

REMARKS OF SENATOR HUBERT H. HUMPHREY

CONGRESSIONAL CITIES CONFERENCE

Washington, D. C.

March 16, 1976

It's a pleasure to be here today with my friends in the U.S. Conference of Mayors and the National League of Cities. As you are well aware, I was once a member of your outstanding organizations when I was the Mayor of Minneapolis. That was before I retired to the Senate.

From that experience, I gained first-hand knowledge about the problems that city officials confront day in and day out. I learned what it's like to be on the firing line all the time. Therefore, I am here today as a friend, a supporter and an admirer of the tremendous accomplishments you have made as leaders of our Nation's cities.

I have been asked to share with you my assessment of upcoming Congressional action on the General Revenue Sharing Program. It is an assessment which is particularly difficult to make because there are so many uncertainties and unknowns on the horizon. However, I suspect that if a weatherman were asked to make a forecast for General Revenue Sharing he would have to say that the outlook is partly cloudy.

The major reason for this uncertainty is that General Revenue Sharing is a program that is perceived to have radically different purposes by various Members of the House and Senate.

Some look at Revenue Sharing as a way to decentralize certain functions of government. Others look upon it as a method for phasing out essential categorical programs. And, still others look upon revenue sharing as a way to resolve the financial problems of our inner cities. And these are but a few of the manifold purposes that I have heard discussed by Senators and Congressmen.

Needless to say, a program that tries to be so many things to so many people, inevitably winds up falling short of many of their expectations.

I am not going to stand here today and tell you why I think reenactment of General Revenue Sharing is essential to the vitality of our Federal system or to the survival of our cities. You know where Hubert Humphrey stands, you know he's your number one supporter and you know that I will be out there leading the charge when the battle begins.

What I'd like to talk about today is signing up a few more soldiers for our army, so when the battle does come, the opponents of General Revenue Sharing will have no choice but to surrender.

I'm the biggest optimist here in Washington, but I'd be burying my head in the sand if I told you that reenacting General Revenue Sharing will be easy. There simply are too many clouds on the revenue sharing horizon. What I would like to do today is identify some of the darkest clouds and discuss how we can generate a high-pressure front to bring in clear weather.

One of the major clouds hanging over the revenue sharing program is the false belief that this is a Republican program that can easily be sacrificed in the current climate of budget austerity.

However, the original revenue sharing proposal came from Professor Walter Heller and Dr. Joseph Pechman, economic advisers to the Kennedy and Johnson Administrations. Heller and Pechman generally are not considered to be particularly loyal Republicans. Moreover, the original revenue sharing bills were introduced by people like Wilbur Mills, Henry Reuss and Hubert Humphrey, not by Republicans. So if your Congressman is concerned about the politics of Revenue Sharing, you ought to set the record straight.

A second obstacle to Revenue Sharing reenactment is the concern about appropriating shared revenues for more than one year.

At present, Revenue Sharing is exempted from the provisions of the Budget Control and Impoundment Act and thus from the annual appropriations process. Many Congressmen believe that continuing this exemption will undermine the credibility of the budget process and prevent Congress from adequately integrating the Revenue Sharing program into the overall budget process.

Unfortunately, these Congressmen have not stopped to think what a one-year appropriation does to your local budget process. They don't realize that many cities are now formulating their budgets with no idea about the future of revenue sharing. They don't understand the fact that your planned budget must be balanced and that you must take into account all receipts and expenditures.

The City of Philadelphia provides a good example of what a long delay in reenactment has meant. Philadelphia recently had its bond rating questioned -- and you know how dangerous that is -- because they formulated their budget and balanced their budget on the assumption that Revenue Sharing would continue. But the Standard and Poors bond rating service would not accept that budget. Revenue Sharing, in its opinion, was still a big question mark. So, Philadelphia is unable to sell bonds or must pay excessive interest rates because the Federal Government is simply moving too slowly.

That's just one example of the problems that will be created by the failure to renew Revenue Sharing immediately. I am sure each of you can develop a couple of good examples for your own city and show them to your Congressman. If he's not interested, I am sure your local newspapers will be.

A third cloud on the Revenue Sharing horizon is a lingering doubt in the minds of many Congressmen that city officials just can't spend the money efficiently.

Each of you has a special responsibility to let your Congressman know what revenue sharing has meant to his district. Let him know what services are being provided, or what buildings are being built, or how much taxes have been held down. If possible, you should involve him in the publicity surrounding projects funded by Revenue Sharing. Members of Congress often enjoy seeing the fruits of their labor.

You should also let them know what will happen next year if Revenue Sharing is not renewed. Show them what your budget looks like with Revenue Sharing and without it. Let them know how much taxes will have to be raised, which programs will have to be cut, and which people will suffer. Make sure they understand that a vote against Revenue Sharing is a vote for higher taxes and for reduced services.

Finally, some Members of Congress believe that economic recovery will produce huge windfalls for State and local governments. This, of course, simply is not true.

Last year, according to the President's own Economic Report, State and local government revenues were \$27 billion below full employment levels. Recession-induced expenditures were increased another \$3 billion. This year, while the recovery will certainly help, the situation will not be much better. Tax receipts will still fall way short of expectations, and expenditures will be swelled by persistent high unemployment.

Moreover, if the President's budget is enacted, the situation will be even worse. The President's budget is a disaster for State and local governments -- offering plenty of rhetoric but no money or too little money at the bottom line.

When you look at the numbers, and that's what budgets are all about, the President calls for a five percent reduction in real grants-in-aid to State and local governments. Program after program has been systematically slashed to reduce State and local governments' piece of the pie -- except that the President calls it "consolidation."

The four grant consolidations in the President's proposed budget will reduce total outlays for these programs by \$1.4 billion in FY 1977. Sure, there's a lot of rhetoric about local control and local discretion, but you city officials know that discretion doesn't meet the payrolls, discretion doesn't operate the schools, and discretion won't meet local housing needs.

The President's budget also includes some subtle shifts that will increase State and local government costs.

First, the President's proposal to increase the Social Security tax rate would require State and local governments to increase their annual contributions to the Social Security Trust Fund, by \$300 million.

Second, proposed changes in the transportation block grants could increase local expenditures for mass transit by \$250 million.

Finally, the President's proposal to phase out extended unemployment compensation benefits and public service employment programs could transfer as many as 600 thousand households to the welfare rolls by mid-1977, increasing State and local government expenditures for public assistance by as much as \$1 billion.

That's a total of \$1.5 billion in increased costs.

What I am trying to say is that you must make your Congressmen and Senators understand that economic recovery will help, but revenue sharing is needed just to hold the line against further tax increases and expenditure cutbacks.

General Revenue Sharing has been a successful program. It has done much to strengthen the Federal system and to improve the effectiveness of Federal grants-in-aid.

You have an enormous constituency -- 39,000 governments -- with powerful representatives in every State and Congressional district of the country. It's time we put some of that muscle to work and get a prompt reenactment of General Revenue Sharing.

One final point I would like to make. Many of you are aware of the Public Works/Counter-Cyclical Aid bill. The Senate recently failed to override a Presidential veto of that bill by 3 votes. A lot of hard work has gone into that bill. Senator Muskie, Senator Brock, and I have worked long hours to move that bill through Congress. At present, efforts are under way to bring this measure before the Congress again in the near future. It is a bill that will benefit many of your cities and we need your help to muster the votes in the Senate. If any of you are from States whose Senators did not support that bill, I urge you to use your power of persuasion on them so that they will change their position.

Thank you.

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REMARKS OF SENATOR HUBERT H. HUMPHREY

CONGRESSIONAL CITIES CONFERENCE

WASHINGTON, D. C.

MARCH 16, 1976

IT'S A PLEASURE TO BE HERE TODAY WITH MY FRIENDS IN THE
U.S. CONFERENCE OF MAYORS AND THE NATIONAL LEAGUE OF CITIES.

AS YOU ARE WELL AWARE, I WAS ONCE A MEMBER OF YOUR OUTSTANDING
ORGANIZATIONS WHEN I WAS THE MAYOR OF MINNEAPOLIS. THAT WAS
BEFORE I RETIRED TO THE SENATE.

FROM THAT EXPERIENCE, I GAINED FIRST-HAND KNOWLEDGE
ABOUT THE PROBLEMS THAT CITY OFFICIALS CONFRONT DAY IN AND DAY
OUT. I LEARNED WHAT IT'S LIKE TO BE ON THE FIRING LINE ALL THE
TIME. THEREFORE, I AM HERE TODAY AS A FRIEND, A SUPPORTER AND
AN ADMIRER OF THE TREMENDOUS ACCOMPLISHMENTS YOU HAVE MADE AS
LEADERS OF OUR NATION'S CITIES.

I HAVE BEEN ASKED TO SHARE WITH YOU MY ASSESSMENT OF UPCOMING
CONGRESSIONAL ACTION ON THE GENERAL REVENUE SHARING PROGRAM.

IT IS AN ASSESSMENT WHICH IS PARTICULARLY DIFFICULT TO MAKE BECAUSE THERE ARE SO MANY UNCERTAINTIES AND UNKNOWNNS ON THE HORIZON. HOWEVER, I SUSPECT THAT IF A WEATHERMAN WERE ASKED TO MAKE A FORECAST FOR GENERAL REVENUE SHARING HE WOULD HAVE TO SAY THAT THE OUTLOOK IS PARTLY CLOUDY.

THE MAJOR REASON FOR THIS UNCERTAINTY IS THAT GENERAL REVENUE SHARING IS A PROGRAM THAT IS PERCEIVED TO HAVE RADICALLY DIFFERENT PURPOSES BY VARIOUS MEMBER OF THE HOUSE AND SENATE.

SOME LOOK AT REVENUE SHARING AS A WAY TO DECENTRALIZE CERTAIN FUNCTIONS OF GOVERNMENT. OTHERS LOOK UPON IT AS A METHOD FOR PHASING OUT ESSENTIAL CATEGORICAL PROGRAMS. AND, STILL OTHERS LOOK UPON REVENUE SHARING AS A WAY TO RESOLVE THE FINANCIAL PROBLEMS OF OUR INNER CITIES.

AND THESE ARE BUT A FEW OF THE MANIFOLD PURPOSES THAT I HAVE
HEARD DISCUSSED BY SENATORS AND CONGRESSMEN.

NEEDLESS TO SAY, A PROGRAM THAT TRIES TO BE SO MANY THINGS TO
SO MANY PEOPLE, INEVITABLY WINDS UP FALLING SHORT OF MANY OF THEIR
EXPECTATIONS.

I AM NOT GOING TO STAND HERE TODAY AND TELL YOU WHY I THINK
REENACTMENT OF GENERAL REVENUE SHARING IS ESSENTIAL TO THE VITALITY
OF OUR FEDERAL SYSTEM OR TO THE SURVIVAL OF OUR CITIES. YOU KNOW
WHERE HUBERT HUMPHREY STANDS, YOU KNOW HE'S YOUR NUMBER ONE SUPPORTER
AND YOU KNOW THAT I WILL BE OUT THERE LEADING THE CHARGE WHEN THE
BATTLE BEGINS.

WHAT I'D LIKE TO TALK ABOUT TODAY IS SIGNING UP A FEW MORE
SOLDIERS FOR OUR ARMY, SO WHEN THE BATTLE DOES COME, THE OPPONENTS
OF GENERAL REVENUE SHARING WILL HAVE NO CHOICE BUT TO SURRENDER.

I'M THE BIGGEST OPTIMIST HERE IN WASHINGTON, BUT I'D BE BURYING MY HEAD IN THE SAND IF I TOLD YOU THAT REENACTING GENERAL REVENUE SHARING WILL BE EASY. THERE SIMPLY ARE TOO MANY CLOUDS ON THE REVENUE SHARING HORIZON. WHAT I WOULD LIKE TO DO TODAY IS IDENTIFY SOME OF THE DARKEST CLOUDS AND DISCUSS HOW WE CAN GENERATE A HIGH-PRESSURE FRONT TO BRING IN CLEAR WEATHER.

ONE OF THE MAJOR CLOUDS HANGING OVER THE REVENUE SHARING PROGRAM IS THE FALSE BELIEF THAT THIS IS A REPUBLICAN PROGRAM THAT CAN EASILY BE SACRIFICED IN THE CURRENT CLIMATE OF BUDGET AUSTERITY.

HOWEVER, THE ORIGINAL REVENUE SHARING PROPOSAL CAME FROM PROFESSOR WALTER HELLER AND DR. JOSEPH PECHMAN, ECONOMIC ADVISERS TO THE KENNEDY AND JOHNSON ADMINISTRATIONS.

HELLER AND PECHMAN GENERALLY ARE NOT CONSIDERED TO BE PARTICULARLY LOYAL REPUBLICANS. MOREOVER, THE ORIGINAL REVENUE SHARING BILLS WERE INTRODUCED BY PEOPLE LIKE WILBUR MILLS, HENRY REUSS AND HUBERT HUMPHREY, NOT BY REPUBLICANS. SO IF YOUR CONGRESSMAN IS CONCERNED ABOUT THE POLITICS OF REVENUE SHARING, YOU OUGHT TO SET THE RECORD STRAIGHT.

A SECOND OBSTACLE TO REVENUE SHARING REENACTMENT IS THE CONCERN ABOUT APPROPRIATING SHARED REVENUES FOR MORE THAN ONE YEAR.

AT PRESENT, REVENUE SHARING IS EXEMPTED FROM THE PROVISIONS OF THE BUDGET CONTROL AND IMPOUNDMENT ACT AND THUS FROM THE ANNUAL APPROPRIATIONS PROCESS. MANY CONGRESSMEN BELIEVE THAT CONTINUING THIS EXEMPTION WILL UNDERMINE THE CREDIBILITY OF THE BUDGET PROCESS AND PREVENT CONGRESS FROM ADEQUATELY INTEGRATING THE REVENUE SHARING PROGRAM INTO THE OVERALL BUDGET PROCESS.

UNFORTUNATELY, THESE CONGRESSMEN HAVE NOT STOPPED TO THINK WHAT A ONE-YEAR APPROPRIATION DOES TO YOUR LOCAL BUDGET PROCESS. THEY DON'T REALIZE THAT MANY CITIES ARE NOW FORMULATING THEIR BUDGETS WITH NO IDEA ABOUT THE FUTURE OF REVENUE SHARING. THEY DON'T UNDERSTAND THE FACT THAT YOUR PLANNED BUDGET MUST BE BALANCED AND THAT YOU MUST TAKE INTO ACCOUNT ALL RECEIPTS AND EXPENDITURES.

THE CITY OF PHILADELPHIA PROVIDES A GOOD EXAMPLE OF WHAT A LONG DELAY IN REENACTMENT HAS MEANT. PHILADELPHIA RECENTLY HAD ITS BOND RATING QUESTIONED -- AND YOU KNOW HOW DANGEROUS THAT IS -- BECAUSE THEY FORMULATED THEIR BUDGET AND BALANCED THEIR BUDGET ON THE ASSUMPTION THAT REVENUE SHARING WOULD CONTINUE. BUT THE STANDARD AND POORS BOND RATING SERVICE WOULD NOT ACCEPT THAT BUDGET.

REVENUE SHARING, IN ITS OPINION, WAS STILL A BIG QUESTION MARK.

SO, PHILADELPHIA IS UNABLE TO SELL BONDS OR MUST PAY EXCESSIVE INTEREST RATES BECAUSE THE FEDERAL GOVERNMENT IS SIMPLY MOVING TOO SLOWLY.

THAT'S JUST ONE EXAMPLE OF THE PROBLEMS THAT WILL BE CREATED BY THE FAILURE TO RENEW REVENUE SHARING IMMEDIATELY. I AM SURE EACH OF YOU CAN DEVELOP A COUPLE OF GOOD EXAMPLES FOR YOUR OWN CITY AND SHOW THEM TO YOUR CONGRESSMAN. IF HE'S NOT INTERESTED, I AM SURE YOUR LOCAL NEWSPAPERS WILL BE.

✓ A THIRD CLOUD ON THE REVENUE SHARING HORIZON IS A LINGERING DOUBT IN THE MINDS OF MANY CONGRESSMEN THAT CITY OFFICIALS JUST CAN'T SPEND THE MONEY EFFICIENTLY.

✓ EACH OF YOU HAS A SPECIAL RESPONSIBILITY TO LET YOUR CONGRESSMAN KNOW WHAT REVENUE SHARING HAS MEANT TO HIS DISTRICT.

LET HIM KNOW WHAT SERVICES ARE BEING PROVIDED, OR WHAT BUILDINGS ARE BEING BUILT, OR HOW MUCH TAXES HAVE BEEN HELD DOWN. IF POSSIBLE, YOU SHOULD INVOLVE HIM IN THE PUBLICITY SURROUNDING PROJECTS FUNDED BY REVENUE SHARING. MEMBERS OF CONGRESS OFTEN ENJOY SEEING THE FRUITS OF THEIR LABOR.

YOU SHOULD ALSO LET THEM KNOW WHAT WILL HAPPEN NEXT YEAR IF REVENUE SHARING IS NOT RENEWED. SHOW THEM WHAT YOUR BUDGET LOOKS LIKE WITH REVENUE SHARING AND WITHOUT IT. LET THEM KNOW HOW MUCH TAXES WILL HAVE TO BE RAISED, WHICH PROGRAMS WILL HAVE TO BE CUT, AND WHICH PEOPLE WILL SUFFER. MAKE SURE THEY UNDERSTAND THAT A VOTE AGAINST REVENUE SHARING IS A VOTE FOR HIGHER TAXES AND FOR REDUCED SERVICES.

FINALLY, SOME MEMBERS OF CONGRESS BELIEVE THAT ECONOMIC RECOVERY WILL PRODUCE HUGE WINDFALLS FOR STATE AND LOCAL GOVERNMENTS. THIS, OF COURSE, SIMPLY IS NOT TRUE.

LAST YEAR, ACCORDING TO THE PRESIDENT'S OWN ECONOMIC REPORT, STATE AND LOCAL GOVERNMENT REVENUES WERE \$27 BILLION BELOW FULL EMPLOYMENT LEVELS. RECESSION-INDUCED EXPENDITURES WERE INCREASED ANOTHER \$3 BILLION. THIS YEAR, WHILE THE RECOVERY WILL CERTAINLY HELP, THE SITUATION WILL NOT BE MUCH BETTER. TAX RECEIPTS WILL STILL FALL WAY SHORT OF EXPECTATIONS, AND EXPENDITURES WILL BE SWELLED BY PERSISTENT HIGH UNEMPLOYMENT.

MOREOVER, IF THE PRESIDENT'S BUDGET IS ENACTED, THE SITUATION WILL BE EVEN WORSE. THE PRESIDENT'S BUDGET IS A DISASTER FOR STATE AND LOCAL GOVERNMENTS -- OFFERING PLENTY OF RHETORIC BUT NO MONEY OR TOO LITTLE MONEY AT THE BOTTOM LINE.

WHEN YOU LOOK AT THE NUMBERS, AND THAT'S WHAT BUDGETS ARE ALL ABOUT, THE PRESIDENT CALLS FOR A FIVE PERCENT REDUCTION IN REAL GRANTS-IN-AID TO STATE AND LOCAL GOVERNMENTS. PROGRAM AFTER PROGRAM HAS BEEN SYSTEMATICALLY SLASHED TO REDUCE STATE AND LOCAL GOVERNMENTS' PIECE OF THE PIE -- EXCEPT THAT THE PRESIDENT CALLS IT "CONSOLIDATION."

THE FOUR GRANT CONSOLIDATIONS IN THE PRESIDENT'S PROPOSED BUDGET WILL REDUCE TOTAL OUTLAYS FOR THESE PROGRAMS BY \$1.4 BILLION IN FY 1977. SURE, THERE'S A LOT OF RHETORIC ABOUT LOCAL CONTROL AND LOCAL DISCRETION, BUT YOU CITY OFFICIALS KNOW THAT DISCRETION DOESN'T MEET THE PAYROLLS, DISCRETION DOESN'T OPERATE THE SCHOOLS, AND DISCRETION WON'T MEET LOCAL HOUSING NEEDS.

THE PRESIDENT'S BUDGET ALSO INCLUDES SOME SUBTLE SHIFTS THAT WILL INCREASE STATE AND LOCAL GOVERNMENT COSTS.

FIRST, THE PRESIDENT'S PROPOSAL TO INCREASE THE SOCIAL SECURITY TAX RATE WOULD REQUIRE STATE AND LOCAL GOVERNMENTS TO INCREASE THEIR ANNUAL CONTRIBUTIONS TO THE SOCIAL SECURITY TRUST FUND, BY \$300 MILLION.

SECOND, PROPOSED CHANGES IN THE TRANSPORTATION BLOCK GRANTS COULD INCREASE LOCAL EXPENDITURES FOR MASS TRANSIT BY \$250 MILLION.

FINALLY, THE PRESIDENT'S PROPOSAL TO PHASE OUT EXTENDED UNEMPLOYMENT COMPENSATION BENEFITS AND PUBLIC SERVICE EMPLOYMENT PROGRAMS COULD TRANSFER AS MANY AS 600 THOUSAND HOUSEHOLDS TO THE WELFARE ROLLS BY MID-1977, INCREASING STATE AND LOCAL GOVERNMENT EXPENDITURES FOR PUBLIC ASSISTANCE BY AS MUCH AS \$1 BILLION.

THAT'S A TOTAL OF \$1.5 BILLION IN INCREASED COSTS.

WHAT I AM TRYING TO SAY IS THAT YOU MUST MAKE YOUR
CONGRESSMEN AND SENATORS UNDERSTAND THAT ECONOMIC RECOVERY
WILL HELP, BUT REVENUE SHARING IS NEEDED JUST TO HOLD THE
LINE AGAINST FURTHER TAX INCREASES AND EXPENDITURE CUTBACKS.

GENERAL REVENUE SHARING HAS BEEN A SUCCESSFUL PROGRAM,
IT HAS DONE MUCH TO STRENGTHEN THE FEDERAL SYSTEM AND TO IMPROVE
THE EFFECTIVENESS OF FEDERAL GRANTS-IN-AID.

YOU HAVE AN ENORMOUS CONSTITUENCY -- 39,000 GOVERNMENTS --
WITH POWERFUL REPRESENTATIVES IN EVERY STATE AND CONGRESSIONAL
DISTRICT OF THE COUNTRY. IT'S TIME WE PUT SOME OF THAT MUSCLE
TO WORK AND GET A PROMPT REENACTMENT OF GENERAL REVENUE SHARING.

ONE FINAL POINT I WOULD LIKE TO MAKE. MANY OF YOU ARE AWARE OF THE PUBLIC WORKS/COUNTER-CYCLICAL AID BILL. THE SENATE RECENTLY FAILED TO OVERRIDE A PRESIDENTIAL VETO OF THAT BILL BY 3 VOTES. A LOT OF HARD WORK HAS GONE INTO THAT BILL. SENATOR MUSKIE, SENATOR BROCK, AND I HAVE WORKED LONG HOURS TO MOVE THAT BILL THROUGH CONGRESS. AT PRESENT, EFFORTS ARE UNDER WAY TO BRING THIS MEASURE BEFORE THE CONGRESS AGAIN IN THE NEAR FUTURE. IT IS A BILL THAT WILL BENEFIT MANY OF YOUR CITIES AND WE NEED YOUR HELP TO MUSTER THE VOTES IN THE SENATE. IF ANY OF YOU ARE FROM STATES WHOSE SENATORS DID NOT SUPPORT THAT BILL, I URGE YOU TO USE YOUR POWER OF PERSUASION ON THEM SO THAT THEY WILL CHANGE THEIR POSITION.

THANK YOU.

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