22nd Annual Report

ACIR: THE YEAR IN REVIEW

The Advisory Commission on Intergovernmental Relations
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Loom Good

ACIR: THE YEAR IN REVIEW

The beginning of a new decade was a time for somber reflection on the state of American federalism, both for the Nation as a whole and for the Advisory Commission on Intergovernmental Relations. The longstanding question of how dollars and power should be distributed took center stage in the intergovernmental arena in 1980. The "era of limits" ushered in with the Eighties took hold as the year wore on. Real federal aid to states and localities continued on the slow decline begun in 1978 and further cuts seemed inevitable. Just where the budget ax should fall, however, was the subject of heated debate throughout the year. Financial pressures, from inflation and recession, combined with voter resistance to increased taxes, made the task of governance a difficult challenge at every level of our federal system. Sharing power among the federal government, states, and localities has never been easy. Austerity makes it even harder.

Towards the end of 1980, a healthy resurgent interest in the fundamental precepts of federalism emerged. The question of which level of government should be doing what was increasingly raised by federal, state, and local officials. The Commission's completion of a major, three-year study on the federal role in the federal system appears to have been particularly timely. The
Commission found in 1980 that American federalism's most trumpeted traits -- workability and flexibility -- are critically endangered largely because of the growth in the federal government's influence and activities. A six-point agenda to restore balance and restraint to what has become an overloaded intergovernmental system was adopted.

Although 1980 could rightfully be termed the "year of the federal role" for the Advisory Commission on Intergovernmental Relations, state and local governments and their proper roles were hardly ignored. The Commission found that states are now generally better equipped to fulfill their middleman role between the federal government and localities. Local governments, still the workhorses of the federal system in terms of direct provision of services to the public, are increasingly dependent on outside sources for revenues, namely federal and state aid, and the Commission focused on ways to restructure local governments so that this dependence can be reduced.

Despite its concern for the overriding problems of federalism, the Commission also considered "nuts and bolts" and equity issues. The current patchwork of payments-in-lieu of taxes for federally-owned urban properties should be replaced with a more comprehensive, equitable system, the Commission agreed in 1980. Legislation to create such a program was introduced in the 96th Congress and is expected to be on the 1981 legislative calendar.
Grant reform, in 1980 as in other years, remained a top ACIR priority. ACIR-backed legislation, the "Federal Assistance Reform Act of 1980," sunset review, and fiscal notes, received a favorable hearing in 1980 and the outlook for their passage in the 97th Congress is optimistic. The Joint Funding Simplification Act of 1974, which expired in February of 1980, has long been supported by the Commission as one way to better coordinate grant programs and was reauthorized.

Towards the close of last year, a more recent ACIR proposal, a national convocation on federalism, also gained Congressional support. Senator William Roth (DE) introduced a resolution last year, and promised to reintroduce it in 1981, which would provide for just such a meeting. The National Governor's Association, and the National Conference of State Legislatures joined ACIR and several key Congressional leaders in calling for a convocation on federalism to bring together officials and representatives from the public to assess the roles of the federal, state, and local levels of government and devise an agenda for change.

The ACIR Approach

ACIR is a 26-member national, bipartisan body established by Congress in 1959 to monitor the intergovernmental system and make recommendations for change. Because it represents the executive and legislative branches of all three levels of government and because of its status as a permanent, independent commission, ACIR
is able to follow-up on its recommendations, encouraging and assisting both branches of federal, state, and local governments to consider and implement them.

The work of the Commission flows in three stages: staff research undertaken at the direction of the Commission; policy-making by the Commission; and efforts by both the Commission and its staff to facilitate the adoption of the Commission's policy recommendations.

The Commission determines the research agenda, basing its choices on the members' own wide-ranging experiences, observations, and contacts as well as on staff evaluations of alternatives. Once a topic is selected, staff gathers information by a variety of methods including library research, Commission hearings, staff surveys, and field studies.

To assure that all relevant aspects of each subject are reflected in the findings and background sections of a report, the staff conducts "thinkers' sessions" at the beginning of a research project to help define its scope and approach. "Critics' sessions" are scheduled near the completion of a project to avoid errors of omission or bias in the draft prepared for the Commission. Participants in these sessions usually include Congressional staff members, representatives of appropriate government agencies, public interest group spokesmen, members of the academic community, and representatives of relevant civic, labor, and business associations.
When the background and findings are prepared, they are presented to the Commission along with the appropriate range of alternative policy options. The Commission debates the report at a public meeting and votes on policy recommendations. Subsequently, the report is widely disseminated, appropriate recommendations are translated into model state legislation or Congressional bills and implementation work proceeds.

The Commission recognizes that, as a permanent body, its mandate is not merely to study the operations of the federal system, but also to seek to improve it. Therefore, the Commission believes that its contributions should be measured largely by its actual achievements in bringing about significant improvements in the relationships among federal, state and local governments. For that reason, it devotes a significant share of its resources to encouraging and facilitating the consideration of its recommendations for legislative and administrative action by governments at all levels through draft legislative proposals, technical assistance, and other implementation activities.

**Completed Work**

In 1980, the Commission completed work on three related projects which were requested by Congress in the 1976 renewal legislation for general revenue sharing: the federal role in the federal system; a conference on the future of federalism; and state-local structure and assignment of functions. The
Commission also completed a study on payments-in-lieu of taxes (PILOT) for non-open space (urban) properties and recommended a federal PILOT program for such property. Members of the House of Representatives had requested that this study be made. Staff progress reports on two additional topics were heard by the Commission: state taxation of multijurisdictional businesses and fiscal management of federal pass-through grants.

The Federal Role. The 1976 legislation to renew general revenue sharing asked the Commission to "study and evaluate the American federal system in terms of the allocation and coordination of public resources among federal, state, and local governments."

In 1980, the Commission completed work on this topic, one of the most ambitious and far reaching in ACIR's history.

Consideration of the federal role study flowed in several distinct stages. Following in-depth staff research, which resulted in an 11-volume series entitled The Federal Role in the Federal System: The Dynamics of Growth, the Commission held hearings in March of 1980. Four expert witnesses were invited to testify. The staff research and experts' opinions figured heavily into the Commission's overall finding that "the current network of intergovernmental relations has become dangerously overloaded to the point that American federalism's most trumpeted traits -- flexibility and workability -- are critically endangered. This
threatening condition has come about largely as a consequence of
a rapid expansion in the overall scope, range of specific concerns,
and coercive character of the federal role in the federal system."

To correct major malfunctions in the workings of the system,
the Commission grappled with a series of recommendations. Its
six-point agenda for reform is headed by a proposal to drastically
streamline and simplify the federal grant-in-aid system. In the
past, the Commission urged consolidation of closely related grant
programs. In 1980, the Commission moved beyond advocating consoli-
dation to include, as well, terminating or phasing out many of the
numerous, small, narrowly defined grant programs. The major candi-
dates for termination or phaseout are: (1) the approximately
420 small federal categorical grant programs which together account
for only 10% of all grant funds; (2) programs in functional fields
in which federal aid amounts to approximately 10% or less of com-
bined expenditures in that field (including federal, state, and
local expenditures); (3) programs, especially small ones, which
have high administrative costs relative to the federal financial
contribution; and, (4) programs which obtain - or could obtain -
most of their funding from state and/or local governments, or
fees for services, or which could be shifted to the private sector.

The Commission's strategy to sort out functional responsibil-
bilities also includes a reaffirmation of its longstanding
recommendations for full federal assumption of the welfare burden (specifically, Aid to Families with Dependent Children, Medicaid, and General Assistance). The Commission further recommended in 1980 that the federal government move toward the assumption of full financial responsibility for other existing governmental programs aimed at meeting basic human needs such as employment security, housing assistance, medical benefits, and basic nutrition. This position recognizes the continuing reality of poverty in the midst of plenty. It suggests that, just as the national government has necessarily assumed paramount responsibility for managing the economy in the aggregate, it also should accept responsibility for meeting the basic human needs of those whom the economy has failed as individuals. Each of these interrelated areas is one in which the national government has historically assumed a political and fiscal leadership role -- and only national financing can assure that an adequate standard of benefits exists throughout the Nation.

Decongestion of the federal grant-in-aid system is the cornerstone of the Commission's federal role agenda. Related recommendations to restore balance are:

- Decongestion is but one aspect to ending the "pass now, pay later" philosophy of the past two decades.

Federal regulations and mandates -- over 1,200 of
which are now imposed on states and localities—often entail heavy costs. The Commission urges that these costs be estimated, through fiscal notes and regulatory impact analyses, for every federal law and regulation.

The Commission recommends that the President, at the earliest possible date, convene a Convocation on Federalism, an assemblage of federal, state, and local elected officials as well as leading representatives from the public to identify problems in our federal system and to chart paths of reform.

The Commission recommends swift adoption of the proposed "Federal Constitutional Convention Amendment Act," which would clarify and implement the state legislatures' petition approach to amending the Constitution as provided under Article V. While five major efforts, including the balanced federal budget drive, have been mounted over the past 20 years, none has been successful to date.

Special interest groups may have sprung up like dandelions after a spring rain, but the vast majority of the population is still unrepresented by
them. The political parties, which have traditionally served in a representational role, are now in a weakened state and need, in the Commission's view, to be strengthened. Towards this goal, the Commission advocates a reduction in the number, dates, and duration of presidential primaries, the elimination of open primaries, and the convening of mid-term conventions by each of the two major parties.

The Commission finds that greater autonomy for states and local governments is a necessary ingredient for a balanced federal system. Groups representing state and local elected officials in Washington have already begun to reorder their priorities concerning federal aid and accompanying regulations. The Commission applauds their efforts and urges their continuance. States and local governments must also maintain a vigilant posture against coercive federal actions. A "legal defense fund" for states and localities is needed to identify and publicize excessively coercive or intrusive federal actions and, if necessary, to institute litigation. States have come a long
way in recent years in recognizing their responsibilities to local governments and this trend should continue. Local governments should be granted adequate taxing authority and/or state aid to perform vital public services.

The Future of Federalism. In a related effort, the 1976 renewal of revenue sharing also directed ACIR to study and evaluate the forces likely to affect the nature of American federalism in the future. To satisfy this mandate, ACIR held a Conference on the Future of Federalism in July of 1980. For a day and a half, over 30 political leaders, academicians, appointed officials, "futurists" and others pondered the forces likely to exert major influence in shaping federalism in the 1980s and then considered what strategies might be undertaken to improve the system's performance. Background papers on fiscal federalism, political federalism, and judicial federalism were commissioned to set the stage for the conference.

The conference participants in their discussion underscored the range of opinions about the difficulties in predicting the future of our nearly 200-year old system of government. The pessimists seem to carry the day on the state of contemporary federalism -- the political system is confused, they said, and accountability difficult to pinpoint. Most also agreed that the
task of reform -- even of an incremental nature -- would be difficult at best. Overall, however, a consensus seemed to emerge, and, given the group's general predisposition to cloudy forecasts, the conference, surprisingly perhaps, ended on a cautiously optimistic note. Most felt that, although the federal system would undoubtedly undergo severe strains in the coming years and reforms will probably be elusive, the challenges likely to face federalism will probably not be insurmountable. Our system is a dynamic one and, thus almost by definition, messy and not always functional. But, the message was clear: the academicians, politicians, and private citizens present wouldn't have it any other way.

A publication based on the conference, which includes background papers and an overview of the conference proceedings, will be available in the Spring of 1981.

State-Local Structure and Assignment of Functions. As a complementary work to the federal role study, the general revenue sharing reauthorization bill requested the ACIR to focus on state and local roles, including how responsibilities for performing and financing governmental services are, and should be, assigned between and among states and local governments. The Commission found that states have generally moved in the direction urged by reformers -- the ACIR among them -- for the past several decades. While not all states have moved at the same pace, most have modernized their constitutions and their legislatures, strengthened the Governor's
role, and regained fiscal health. The states, in the Commission's view, are now better equipped to be more effective middlemen between the federal government and localities, one of their most important roles as envisioned by the Founding Fathers.

The Commission's appraisal of state government performance was positive on many counts. One area where there was only "mixed progress" was the states' multifaceted role as power source, supervisor, helper, and encourager of their local governments. To revamp and strengthen structural and functional processes of their localities, the Commission urged states to:

-- require units of local governments every 10 years, or when three or more large special districts have merged in a region, to establish a representative areawide Commission to study the current structural, functional, and fiscal relationships of local governments and sub-state regions. If this Commission recommends reforms, on petition of a representative number of citizens in the area involved, a referendum should be held on the proposals subject to approval by a simple concurrent majority.

-- broaden local discretionary authority by amending state constitutions to grant general purpose local governments all powers not expressly reserved or preempted by the state legislatures.
The Commission further said that states, through a local government boundary commission, other state agency, or the legislature, should seriously consider establishing or supplementing standards for local government viability. These standards might require any local government in an urbanized portion of an SMSA, general or special purpose, to have the equivalent of at least one full-time employee, or might require 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 these standards are not met, after offering adequate hearings to the affected local government, the state should consider dissolution of the local government and provide for the transfer of the functions to another government.

It also called on states to:

- 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;

- adopt procedures under which the impact of proposed legislation on state-local assignment of functions would be part of fiscal notes attached to proposed legislation; and
-- authorize and provide incentives for the modernization of county government, including an elected or appointed chief executive, authorization for county performance of municipal type functions, and authorization for adequate fiscal resources and diversification of the county revenue base.

In 1980 the Commission substantially completed work on this study, State and Local Governmental Structure and Assignment of Functions, except those dealing with state governmental capacity which were to be reviewed in January 1981.

Federal Payment-In-Lieu-of-Tax Systems for State and Local Governments. As a follow up to Commission work relating to federal compensation to state and local governments for tax-exempt federally-owned lands (The Adequacy of Federal Compensation to Local Governments for Tax Exempt Federal Lands, A-67, July 1978), the Commission examined the intergovernmental implications of non-open space or urban properties.

The Commission recommended that the Congress authorize a program of payments-in-lieu of real property taxes to state and local governments in an amount equal to that which would be paid if the federal government were actually subject to the real property tax.

The recommendations were based on the findings of the Commission that "the current federal immunity from the real property tax not
only leads to a significant erosion of the total state and local
own-source revenue base but that it also leads to gross violations
of the equity principle in public finance that taxpayers in equal
circumstances be treated equally." ACIR estimates that in 1978
the total value of U.S. real property was approximately $280
billion -- 23% in land, 53% in buildings, and 24% in structures
and facilities.

In recommending a PILOT program for non-open space properties,
the Commission noted that such a reimbursement policy should be
viewed as replacing rather than supplementing the bulk of the
existing patchwork of in-lieu of real property tax payments.

Further, it should be considered separate from all other
federal programs which provide general and categorical assistance.
The Commission also recommended that:

-- the federal inventory of real property located
   within the United States should be taken biennially; and

-- each state should examine its own real property
tax immunity and consider authorizing programs
designed to fully compensate local governments
for revenues lost due to the exemptions of state-
owned real property.

Implementation Activities

The activities of the Commission's implementation section are
directed at transmitting ACIR recommendations to the appropriate
parties as well as raising the level of information and understanding concerning intergovernmental issues. Implementation activity on the federal level consists of monitoring intergovernmental policy decisions and identifying appropriate opportunities to transmit Commission recommendations during legislative and administrative decisionmaking processes. Implementation activity relating to state and local jurisdictions includes the distribution of Commission recommendations and providing technical assistance upon request. Additionally, ACIR recommendations for state action are translated into suggested legislative language for consideration by state legislatures. Short term study projects dealing with topical intergovernmental issues are frequently undertaken by the implementation section. Information dissemination is achieved through publications and various presentations before a range of organizations by Commission members and staff.

While the majority of federal and state implementation efforts are the responsibility of the policy implementation section, the staff of both research sections as well as the executive director, the chairman, and Commission members participate to varying degrees depending on the nature of the activity.

**Federal Relations.** Implementation activities relating to the federal level in 1980 consisted of monitoring legislative and administrative developments in areas such as grant reform
and intergovernmental finances and transmitting Commission recom-
mendations through contacts with relevant parties and Congressional
testimony, and through lectures, presentations and responding to
inquiries. Additionally, the implementation section, in coopera-
tion with the Office of Management and Budget (OMB), launched a
series of Federal Assistance Roundtables, designed to aid OMB in
the development of new grant management policies.

The implementation section has directed its efforts primarily
to the following areas:

--- Federal Grant Reform. Throughout 1980, implementation
staff monitored Congress' consideration of the companion
omnibus grant reform bills (S. 878 and H.R. 4504).
The "Federal Assistance Reform Act of 1980" is the
first comprehensive attempt to make structural and
procedural improvements in the federal grant-in-aid
system since the Intergovernmental Cooperation
Act of 1968. Based largely on ACIR recommenda-
tions, the bills deal with the consolidation of
categorical programs, standardization of cross-
cutting national policy requirements, stream-
lining of financial management practices,
strengthening of the joint funding simplification
process, and provision of better information
on federal aid availability and awards. Virtually all the Congressional activity in this grant reform area occurred in the Senate, with S. 878 being passed on December 1. No hearings were held during 1980 on H.R. 4504. In connection with past and present consolidation efforts, ACIR sponsored a Grant Consolidation Workshop in May. Panel participants included representatives from OMB, the White House, the General Accounting Office, Federal Emergency Management Agency, Environmental Protection Agency, U.S. Public Health Service and the Congress.

On a related front, Congress passed a bill to renew the Joint Funding Simplification Act of 1974. Because of the need to provide a legislative basis for joint funding arrangements that were underway, the Commission urged prompt action on the renewal legislation, while at the same time favoring the approach embodied in the "Federal Assistance Reform Act of 1980" as a longer-term means of enhancing the effectiveness of joint funding. The record of this program was assessed by implementation staff in an Information Bulletin released in July.
Intergovernmental Fiscal Relations. Commission staff followed closely the general revenue sharing debates that took place during the year. In a March hearing before the House Subcommittee on Intergovernmental Relations, Chairman Beame reiterated the Commission's position in support of full reauthorization of general revenue sharing.

ACIR Vice Chair Lynn Cutler testified before the Senate Subcommittee on Public Assistance in February, urging federal takeover of full financial responsibility for the provision of public assistance, including general assistance and Medicaid.

Federal Assistance Roundtables. At its September meeting, the Commission authorized the implementation staff to launch, in cooperation with the Office of Management and Budget, a series of Federal Assistance Roundtables, which will last until October 1981. In support of the undertaking, ACIR has received funding commitments from the Departments of Health and Human Services, Interior, Agriculture, and Labor, the Economic Development Administration, and the Urban Mass Transit Administration. The basic purposes of
the roundtables are two-fold: (1) to present in a timely fashion the issues, problems, and alternative remedial approaches associated with various aspects of contemporary federal assistance policy; and (2) provide improved access to all major recipient groups in the policymaking process and obtain comments from the affected parties. The first roundtable was held in Washington on November 20-21 and focused on competition for federal assistance awards, dispute resolution policies (disputes between grantors and grantees), the implementation and impact of handicapped regulations, and administration of cross-cutting national policy requirements. A second roundtable was held on December 16-17 in San Francisco, CA. The agenda included these issues as well as a discussion of conflict resolution policy (conflicts between federal agencies). A transcript of the proceedings is being prepared, and implementation staff will submit an analysis of the information collected with appropriate recommendations to OMB.

--- Legislative Follow-up. Much of the 1980 federal implementation activity involved continuing follow-up on issues of longstanding Commission concern,
including efforts to pass "sunset," fiscal notes, mandates reimbursement and regulatory reform legislation. Another follow-up effort involved monitoring the implementation of cigarette bootlegging legislation (P.L. 95-575) by the Bureau of Alcohol, Tobacco and Firearms. ACIR Assistant Director John Shannon testified before the Senate Committee on Appropriations regarding state revenue losses resulting from cigarette bootlegging.

Implementation section staff also has monitored developments in federal urban policy as well as Congressional efforts to convene a national conference on federalism.

State and Local Relations. Implementation activity directed at state and local governments in 1980 was largely undertaken in connection with various Commission projects dealing with topics of particular interest in these jurisdictions. ACIR also provided technical assistance and dissemination information on a range of subjects to state and local governments.

-- Financial Management Capacity Building. The Commission's State Initiatives in Local Financial Management Capacity Building project, initiated in 1978 with funding from the Department of Housing and Urban Development (HUD), moves towards its
completion in June 1981. Working closely with the staffs of the National Governors' Association and the National Conference of State Legislatures, technical assistance is being provided to a number of states in such areas as risk management, fiscal notes, mandate reimbursement, pension reform and state aid administration. Implementation staff now is beginning to assess the results of the project over the past three years. As one indicator, a preliminary review of the laws contained in the files of the "State Legislative Resource Center" that was set up as part of the project suggests that ACIR's model bills have been useful to a large number of states.

State ACIRs. Over the past two years there has been a growing interest in state advisory commissions on intergovernmental relations. Although no new ACIRs were created during 1980, implementation staff received several requests for information from states that were considering acting in this area. An Information Report, entitled "State-Local Relations Bodies: State ACIRs and Other Approaches" was completed in October. This document reviews the states' experiences with different
types of intergovernmental advisory agencies. It is expected that the information provided on their organization, financing, work program, and record will kindle more state interest in improving the capacity to recognize and consider intergovernmental issues through these means. As part of this project, implementation staff has worked closely with many of the state ACIRs and local government commissions, and it is hoped that these efforts will yield closer communication and collaboration in matters of mutual interest in years ahead.

--- State Urban Policy. As part of a joint project of the implementation section and the National Academy for Public Administration, a pre-publication copy of the 1980 report on "The States and Distressed Communities" was released. Review copies were provided to all the states, and the final version will be printed early next year. Research on state aid to distressed areas will continue for three additional years, thanks to funding from HUD. Overall, the report showed that while many states are emerging as the architects of urban and rural development policies, few have made extensive use of the full range of powers and tools at their disposal.
The limited degree to which states have assisted distressed areas may be, in part, the result of the significant divergence of opinion among state and municipal policymakers regarding appropriate policy. An analysis of survey data suggests considerable division in local priorities regarding state actions to assist distressed localities. Where small town officials emphasize the importance of state actions enhancing local self-help capabilities, representatives of central cities favor development activities to spur revitalization of depressed metropolitan neighborhoods. Urban county officials support general purpose housing and development programs useful in either central cities or small towns. The scene that emerges is one of the state as mediator: state assistance policy preferences reflect state efforts to mend conflicting local priorities as well as the state's community aid agenda into a single local assistance strategy.

It is anticipated that the research on state aids to distressed communities will help encourage consideration of several of the Commission's model bills dealing with housing and community development, tax policy, substate regionalism, and local government modernization.
OMB Circular A-102 Project. The implementation staff has completed its year-long study focusing on the fiscal requirements that accompany federal grants that pass-through states, particularly those contained in OMB Circular A-102, "Uniform Administrative Requirements for Grants-in-Aid to State and Local Governments." A critics' session on the draft report was held in November, and comments also were solicited from many of the 54 federal, state, and local officials who were interviewed in the course of the research effort. The Commission will consider recommendations from the report in January 1981.

Technical Assistance. In general, this assistance involved the preparation of special materials, the modification of ACIR draft bills to meet specific situations, on-site visits and consultation with citizens' study commissions, state agencies, legislative committees, legislative drafting offices, and governor's staffs. Examples of ACIR's state technical assistance in 1980 include: assisting the South Carolina ACIR with its Growth Assembly; providing information and assistance to Iowa,
Minnesota, New York, and Tennessee on establishing state ACIRs; and, working on a regional ACIR proposal for the Western Federal Regional Area. In connection with the Financial Management project assistance was provided to a number of states concerning various aspects of the project, such as mandating, fiscal note legislation and indexation.

-- Publications. During 1980, the Commission published nine reports containing policy recommendations, eight information reports, four issues of Intergovernmental Perspective, and one "In Brief." (For a complete listing see Appendix F). In addition, the Commission produced two Information Bulletins on the following topics: an analysis of The Joint Funding Simplification Act, and an update on State ACIRs and Advisory Panels.

-- Public Appearances. ACIR policy implementation staff have participated in national meetings and workshop sessions of the National Governors' Association, National Conference of State Legislatures, National Association of Counties, U.S. Conference of Mayors, and National League of Cities as well as serving as speakers for annual meetings
of a number of state and county municipal leagues.
Staff from the Commission's two research sections
have been similarly involved in raising the level
of information in their respective areas of expertise.

Current and Future Activities

The subject diversity contained in the 1980-81 work plan reflects
the broad nature and complexity of our intergovernmental system. The
mixture of long and short term research projects making up the work-
plan integrates the objective of producing quality, in-depth research
with that of remaining in step with intergovernmental trends and
developments. Similarly, the implementation agenda incorporates
projects which require a protracted and sustained effort with
those upon which the Commission's voice can have a more immediate
and measurable impact.

In 1981, the Commission will follow-up on its recommendations
which stemmed from its study on the federal role in the federal
system, concentrating on specific ways to streamline the federal
grant-in-aid system. The Commission will also embark on a related
effort, an in-depth study into the numerous federal mandates which
impact state and local governments. ACIR's Structures and Functions
Section will also take another look at the longstanding problem of
jail facilities, a Commission concern for a past decade.

New research projects are underway in the taxation field as well.
Staff work has begun on two highly controversial intergovernmental
topics: state severance taxes on mineral resources and state taxation of multijurisdictional businesses. Both research undertakings will focus on how far the federal government should go -- if anywhere -- in regulating these two aspects of state taxation. The growing dependence of local governments on state and federal financial aid continues to be a major source of concern for the Commission, and ACIR staff will devote considerable time to the project entitled "Local Government Finance in the 1980s."

ACIR's Tax and Finance staff will also undertake research on broadening the definition of a state's tax wealth and will publish its annual nationwide poll on the public's attitude towards government and taxes. More details on these projects follow.

Federal Role Follow-up. The cornerstone of the Commission's recommendations drawn from the federal role study is the "decongestion" of what has been termed an overloaded intergovernmental grant-in-aid system. ACIR staff will develop specific packages and approaches by which the federal government might assume responsibility for certain functions, devolve others to state and local governments or the private sector, and consolidate or terminate certain grant programs. ACIR staff will further examine the possibilities of returning certain revenue sources to the states to finance additional functional responsibilities.

The Commission's further work on decongestion could be used to provide additional basis for a Convocation on Federalism should one be convened.
Federal Mandates Impacting State and Local Governments. Proposals to trade-off functions -- whether through assumption by the federal government or devolution to the other levels -- and consolidate or terminate grant programs cannot succeed in arresting the growth of federal intrusiveness into state and local affairs unless the techniques of advancing national goals by attaching multiple requirements to all forms of federal assistance is simultaneously addressed. ACIR's research on the federal role noted that over 1,200 mandates and regulations currently impact on state and local governments. Some are direct orders and others are conditions of federal aid. No one really knows the cumulative costs of these federally-imposed requirements. They are an intergovernmental mystery in many ways. ACIR staff will work in 1981 to unravel at least part of this mystery. The study on mandates will complement recommendations for consolidation and trade-offs as part of the Commission's strategy to restore balance and rationality to the federal system.

Local Jails. The Commission has voted to accept a grant from the National Institute of Corrections (part of the Bureau of Prisons within the U.S. Department of Justice) to study the intergovernmental aspects of jail reform. In 1971, ACIR released State-Local Relations in the Criminal Justice System which contains Commission recommendations to upgrade correctional institutions and rehabilitation
services. Volume 10 of ACIR's *State Legislative Program, Criminal Justice* (issued in 1975), sets forth model correction legislation. In the 10 intervening years since ACIR first studied this problem, little progress has been made in reversing what were then found to be bleak conditions, according to early ACIR "reconnaissance" on the subject. ACIR staff will investigate the current situation in 1981 and propose possible reform measures.

**State Taxation of Natural Resources -- the Federal Role.** When ACIR studied interstate tax competition, just three years ago, the staff found that state severance taxes on oil, gas, coal, and other natural resources were generally modest, and that there was no need for federal intervention. However, since then, deregulation and rapidly escalating prices have caused energy taxes to skyrocket. State severance taxes, in particular, have become a major point of intergovernmental tension. The federal role, including possible federal intervention and implications for the general revenue sharing formula and other aspects of federal aid, will be the focus of the ACIR study.

**State Taxation of Multijurisdictional Business.** Early in 1981, the Commission is expected to receive testimony from six expert witnesses on the topic of state taxation of multijurisdictional business. At the hearing, considerable differences of opinion will probably emerge as to what the federal regulatory role should be. The Commission will also review preliminary
research and proposals from the staff and is expected to complete work on this topic in 1981.

**Tax Wealth.** ACIR staff is working on a new, more comprehensive and sophisticated measurement of a state's tax wealth. Personal income, up until now the most widely used indicator, is only one part of a state's total wealth. ACIR's yardstick will include a number of indicators, including personal income, and will measure them in proportion to their relative importance in each state. The Commission will review the staff research in 1981 and may consider recommending federal aid formulas be altered to include a more sophisticated measure of state tax wealth.

**Local Finances in the 1980s.** The Commission staff is examining the causes of growing local dependence on state and federal aid and is evaluating various policies for strengthening local fiscal viability. This is a continuing, major study which builds on past Commission policy. Central to the research is this question -- in order to accommodate far reaching changes in the intergovernmental field, should the Commission change its policy recommendations on school finance, property taxes, and local revenue diversification? A 1981 publication, *State of State-Local Revenue Sharing*, was an outgrowth of this study and examined how relatively "no strings" aid from the states to their localities was working in a number of states.
**Implementation Agenda.** In addition to the customary role of the implementation section to monitor and help secure adoption of ACIR recommendations in Washington and the states, implementation staff expects to work closely with staff and members of various public interest groups and others to encourage adoption of ACIR's decongestion policy recommendations. Implementation staff will also continue cooperating with the Office of Management and Budget to hold a series of federal assistance roundtables and will continue to work with the National Academy for Public Administration to update and expand efforts to monitor and analyze state actions to assist distressed communities. Staff will also pursue in 1981 the possibility of a major research effort in the area of the press and intergovernmental relations.
Appendix A

Commission Members
Advisory Commission on Intergovernmental Relations
December 31, 1980

Private Citizens
Abraham D. Beame, Chairman, New York
Bill G. King, Huntsville, Alabama
Mary Eleanor Wall, Elmhurst, Illinois

Members of the United States Senate
Lawton Chiles, Florida
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
Moon Landrieu, Secretary, Department of Housing & Urban Development
James T. McIntyre, Director, Office of Management & Budget
G. William Miller, Secretary of the Treasury

Governors
Bruce Babbitt, Arizona
John N. Dalton, Virginia
Richard W. Riley, South Carolina
Richard A. Snelling, Vermont

Mayors
Thomas Bradley, Los Angeles, California
Richard E. Carver, Peoria, Illinois
Tom Moody, Columbus, Ohio
John Rousakis, Savannah, Georgia
Members of State Legislative Bodies
Fred E. Anderson, Colorado State Senate
Jason Boe, President, Oregon State Senate
Leo McCarthy, Speaker Pro Tem, California Assembly

Elected County Officials
Lynn G. Cutler, Black Hawk County, Iowa, Board of Supervisors
Doris W. Dealaman, Freeholder Director, Somerset County, New Jersey
Roy Orr, County Commissioner, Dallas County, Texas
Appendix B

ACIR PERMANENT STAFF AS OF DECEMBER 31, 1980

Anderson, Wayne F. (Executive Director)
Shannon, F. John (Assistant Director)
Stenberg, Carl W. (Assistant Director)
Walker, David B. (Assistant Director)

Adams, Harolyn D. (Secretary)
Beam, David R. (Senior Analyst)
Becker, Stephanie J. (Public Information Associate)
Behringer, Kathleen M. (Secretary)
Bunn, Elizabeth A. (Secretary)
Byrne, Joanne G. (Secretary to Executive Director)
Calkins, Susannah E. (Senior Analyst)
Colella, Cynthia C. (Analyst)
Cuciti, Peggy L. (Senior Public Finance Resident)
Davis, Albert J. (Senior Analyst)
Fried, Esther (Personnel Officer)
Gabler, L. Richard (Senior Analyst)
Hahn, Evelyn M. (Secretary)
Hahn, Thomas D. (Accountant)
Jones, MacArthur C. (Duplicating Machine Operator)
Kirkwood, Karen L. (Staff Assistant)
Koch, Patricia A. (Librarian)
McDowell, Bruce D. (Senior Analyst)
Mitchell, Michael C. (Federal Relations Associate)
Monical, Carol J. (Analyst)
Phillips, Ruthamae A. (Secretary)
Quick, Shari L. (Secretary)
Richter, Albert J. (Senior Analyst)
Roberts, Diana M. (Production Manager)
Roberts, Jane F. (State-Local Relations Associate)
Ross, Ronald L. (Mail Room Supervisor)
Schwalje, Lynn C. (Secretary)
Steinko, Franklin A. (Budget and Management Officer)
Talley, Martha A. (Secretary)
Tippett, Francis X. (Statistician)
Weissert, Carol S. (Information Officer)
Appendix C

Official Consultants

Frank Bane, former chairman of ACIR, Alexandria, Virginia
John E. Bebout, Wellfleet, Massachusetts
George C. S. Benson, director, Henry Salvatori Center and President Emeritus, Claremont Men's College, Claremont, California
Guthrie Birkhead, dean, The Maxwell Graduate School of Citizenship and Public Affairs, Syracuse University, Syracuse, New York
John C. Bollens, professor of political science, University of California, Los Angeles, California
George Break, professor of economics, University of California, Berkeley, California
Arnold Cantor, assistant director of research, AFL-CIO, Washington, D.C.
William N. Cassella, executive director, National Municipal League, New York, New York
William G. Colman, governmental consultant, Potomac, Maryland
Charles F. Conlon, Chicago, Illinois
John DeGroove, director, Joint Center for Environmental and Urban Problems Florida Atlantic University, Boca Raton, Florida
L. Laszlo Ecker-Racz, consultant, Arlington, Virginia
Daniel J. Elazar, professor of political science and director, Center for the Study of Federalism, Temple University, Philadelphia, Pennsylvania
Bernard Frieden, director, Joint Center for Urban Studies, MIT-Harvard, Cambridge, Massachusetts
Neely Gardner, professor of public administration, University of Southern California, Los Angeles, California
C. Lowell Harriss, professor of economics, Columbia University; Economic Consultant, Tax Foundation, Inc. New York, New York
Walter Heller, professor of economics, University of Minnesota
Lawrence Howard, professor of public and international affairs, University of Pittsburgh, Pittsburgh, Pennsylvania
Victor Jones, professor emeritus, University of California, Berkeley, California
Richard Leach, professor of political science, Duke University, Durham, North Carolina
Eugene C. Lee, director, Institute of Governmental Studies and professor of political science, University of California, Berkeley, California
Arthur Naftalin, professor, School of Public Affairs, University of Minnesota, Minneapolis, Minnesota
Oliver Oldman, professor of law, Harvard School of Law, Cambridge, Massachusetts
James A. Papke, professor of economics, Purdue University, Lafayette, Indiana
Frank Schiff, vice president and chief economist, Committee for Economic Development, Washington, D.C.
Seymour Sacks, professor, Syracuse University, Syracuse, New York
Murray L. Weidenbaum, professor of economics, Washington University, St. Louis, Missouri
Deil Wright, professor, University of North Carolina, Chapel Hill, North Carolina
Joseph F. Zimmerman, professor of political science, State University of New York, Albany, New York
Appendix D

Financial Support

From its inception, the Commission has been financed primarily from Congressional appropriations but has generated some additional income from state or local government contributions and from grants to support specific research or other projects. The Commission received about $73,000 in fiscal 1980 in contributions, honoraria, and travel reimbursements.

In 1977, ACIR, on the basis of its discussions with the Office of Management and Budget and the House and Senate Appropriations Committees, finalized the reinstatement of its program of soliciting contributions for state governments. This fourth year of the resumed solicitation program generated 23 state contributions totaling $61,000.

From time to time, federal agencies contract with ACIR to conduct research or undertake projects of special interest to the agency and closely related to ongoing work of the Commission. Project funds from other agencies in fiscal 1980 amounted to $153,169 from the Department of Housing and Urban Development.

As a matter of Commission policy, all state, local and miscellaneous contributions are used to supplement and strengthen ACIR services to state and local government. The grant and contract funds from other federal agencies are used for consultants, temporary personnel, and publication costs to carry out specific research projects. The Commission approves the acceptance of all such funds.
Appendix E

Salaries and Expenses Statement

<table>
<thead>
<tr>
<th>Object Classification</th>
<th>FY 1980 Actual</th>
<th>FY 1981 Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel Compensation</td>
<td>$1,080,000</td>
<td>$1,193,000</td>
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<tr>
<td>Personnel Benefits</td>
<td>89,000</td>
<td>95,000</td>
</tr>
<tr>
<td>Travel and Transportation of Persons</td>
<td>43,000</td>
<td>54,000</td>
</tr>
<tr>
<td>Transportation of Things</td>
<td>11,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Standard Level User Charges</td>
<td>138,000</td>
<td>144,000</td>
</tr>
<tr>
<td>Communications, Utilities &amp; Other Rent</td>
<td>190,000</td>
<td>177,000</td>
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<tr>
<td>Printing and Reproduction</td>
<td>93,000</td>
<td>68,000</td>
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<tr>
<td>Other Services</td>
<td>88,000</td>
<td>85,000</td>
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<tr>
<td>Supplies and Materials</td>
<td>36,000</td>
<td>22,000</td>
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<tr>
<td>Equipment</td>
<td>11,000</td>
<td>9,000</td>
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<tr>
<td><strong>Total Obligations</strong></td>
<td><strong>$1,729,000</strong></td>
<td><strong>$1,857,000</strong></td>
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Appendix F

Publications

Reports Published in 1980

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<thead>
<tr>
<th>No.</th>
<th>Title</th>
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<tbody>
<tr>
<td>A-71</td>
<td>State and Local Pension Systems - Federal Regulatory Issues</td>
</tr>
<tr>
<td>A-73</td>
<td>Citizen Participation in the American Federal System</td>
</tr>
<tr>
<td>A-74</td>
<td>Regional Growth: Historic Perspective</td>
</tr>
<tr>
<td>A-75</td>
<td>Regional Growth: Flows of Federal Funds</td>
</tr>
<tr>
<td>A-77</td>
<td>A Crisis of Confidence and Competence</td>
</tr>
<tr>
<td>A-79</td>
<td>Public Assistance: The Growth of a Federal Function</td>
</tr>
<tr>
<td>A-84</td>
<td>Federal Involvement in Libraries</td>
</tr>
<tr>
<td>A-85</td>
<td>The Federal Role in Local Fire Protection</td>
</tr>
<tr>
<td>A-87</td>
<td>Hearings on the Federal Role</td>
</tr>
<tr>
<td>M-117</td>
<td>The Inflation Tax: The Case for Indexing Federal and State Income Taxes</td>
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<tr>
<td>M-118</td>
<td>Recent Trends in Federal and State Aid to Local Governments</td>
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<tr>
<td>M-119</td>
<td>Central City-Suburban Fiscal Disparity and City Distress, 1977</td>
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<tr>
<td>M-120</td>
<td>State Administrators' Opinions on Administrative Change, Federal Aid, Federal Relationships</td>
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<tr>
<td>M-121</td>
<td>The State of State-Local Revenue Sharing</td>
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<tr>
<td>M-122</td>
<td>Awakening the Slumbering Giant, Intergovernmental Relations and Federal Grant Law</td>
</tr>
<tr>
<td>S-9</td>
<td>1980 Changing Public Attitudes on Governments and Taxes</td>
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<td>B-4</td>
<td>In Brief: The Federal Role in the Federal System</td>
</tr>
</tbody>
</table>
Intergovernmental Perspective Winter 1980, Volume 6, Number 1
A System Overloaded: American Federalism 1959-1979

Intergovernmental Perspective Spring 1980, Volume 6, Number 2
The Big Squeeze: Government by Tradeoff

Intergovernmental Perspective Summer 1980, Volume 6, Number 3
What is the Future of Federalism?

Intergovernmental Perspective Fall 1980, Volume 6, Number 4
States, Localities Modernize Machinery of Government