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Sen. Howard Baker addresses meeting

Revenue conference attracts fiscal experts

by Linda Livengood
News Editor

"The concept of revenue sharing has too much potential not to be tried fully and fairly before the American people; and I am convinced that once that trial is completed, the jury will hail revenue sharing as one of the foremost domestic accomplishments of our two hundred year history," Senator Howard Baker of Tennessee stated.

Sen. Baker spoke to a group of legislators and government representatives at a conference on "Adjusting to the New Federalism: General Revenue Sharing to Finance Human Services," Monday evening, June 15, at the Carolina Inn.

Sharing the burden

The senator sponsored the first legislative bill in the Senate advocating the use of federal funds by state governments.

"I have long advocated this concept... we have enacted a \$30 billion program to be administered over a five-year period in the hope that local needs will be better served by this transfer of authority," Baker said.

"We have only just begun to test in practice what appeared so attractive in theory... accurate conclusions on the success or failure of the program are extremely premature," Baker said.

"General Revenue Sharing is on trial and yet we do ourselves and the concept a grave injustice by failing to put the program in its proper perspective," Baker cautioned.

Senator Baker introduced a revised

revenue sharing bill in February, 1971, on behalf of himself and 38 cosponsors. The General Revenue Sharing Act of 1971 provided a larger share of federal funds to local governments than the previous plans.

Revenue sharing is now in a period of transition and Baker felt that proper perspective will be gained by supplying the other key elements of the revenue sharing package.

"Those elements include special revenue sharing and a substantially reduced number of categorical grant-in-aid programs," Baker said.

Delay in the implementation of the total revenue sharing package was attributed to "a number of unanswered questions about the actual intent of revenue sharing and the respective roles of the Congress, the Administration, state and local governments," Baker said.

Local emphasis

According to Baker, "General Revenue Sharing was originally intended to supplement local revenues; it has instead been used in many cases to substitute for funds which were reduced by the Administration in other areas."

This has caused problems of shifting authority in budget control and a disagreement between officials over roles each should play in financing necessary services.

"There are questions of whether or not revenue sharing is supposed to shift the burden of responsibility for social programs to the state and local governments," Baker said.

"A combination of legislative and

judicial action has paved the way for administering social programs at the local level," Baker said.

Longtime advocate

These actions have strengthened the locally administered programs but Baker feels that "the Federal government should not abdicate its responsibility in this respect, but rather... should share the responsibility and burden of these problems with the local authorities."

State and local authorities are hesitant to undertake "comprehensive human

resource programs because of uncertainty about the rest of the revenue sharing program," Baker said.

The state and local governments fear that revenue sharing funds may be reduced or terminated and the local government will be burdened with funding the extensive programs.

In order to determine the uses of revenue sharing funds by state and local authorities, the Office of Revenue Sharing mailed questionnaires to the 38,000 units of local government receiving revenue sharing funds.

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Local spending proposal

Lee outlines revenue plans

by Rebecca Denny
and Linda Livengood
Staff Writers

Chapel Hill's Mayor Lee has announced his plan for utilizing Federal Revenue Sharing Funds in an innovative assumption of local responsibility to provide maximum benefits for Chapel Hill citizens.

Lee addressed a group of legislative representatives at a conference on federal, state and local problems of revenue sharing Tuesday, June 26, at the Carolina Inn.

Lee's proposal, which would establish a

trust fund for approximately \$300,000 of the federal funds, was lauded as an ingenious plan that maximizes the capital investment potential of revenue sharing combined with the best human services approach available through the use of the funds.

The mayor's proposal will be administered by a housing authority created through a merger of the present town Housing Authority and the Redevelopment Commission.

The money in the trust fund will be placed in cooperating local banks under the control of the housing authority. Loans will be made to low income

families for the purchase of a new home, renovation of an existing home or construction of a home on land already owned by the individual family.

Loans will be made to eligible families at three per cent interest by the banks. The difference in the rate of interest charged to the participating families and the bank's commercial rates will be paid by accrued interest from the trust fund.

Interest from the trust fund will also be added to the initial grant to generate more loans for other families.

"The program will give people the opportunity to live in a decent house. I am opposed to public housing because of the stigma that has developed. People

cannot live freely," Lee said.

At the present time four local financial institutions have shown interest in participating in the program. Lee and aides are consulting with North Carolina National Bank, Central Carolina Bank, First Union National Bank, and Orange Savings and Loan regarding loan administration.

Initially loans will be made available to families currently living in public housing. Ten families will be given funds to rehabilitate their present homes or to purchase their own home. Loans for new construction will be considered later.

Families who are not eligible for the first loans will be relocated in new multi-family dwellings.

In an attempt to serve all of the citizens of Chapel Hill, Mayor Lee recognized his responsibility to provide low cost housing to university students.

"I'm the mayor of all the citizens of Chapel Hill. I'm the mayor of the students as well. Students are citizens of Chapel Hill whether they live here one year or are permanent residents. It's time that we viewed the student as a citizen with all the rights, privileges and responsibilities of citizenship," Lee said.

"Many students want to reside in Chapel Hill permanently after graduation. They are forced to leave because of the high cost of housing in Chapel Hill," he said.

Acting under this assumption, Lee stated that students with incomes from \$6,000 to \$12,000 will be eligible to apply for low interest loans sponsored by the housing authority after one year of residency.

The housing authority loans will enable people to purchase homes even if they could not afford a commercial loan because of high interest rates or because they were considered a bad risk by banking institutions.

If the family should desire to sell a home or should default on the loan repayment schedule, the housing authority will be responsible for replacing the original family with another low income family.

Mayor Lee has high hopes for the successful implementation of his plan for the use of local revenue sharing funds. The Department of Housing and Urban Development (HUD) is very favorably impressed with this unique and comprehensive plan. HUD is considering using the Chapel Hill proposal as a national model for the desired creative use of local revenue sharing funds.

Bond sales for housing considered

by Janet Langston
Staff Writer

The 1973 General Assembly last month authorized UNC to sell bonds up to \$8,800,000 for married student housing construction, John Temple, assistant vice chancellor of business affairs recently.

The University has not reached a final decision on whether to use the money this year, he said.

Construction must begin by June 30, 1974, if the University decides to use the authorization but Temple said UNC can request a time extension. The project must be self-liquidating, that is, the debt will be paid off through rents.

The request for funds was generated last spring when 34 units in Victory Village were slated for destruction in June, said Chancellor N. Ferebee Taylor. The money was requested to replace the old married student housing, if necessary.

Taylor added that it is better to be "one step ahead instead of a step behind," in predicting possible future financial needs.

The University Planning Office made a recent report on married student housing. Temple said, "The report has influenced us to think we'll not build those apartments."

An earlier report prepared in the spring of last year by Temple, the Planning Office and James O. Cansler, associate dean of student affairs, advised UNC to seek additional funds for new married student housing.

Taylor said his sources confirmed an

excess of 1500 housing units being constructed by private companies in the Chapel Hill area. He expressed interest in replacing the housing torn down in Victory Village, but is not sure which would be the best alternative.

Temple predicted an official decision before September.

He gave several reasons why the University does not want to commit itself to the new married student housing project yet.

If sources are accurate, and the private sector can supply enough housing without the University involving itself with an \$8 million debt for 25-30 years, Temple said he would be inclined to stay clear of such a project.

"We're talking about three years," Temple said, considering the time needed for UNC to sell bonds, make plans for and construct the apartments.

Overbuilding in Chapel Hill will not lower rates through competition. Construction companies have their own loans and interest rates to pay back, and cannot afford to cut rents.

Revenue sharing based on American traditions

What is Federal Revenue Sharing? What are its basic components? How was the present revenue sharing plan developed?

A working definition of Federal Revenue Sharing was presented to participants at a conference dealing with the problems of "Adjusting to the New Federalism: General Revenue Sharing to Finance Human Services," by Professor Murray L. Weidenbaum of Washington University, former chairman of the administration's Committee on Revenue Sharing.

"The general revenue sharing law (technically the State and Local Fiscal Assistance Act of 1972) is a shift of decision-making power to state and local governments," Weidenbaum explained to the representatives of six southeastern states (Georgia, Kentucky, North Carolina, South Carolina, Tennessee and Virginia) Monday, June 25, at the Carolina Inn.

The Act was signed into law at Independence Hall in Philadelphia on October 20, 1972. At that time President Nixon referred to revenue sharing as the basic ingredient in the "new American Revolution to return power to the people and put the individual self back in the idea of self-government."

The concept of revenue sharing has existed in governmental circles since the second inaugural address of President Thomas Jefferson in 1805.

In 1836 Congress endorsed a form of revenue sharing and voted to distribute surplus funds to state governments.

Interest in revenue sharing appeared again in the early 1950's in academic circles and political leaders became interested as well.

In 1958, then Congressman Melvin Laird introduced a revenue sharing bill. According to Weidenbaum, "much of the credit for bringing the concept to more widespread public attention is owed to Professor Walter Heller who, while chairman of the President's Council of Economic Advisers in the early 1960's proposed a detailed revenue sharing plan."

The Heller plan was developed in cooperation with Dr. Joseph A. Pechman, who headed a task force to develop more fully the specific outlines of a proposal. The resulting proposal was called the Heller-Pechman Plan.

Outlining his first legislative program for revenue sharing in 1969, President Nixon called for "... a start on sharing the revenues of the Federal Government, so that other levels of government... will not be caught in a constant fiscal crisis."

In July, 1969, the President assembled a representative group of Governors, Mayors and county officials to assist the administration in developing a specific approach to revenue sharing.

These basic agreements were altered in the course of subsequent investigations, plans and legislative changes.

Senator Howard Baker, Jr., of Tennessee sponsored the Administration's first Senate revenue sharing bill in September, 1969. The bill was introduced in the House of Representatives by Representative Jackson Betts of Ohio. The bills were referred to committees but no hearings were held on them.

In February 1971, Senator Baker introduced the General Revenue Sharing Act of 1971. Congressman Betts introduced a similar bill in the House. Strong support of the bills was revealed by the extensive hearings held.



Mayor Howard Lee of Chapel Hill addresses a meeting of state and local officials at the revenue-sharing conference held here Monday and Tuesday. Lee outlined plans for local use of revenue-sharing funds. (Staff photo by George Brown)