

IN BRIEF

State and Local Roles in the Federal System

IN BRIEF

**State and
Local Roles
in the
Federal
System**

FOREWORD

In P.L. 94-488 (the 1976 renewal legislation for General Revenue Sharing), the Congress requested the Advisory Commission on Intergovernmental Relations to study and evaluate "state and local governmental organization from both legal and operational viewpoints." In accordance with the Congressional mandate, the Commission undertook an in-depth examination of the roles of state and local governments within the federal system, how they have changed, especially over the past 20 years, and how they can be improved. The Commission's findings and recommendations are presented in two volumes:

- *State and Local Roles in the Federal System* (A-88)
- *The Federal Influence on State and Local Roles in the Federal System* (A-89)

This *In Brief* summarizes the research findings and lists the recommendations in these reports.

The two-volume study was the work of members of the Structure and Functions Section of the ACIR staff headed by Assistant Director David B. Walker. This *In Brief* was written by ACIR Information Associate Stephanie Becker.

The Commission's research on state and local roles is a companion to its reports on the role of the federal government. Also mandated by P.L. 94-488, the series entitled *The Federal Role in the Federal System: The Dynamics of Growth* was issued in 11 volumes throughout 1980 and 1981:

- *A Crisis of Confidence and Competence* (A-77)
- *The Condition of Contemporary Federalism: Conflicting Theories and Collapsing Constraints* (A-78)

- *Public Assistance: The Growth of a Federal Function (A-79)*
- *Reducing Unemployment: Intergovernmental Dimensions of a National Problem (A-80)*
- *Intergovernmentalizing the Classroom: Federal Involvement in Elementary and Secondary Education (A-81)*
- *The Evolution of a Problematic Partnership: the Feds and Higher Ed (A-82)*
- *Protecting the Environment: Politics, Pollution, and Federal Policy (A-83)*
- *Federal Involvement in Libraries (A-84)*
- *The Federal Role in Local Fire Protection (A-85)*
- *An Agenda for American Federalism: Restoring Confidence and Competence (A-86); and,*
- *Hearings on the Federal Role (A-87)*

In addition to the series on the federal role and on state and local roles in the federal system, ACIR is expanding its work on the states and will be issuing a separate volume on state governments in 1982.

James Watt
Chairman

Wayne F. Anderson
Executive Director

Contents

Introduction	1
The States: From “Fallen Arches” to “Arch Supports”	3
Constitutional Reform	4
The Governor’s Office	5
The Legislatures	7
State Court Systems	9
Local Governments: Federalism’s Workhorses	11
Five Types of Local Government	12
Municipalities	13
Local Structural Reform	18
The Fiscal Picture	23
Federal Aid’s Decline	28
The States as Architects: The ACIR Blueprint	35
Aid to Distressed Communities	36
Strengthening State-Local Relations	37
Conclusion	39
Summary Findings	41
Recommendations	43

Part I. Excessive Reliance on Intergovernmental Grants as a Substitute for Local Governmental Restructuring	43
Part II. The Process of Determining “Who Should Do What”	44
Part III. Local Government Reorganization	45
Part IV. Continued Support for, and Strengthening of Substate Regional Organizations	47
Part V. Strengthening State Government and State-Local Relations	48

INTRODUCTION

State and local governmental roles and relationships, for many years eclipsed by the federal government, suddenly took center stage as the decade of the 1980s began. The most important factor propelling them into the limelight was, undoubtedly, the election of Ronald Reagan to the Presidency. President Reagan's campaign pledge to "restore federalism" was outlined in his inaugural address: "It is my intention. . . to demand recognition of the distinction between the powers granted to the federal government and those reserved to the states or to the people."

The Reagan Administration's intention to restructure federalism, many believe, signals a new era in intergovernmental relations. New eras do not, however, come about accidentally. They arrive when trends building for years converge. The Advisory Commission on Intergovernmental Relations, for more than 20 years keenly interested in how federalism's partners were faring, has chronicled the trends in federal-state-local relations that have brought us to this juncture.

Just a few decades ago, many termed the states "federalism's fallen arches" and despaired that they would ever change. Instead, most states spent the past 20 years making reforms that have brought them to the point where today's state governments are more often called the system's "arch supports."

At the beginning of the decade of the eighties, Democratic and Republican governors came forward to reclaim the 10th Amendment to the U.S. Constitution, which reserves all nonenumerated powers to the states, because, in the words of Arizona's Governor Bruce Babbitt, "We believe that the federal government, acting in pursuit of many noble goals, has not produced what it promised and is rapidly destroying the power of state and local governments to do a better job."¹ Governor Babbitt's statement

¹Governor Bruce Babbitt, "On States' Rights," the *New York Times*, September 9, 1980.

would probably not have received a serious hearing as recently as 20 years ago when few thought the federal government had the political will to address the array of domestic problems it does now and even fewer credited the states with the ability to do so.

For two decades, many local officials, particularly representatives of large jurisdictions, brought their problems directly to Washington, bypassing their state capitals. State-local relations were more often characterized by conflict than cooperation. It surprised many when the National Governors' Association, perhaps for the first time in its 73-year history, invited a panel of mayors and county officials to its 1981 annual meeting to find ways to mend state-local fences. Noted government watcher Neal Peirce was moved to comment following this historic meeting: "There are growing signs that (President Reagan's) budget economics and New Federalism agenda will force normally quarrelsome state and city governments to smoke a peace pipe."²

The Advisory Commission on Intergovernmental Relations spent most of 1980 drawing conclusions from research on federal, state, and local roles in the federal system. Two companion studies with dovetailed recommendations were the result of the Commission's efforts. In the first, *The Federal Role in the Federal System*, the Commission found that the federal government's activities and influence had become "more pervasive, more intrusive, more unmanageable, more ineffective, more costly, and above all, more unaccountable."³

The Commission then took a look at state and local roles, which this *In Brief* summarizes, and its findings held a few surprises.⁴ The states, the Commission concluded, far from being overshadowed by the federal government, were its resurgent partners. Local governments, the Commission discovered, had become dangerously dependent on intergovernmental revenue sources to the point where their traditional autonomy was threatened. Most of the Commission's recommendations address the difficult problems of restructuring and strengthening local governments so that they can cope more effectively with the current mismatch between community needs and fiscal resources.

²Neal R. Peirce, "Olive Branch from the Governors," *Nation's Cities Weekly*, August 31, 1981.

³For more information on the ACIR's federal role series, see *The Federal Role in the Federal System: The Dynamics of Growth* (B-4), December 1980.

⁴The two-volumes which this *In Brief* summarizes are *State and Local Roles in the Federal System* (A-88) and *The Federal Influence on State and Local Roles in the Federal System* (A-89).

THE STATES: FROM “FALLEN ARCHES” TO “ARCH SUPPORTS”

Over the past two decades, the states have undergone changes that have transformed both their capacities and their roles in the federal system. Just 20 years ago states largely deserved many of the criticisms directed their way including descriptions such as “antiquated” and “weak sisters.” Those who looked at the states in the 1930s or even in the early 1960s and decided that they lacked the capability to perform their roles in the federal system because they operated under outdated constitutions, fragmented executive structures, hamstrung governors, poorly equipped and unrepresentative legislatures, and numerous other handicaps should take another look at the states today. The transformation of the states, occurring in a relatively short period of time, has no parallel in American history.

At the root of the states’ transformation, from federalism’s “fallen arches” to its “arch supports,” are profound institutional and procedural changes in the way state governments operate. Indeed, if today, states have not reached the levels of performance demanded by those who still regard them with a jaundiced eye, it is not because they have been unwilling to change. Moreover, for the most part, the changes moved state governments in the direction long advocated by reformers, the ACIR among them. ACIR’s examination of the record on constitutional modernization; executive, legislative, and judicial branch reforms; and administrative and managerial improvements generally helps explain why assessments are becoming more and more positive.

Yet, caveats remain. Not all states have made equal progress and all could benefit from additional improvement. Any look at state government must take into account that little agreement exists on the kinds of standards needed for evaluation, that states

The States: Fifty Laboratories of Federalism

Federal initiatives often draw upon state innovations, bearing out the long-held notion that the states are federalism's laboratories. Unemployment compensation insurance began in Wisconsin in 1939. State experiments in public financing of political campaigns, fiscal notes, reimbursement for mandates, regulation of hospital facilities, protection of health and safety on the job, and open meeting requirements are but a sampling of ideas "tested" at the state level before nationwide adoption or consideration. More recently, before the U.S. Congress voted to begin indexing federal income taxes for inflation (scheduled for 1985), nine states had indexed their taxes to compensate for "bracket creep." One idea, first considered at the federal level, enterprise zones, will most likely first be implemented at the state level. At least two states will soon begin experimenting with enterprise zones and more than 60 bills, pending in 17 states, call for their creation. Sunset legislation, under consideration by the U.S. Congress, has been adopted by 35 states, mandating legislative evaluation of an agency or program by establishing a specific date for its termination.

are a diverse group, and that data are lacking in some areas. Further, while better machinery and processes may make better governance more likely, they do not, in themselves, guarantee progress.

Mindful of caveats, the ACIR analysis rests on an overall evaluation of the states' ability to operate with greater efficiency, equity, accountability, and administrative effectiveness. This part of the *In Brief* will summarize the research findings on institutional and procedural reforms.

Constitutional Reform

Constitutional revision belongs at the top of any list of state reform efforts. Federal and state constitutions together provide the framework for state political life. Early state constitutions were brief and generally vested almost all basic powers of government in the legislative branch. In later years more and more restrictions were placed on the representative bodies particularly as

antidotes to the legislative excesses of the Reconstruction Period and financial scandals of the pre-1900 decades. Governors, too, were hobbled by the emergence of elected or legislatively appointed boards and commissions that fractionated their executive authority and competed with them for control over the machinery of government.

By 1920, many states operated under the handicap of out-of-date, restrictive constitutions. Constitutional deficiencies, when coupled with unrepresentative state legislatures, weak governors, and financial distress, seriously eroded the states' ability to address and solve pressing problems and public confidence waned. Constitutions were ripe for reform but, although Virginia and New York did make substantial revisions in the second decade of this century, no state adopted a new constitution from 1921 to 1945.

The almost frenzied rate of change in the past 20 years is all the more impressive when contrasted to earlier years of this century. Since mid century, four-fifths of the states took official action to modernize their constitutions. In addition to Alaska, which is still operating under its original document, a total of 11 states adopted completely new revised constitutions and many others substantially rewrote important articles.

Has all this activity been for the better? In general, the answer is yes. Present day constitutions conform more closely to the principles of brevity and simplicity. In general, the substantially revised or rewritten documents included provisions to strengthen the executive powers of the governor, to unify the court system, to improve legislative capability and to extend home rule and tax authority for local governments. Further, they contain reasonable amendment or revision processes urged by reformers for many years. Perhaps the best compliment is a left-handed one offered by a knowledgeable observer: "There are not many constitutional horrors left."⁵

The Governor's Office

From this country's inception, American ambivalence about strong leaders, mostly focused on the Presidency, extended to governors as well. On the one hand, they are often expected to act like "little presidents" and, on the other, are frequently held responsible for a host of activities over which they have little or no real control.

⁵ Richard H. Leach, "A Quiet Revolution: 1933-1976," *Book of the States, 1975-76*, Lexington, KY, The Council of State Governments, 1976, p. 25.

While many factors, including such intangibles as personality, combine to determine how well a governor manages to shape public policy, administer the state's bureaucracy, and relate to federal and local officials, certain institutional factors will either help or hinder the governor in performing a leadership role. Those interested in improving the capacity of a governor to govern usually emphasize the tenure, budgetary, appointive, and salary aspects of the office. A brief look at how these and other aspects of the governor's office have changed over the past several decades reveals substantial reform:

- Tenure.** Only four states still saddle their governors with two-year terms, as against 15 in 1960, and only five prohibit their chief executives from succeeding themselves compared to 16 two decades ago.
- Budget.** Forty-seven governors are the focal point of an executive budget process, compared to 40 in 1960.
- Appointments.** Governors now have stronger appointment powers, resulting from a significant reduction in the number of elective offices between 1964 and 1978. The short executive ballot (four offices or less) prevailed in only three states in 1960, but in nine now. Overall, 24 states reduced the number of elected state officials since 1960.
- Salaries.** Governors' salaries have risen dramatically, from a median salary of \$16,180 in 1955 to \$50,000 in 1980. When adjusted for inflation, however, the rise is not nearly as impressive.

In addition to the above changes, executive branch reorganization was widespread throughout the country. Twenty-three states underwent major executive reorganization between 1964 and 1979 and virtually every other state reorganized one or more departments.

Years of streamlining and improving state executive offices began to bear fruit by the beginning of the 1980s. Governors came forward to assert unapologetically the "new states' rights," a bipartisan effort to prevent the states from becoming, in the words of Vermont Governor Richard Snelling, "just administrative agents for the federal government."

The Legislatures

State legislatures, perhaps more than other state institutions have been criticized for their real and imagined shortcomings. Much of the criticism was deserved. Most legislatures were unrepresentative, in the sense that each member did not represent an equal number of individuals, largely because many of the bodies refused to reapportion themselves to meet population shifts. This condition existed until the 1960s when reapportionment was forced by the U.S. Supreme Court's decision in *Baker v. Carr* (1962) and subsequent cases. Prior to the court-mandated reapportionment, several states had even missed a number of decennial redistrictings. Vermont, for example, with its legislative composition written into its constitution, had not reapportioned since 1793. Connecticut's last redistricting of both houses dated back to 1818, Mississippi's to 1890, Delaware's to 1897, and Alabama's and Tennessee's to 1901. Other states also lagged, and most had undergone major population growth shifts. In fact, by 1960, all but five states were heavily malapportioned. As a consequence of under-representation of urban areas, the needs of these communities often were ignored or badly neglected.

State legislatures often operated as "sometime governments," meeting for only limited periods of time, and suffered from high turnover in membership. Further, while scandals at the state legislative level were often blown out of proportion by the press, those who did have the inclination to engage in unethical or corrupt practices were rarely deterred by codes of ethics, conflict of interest statutes, or financial disclosure legislation, since such laws were nonexistent in many states. As the Citizens Conference on State Legislatures commented, "We have never really wanted our state legislatures to amount to much, and they have obliged us."⁶

Given the generally poor marks state legislatures have scored in the past, the question must be asked, have they changed? Any assessment of state legislative change must necessarily result in 99 verdicts. (Nebraska has a unicameral legislature while all other states have two chambers.) However, the ACIR inquiry reveals that, while progress has been uneven and some states have participated only slightly, an overall pattern can be discerned. Legislatures have moved in the direction of greater professionalism, increased openness, enhanced representativeness, and improved efficiency.

⁶Citizens' Conference on State Legislatures, *The Sometime Governments*, 1973. The Citizens' Conference on State Legislatures melded into Legis 50 and subsequently ceased operations.

Again, a comparison with 1960 shows the pace of reform:

Annual Sessions. In 1980, only 14 legislatures operated on a biennial session basis and even these were frequently called into special session in the second year. Two decades ago, biennial sessions prevailed in 31 states.

Staffing. Professional staffing of key committees and legislative service units, almost non-

State Legislative Oversight of Federal Funds

One of the most dramatic intergovernmental developments of the past few years has been the increasing role of state legislatures in oversight of federal funds. In 1975 an ACIR survey found that most state legislatures were ignorant of—or ignoring—federal funds coming into the states.¹ One-fifth of the state budget officers responding to ACIR's survey said their legislature did not appropriate any federal grant funds. Today some 37 states appropriate federal funds in some degree and fashion.

In the early 1980s, states as varied as Iowa and Massachusetts, New York and Virginia began the often arduous task of tracking and analyzing uses of federal aid coming into their states and setting up procedures for an improved legislative role in making decisions related to those dollars. As federal dollars become scarcer and state responsibility and control is increased, even more action will likely occur.

The issue underlying legislative involvement in federal grant oversight and decision making gets to the essence of federalism. State Senator Harold Schreier of South Dakota called it the "most important question facing state legislatures if they wish to remain a viable part of the federal system and incidentally, if the country wishes to remain a bastion of check and balance systems of three-coequal branches of government."²

¹Advisory Commission on Intergovernmental Relations, *The Intergovernmental Grant System As Seen by Local, State, and Federal Officials* (A-54), Washington, DC, U.S. Government Printing Office, 1977, p. 101.

²Advisory Commission on Intergovernmental Relations, "State Legislatures and Federal Grants," *Information Bulletin*, November 1976, p. 14.

existent a few decades ago, is routine in practically all of the states. No state staffed its standing committees in both houses in 1960, while 36 do so now.

Length of Sessions.

Nineteen states still restrict their session to 60 legislative or calendar days or less, representing some progress from 25 states with restricted sessions in 1960.

Auditing.

The auditing function was a legislative prerogative in only nine states in the early 1960s, compared to 20 now.

State legislatures are far different bodies than they were 20 or even ten years ago and the public seems to be aware of at least some progress. Legislatures outscored the United States Congress on a number of measures, according to a 1979 Harris Poll, yet they are still far from getting "excellent" ratings.⁷

Part of the public's perception may stem from the fact that while reform's progress has been real, even dramatic in some cases, more needs to be accomplished. Many states' houses of representatives are still considered too large for effective deliberation and operation. In 1980, 22 houses of representatives exceeded 100 members, compared to 23 in 1969. The sheer quantity of bills introduced in American state legislatures is overwhelming—in the 1977–78 session, a total of 198,824 were placed in the hopper and 44,319 were enacted into law. Most state legislatures still have a long way to go before they stop clogging the legislative machinery with frivolous or inappropriate bills.

State Court Systems

In spite of the existence of a parallel federal court system with concurrent jurisdiction in many cases, the bulk of all litigation—96% of all cases, in fact—takes place in state courts. State judicial systems must therefore be capable of administering justice equitably and expeditiously.

Like other state institutions, state courts have been the objects of criticism. Problems developed because most had changed very little from the time they were first created and, as a consequence, they were overwhelmed by the litigation explosion that occurred

⁷Glen Newkirk, "State Legislatures through the People's Eyes," *State Legislatures*, Denver, CO, National Conference of State Legislatures, August-September 1978.

at mid-20th century. Between 1955 and 1979, the population increased by 36%. During the same period, the number of cases disposed of increased about 1,000%.

The movement to reform state judicial systems began with Missouri in 1945 and New Jersey in 1947 and picked up speed with the new constitutions of Alaska and Hawaii, followed by changes in eight other states in the early and mid-1960s. California (1966), Colorado (1966), Illinois (1962, 1970), Michigan (1964), Nebraska (1962, 1966), New Mexico (1966, 1967), New York (1966), Oklahoma (1967) and Alabama (1973) all remodeled their courts during this period. Reform efforts accelerated during the 1970s, with most states taking steps to modernize their systems. The reforms were directed principally at court structure and administration and at efforts to improve the quality of the judges.

Indeed, the pace of reform has been remarkable. Current systems would have been hardly recognizable 25 years ago. All states except New Hampshire now have court administrative offices for more efficient operation of the system. Today, all but seven states—compared to 17 in 1977—require legal training for judges of courts of general jurisdiction. Forty-one states now have special discipline and removal commissions to supplement impeachment, legislative resolution, and recall in the removal of incompetent judges.

Much has been accomplished in terms of unifying and simplifying court structures, merit selection of judges and discipline procedures, and speedy trial provisions especially for criminal cases. One of the latest reforms has been state financial assumption of the costs of operating the court systems. In 1970, only seven assumed 90% or more of the burden. By 1976, the number of states paying almost all court expenditures had reached 14.

LOCAL GOVERNMENTS: FEDERALISM'S WORKHORSES

The nearly 80,000 units of local government across the country traditionally have been, and still are, the primary providers of services to the public. Local governments lead in the expenditure of funds for domestic purposes and employ the greatest number of people to carry out these goals. The flip side of the coin from the direct provision of services is, however, financing them. Thus, while local governments are by far the leaders in terms of actually expending funds and employing people, their sources of revenue—especially intergovernmental revenue—have changed dramatically.

Specifically, a look at the pattern of functional and financial assignments reveals that:

- In 1977, the federal-state-local sharing of direct expenditures was 30/27/43%, little change from 1967 when the proportion was 28/26/45%. The addition of the adult categories of public assistance to the federal role was probably the single most important factor behind the slight shift in the proportion of direct expenditures made by the federal government.
- Between 1967 and 1977, local governments continued to employ more than half the public sector's civilian workforce. In 1977, it was 20.9% federal, 21.7% state, and 57.4% local; ten years earlier, the proportion was 28.7%, 18.6%, and 52.7% respectively. Since the number of federal civilian jobs has remained relatively static—increasing by about 300,000 since 1960—the proportional changes represent large increases in state and local employment levels.
- In terms of financing governmental activity (domestic only), the most dramatic shifts occurred especially in the

increasing reliance of local governments on intergovernmental revenues. In 1980, federal and state aid amounted to nearly 80% of local governments' own-source revenues; in 1960, by contrast, intergovernmental revenues comprised only 44% of their own-source revenue.

As the flow of funds and the responsibility for spending indicates, local governments are still federalism's workhorses but are financially less independent than they were just a few decades ago. Financial dependency has had other implications because intergovernmental revenues rarely come "string free." The ACIR study includes an exploration into the underlying causes of growing local dependency on outside revenues and the implications for the various types of local governments.

**Federal and State Aid to Local Government
Selected Years, 1955-80
(in millions)**

	Federal Aid (direct)		State Aid	
	Amount	Percentage of Own Source Revenues	Amount	Percentage of Own Source Revenues
1955	\$ 368	2.5%	\$5,987	40.6%
1960	592	2.6	9,522	41.6
1965	1,155	3.6	14,010	43.3
1970	2,605	5.1	26,920	52.4
1975	10,906	12.9	51,068	60.5
1979	20,616	17.6	74,162	63.3
1980	21,136	16.3	81,289	62.5

Source: ACIR computations.

Five Types of Local Government

The traditional pattern of American local government consisted of municipalities, serving concentrations of populations within well-defined territorial limits, and counties, basically providing state services at the local level in both urban and rural areas. For reasons which are many and complex, the differences among the units of general purpose local governments have gradually blurred, particularly between the city and the county. The municipal share of local government expenditures has declined slightly over the past 10-15 years, while those of the county and special district have risen. Special districts,

which frequently do not have the territorial or debt limitations that constrict cities or counties, have been, and remain, an increasingly popular means of providing special services.

Number of Local Units of Government, by Type 1967-1972-1977

	1967	1972	1977	Percent Change 1967-77
Counties	3,049	3,044	3,042	*
Municipalities	18,048	18,517	18,862	4.5%
Townships	17,105	16,991	16,822	-1.7
School districts	21,782	15,781	15,174	-30.3
Special Districts	21,264	23,885	25,962	22.1
Total	81,248	78,218	79,862	1.7

*Less than 0.05%

Source: U.S. Bureau of the Census. Census of Governments. Vol. 1. No. 1 *Governmental Organization*. Washington, D.C. U.S. Government Printing Office. 1979. Table 4.

Municipalities

Of all the types of local government, municipalities have been historically, and still are the leading providers of services to the public. In 1977, they collectively accounted for 32.3% of all local expenditures and led in spending for highways, police, fire protection, sewerage, other sanitation, parks and recreation, housing, urban renewal, air transport facilities, parking facilities, and libraries. The cities' position has been somewhat weakened in recent years, however, primarily because community needs have all too often outstripped fiscal resources, and a mismatch occurs.

Certainly not all of America's 18,862 municipal governments are beset by a mismatch of sufficient proportions to be called an "urban crisis," but the number is sufficiently high to have excited a response among political decisionmakers at all three levels of government. A brief glimpse at how municipalities developed suffices to explain how and why this mismatch continues to occur so often.

For a long time, municipalities met the problems of population and economic growth simply by expanding their area through annexations of adjacent unincorporated territory. This was how many of today's largest cities achieved their present size in the late 19th and early 20th centuries. Early, free, and easy annexation did not last long, however, as settlements adjacent to cities incorporated to defend themselves against absorption by the

neighboring city, and state legislatures, in response to pleas of the residents of unincorporated areas threatened with annexation, made it more difficult for cities to absorb unincorporated fringe territory through such requirements as concurrent majorities in the annexing city and territory to be annexed in a referendum on the issue.

At the same time that cities were seeing their geographic dimension constricted, they were faced with restrictions on their fiscal, functional, and structural powers. In 1868, Judge John F. Dillon enunciated his famous rule that a municipal corporation can exercise only those powers that are granted specifically, those that can be fairly implied in or are incident to those expressly granted, and those essential to the municipality's purposes. For some time, "Dillon's Rule" effectively throttled municipal efforts to expand their powers without specific legislative authorization, until the movement for constitutional home rule scored its first success in Missouri in 1875.

Even this effort fell short of its advocates' hopes, however, as the courts continued to apply the principles of the Dillon Rule. Thus, constitutions might authorize localities to frame and adopt charters, but, again, the extent of the powers that the locality could assume thereby was limited to what the legislature specifically authorized and to the court's interpretation of that authorization. In practically all cases, moreover, legislative authorization did not extend to allowing local jurisdictions to adopt nonproperty taxes and in many cases it served to limit the amount of property taxes they could levy.

County Reform. A considerable part of the effort to alleviate the servicing-financing mismatch problems of cities involved increased reliance on two other types of local government: the county and special district. Counties, of course, generally cover considerably more area than municipalities, and usually overlie municipalities. In some instances, also, as in the case of single-county metropolitan areas, their boundaries include enough territory to enable the county government to deal adequately with regional problems that spill over municipal boundaries, such as transportation and environmental protection. The counties' basic problem is that they originated as geographic subdivisions of the state for the purpose of providing state services at the local level. Congruent with that ministerial role, they typically were neither given a broad array of functions, particularly of an urban character, nor the kind of modern governmental structure required to perform such functions. The emergence of the urban county evidences progress in overcoming many of these handicaps. Fully

Significant Governmental Reforms at the Substate Level, 1945-80

17 successful city-county consolidations, 1947-80, including

Anaconda/Deer Lodge County, MT (1977)
Anchorage/Greater Anchorage Area Borough, AK (1975)
Lexington/Fayette County, KY (1974)
Suffolk/Nansemond County, VA (1972)
Columbus/Muscogee, GA (1970)
Indianapolis/Marion County, IN (1969)
Carson City/Ormsby County, NV (1969)
Jacksonville/Duval County, FL (1967)
Nashville/Davidson County, TN (1962)
Baton Rouge/East Baton Rouge Parish, LA (1947)

Dade County, FL, metropolitan federation (1957)

Minnesota's Twin Cities Metropolitan Council (1967)

—an appointed regional council with policy responsibilities

Portland, OR, Metropolitan Service District (1978)

—an elected regional council with policy and operating responsibilities

671 multipurpose substate regional councils (1979) with
planning and coordination responsibilities

County organization and home rule authority (1979)

21 states with county optional forms of government set
forth in law

29 states with county home rule

75 counties with charters

766 counties with an elected or appointed chief executive—25% of all counties compared with less than 3%
in 1960

1,039 of 3,319 cities surveyed had transferred functions to another jurisdiction in the period 1965-75

Source: Advisory Commission on Intergovernmental Relations staff compilations.

effective urban counties strive to match their geographic adequacy with functional, fiscal, and structural competence, so that they in effect can provide the type of services that cities provide within a more restricted territory.

The record of county reform over the past few decades is laudable. For example:

- Currently 29 states have granted counties some type of home rule authority, compared to 25 in the early 1970s. Yet, many of these states place so many restrictions on implementing this authority that local discretion is weak or nonexistent. In 19 states, the home rule authority includes the power to adopt a charter but, currently, only 75 counties out of 3,042 nationwide have adopted one.
- Twenty-one states authorized optional forms of county government, but relatively few counties have exercised the option.
- In the last two decades, the number of counties with elected chief executives has risen from eight to 253. Similarly, the number of appointed county administrators has grown from 75 in 1960 to 513 in 1979. Thus, the percentage of counties with the plural executive form of government dropped from 85% in the early 1970s to 73% in the late 1970s, indicating progress in this vital aspect of structural modernization.
- Functionally, many counties have taken on new responsibilities, usually of an urban character, sometimes in response to federal influences, as in the case of the community development block grant.

As the above suggests, the news is not all good. Thus, while counties as a group have made significant strides as a local unit of urban government, not all states have bestowed adequate authority upon them. Even where they have, most counties have failed to take proper advantage of the authority. Moreover, most counties generally are limited fiscally by dependence on inflexible sources of revenue, mainly the property tax.

Special Districts. Just as the county offered a way to deal with problems that exceeded the authority and territorial scope of municipalities, so did the special district, but generally for single functions and on a limited/targeted territorial basis. Unlike many municipalities, special districts were not strapped by debt and tax limits, could resort to service or user charges for financing, and often had a broader tax base. Limits on some powers of mu-

municipalities led to the establishment of special districts.

In fact, of the five types of local units (counties, municipalities, townships, school districts, and special districts), special districts showed the most pronounced increase in number in the ten-year period, rising from 21,264 in 1967 to 25,962 in 1977—a jump of 22%.

**Distribution of Direct General Expenditure Among
Types of Local Government, 1967, 1972, 1977**

Local Government	1967	1972	1977
Counties	20.0%	21.4%	22.7%
Municipalities	32.1	33.2	32.3
Townships	3.6	3.6	3.6
School Districts	39.4	36.5	36.0
Special Districts	4.9	5.3	5.2

Source: U.S. Bureau of the Census, Census of Governments, Vol. 4, No. 5, Compendium of Government Finances, 1966-67, 1971-72, and 1976-77, Washington, DC, U.S. Government Printing Office, 1969, 1974, and 1979.

Towns and Townships. While counties have, in many states, assumed greater relative importance in performing local functions, and municipalities continue to dominate in the provision of services, what can be said about towns and townships in the federal system? The towns of the New England states and to a large extent in the five other “strong township” states (Michigan, New Jersey, New York, Pennsylvania, and Wisconsin) are in a different position from that of the rural townships of nine mid-western states. Many are urban and industrial and frequently are similar to municipalities in functional scope. The rural townships, on the other hand, were in a state of serious decline for 30 years and were even eliminated in two states, Washington and Iowa. The advent of General Revenue Sharing in 1972, studies show, appears to have had the greatest influence in reversing their downward slide, enabling them to take on new activities.

School Districts. Although school districts are special districts within the strict meaning of the term, they are counted separately because of their near universality and their importance, both fiscally and in terms of personnel employed. In fiscal year 1976-77, they accounted for 36% of all local direct general expenditure and 45% of the total payroll at the local level. The number of independent school districts across the country con-

tinues to decline, mainly through consolidation in rural areas.

School districts can exert significant indirect influence on budgetary decisions at the local level, because they rely heavily on the same source of revenue, the property tax, as general purpose units. Intergovernmental competition for these resources may be critical in decisions on whether a function should be assumed, expanded, contracted, or dropped, by one or more local units.

The continually changing nature of the five types of local government indicates their adaptability to changing conditions. The rise of the urban county and of special districts, in particular, are most directly attributable to the mismatch between resources and needs in municipal governments. In addition, city-county consolidation, annexation, functional transfers, and interlocal agreements all played roles of varying importance over the past 20 years.

Local Structural Reform

Annexation. While no longer as useful a tool for cities as when they were not hemmed in by incorporated areas, annexation is still the most common structural modification and basic method of expanding a municipality's servicing and financing reach. Except for certain cities, though, it has not been a practical device for achieving areawide provision of services that benefit from areawide administration and financing. For example:

- From 1970 through 1977, over 48,000 annexations occurred, adding nearly 7,000 square miles and 2.5 million people to cities over 2,500 in population. But most annexations were small—the average land area was 1/7 of a square mile and the average population 52 people.
- In the 1970s, medium-sized cities annexed more frequently and were more likely to produce significant territorial expansion and population increases than cities of other sizes.
- While most annexations have occurred in the north central region, annexation has had the greatest impact on the south and southwest in terms of population and area added.
- The effect of annexation on central and suburban cities declined in the 1970s, in that the average land area and population acquired per annexation in the 1970s was less than the 1960s.

- While annexation usually produces small incremental changes in city boundaries and population acquired, those cities (such as Houston and Oklahoma City) with significant annexations in land and population have been able to achieve better control over problems normally associated with benefit and cost spillovers such as environmental protection.

City-County Consolidations. Recent procedural adjustments and structural modifications such as annexation have afforded some help in dealing with servicing and financing problems at the local level, but their essential ad hoc, piecemeal character falls short of what many consider the need for fundamental adjustments of local government area and power. Special districts, despite their pragmatic appeal and appropriate uses, threaten to erode the important coordinative role of general purpose governments. Realizing the shortcomings of these approaches, reformers sometimes have focused on new organizational forms. The record shows, however, that these forms have been infrequently presented to state legislatures or local voters for approval, and in even rarer instances have they been adopted.

The most popular major reorganization approach is the consolidated city-county. Twenty-four now exist with 17 having been formed since 1945. The number of referenda on consolidations has increased in each decade, but the percentage of successes has declined so that the 1970s produced the same number—seven—as the 1960s. Moreover, half the consolidations since 1968 have been in nonmetropolitan areas. Only one city over 250,000 population has ever succeeded in consolidating with its overlying county (Indianapolis) and that was through action of the state legislature.

City-county consolidation could be a particularly valuable form of reorganization in single-county metropolitan areas. Modernized county governments would effectively serve as regional governments in the 135 metropolitan areas where a single county serves all or most of the region's population. This was clearly the case in the Anchorage/Greater Anchorage Borough, AK, consolidation which was accomplished in 1975. When metropolitan areas encompass more than one county, local government consolidation to solve regional problems would probably be too difficult. Metropolitanwide regional bodies, like the Metropolitan Council of the Twin Cities in Minnesota and the Metropolitan Service District in Portland, OR, are sometimes created to meet multicounty needs.

Procedural Approaches. In part because of the difficulty in 19

Substate Regional Bodies: A New and Vulnerable Form of Intergovernmental Institution

When the Advisory Commission on Intergovernmental Relations completed its study on state and local roles, substate regional organizations blanketed the country and, although still far from realizing their original goals, have matured gradually. Concerned with planning and coordinating functions on a regional basis, and also providing requested services, they were built largely through federal initiatives and relied heavily upon federal funds.

Federal aid's decline will severely impact many of these organizations. Except for some urban transportation planning and areawide aging funds, plus some transition money from HUD and EDA, the federal government has essentially withdrawn its financial support. A survey conducted this year by the National Association of Regional Councils indicates that perhaps 10% of the substate regional bodies will go out of business in 1982. Another 50% may experience budget cuts of as much as 60% in that year.

Although their financial outlook appears bleak, many regional organizations were the outgrowth of genuine need and will have a good chance to survive in those areas where state and local governments lend their support. A number of regional councils have begun offering technical assistance, data, and other types of service to local governments at cost.

making structural changes, procedural methods as intergovernmental service agreements, intergovernmental transfers of functions, and the use of extraterritorial powers have been common.

Intergovernmental service agreements—voluntary agreements by two or more local governments to cooperate in provision of a service—were used by more than 60% of local governments in the early 1970s. Today they remain a popular method for responding to problems arising from the mismatch between jurisdictional boundaries and service needs. As of 1976, 43 states had some type of general law authorizing such agreements—one more than in 1972 and 29 more than in 1957. Jails and detention homes, police training, street lighting, refuse collection,

libraries, solid waste disposal, water supply and crime laboratory services are the most common services subject to agreements.

During the 1965–75 period, nearly one-third of a sample of cities over 25,000 population transferred functions to another jurisdiction, with larger, central cities being more likely to transfer.⁸ Counties received 56% of the functions transferred, followed by special districts with 19%, and states with 14%. Overall, during the time period studied, over 1,700 functional transfers occurred.

Extraterritorial powers—the exercise of cities' authority outside their boundaries—are used less than intergovernmental service agreements or transfers of functions as means of adjusting area and power. In 1977, 35 states authorized at least some of their cities to regulate outside their limits. Yet, less than half the states authorized extraterritorial planning, zoning, and subdivision regulation—the powers that would have the most influence in dealing with fringe growth problems.

⁸ ACIR, *Pragmatic Federalism: The Reassignment of Functional Responsibility* (Report M-105), Washington, DC, U.S. Government Printing Office, July 1976.

THE FISCAL PICTURE

The long post World War II bull market for state and local spending, which increased almost twice as fast as the economy for a quarter of a century, turned bearish by the mid-1970s. The transformation of the state and local sector from a "fast growth to a no-growth industry," according to ACIR Assistant Director John Shannon, was caused primarily by public resistance to high taxes, a sluggish economy, and the decline in the school-age population.

The coast-to-coast movement to limit taxes and spending, although not new, accelerated after the adoption of California's Proposition 13 in 1978. In the 1977-80 period, there were 36 state personal income tax reductions and 22 general sales tax cuts. By 1980, a total of 39 states had enacted some kind of property tax limitation. In addition, nine states indexed their personal income taxes to compensate for inflation induced "bracket creep" and virtual moratorium on state tax increases prevailed.

The efforts to brake state and local sector growth were in sharp contrast to a prolonged period of expansion. The ACIR counted some 586 tax increases and 41 new tax enactments between 1959 and 1976. Revenue diversification accompanied this period of tax increases. A total of 41 states now have broad-based individual income taxes and three others have limited levies. All but five states currently impose corporate income taxes and only Alaska, Delaware, Montana, New Hampshire, and Oregon do not impose sales taxes. Further, states, increasingly moved to make their tax systems more equitable by exempting food and medicine from the sales tax, granting credits to low income residents in the state income tax, and moderating the impact of the property tax by "circuit breaker" provisions.

State debt, although continuing to grow in absolute terms, declined as a percentage of the Gross National Product. From its recent peak of 5.2% of GNP in 1976, state debt (general obligation) declined to less than 5% of the GNP by 1979. Local government

Summary of Significant Features of

State and Region	Incidence, ¹ 1976 (Family Tax Burdens)			Tax Effort, ² 1978		State Government Percentage of State- Local Tax Revenue, ² 1978
	Pro- gres- sive	Pro- por- tional	Re- gres- sive	State-Local Taxes as a Percent of State Personal Income	Per Capita State-Local Tax Revenue	
United States			X	12.8%	\$ 888	58.5%
New England						
Connecticut			X	11.6	941	53.2
Maine			X ⁶	13.3	758	63.8
Massachusetts			X	15.1	1,098	52.1
New Hampshire			X	10.5	669	41.2
Rhode Island			X	12.5	848	57.8
Vermont	X			14.5	837	57.4
Mideast						
Delaware		X ⁶		12.2	943	81.8
Dist. of Col.		N.A.		13.6	1,245	—
Maryland		X ⁷		13.0	985	59.0
New Jersey			X	12.4	993	47.3
New York	X ⁷			17.2	1,308	47.1
Pennsylvania			X	12.3	862	61.9
Great Lakes						
Illinois			X	11.8	917	56.0
Indiana			X	10.3	707	64.6
Michigan	X ⁷			12.7	959	61.8
Ohio			X	9.9	701	54.9
Wisconsin		X		14.2	970	68.1
Plains						
Iowa			X	11.6	794	61.0
Kansas			X	11.3	798	56.1
Minnesota	X			14.2	1,001	68.8
Missouri			X	9.9	653	56.2
Nebraska		X ⁷		12.1	814	53.4
North Dakota		X		11.6	721	65.8
South Dakota			X	11.5	683	47.5
Southeast						
Alabama			X	10.2	566	75.0
Arkansas		X		10.2	553	76.6
Florida			X	10.6	699	62.6
Georgia		X		11.3	672	63.9
Kentucky			X	11.3	662	79.6
Louisiana			X	12.3	716	69.7
Mississippi			X	11.8	589	77.3
North Carolina		X		10.9	643	72.8
South Carolina		X		11.1	615	76.0
Tennessee			X	10.7	613	63.8
Virginia		X ⁷		11.1	757	60.0
West Virginia		X ⁷		11.2	675	78.1

the 50 State-Local Revenue Systems

Diversification,² 1978 (Source of State-Local General Revenue)

Equity Features, 1979³

Diversification, ² 1978 (Source of State-Local General Revenue)						Equity Features, 1979 ³	
Taxes			All Other	Charges and Miscel- laneous General Revenue	Federal Aid	Food Exempt from Sales Tax (E) or Income Tax Credit Provided (C) ⁴	State- Financed Circuit- Breaker Property Tax Relief Programs ⁵
Property	General Sales	Income					
21.0%	13.1%	13.9%	13.2%	16.7%	22.0%	—	—
31.3	14.9	6.4	14.9	12.9	19.7	E	E.H&R
22.0	13.0	9.6	13.1	13.7	28.6	E	E.H&R
31.1	5.4	19.0	10.0	10.6	23.9	E	—
34.8	—	6.2	18.1	15.9	25.0	NST	—
25.0	10.4	11.6	11.8	14.5	26.6	E	E.H&R
22.8	4.4	11.3	15.6	14.2	31.7	E	A.H&R
8.6	—	24.5	22.5	19.5	24.9	NST	—
9.4	7.5	13.7	9.6	6.6	53.3	E	A.H&R
17.4	9.4	21.3	12.9	17.3	21.7	E	A.H
32.3	9.3	10.9	14.8	13.9	18.8	E	—
23.8	12.2	20.6	9.4	13.8	20.1	E	A.H&R
16.7	11.2	18.9	18.0	13.2	22.0	E	E.H&R
23.9	16.0	12.9	14.6	13.6	19.0	*	E.H&R
21.6	18.4	12.6	9.7	19.1	18.6	E	E.H&R
22.1	11.0	19.5	8.3	17.5	21.6	E	A.H&R
21.2	11.4	14.9	12.7	19.1	20.7	E	E.H
21.3	10.7	22.5	9.0	16.4	20.1	E	A.H&R
22.9	9.8	15.6	11.6	19.6	20.6	E	E.H&R
25.6	11.9	12.0	11.5	20.7	18.3	Ltd. Credit	E.H&R
18.3	8.2	20.7	13.6	19.3	19.8	E	A.H&R
17.8	15.9	12.1	13.8	15.6	24.9	—	E.H&R
25.4	12.3	10.2	11.2	21.8	19.1	C	—
15.9	9.9	9.1	12.8	27.3	25.0	E	E.R ⁹
24.6	14.1	0.3	13.0	26.2	27.7	¹⁰	E.H
6.1	15.6	10.0	18.4	22.5	27.4	—	—
11.0	13.5	14.9	12.3	17.8	30.4	—	E.H
18.9	15.9	2.5	20.6	21.4	20.6	E	—
15.4	14.2	12.7	11.2	20.3	26.2	—	—
10.4	13.1	16.6	16.9	16.8	26.2	E	—
7.3	18.2	7.1	20.8	21.3	25.4	E	—
10.8	19.1	7.4	12.3	20.9	29.7	—	—
13.6	12.0	17.5	15.2	15.7	26.1	—	—
12.3	14.3	14.4	13.4	19.9	25.8	—	—
13.1	21.7	4.0	16.0	19.3	25.8	—	—
16.8	10.0	16.0	17.1	17.0	23.1	—	—
9.9	21.5	9.0	15.2	15.3	29.1	¹¹	E.H&R

Summary of Significant Features of the

State and Region	Incidence, ¹ 1976 (Family Tax Burdens)			Tax Effort, ² 1978		
	Pro- gres- sive	Pro- por- tional	Re- gres- sive	State-Local Taxes as a Percent of State Personal Income	Per Capita State-Local Tax Revenue	State Government Percentage of State- Local Tax Revenue, ² 1978
Southwest						
Arizona			X	14.3%	\$ 907	61.3%
New Mexico		X ⁶		13.3	763	82.3
Oklahoma		X		10.7	660	69.2
Texas			X	10.5	707	58.6
Rocky Mountain						
Colorado		X ⁷		12.6	882	51.5
Idaho	X			12.0	701	68.4
Montana		X ⁷		13.8	817	52.8
Utah		X ⁷		12.7	728	63.7
Wyoming			X	15.9	1,156	59.1
Far West						
California		X ⁶		15.8	1,227	54.9
Nevada			X	13.1	1,004	58.9
Oregon	X			12.8	872	54.4
Washington			X	12.7	929	69.8
Alaska			N.A.	17.5	1,871	74.7
Hawaii			N.A.	14.0	1,059	79.5

¹Based on table which compares estimated major state-local tax burdens for hypothetical families of four residing in the largest city in each state. Includes the following taxes: state and local income and general sales, residential property, cigarette excise, and motor vehicle taxes. In determining incidence, the \$10,000, \$15,000, \$17,500, \$25,000, and \$50,000 adjusted gross income classes were included. A state's tax system was considered progressive if the tax burden (taxes as a percent of income) for the \$50,000 income class was 10% or more greater than the \$10,000 class, regressive if 10% or more lower than the \$10,000 class, and proportional if the percentage difference was less than 10%, plus or minus.

²U.S. Bureau of the Census, *Governmental Finances in 1977-78*.

³Commerce Clearing House.

⁴NST = No state general sales tax.

⁵A.H&R = All homeowners and renters; A.H. = All homeowners; A.R. = All renters; E.H&R = Elderly homeowners and renters; E.H = Elderly homeowners; and E.R = Elderly renters.

⁶Except for \$50,000 income class.

50 State-Local Revenue Systems (cont.)

Diversification, ² 1978 (Source of State-Local General Revenue)						Equity Features, 1979 ³	
Taxes			Charges and Miscel- laneous General Revenue	Federal Aid	Food Exempt from Sales Tax (E) or Income Tax Credit Provided (C) ⁴	State- Financed Circuit- Breaker Property Tax Relief Programs ⁵	
General Property Sales	All Income	Other					
24.1%	20.8%	10.6%	8.6%	16.1%	19.8%	E(7/1/80)	E.H&R
7.9	18.2	4.5	18.6	23.7	27.1	¹²	E.H&R
11.4	11.8	9.6	21.8	20.8	24.8	—	E.H
21.3	15.4	—	22.9	20.6	19.7	E	—
20.9	16.5	11.5	9.6	20.0	21.4	C ¹³	E.H&R
16.8	10.6	15.3	12.2	19.3	25.8	C	E.H
25.2	—	12.5	14.7	17.7	29.9	NST	—
15.3	17.9	12.4	8.5	19.3	26.6	—	E.H
21.9	14.7	—	17.7	20.8	25.0	¹⁴	—
26.5	14.5	16.1	8.7	14.2	20.0	E	E.H&R
18.2	14.5	—	25.2	20.6	21.6	E	E.H&R
22.1	—	20.2	10.8	20.6	26.3	NST	A.H&R
18.3	25.5	—	15.4	20.7	20.0	E	—
21.2	2.3	14.0	11.7	28.2	22.6	NST	—
9.3	21.9	15.3	10.2	14.7	28.6	¹⁵	A.R

⁷ Except for \$10,000 income class.

⁸ Food is taxed at a reduced rate, 3%, rather than 4%, beginning January 1, 1980.

⁹ North Dakota has a separate program which lowers the assessed value of low income elderly homeowners by as much as \$3,000.

¹⁰ A sales tax credit based on federal adjusted gross income is provided for elderly and disabled persons.

¹¹ The sales tax on food is reduced from 3% to 2% on July 1, 1979, and to 1% on July 1, 1980. Sales of food made after June 30, 1981, are exempt from tax.

¹² An income tax credit is provided for all state-local taxes paid plus a food tax credit equal to \$40 for each exemption allowed for federal income tax purposes.

¹³ Food is exempt, effective January 1, 1980. Credit in effect until then.

¹⁴ A sales and use tax refund is provided for low income elderly and disabled persons.

¹⁵ Effective January 1, 1974, a general excise tax credit replaced the consumer, educational, drug and medical, and rental tax credits.

SOURCE: ACIR staff compilation.

indebtedness similarly has dropped. After amounting to more than 10% of GNP for nearly a decade, total local general obligation debt began to decrease in relative terms in 1976 and, in 1980, was estimated to equal 8.2% of GNP. These figures do not, however, include state and local revenue bonds, the volume of which is substantial, and growing rapidly.

The states as a whole entered the decade of the 1980s in relatively good fiscal health. Revenue diversification undoubtedly helped many weather the taxpayer revolt and sluggish economic conditions without substantial cuts in services. A lucky few—mainly the energy rich states—recorded record budget surpluses. Continuing economic stagnation and/or decline in parts of the country, however, quickly eroded surpluses in the not-so-fortunate states.

All states, except Vermont, are constitutionally bound to balance their budgets and most try to achieve year-end balances of 5% to 6% of expenditures. For fiscal 1981, according to a recent survey by the National Governors' Association, the average will be well below 4% nationwide, down from about 9% the previous year.⁹ Kentucky, which has gone through several rounds of budget cuts itself, surveyed other states to determine how they were faring. By the end of 1980, Kentucky's budget office found, 21 states were experiencing shortfalls, 14 had imposed hiring freezes, 42 had laid off employees, and 12 had frozen capital construction.¹⁰

Federal Aid's Decline

For 30 years (1949–78), federal financial assistance was the fastest growing component of state-local revenue systems. In 1980, federal grants to states and localities represented 3.5% of GNP, down from their recent historical peak of 3.8% in 1975. Federal aid's downward slide is expected to accelerate, dropping to just 2.6% of GNP by 1982.

What will the substantial cutback in federal aid mean for state and local governments? While the outcome is difficult to predict, and the results are likely to be both mixed and dependent on economic conditions, some generalizations are offered. John Shannon of ACIR says that federal aid's decline may prove to have a more significant braking effect on the state and local sector than all the state-local tax lids combined. "Most states and

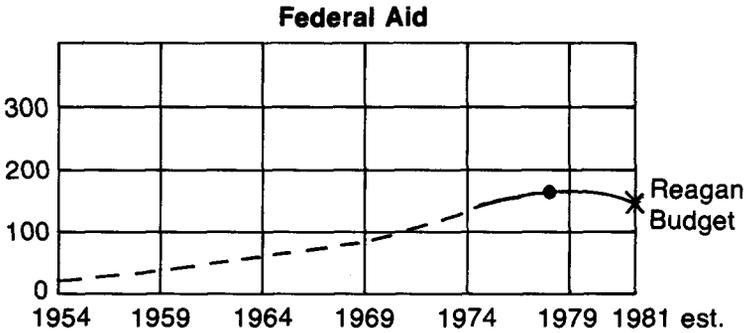
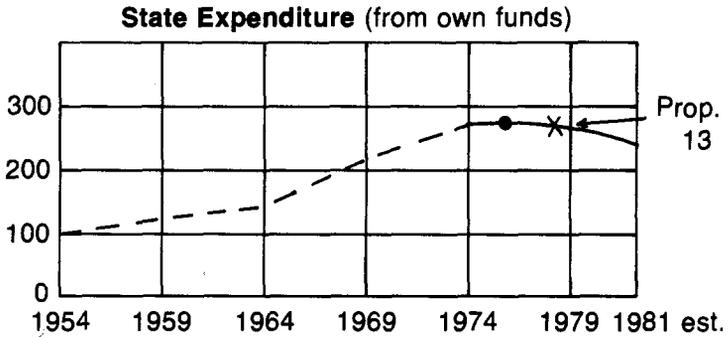
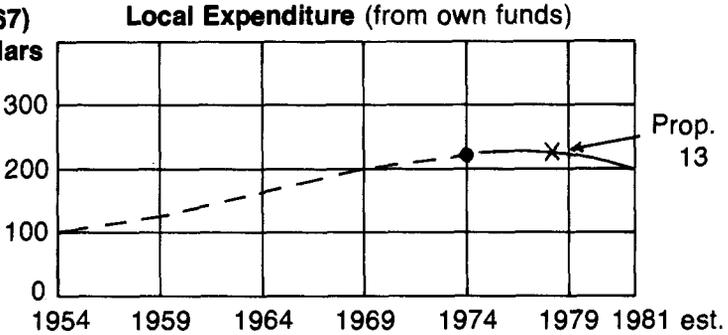
⁹ *Fiscal Survey of the States, 1980–81*, Lexington, KY, The National Governors' Association and the National Association of State Budget Officers, October 1981.

¹⁰ *Ibid.*

Grass Roots Fiscal Federalism

(decline in "real" spending commencing at local level in 1975, state level in 1977, and in federal aid flows 1979)

Per Capita
In Constant
(1967)
Dollars



Source: ACIR.

• High points.

Federal-State Ties: Direct, "Pass Through," and Bypassed

At the root of the intergovernmental system's strengths, and tensions, are the states' practical, political, and constitutional claims to being the indispensable middlemen of the federal system.

Some might even argue that being middlemen has become the states' primary activity. Richard Hodes, Florida's House of Representatives Majority Leader, said at a recent ACIR meeting that a sign on his desk sums up how he perceives his job. The sign reads: "The buck slows down here."

Direct Federal-State Aid. Federal intergovernmental aid has become "big bucks," growing not just in size but in scope so that nearly every state agency is involved. Federal grants to states comprised \$53.5 billion in Fiscal Year 1979, amounting to 36.8% of the states' own-source revenue in that year. Two decades ago, federal-state assistance totalled \$6.4 billion and was mostly for income security and transportation programs. Although awards in these areas continued to grow, they fell to less than one-third of the total by 1980 as grants for social programs (including health, education, training, employment, and social services) became the big money categories.

Federal monies have undoubtedly benefited states, and local governments, in numerous ways. Using federal grants to supplement existing programs or begin new ones, the states have been able to engage in activities or raise service levels they otherwise might not have afforded. To a certain but limited extent, opportunities and resources have been redistributed and equalized across the country because of federal money.

localities will have to make budgetary ends meet by cutting back expenditure demands to fit their existing revenue cloth," Shannon predicts. In general, Shannon expects the majority of states will experience "mild austerity;" exceptions, however, will be inevitable. Alaska, at one end of the spectrum, "stands on the threshold of fiscal nirvana" while the hard pressed central

Reliance on intergovernmental fiscal transfers as the primary means of dealing with states and local governments has had negative consequences as well. Commenting on the pain side of the pain/pleasure syndrome associated with federal aid, Governor William Clements of Texas said, "I find that every time you do diddling with the lion—in this case the federal government—you get bitten." (As reported in *U.S. News and World Report*, May 11, 1981).

ACIR research substantiates that the increase in the size and scope of intergovernmental revenues has weakened the authority of elected state officials to control the bureaucracy and to manage state affairs. The traditional "single state agency" requirement, dating back to the 1930s, is a case in point. By stipulating that one agency be designated to administer a federally aided program, this requirement has enhanced state agency autonomy—and linkages between state agencies and their Washington counterparts—and has been an obstacle to effective coordination and control within the state.

"Pass Through" Grants. States "pass through" almost 20% of the federal funds they receive to their localities, a recent ACIR research study revealed. In 1976–77, the research showed, "pass-through" funds amounted to \$12.3 billion, compared to \$7.3 billion in 1971–72. The pass through to local governments adds another dimension to intergovernmental relations in that the states superintend the portion they share with their localities.

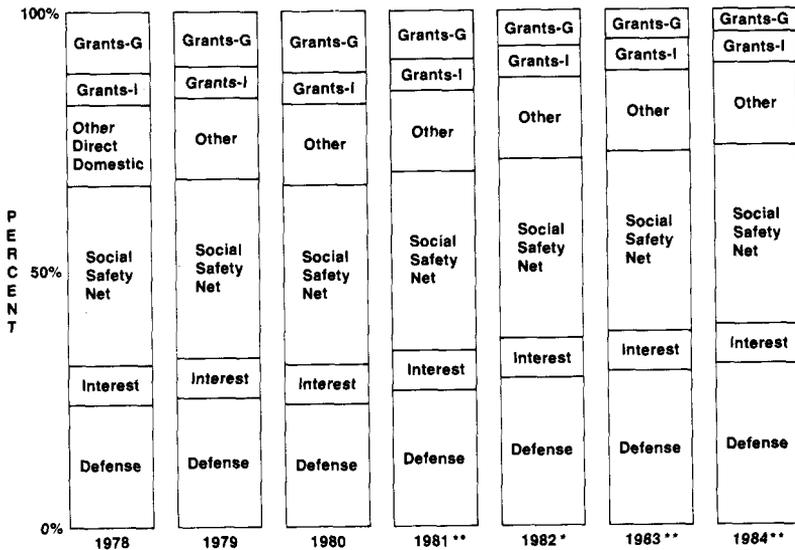
The States Bypassed. Local officials, particularly of larger jurisdictions, increasingly brought their problems to Washington in the 1960s and 1970s, bypassing their state capitals. The result of their efforts is that local governments currently receive more than one-fourth of all federal financial assistance directly.

cities located for the most part in the northeast and midwest "stand (as) the big losers of our intergovernmental system," in Shannon's analysis.

Journalist Neal Peirce paints a more dire picture: "State governments, already beset by severe financial crunches caused by tax lids and recession, are likely to be the fulcrum of a roaring

The Squeeze on Grants to State and Local Governments

Past and Proposed Shifts in the Composition of the Federal Budget



"Grants-G" refers to grants for governments.

"Grants-I" refers to grants to governments primarily for direct individual payment programs

* Administration Budget Proposals.

** Administration Budget Projections. Intended but as yet unspecified budget cuts were allocated proportionately among all categories except interest on the debt.

Source: ACIR Computations. Appendices to the Budgets of the United States. FY79, FY80, FY81, FY82 Budget Revisions, and Federal Government Finances. March 1981 Edition. Note Composition based on budget outlays, "social safety net" amounts for 1978 and 1979 were tallied by using the same programs as designated for this category by the new Administration in 1981.

fiscal crisis when the Reagan administration's full budget cuts take effect next autumn."¹¹

The rise of intergovernmental financial aid to local governments during the 1960s and 1970s undoubtedly helped reduce pressure for structural reform. Now, perhaps not surprisingly, its decline is precipitating interest in "home rule" issues. Indianapolis Mayor William Hudnut, president of the National League of Cities, took this message to the National Governors' Association meeting in August 1981. Mayor Hudnut told the governors that the tax and spending limitations are undermining the cities' ability to finance public services, especially in the wake of federal aid cuts. Further, Hudnut said, in almost half the states, cities do not even have the ability to structure their own forms of government.¹²

The taxpayer's revolt and President Reagan's New Federalism will possibly have mixed results. The search for fiscal solvency will probably range from seeking greater fiscal and functional local discretionary authority, as outlined by Mayor Hudnut, to improvements in financial management and state supervision. The verdict is still out and, although dislocation is inevitable, already healthy signs are emerging that austerity may renew interest in making government more efficient and accountable. Rochelle Stanfield, reporting in the *National Journal*, July 11, 1981, made that prediction: "Surprising as it may seem, budget austerity may be helping some mayors consolidate control at the local level and begin the process of sorting out who should do what at which level of government."

The trend of past years has been in the opposite direction—that is, to spin off functions to "independent" boards and authorities. Now, as revenues tighten, local officials are beginning to assert more control over where funds are being sent, particularly for such high ticket items as schools and transit. The search for solvency in the 1980s, will probably mean piecemeal, often grass-roots, efforts. In Tennessee, for example, a recent proposal for a 70¢ rate hike, together with a proposed 37% school tax increase, has reactivated interest in consolidating Memphis and Shelby County governments in an effort to hold down government costs. In Kentucky, Governor John Y. Brown gave his support to legislation allowing the consolidation of Louisville and Jefferson County governments, noting that "government reorganization has been a godsend for Lexington."¹³

¹¹Neal R. Peirce, "Here is our preview of the coming fiscal crisis," *Nation's Cities Weekly*, June 1, 1981.

¹²David Broder and James Naughtie, "Mayors Ask Governors for More Authority to Levy Taxes," *Washington Post*, August 11, 1981.

¹³As reported in the Louisville, KY, *Courier-Journal*, June 13, 1981.

THE STATES AS ARCHITECTS: THE ACIR BLUEPRINT

However much stronger states are, both procedurally and constitutionally, "the acid test of the states' real strength lies in their relationship with their own localities," points out David Walker, ACIR's Assistant Director for Structure and Functions.

The states are architects of local government. They are supposed to act like "good parents." Like any parents, they walk a fine line between ruling with too heavy a hand and being too lenient. States have been soundly criticized on both scores.

ACIR's assessment of the states' track record vis a vis their local governments helps to explain why the many reforms over the past years may make closer, better state-local ties more possible as well as why doubts remain. Over the past quarter century, significant shifts have occurred, particularly in the area of state-local finance. The states' share of total state-local general expenditures (from own-source funds) grew from 46.8% in 1957 to 57% in 1979. States now rank second to the federal government as the biggest financiers of domestic activities, a marked change from 1929 when local governments outspent both the states and the federal government. The most dramatic shifts occurred in school finance and public welfare expenditures. A majority of the states now provide more than half of local school costs; and they contribute 84% of state-local welfare expenditures, compared to 71.8% in 1957.

Although much of what states have done fiscally has been positive, what they have given with one hand, they frequently took away with the other. In the past few years, state actions assisting or broadening local fiscal capacity, or freeing local funds for other purposes, ran head on into popular demand for lower taxes and reduced spending. Consequently, state restrictions on local revenue raising and expenditures multiplied.

State constraints on local government actions are not just fis- 35

cal in nature. State mandates impacting localities increased dramatically in the past 15 years bringing with them added local costs and complications. One study of five states revealed that 2,151 state mandates have been imposed in these states since 1966, most of them by direct orders and 121 as conditions of grants-in-aid.¹⁴ The most common mandates pertained to solid waste disposal standards, special education programs, workman's compensation for local personnel (other than police, fire, and education personnel), and various provisions relating to retirement systems.

The rising costs to local governments imposed by these mandates prompted many states to attach fiscal notes to mandate legislation and agency rules, estimating the dollar cost to local governments of the state requirements. In 1979, a total of 36 states attached fiscal notes, up from 22 in 1977, and Maryland followed this procedure as a matter of practice. In addition, 12 states now compensate local units for the costs of requirements they impose, although compliance is mixed.

Aid to Distressed Communities

Nowhere are the states more criticized than they are in the area of aid to distressed, particularly urban, communities. As Governor George Busbee of Georgia said, "The perception that the federal government cares about cities and that the states do not has a number of roots, the most important of which is that it was once true." Are the states now more responsive to the needs of their less fortunate jurisdictions?

ACIR, in conjunction with the National Academy of Public Administration, attempted to assess how states helped their localities in trouble. The conclusion reached in the *States and Their Distressed Communities* (1981) report was that "only a small number of the 50 states have made extensive use of the full range of powers and tools at their disposal. . . . While the states' potential role is great, it remains largely unfulfilled." In each of the five policy areas the researchers investigated—housing, economic development, community development, fiscal and financial management assistance, and enhancement of self-help capabilities—the results show that 50 state governments have accomplished a great deal, but much more could be done.

¹⁴Catherine H. Lovell, Robert Kneisel, Max Neiman, Adam Z. Rose, and Charles A. Tobin, *Federal and State Mandating on Local Governments: An Exploration of Issues and Impacts*, Final Report to the National Science Foundation, June 20, 1979, Riverside, CA, Graduate School of Administration, University of California at Riverside, 1979.

The findings of the joint ACIR/NAPA study generally confirm earlier research conducted independently by Robert Stein, formerly with ACIR, entitled "The Allocation of State Aid to Local Governments: An Examination of Interstate Variations." In the Stein study, only nine states were found to consistently target their aid allocations to needier and fiscally strained cities between 1967 and 1977. However, the study's conclusion adds a cautionary note to this type of analysis: "We should not assume that states which do not target their aid allocations are not dealing with the problems of their urban/central cities. State centralization (of services) and functional transfers may represent alternative means for states to assist fiscally distressed and needy cities."¹⁵

Strengthening State-Local Relations

As architects of local government, the states' responsibility in restructuring local governments is paramount. It may well be their most important challenge in the coming years, albeit a politically difficult one. Specifically, to strengthen state-local governmental relations, the Commission recommends:

- 1) Granting greater local discretionary authority and clarifying that authority by constitutional amendment. While much has been done to lessen the constraints of Dillon's rule, more needs doing. Although the majority of states now grant functional "home rule" to their municipalities and counties, many still do not. Further, for those that do, implementing arrangements and fiscal constraints have sometimes diminished the authority granted. In terms of discretionary authority over fiscal matters, the lids of property taxes have been discussed. Less known are restrictions on other types of revenue sources. For example, while 36 states authorize their local governments to levy either a sales or income tax, only six states authorize their localities to employ both.

- 2) Establishing or supplementing standards for local government viability (a) by requiring any local government in the urbanized portion of an SMSA to have at least one full time employee or, (b) by requiring general governmental units to perform at least four functions (with some exceptions). The 1977 Census of Governments reported that 4,424 municipalities, 8,673 townships, 17,534 special districts,

¹⁵The Stein study is included as an appendix to Chapter III, *State and Local Roles in the Federal System*, A-88.

and 280 school districts had no full-time employees. Full-fledged local governments, in urbanized areas, should have at least one full-time employee or, alternatively, perform a minimum number of governmental functions.

3) Authorizing consolidation of two or more municipalities, towns or townships, when initiated either by a resolution of the respective governing bodies of the jurisdictions affected or by petition of the citizens therein and approved in a referendum.

The Commission warns that federal aid is no substitute for governmental reorganization—and federal decisionmakers need to recognize that federal aid cannot purchase it, or substitute for it, even when deemed desirable. Too frequently, federal policymakers have ignored the differing fiscal-functional assignment patterns within the 50 systems, and their requirements have encouraged the proliferation of “paragovernments” within and around cities and counties and frequently fractionated control of elected officials while strengthening that of less accountable specialists.

ACIR’s recommendations arising from its state and local government roles and assignment of functions study are reprinted in full in this *In Brief*. Sorting out roles and responsibilities will be a complex task. The Commission believes its recommendations are a step in the direction of strengthening federalism’s partners and restoring balance to the system.

CONCLUSION

American federalism has shown itself to be, above all, a pragmatic form of government for a nation as vast and variegated as ours. Now, as roles are once again in transition, and uncertainty is inevitably an accompanying condition, it might be helpful to remember that competing centralist/decentralist views have tugged at federalism since its inception. The Founders seemingly resolved their fear of highly centralized government by making the states' role strong.

In the 1780s when the U.S. Constitution was written, and for more than a century after that, states were the dominant partners in the Union. Succeeding wars and the Great Depression of the 1930s, along with other factors, brought the federal government to the fore, changing the position of the states and bringing adverse assessments of their performance. This shifting and readjusting continue to the present time as the nation reacts to each new problem as it arises.

States have spent much of the past two decades retooling. Just as a gap exists between retooling and producing in the manufacturing sector, so it does in the political arena. Much remains to be done. State and local officials have begun the difficult process of finding practical solutions to functional and fiscal difficulties.

Federal aid's decline and restructuring implies a number of possible scenarios for state-local relations in the 80s. Many predict that local officials will increasingly turn to their state leaders. Burton Barr, Republican leader of the Arizona House of Representatives, voiced that opinion: "Instead of our mayors and members of county boards flying off to Washington, they will just get into their cars and come to see us."¹⁶ Memories of unrepresentative and unresponsive legislatures, as well as frag-

¹⁶As reported in *U.S. News and World Report*, May 11, 1981.

mented executive offices, linger on however. Mayor Hance of Phoenix is one local official who would have a very short ride to the state house but voiced her doubts about making the trip at the first meeting of the President's Advisory Committee on Federalism. Mayor Hance stated: "We're told to come to the state-house; we have been there frequently. We're also told to have a happy attitude. The only problem is that happy attitudes in the past have not buttered our parsnips. And so our concerns are great."

Local governments have, in many cases, developed a "special relationship" with the federal government and it is probably unrealistic to expect states to step in and fill the federal vacuum completely. Beset by their own budget difficulties, the states have already stopped increasing their financial assistance to localities, and, in some cases, reductions have occurred.¹⁷

Whatever the trend in intergovernmental fiscal transfers to localities it is clear that, at least in the past, they impinged on local discretionary authority. States and localities must make the hard choices involved in structural and procedural changes if they are to avoid further encroachment on their local discretion and, at the same time, cope effectively with the mismatch of needs and resources that plagues local governments. This was the central conclusion that the ACIR reached in its study of state and local government structure and the assignment of functions.

The restructuring of federal financial aid may even provide an opportunity for forging a new alliance of state and local governments to develop fresh approaches to mutual problems. "In a positive sense," ACIR Assistant Director Carl Stenberg notes, "the block grants are probably going to cause the forging of new intergovernmental relationships that should have occurred long ago." As this *In Brief* summarized, the ACIR's research shows a resilient federal system, one that is more interdependent than ever before, but also one that is capable of generating unique solutions at each level of our tripartite system of governance.

¹⁷George Peterson, "Block Grants: The Question of State Capability," *State Legislatures*, July/August 1981.

SUMMARY FINDINGS

On the basis of its findings, the Commission concludes that the roles of the states and their local governments have shown both continuity and change over the past two decades, providing the basis of both hope and disappointment for those valuing strong state and local governments as essential elements of a viable American federal system. Specifically:

- Local governments have become increasingly more dependent fiscally on the state and federal governments, particularly the latter. Growing reliance on intergovernmental grants also has curtailed the administrative discretion of local officials since expenditure of the vast bulk of the aid monies is circumscribed by specific programmatic and procedural requirements and cross cutting national policies—in the case of the last, including even block grants and General Revenue Sharing.
- Local governments continue to be the work horses of the federal system in terms of the provision of direct services to the public. At the same time, there is less differentiation of servicing roles among the five basic types of local unit, with counties increasingly providing urban functions, special districts continuing to proliferate in number and in the types of activities carried on, and more functions being provided by more than one type of unit in the state-local system.
- At the substate regional level, the scenario has been “more of the same,” (that is, more of what was present in the early 1970s). Regional councils have spread until they cover practically the entire country and these voluntary, federally mandated in metropolitan areas, state-encouraged in the nonmetropolitan, partly indigenous and partly nonindigenous bodies, are looked to by many at all levels as eventual providers

of important activities and even some services on an areawide basis. Nevertheless, they continue to lack the structure, financial resources, and authority necessary to make them authoritative in their own right. Meanwhile, areawide special districts, overwhelmingly single purpose, have expanded their role and are by far the most numerous type of areawide body with any substantial degree of authority, and the number of successful city-county consolidations—the most common type of effort to achieve an areawide general government—grows at a slow pace, generally not in major urban areas and rarely encompassing a substate region (since most substate regions are multicounty).

- Generally, state governments have made great strides in strengthening their capabilities by adopting many reforms that have been urged for over 50 years. The improvements have affected all three branches of state government, especially the judiciary, and have involved structural, procedural, fiscal, and functional changes. While most of the reforms have been self-generated, some are attributable to outside influences, particularly the U.S. Supreme Court's decision on legislative reapportionment and the examples of other states.

- "Mixed progress" is the judgment on the 50 states' multifaceted role of power source, supervisor, helper, and encourager vis-a-vis their local governments. Yet, overall they have demonstrated more responsibility for their localities in the important areas of financial aid, organizational and functional discretion, and financial management oversight than was the case a generation ago. The failure of most states to promote structural improvement at the local and substate regional level is a serious shortcoming, however.

- In the past 20 years, the states have assumed a key role in the intergovernmental system as prime recipients and disbursers of federal aid; as planners, administrators, and supervisors of big intergovernmental programs (including their own as well as federal); and as objects, supplementers, and resisters of federal regulatory activities. This drastically expanded intergovernmental assignment, in effect, has conferred on the states a major new role in the overall federal system; at the same time their traditional prime function of serving as 50 differing representational systems has been revitalized in recent years thanks to major changes in their political processes. Yet, these two goals do not always complement one another.

RECOMMENDATIONS

Part I.

Excessive Reliance on Intergovernmental Grants as a Substitute for Local Governmental Restructuring

1. The Commission recommends (1) that policymakers and the public alike give balanced attention to the structural and areal traits of state and local governments when they focus on the fiscal and functional challenges confronting these governments—either separately or collectively; (2) that federal decisionmakers recognize that federal aid is no substitute for governmental reorganization, where needed, and cannot purchase it, even when deemed desirable; (3) that they weigh the implications of an aid system which with its conditions has strengthened agency autonomy within recipient subnational general governments, encouraged the proliferation of “paragovernments” within and around cities and counties, strengthened certain types of special districts and authorities, spawned an array of single function regional planning bodies above the county level, frequently ignored the differing fiscal/functional assignment patterns within the 50 systems, and frequently weakened generalists (elected officials having multifunctional responsibilities and their central management staff) and general governments, despite policies and management circulars geared to strengthening them; and (4) that states, as the prime architect of the financial, functional, areal, and organization structures of their localities and as the prime recipients of federal aid and of many negative structural and organizational side-effects of such aid, should in their own dealings with their local governments give increasingly more

even-handed attention—after appropriate consultation with such governments—to the many mismatches that generally have emerged at the substate level as a result of their avoidance generally of the local structural question—the mismatch between local fiscal resources and locally assigned servicing roles, between the differing fiscal resources and servicing assignments of some localities and those of others, between the geography of local servicing challenges and the geography of existing local general governments, and between the growing number of intermunicipal and intercounty special districts and the traditional concept of public accountability.

Part II.

The Process of Determining “Who Should Do What”

To strengthen the process of functional assignment and reassignment within each state, the Commission recommends that:

2. State legislatures establish a sunset procedure whereby every state program is reviewed periodically to determine whether its functions and subfunctions should be continued, terminated, transferred to political subdivisions, or expanded by assuming parallel functions currently being performed by political subdivisions.

3. State legislatures establish a procedure requiring that fiscal notes, previously recommended by this Commission,* include a statement on the impact of proposed new legislation on the state-local assignment of functions.

4. The Office of Management and Budget develop and periodically update, in consultation with the Bureau of the Census and representatives of state and local governments, a classification of the 50 states based on the functional, fiscal, and legal similarities and differences among their various types of local government; that the Congress in designing eligibility provisions of grant legislation give serious consideration to the utility of this classification; and that the President by executive order require departments and agencies administering grants whose distribu-

* ACIR, *State Limitations on Local Taxes and Expenditures*, (A-64), Washington, DC, U.S. Government Printing Office, 1977, p. 7.

tion is determined wholly or partly by administrative decision to give serious consideration to such classification in determining which units of local government are intended to be recipients of such grants in such states.

Part III.

Local Government Reorganization

To strengthen the state policy and process for improving local government organizations as delineated in earlier ACIR proposals, the Commission recommends that

5. States, through a local government boundary commission, other state agency, or the state legislature, establish or supplement standards for local government viability (a) by requiring any local government, general or special purpose, in the urbanized portion of an SMSA, to have the equivalent of at least one full-time employee, or, (b) by requiring general purpose units to perform at least four functions, or only two functions, provided that each of the two constitutes at least 10% of the jurisdiction's current expenditure budget. If either of these standards is not met, the state, after offering adequate opportunity for a hearing for the affected local government(s), shall consider dissolving the local government and providing for the transfer to and performance of its functions by (an) appropriate unit(s) of general local governments.

6. States authorize the consolidation of two or more municipalities, towns or townships, when initiated by a resolution of the governing bodies of the cities, towns or townships affected or by petition of the citizens therein and approved in a referendum at the next primary or general election by simple concurrent majorities in the governments involved.

7. Local discretionary authority be increased and clarified by state adoption of [a] constitutional amendment[s]:

a) granting to general purpose local governments all powers—structural, functional, and fiscal—not expressly reserved or preempted by the state legislature;

b) containing a self-executing provision;

c) requiring the state legislature to establish a “code of restriction” specifying those powers expressly reserved or preempted by the state legislature;

d) stipulating that the grant of local discretionary authority be interpreted liberally by the courts;

e) limiting the use of special legislation by requiring the state legislature to examine carefully requests by local governments for the enactment of special laws and to reject requests if the concerned local governments possess sufficient discretionary authority to achieve the objective(s) of the special laws by enactment of local bylaws, laws, or ordinances; and

f) requiring the state legislature to adopt and maintain a local government code consolidating all statutes applicable to local government. *

8. The states require units of local government located in substate regions every ten years or when three or more large special districts have emerged in a region to establish a representative areawide commission to study the current structural, functional, and fiscal relationships of local governments and substate regional organizations. The commission shall report on possible reorganizations, including multicounty consolidation, a modernized county, city-county consolidation, city-city consolidation, an elected regional multifunctional service district, or a strengthened regional council. If the commission recommends reform(s), the state legislature, on petition of an appropriate number of the citizens of the area involved, shall require a referendum to be held on any of the reform proposal(s) subject to approval by simple concurrent majorities in the governmental jurisdictions involved, and enact legislation, when necessary, to authorize implementation of such proposals as are approved by the voters. * *

9. States amend their constitutions, where necessary, and enact legislation authorizing and providing incentives for the modernization of county government, including (a) an elected or appointed chief executive, reduction of the number of elected administrative officials, an executive budget process, and development of planning, zoning, and subdivision regulations for their unincorporated territories; (b) county performance of municipal-type functions, with the taxing power of the county for such functions restricted to the area served, when (1) a countywide or less than countywide special district performs the service, (2) the public expresses through a referendum a

* Governor Dalton voted "No" on Recommendation 7.

* * Governor Dalton voted "No" on Recommendation 8.

preference for county performance of the service, or (3) there is a finding by the county governing body and the governing body of the concerned municipality or the governing bodies of a majority of the municipalities concerned, that such performance is in the interest of citizen convenience, fiscal equity to taxpayers, and more effective delivery of the service; and (c) adequate fiscal resources and diversification of the county revenue base.

Part IV.

Continued Support for and Strengthening of Substate Regional Organizations

The Commission recommends that:

10. The governors and legislatures of all applicable states, after appropriate and sufficient consultation with representatives of units of general local governments and their respective state associations, enact comprehensive state legislation dealing with substate districting, including the provision of adequate general support funding.

11. State legislators meet with regional councils and, where feasible, become members and involve themselves in council activities.

12. Affected states and the federal government recognize the need to develop joint federal-multistate compacts to adequately establish and empower regional councils in interstate metropolitan areas.

13. The President and the Congress move speedily to enact legislation establishing a unified federal aid policy on substate regionalism.

14. The President and Congress continue to utilize an appropriate portion of HUD's Section 701 grant program for the general support of the nation's approximately 600 state and areawide A-95 clearinghouses and also establish a procedure through OMB's apportionment process for reimbursing state and areawide A-95 clearinghouses for expenses incurred under the circular from existing appropriated substate regional planning assistance programs.

15. The President through his Office of Management and Budget initiate a more energetic and imaginative administration of Title IV of the Intergovernmental Cooperation Act of 1968 and OMB Circular A-95, especially its Part IV concerning the coordination of planning in multijurisdictional areas, and an expansion of the circular to require federal agencies to ensure consistency of reviewed projects with applicable federal policies as well as with state and areawide plans and policies.

Part V.

Strengthening State Government and State-Local Relations

The Commission urges all three branches of state government—executive, legislative, and judicial—to give increasing attention and assign added resources to the development, implementation, and monitoring of measures for strengthening the organization, administration, and functioning of state government.

In addition to its numerous earlier specific recommendations in this area, the Commission further recommends that:

16. **Governors and legislatures reassess the role and contemporary relevance of state regulatory and licensing boards and commissions and eliminate those not needed; and in the case of those that are still needed, take steps toward enhancing the impartiality of their quasi-judicial functions and the efficiency and effectiveness of their administrative activities including eliminating duplicative state-local licensing and regulation.**

17. **Governors and legislatures join in converting the state A-95 review and comment process into an integral component of state planning and budgeting.**

18. **State legislatures, by amending their administrative procedures statutes or, where necessary, enacting such statutes, require publication of proposed rules and regulations, the maintenance of current codification of all rules and regulations presently in effect, and periodic reassessment thereof.**

19. **State constitutional amendments or legislation be adopted that substantially reduce the use of multimember boards and commissions for the administration of "line agency" functions.**

20. The federal government curb its intrusion into state organization and procedures by amending Section 204 of the Intergovernmental Cooperation Act of 1968 to eliminate any federal assistance condition that requires a single state or local government department, agency, multimember board or commission, or a single bureau, division, or other organizational unit to serve as the administrative focal point of an aided program, along with any provisions that dictate a specific headquarters-field administrative relationship within a state or substate governmental department or agency.

COMMISSION MEMBERS

Private Citizens

Eugene Eidenberg, District of Columbia
Robert B. Hawkins, Jr., California
Mary Eleanor Wall, Illinois

Members of the United States Senate

David Durenberger, Minnesota
William V. Roth, Delaware
James R. Sasser, Tennessee

Members of the U.S. House of Representatives

Clarence J. Brown, Jr., Ohio
L. H. Fountain, North Carolina
Charles B. Rangel, New York

Officers of the Executive Branch, Federal Government

Samuel R. Pierce, Jr., Secretary, Department of Housing and Urban Development
James G. Watt, ACIR Chairman, Secretary, Department of the Interior
Richard S. Williamson, Assistant to the President for Intergovernmental Affairs

Governors

Lamar Alexander, ACIR Vice Chairman, Tennessee
Bruce Babbitt, Arizona
Forrest H. James, Jr., Alabama
Richard A. Snelling, Vermont

Mayors

Margaret T. Hance, Phoenix, Arizona
Richard G. Hatcher, Gary, Indiana
James Inhofe, Tulsa, Oklahoma
Joseph P. Riley, Jr., Charleston, South Carolina

State Legislators

Fred E. Anderson, President, Colorado State Senate
Ross O. Doyen, President, Kansas State Senate
Richard Hodes, Majority Leader, Florida House of Representatives

Elected County Officials

Lynn C. Cutler, Board of Supervisors, Black Hawk County, Iowa
Roy Orr, County Commissioner, Dallas County, Texas
Peter F. Schabarum, Los Angeles County, California, Board of Supervisors

What is ACIR?

The Advisory Commission on Intergovernmental Relations (ACIR) was created by the Congress in 1959 to monitor the operation of the American federal system and to recommend improvements. ACIR is a permanent national bipartisan body representing the executive and legislative branches of Federal, state, and local government and the public.

The Commission is composed of 26 members—nine representing the Federal government, 14 representing state and local government, and three representing the public. The President appoints 20—three private citizens and three Federal executive officials directly and four governors, three state legislators, four mayors, and three elected county officials from states nominated by the National Governors' Association, the National Conference of State Legislatures, the National League of Cities/U.S. Conference of Mayors, and the National Association of Counties. The three Senators are chosen by the President of the Senate and the three Congressmen by the Speaker of the House.

Each Commission member serves a two year term and may be reappointed.

As a continuing body, the Commission approaches its work by addressing itself to specific issues and problems, the resolution of which would produce improved cooperation among the levels of government and more effective functioning of the federal system. In addition to dealing with the all important functional and structural relationships among the various governments, the Commission has also extensively studied critical stresses currently being placed on traditional governmental taxing practices. One of the long range efforts of the Commission has been to seek ways to improve Federal, state, and local governmental taxing practices and policies to achieve equitable allocation of resources, increased efficiency in collection and administration, and reduced compliance burdens upon the taxpayers.

Studies undertaken by the Commission have dealt with subjects as diverse as transportation and as specific as state taxation of out-of-state depositories; as wide ranging as substate regionalism to the more specialized issue of local revenue diversification. In selecting items for the work program, the Commission considers the relative importance and urgency of the problem, its manageability from the point of view of finances and staff available to ACIR and the extent to which the Commission can make a fruitful contribution toward the solution of the problem.

After selecting specific intergovernmental issues for investigation, ACIR follows a multistep procedure that assures review and comment by representatives of all points of view, all affected levels of government, technical experts, and interested groups. The Commission then debates each issue and formulates its policy position. Commission findings and recommendations are published and draft bills and executive orders developed to assist in implementing ACIR policies.