



CITY OF SACRAMENTO

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February 21, 1985
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JACK R. CRIST
DIRECTOR OF FINANCE
ROBERT C. LELAND
ASSISTANT DIRECTOR

Law and Legislation Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: Federal Deficit Reduction Proposals

Following are comments extracted from the League of California Cities Legislative Bulletin of February 1, 1985:

Resolving the deficit problem is the most urgent issue on the 99th Congress's list of priorities. The White House proposal to reduce the deficit has long since been announced and includes provisions which are onerous to local government. Direct and indirect state and municipal programs are slated to bear almost the entire burden of federal budget reductions. If the White House proposal is ever fully implemented, programs such as Revenue Sharing, UDAG, CDBG and the Economic Development Administration will be either eliminated or drastically reduced. Other local government programs which provide housing assistance, mass-transit subsidies and funding for energy assistance will also be adversely affected.

Already, the Office of Management and Budget has sent instructions to the U.S. Office of Revenue Sharing to prepare to close down its operations in 1985, one year before the current entitlement period expires. The Administration obviously will follow with legislation to terminate the General Revenue Sharing program this year. This means that the last payment to cities would be made the first week of October, 1985.

The scope of the White House proposal is far-reaching and dictates an immediate response from cities. City officials should send letters to the White House in opposition to the elimination of General Revenue Sharing. More importantly, city officials must meet with their Congressional delegation during the Congressional recess (February 8-18) to relate how GRS funds are being used, what elimination would mean, and how it would affect local taxes.

Finally, cities need to explain what their current fiscal condition is: what needs have been deferred, what needs are unmet. Remember that many members of the House and Senate are under the impression that cities are reeling under enormous surpluses and do not need revenue sharing.

Last week the League Board of Directors established as its top federal affairs priority the reauthorization of General Revenue Sharing. This was closely followed by the retention of Community Development Block Grants (CDBG) and transportation funding.

The Board also voted to:

- Conduct a statewide survey detailing the impact of the White House Deficit Reduction Proposal of California cities. This will be done in conjunction with the National League of Cities survey.
- Report the impact of these program cuts city by city.
- Organize briefing sessions with the California Congressional Delegation to lobby against the elimination of GRS and other budget proposals.

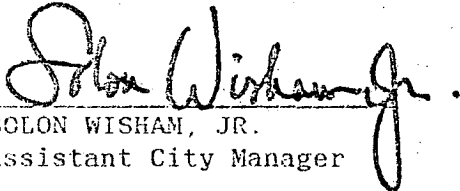
I plan to review the above with the Committee at your meeting on Thursday, February 28, 1985.

Respectfully submitted,



JACK R. CRIST
Director of Finance

RECOMMENDATION APPROVED:



OLON WISHAM, JR.
Assistant City Manager