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Office of the White House Press Secretary

THE WHITE HOUSE

FACT SHEET

THE STATE AND LOCAL FISCAL ASSISTANCE ACT AMENDMENTS OF 1975

The President is transmitting to Congress today the State and Local Fiscal Assistance Act Amendments of 1975 which will extend and improve the General Revenue Sharing program to provide essential fiscal assistance to general purpose governments through September of 1982.

BACKGROUND

The General Revenue Sharing program was authorized by Title I of the State and Local Fiscal Assistance Act of 1972, which was signed into law on October 20, 1972. The Administration has conducted a careful study of the program, which expires at the end of 1976, considering issues raised by interested groups and the several independent studies addressing themselves to revenue sharing. This review has led the President to offer this legislation, which seeks to continue the benefits of this program, in its existing broad outlines. It also would propose certain changes to strengthen the ability of General Revenue Sharing to contribute to a vital and balanced Federal system.

IMPORTANT REASONS TO EXTEND THE PROGRAM AS PROPOSED

- (1) It provides \$39.85 billion to State and local general purpose governments over 5 and 3/4 years to make it possible for them to perform the essential tasks required by their residents.
- Renews a program that has already distributed almost \$19 billion to nearly 39,000 State and local governments;
 - These funds are used to pay for vitally needed day-to-day services and capital expenditures of benefit to a wide spectrum of Americans;
 - States and communities, especially our large cities where it accounts for about 1/3 of all Federal aid, depend on shared revenues to such a degree that termination of or a decrease in funding would lead to cuts in essential services and/or counterproductive increases in taxes;
 - It is vitally important that the program be renewed at the earliest possible time to assure governments planning their FY 1977 budgets in the Fall of 1975 that there will be a full year of GRS funding in FY 1977.

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(2) It contributes to a revitalized, balanced Federal system in which States and localities can play their appropriate roles.

- General Revenue Sharing has slowed the march of ever greater power and control over the lives of our citizens to Washington;
- State and local governments can better perform those public tasks for which they are best suited as a result of sharing in the advantages of the Federal tax system;
- GRS strengthens the ability of the Federal system to respond to the diversity of our large nation and to preserve our essential freedoms.

(3) State and local budgets as a whole are currently in a deficit situation.

- State and local governments have had to face the impact of rising costs along with the effects of unemployment on both expenditures and tax receipts. For the first quarter of 1975, deficits on State and local general fund account stood at approximately \$10 billion;
- There is little doubt that GRS is vitally needed to prevent cuts in essential services accompanied by increased unemployment, and tax increases -- all of which would contradict our efforts to further economic recovery;
- State and local budgets are likely to remain under severe pressure in the foreseeable future.

(4) The General Revenue Sharing program has given more balance to our system of Federal assistance to State and local governments.

- The program has provided a badly needed source of assistance distributed by formulas responsive to need and tax effort which elected State and local officials can use to meet needs which they identify;
- Funds can be spent freely without trying to meet burdensome and restrictive Federal requirements;
- Shared revenues reach many smaller governments which are either ineligible for or not knowledgeable about most of the other forms of assistance or are unable to deal with the often complex procedures associated with these grants.

(5) Allocation of shared revenues in the States and communities has focused public attention on the governmental process at these levels of government.

- The program has for many citizens served as a lesson in how to influence public decisions in the States and localities;
- Elected officials familiar with a wide scope of State and local issues and responsive to voters, as opposed to program-oriented bureaucrats in Washington, make most decisions about the use of shared revenues.

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(6) The President's proposal would strengthen the current program in several important ways.

- The ceiling on local entitlements would be raised to allow the formula to work in a less constrained fashion;
- An assurance that means for citizen participation are available would be required;
- The Secretary of the Treasury would be given greater flexibility in requiring the reporting and publicity of uses of shared funds so as to improve the effectiveness of these requirements and make them less burdensome;
- The remedies available to the Secretary of the Treasury in preventing the discriminatory use of GRS funds would be clarified.

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