAL SIGNIFICANCE, AND PROVIDE FLEXIBLE AID
FOR OTHER HIGHWAY CONSTRUCTION IN A MANNER WHICH
FULLY RESPECTS STATE AND LOCAL DECISION-MAKING ROLES.

13. THIS IS CONSISTENT WITH MY GENERAL
PHILOSOPHY THAT WE SHOULD NOT, AT THE FEDERAL LEVEL,
EXTEND OUR INFLUENCE INTO AREAS WHICH OTHER LEVELS OF
GOVERNMENT CAN HANDLE BETTER.

14. THANK YOU VERY MUCH FOR COMING.

I LOOK FORWARD TO SEEING EACH OF YOU LATER THIS AFTERNOON.

END OF TEXT