

Let us suppose 3 years from now we are started on some kind of a Heller plan, and we still have the unhappy world situation in which we are now unfortunately engulfed. With the inflexible use of a trust fund, I can see ourselves getting into a position where you two gentlemen, and many of us at this table, would not be able to do what we think needs to be done to rebuild our cities because we have salted away, say, 5 or 6 billion in the Heller plan.

I, therefore, think that you could well stand a bit more flexibility. There is really no magic in the trust fund device. In fact, as fiscal experts, I think you would agree that many times trust funds and tied revenues and expenditures are bad devices.

Then I want to tell you a little secret. I did some surveying of the House Ways and Means Committee some months ago, and I got some inkling of what some prominent members like the chairman of that committee and the chairman of this subcommittee, felt about the Heller plan, and I realized that their love was not absolute, shall I say. [Laughter]

So, by the simple device of getting rid of the trust fund and instead, simply setting up an appropriations system, I got my bill before my committee, the Government Operations Committee.

Now, with all of these factors in your mind, would you reconsider whether the trust fund device or the income tax based device is really essential to your plan, and whether a pretty good refurbishing of your plan could not be found by simply saying we are going to authorize a certain amount of money each year for these Heller plan bloc grants.

Mr. HELLER. Congressman Reuss, I will confess that that gives me some trouble because in order to do the job that I think these funds can and should do for the States and localities they ought to be able to count on them as a matter of year-in and year-out flow into their treasuries. They ought not to be subjected to this kind of uncertainty.

This implies that if we get into a major national emergency, if we get into an inflationary situation, that the Federal Government has to deal with—depending in part on how the States use the proceeds of tax sharing—we may have to increase taxes temporarily more than would otherwise be the case, and it also implies that in a period where you wanted to do expansionary deficit financing that the Federal Government fully has to bear the brunt of the deficit financing operation.

Now, I am not sure that the trust fund per se is necessary. It just struck me as being symbolic of the fact that you were taking out a slice that the State and local governments could count on. Perhaps it should be done some other way.

Representative REUSS. I just postulated a situation we can see 3 years hence where we cannot do everything, and you are saying forget about building the cities, and you disappoint the cities on that, because the money is not there, but you make the Heller-Pechman plan sacrosanct, and I cannot see why it really should be any more sacrosanct than any other good thing.

Mr. HELLER. I am sure Mr. Pechman has something to say on this, too. But my point is, no, I would not sacrifice the cities. I would either temporarily deficit finance, if we had a slow situation, or I would temporarily increase taxes; and furthermore, I would never forget that we had this \$8 to \$9 billion automatic accrual of Federal revenues year in and year out, and we are not dealing with a situation where