National League of Cities

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October 14, 1980

TO: Steering Committee Members

I hope by the time you read this letter you will have already seen three other mailings from NLC to your city describing our current plight with respect to extension of the general revenue sharing program. I have not overstated the case made in those communications: we can no longer take for granted that there will be another revenue sharing payment after the one you received last week.

We have to win reenactment of this program during the post-election session of Congress, which begins on November 12. To do that, cities will have to make a maximum effort between now and then to get Senators and Representatives committed to seeing that revenue sharing is one of the priority issues settled in that session. The best time to get those commitments is before the election-- November 4.

As one of NLC's policy leaders, I want to enlist your help in making a special effort to line up support for the program. Specifically, commitments must be obtained from Senators and Representatives to do the following:

(1) to ask the leadership of the House and Senate to have a floor vote on general revenue sharing reauthorization legislation as soon after the post-election session begins as possible;

(2) to vote in favor of GRS reauthorization and against amendments that weaken the program; and

(3) to oppose the Boland Amendment, which would eliminate entitlement funding for local governments and subject GRS to annual appropriations.

FACT SHEET
ON
GENERAL REVENUE SHARING

Background

The general revenue sharing program expired on September 30. Consequently, the October payment that cities receive will be their last payment unless GRS is reauthorized by the Congress in a special post-election session beginning November 12.

GRS is the single most important program of aid to the Nation's local governments. Since 1972 it has provided about $56 billion to nearly 39,000 States and local governments on an entitlement and "no strings attached" basis.

Through "entitlement financing", cities know for certain how much financial aid they will receive for a multi-year period. There is no guesswork, no lengthy applications for funds, and no waiting and uncertainty, as is true for hundreds of other federal aid programs. Most important, there is no annual appropriations battle in the Congress to determine the amount of GRS funds to be available for the coming year.

Through "no strings attached" financing, cities are free to use GRS funds for any legal purpose. There are no program priorities other than the community's priorities.

These benefits are important. Yet they are provided with a minimum of "red tape" and regulation, despite the fact that communities must comply with basic citizen participation, civil rights, and auditing requirements. As a result, GRS is the most efficiently administered federal program, costing less than one-tenth of one percent of its overall cost.

All cities - large and small - receive GRS funds, which are distributed under a needs formula that is recognized as the fairest in all federal programs. Small- and medium-sized cities, however, are most dependent on GRS (an NLC survey showed that revenue sharing represents about 12 percent of their budgets).

Without revenue sharing, cities would have to increase taxes or reduce service charges, or both. Clearly, GRS reauthorization must be the Nation's cities highest priority.

Current Legislative Status

Both House and Senate committees have reported legislation to reauthorize GRS. The House bill is H.R.7112; its Senate counterpart is S. 2574. During the post-election session, these bills must be approved by the House and Senate, sent to a conference committee to resolve differences between the two versions, and returned to the floors of the House and Senate for final approval.

If every NLC steering committee member could gain these commitments from their own legislators, we would be able to commence the post-election session with a strong base of support. Keep in mind that legislators must be willing to do more than just state their support for revenue sharing; they must work to see that final action on the legislation is completed during this upcoming short session.

You can also help by spreading the word of the grave situation we now face to other cities. Our mailings reach only our member cities, but all must participate in this final drive.

We would appreciate your contacting our Office of Federal Relations with information about commitments made by Senators and Representatives on the above three points. The number is (202) 293-7380.

Thanks for your continuing assistance to us. Enclosed is a fact sheet for your use.

Sincerely,

Alan Beals

Alan Beals
Executive Director

Enclosure

The key features of H.R.7112 are as follows:

- Extension of the program for local governments for 3 years on an entitlement funding basis at the current dollar level of $4.6 billion annually.

- Elimination of State governments from participation in the program.

- Addition of a new formula constraint that will reduce funds to recipient local governments that collect taxes per capita in excess of 250 percent of the State average for similar governments. (The change would affect about 250 recipients and shift approximately $5 million in funds.)

- Inclusion of a definition of general purpose governments that requires GRS recipients to be providing at least two public services, spending at least 10 percent of their total budgets for each service, or providing at least four services.

- Requirement of an independent audit to be submitted every 2 years to cover both years for governments receiving allocations of $25,000 or more. Elimination of the requirement to submit annual use reports.

- Inclusion of a countercyclical assistance program for State and local governments that would be triggered nationally after two successive quarters of decline in national real wages and salaries and gross national product. $1 billion would be authorized for each of the fiscal years 1981, 1982, and 1983. Local governments would be eligible for funding if they are in county areas that suffer a decline in real wages and salaries for two consecutive quarters. Distribution of funds within a county area would be through the regular GRS formula.

Amendments to H.R.7112 expected to be offered on the House floor and NLC positions:

<u>Gephardt</u> to authorize increase in local share of $460 million for FY's 1982 and 1983. (SUPPORT)

<u>Wydler-Conable-Rodino-Mitchell</u> to authorize a State share of $2.3 billion in FY's 1982 and 1983. (NO POSITION)

<u>Boland</u> to eliminate entitlement financing for local governments and subject GRS to annual appropriations. (OPPOSE)

<u>Walker</u> to eliminate countercyclical assistance program. (OPPOSE)

English to eliminate countercyclical assistance program in FY's 1982 and 1983. (OPPOSE)

The key features of S. 2574 are as follows:

- Extension of GRS for local governments for 5 years on an entitlement funding basis at the current dollar level of $4.6 billion annually.

- Authorization for State share of $2.3 billion annually in FY's 1982 through 1985.

- Addition of a new formula constraint that will reduce funds to recipient local governments that collect taxes per capita in excess of 250 percent of the State average for similar governments.

- Inclusion of a countercyclical assistance program for States and local governments that would be triggered nationally after one quarter of unemployment of 7.5 percent or higher. $1 billion would be authorized for each of the FY's 1981 through 1985. Local governments would be eligible for funding if they have unemployment of 6 percent or higher for two consecutive quarters. Distribution of funds among local governments would be through factors used in GRS formula.

Amendments to S. 2574 have not yet been announced.

What To Do

Between now and November 4, commitments must be obtained from Senators and Representatives, as follows:

(1) to ask the leadership of the House and Senate to schedule general revenue sharing reauthorization legislation for floor action as soon after the post-election session begins as possible;

(2) to vote in favor of GRS reauthorization and against amendments that weaken the program; and

(3) to oppose the Boland Amendment, which would eliminate entitlement funding for local governments and subject GRS to annual appropriations.

Report the results of meetings with legislators to NLC's Office of Federal Relations, (202) 293-7380.

Source: National League of Cities
October 7, 1980

9. S-471

Comm. from Mayor Duehay transmitting a communication on General REvenue Sharing.

In City Council,

October 2C, 1980

10/20/80

Referred to the Committee on Revenue Sharing

copy sent to Committee on Revenue Sharing 10/21/80 (dl)