ACIR

We the People of the United States, in Order to form a more perfect Union, establish Justice, insure domestic Tran-
quility, provide for the common defence, promote the ADVISORY COMMISSION general Welfare, and secure the Blessings of Liberty ON to ourselves and our Posterity, do ordain and establish INTERGOVERNMENTAL this Constitution for the United States of America. RELATIONS

Ninth Annual Report

January 31, 1968 Washington, D.C.
ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS
(December 31, 1967)

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    Jesse M. Unruh, Assemblyman, California

Elected County Officials:
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    Angus McDonald, Yakima County, Washington
    Gladys N. Spellman, Prince George's County, Maryland
Ninth Annual Report

January 31, 1968 Washington, D.C.
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(December 31, 1967)

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(During 1967)

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John E. Powers, Clerk, Supreme Judicial Court of Massachusetts, and former Member of the Commission
H. Clyde Reeves, Vice President, University of Alabama and former Commissioner of Revenue, Commonwealth of Kentucky
Melvin W. Sneed, Staff Assistant, Joint Committee on the Organization of the Congress
Robert F. Steadman, Director, CIMG, Committee for Economic Development
Mabel Walker, Executive Director, Tax Institute of America
Ronald B. Welch, Assistant Executive Secretary, Property Taxes, State Board of Equalization, Sacramento, California
Reuben A. Zubrow, Professor of Economics, University of Colorado
January 31, 1968

Dear Mr. President:

I have the honor to submit the Ninth Annual Report of the Advisory Commission on Intergovernmental Relations, pursuant to Public Law 86-380, which requires the submission of a report on or before January 31 of each year. As provided in the statute, a copy of this report is also being transmitted to the Vice President and to the Speaker of the House of Representatives.

Respectfully submitted,

Farris Bryant
Chairman

The President
The White House
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I. SOME HIGHLIGHTS IN INTERGOVERNMENTAL RELATIONS IN 1967

In 1967, the American political system—and in turn, federalism and the federal system—was on trial as never before in the Nation's history with the sole exception of the Civil War. The major crisis threatening the political system and, indeed, the whole fabric of American society, was in the Nation's cities. The crisis was characterized by serious rioting, the breakdown of law and order, and in a number of areas, the disappearance of any meaningful sense of community among the residents of blighted neighborhoods.

URBAN AMERICA: CITIES IN DISTRESS

Racial Unrest and Civil Disorder

During 1967 some of the worst racial disturbances in the Nation's history broke out in many cities of the country: Newark, Detroit, Omaha, Minneapolis, Wichita, Rochester, and many other places, large and small, across the country suffered outbreaks of violence, burning, and looting. The National Guard was called out in a number of States to suppress the rioting, and Federal troops were sent into Detroit.

The immediate response generally was one of bewilderment and often outrage coupled with uncertainty as to what could be done to restore social health to the stricken cities. Contributing most to this uncertainty was the apparent lack of a clear link of cause and effect. A history of neglect and disregard for the welfare of minority groups in Newark contrasted with Detroit's record of continued concern with, and steady improvement in race relations over a period of several years. Yet both suffered greatly from the rioters and looters. There was concern at all levels of government lest accelerated action on programs for central city rebuilding be construed by some as "rewarding the rioters." In general, the effect of the riots upon Federal, State and local governmental action was to weaken "welfare" measures and to toughen "police" measures.

From the standpoint of federalism, a significant feature of the racial unrest and civil disorder was the tendency of local officials and news media to speak almost entirely in terms of remedial action by the Federal Government, occasioned perhaps by the feeling that only through access to Federal financing could sufficient resources be mobilized. Paradoxically, the apparent reason for much of the dissatisfaction of minority groups in the cities was and is rooted in local government structure and fiscal arrangements—including the "white noose" of the suburbs, underfinancing of central city schools, inadequate housing, unbalanced patterns of State aid, and repressive restrictions upon the administration of public welfare. These and other sources of unrest stem primarily from State constitutions and statutes and are not directly controllable by Federal law or regulation.

Economic and Fiscal Crisis of Central Cities

During 1967, subjective and statistical evidence piled high to dramatize the fact that many central cities of the Nation are facing not only a desperate social and political crisis, but dire economic and fiscal difficulties as well. Few could ignore that elementary and secondary education in the central city ghettos would have to be strengthened greatly in fiscal resources and in quality of teachers if Negroes and other minority group children were to have an even break upon graduation from high school.
Yet, a study of the Advisory Commission on Intergovernmental Relations, covering the 37 largest Standard Metropolitan Statistical Areas in the country, showed that State financial aid to local schools tended to favor suburban schools over central city schools. Hardly any States have revised their school aid formulas to recognize specifically the much higher financial investment required to educate disadvantaged children. Added costs accrue for smaller classes to assure more individualized attention, for keeping school open longer hours, for offering additional recreational opportunities and for measures required to compensate for an inadequate home environment. The Commission's studies show that the schools serving low income central city children are receiving less per pupil as well as per capita than those serving the more affluent suburbs. It is the paradox of education in metropolitan America that where the needs are greatest, the resources are scarcest; the children needing education the most are receiving the least!

Need for a New Look at Urban-Rural Population Balance

The year 1967 witnessed a growing consensus on the need for re-examining Federal, State and local policies--as well as activities in the private sector—that tend to influence the distribution of population in the United States. There was growing recognition of the tremendous future costs involved in the in-migration to large central cities of low income, nonwhite populations from small towns and rural counties across the country. A number of people, including the Secretary of Agriculture, began to underscore the long-range benefits both from a social and fiscal viewpoint of retaining and attracting an increasing share of the future population to small town and rural America.

In a similar vein, recognition was being given to the diseconomies of congestion—transportation costs, environmental pollution and higher living costs incident to further concentration of population in large metropolitan centers. As the year drew to a close, however, new questions were being asked about a theory of population redeployment. Some contended that the problem of the hour was to meet present urban needs and that "keeping people down on the farm" would not cover the great fiscal and social deficits arising from the masses of underprivileged urban in-migrants who are already in the large metropolitan centers and are likely to remain there regardless of how much progress is made in industrializing the countryside. Others contended that alternative migration patterns can and must be encouraged, but that public policy and funds should be directed only toward "natural growth centers." Still others argued that to achieve balanced rural growth, private and public efforts must reach first into the hard core rural pockets of poverty.

Rising Crime and Juvenile Delinquency

As the year progressed, there was growing concern about the continued increase in the incidence of crime and juvenile delinquency. This increase occurs not only in the urban centers, but continuing a trend of several years, is found in the suburbs and rural areas as well.

Early in 1967, the President's Commission on Law Enforcement and the Administration of Justice delivered an impressive report backed by a considerable number of in-depth studies of particular areas of this vital subject. Many recommendations were submitted; those dealing with Federal action were couched in fairly specific terms while those dealing with State and local action were somewhat more general. As the year progressed, however, the question of how to improve State-local relations in this field began to receive attention comparable to that focused on improving
Federal-State relations. Questions arose in connection with the Administration's Crime Control and Safe Streets bill as to whether Federal grants for assistance to law enforcement activities should go to the States or directly to localities. Part of the argument advanced against using State government as an intermediary in this process was the fact that only a limited number of States possessed an overall police and law enforcement capability.

State Attorneys General, in addition to concerning themselves with the impact of court decisions upon law enforcement and with other means of attacking the growth of crime and juvenile delinquency, have become increasingly concerned with the relationship between the State Attorney General and local prosecutors and police. Similarly, the relationship of the State police to county sheriffs and municipal police officers has come in for increasing attention. There is little doubt that the field of law enforcement and administration of justice offers one of the most difficult and challenging areas of intergovernmental cooperation in the United States today.

Increasing Involvement of Private Enterprise in Urban Problems

The urban riots of 1967 produced wide disagreement on many points. One point of consensus, however, did emerge—the restoration of vitality in the Nation's urban areas is an assignment surpassing the present capabilities of any one level of government and even of all levels acting collectively. It was increasingly agreed that private enterprise must become more deeply involved in urban problems if these problems are to become manageable and if the metropolitan areas themselves are to remain governable.

At year's end signs were appearing of a dedication on the part of many large business and financial institutions to the amelioration of the problems rending the political and social fabric of the Nation's cities. The decision of a number of insurance companies to assist in financing low income housing through rent supplements and other devices, and the active involvement of a large number of businessmen in the "Urban Coalition" formed at the height of the summer's rioting were decidedly encouraging developments.

A possible barrier to private enterprise cooperation in the solution of urban problems, however, was identified during the course of the year. A number of State constitutions forbid any commingling of public and private funds for public purposes. These constitutional restrictions date back to the railroad scandals of the middle and late 1800's. The New York Constitutional Convention proposed in the document placed before the voters of the State (which was rejected for other reasons) that the State give positive authorization and encouragement to public-private participation in programs designed to serve a public purpose.

Rent Supplements Come of Age

The first session of the 90th Congress again saw a "Perils of Pauline" drama in regard to rent supplements. As in both sessions of the 89th Congress, the question repeatedly before each House was: "Shall this program survive?"

The Rent Supplement Program is one of the most crucial—and controversial—weapons in the attack on the so-called "metropolitan problem." One of the major elements in the problem is the increasing disparity—economic, social and fiscal—
between the central city and many of its surrounding suburbs. Housing in many suburban communities is priced at a figure completely out of reach of low income families. In effect a fiscal and economic wall is constructed around the central city which reserves the suburbs for the middle and higher income portions of the urban population.

During its first session, the 89th Congress enacted a rent supplement plan making possible the housing of low income people in the more prosperous communities without risking the fierce emotional opposition that public housing projects often arouse. The program encourages private nonprofit organizations to provide housing rather than expanding the role of government in the construction and management of additional public housing facilities. Because the rent supplement program can have the effect of dispersing low income families throughout the metropolitan area, the program itself faces continued opposition from suburban constituencies. Some of the opposition seems to be racist in motivation. In 1967, however, following a summer of rioting, there came a growing recognition that someday, somehow the "white noose" around the central city ghettos would have to be cut.

A crucial factor in the battle for new appropriations for the rent supplement program was the decision of a number of large insurance companies to make use of the program and to pool resources in a cooperative effort to provide over $1 billion worth of low income housing for central city neighborhoods.

While it is too early to predict success for the rent supplement program, the participation of large business enterprises in the program and the provision of sufficient appropriations to finance the housing of a sizeable number of people should begin to remove the program from those "infant mortality" risks which beset any new and innovative endeavor--public or private.

Growth of Metropolitan Councils of Government

1967 witnessed the formation of a large number of regional councils of elected officials in the Nation's larger metropolitan areas. These bodies commonly known as "councils of government" or COG's owe their establishment to two major factors: First, there was and is a growing recognition on the part of metropolitan and suburban residents alike of the necessity of cooperation in the carrying out of a number of highly complex and interrelated governmental programs in the large metropolitan areas. It has come to be recognized that the right hand must know with reasonable assurance what the left hand is doing as multitudes of local governments function side by side in the large metropolitan centers.

Second, a provision incorporated in the Demonstration Cities and Metropolitan Development Act of 1965--Section 204--required, beginning July 1, 1967, the review and comment by an areawide body upon certain Federal grant-in-aid applications from political subdivisions of metropolitan areas. The activation of Section 204 in mid-year required that where no such body was in existence, an appropriate body had to come into existence lest all political subdivisions in the metropolitan area find themselves cut off from possible Federal aid for a variety of physical development projects in the future.

The general tendency in a number of areas was to turn to a body of elected officials as the new instrumentality rather than an appointive body of city planners. However, in some instances it was impossible to obtain interlocal agreement on a body prior to the July 1 deadline. In these cases existing or new bodies were designated by the Governors as the agencies to exercise the review and comment
functions under the Act. All told, however, only 33 COG's were so designated out of a total of 203 designees. It is too early to forecast whether in time COG's or independent planning agencies will emerge as the "chosen instrument" to perform the review and comment function.

In April, with the assistance of a grant from the Ford Foundation, a conference of representatives of Councils of Government from over the country was held in Washington. At this conference the potentialities and limitations of COG's were explored frankly. It was agreed generally that these bodies had a number of potentialities, with each metropolitan community deciding for itself how strong or how passive it desired the COG to be. As was stated on one occasion a COG can be "anything from an Elk's lodge to a metropolitan government."

**Manning the Ramparts of Local Government**

Throughout the year, principal attention from the news media and the public was directed to the cities that happened to be in trouble that day or that week. Naturally, but regrettably, attention passed over the continuing evidences of able and responsible government in the midst of adversity. Much more was written about why things went wrong in Cavanagh's Detroit than why they did not go badly wrong in Lindsay's New York or Tate's Philadelphia, or Daley's Chicago, or countless other places. Excepting only the Presidency, the position of big city mayor was the toughest around in 1967, for in many cases the ultimate in effort, dedication and ability failed to stem a rising tide of disaffection. The ordeal of the mayors and of the officials of the large urban counties merited--and generally received--an understanding response from other levels of government.

**STATE GOVERNMENT--A NEW FRONTIER**

It is becoming increasingly apparent that a considerable portion of the "infrastructure" of metropolitan problems is soluble only by State action. Restrictions upon the debt carrying and taxing capacities of local governments; criteria for annexation of unincorporated areas; standards for the exercise of zoning powers; machinery for adoption and enforcement of building and housing codes; the ease or difficulty with which small suburban communities may be incorporated; the independence or dependence provided in the inherent powers of local governments in metropolitan areas--all of these very crucial determinants of the social, political, and economic fate of central cities is a matter of State constitutions or statute.

**Gubernatorial Concern**

Indicative of the extremely broad range of needed State action in dealing with the problems of the cities, were the recommendations advanced in a report prepared for the Committee on State-Urban Relations of the National Governors' Conference, headed by Governor Richard Hughes of New Jersey. The report offered eighty-five specific proposals for State government action ranging from studies and reappraisals of local governmental structure to State financing of rent supplements, to revision of condemnation policies and procedures. The report constituted a highly useful checklist for concerned Governors, State legislative leaders and local officials. In addition, the Federal-State Relations Committee of the National Governors' Conference prepared a special report entitled "Call and Commitment," which listed a long series of steps desirable for consideration by governments at all levels.

- 5 -
In a related development last summer, Governor Nelson A. Rockefeller of New York initiated the establishment of a State-Urban Action Center to be responsible for developing tools and providing technical assistance to Governors and State legislative leaders seeking solutions to urgent urban problems. The Center is being financed initially with private foundation support and is established under a bipartisan board of trustees. The co-chairmen are former New York City Mayor Robert Wagner and former Minnesota Governor Elmer L. Anderson. The Center has opened offices in both New York City and Washington.

Institutes for Excellence in State Government

Under the leadership of former North Carolina Governor Terry Sanford, and with financial support from the Ford and Carnegie Foundations, the first of what eventually will be a series of institutes for State government was established at the University of North Carolina in Chapel Hill--an institute for State planning. Each institute is to be a center for research and the developer of tools and techniques for improving State government. Each is to be university based, to have a small professional staff, and to be governed by a board of trustees including ex-Governors and other prominent persons. Each institute, after completing its research and preparing recommendations for consideration by the States will go out of operation; the maximum life of an institute is to be five years. Through this process it is hoped that the best minds and resources can be brought to bear upon critical problems of State government and the best of experience of each State made available to the others.

Governor Sanford's unique "Institute for State Programming in the Seventies" was only one aspect of his broader "Study of American States." He also was a prime mover in the establishment of the "Education Commission of the States" of which 45 States now are members. Set up by interstate compact, the Commission provides machinery for the States to pool information and resources and share experiences in the field of education. In addition, Governor Sanford's well received book Storm Over the States was released in October 1967. It presents a perceptive analysis of the role of State government in the federal system and offers politically practical recommendations for buttressing federalism by strengthening the States.

Establishment of Washington Office of National Governors' Conference

In March the National Governors' Conference opened a Washington office. The office was charged with following closely developments at the Federal level affecting the States, and with serving as the staff arm of the National Governors' Conference in the area of Federal-State relations. The office immediately launched an aggressive program of action.

Through the Federal Office of Emergency Planning and the new Governors' Conference office, States were urged to designate "Federal-State Coordinators." Significantly, the number of States with designated "Coordinators" increased from fewer than a dozen at the beginning of 1967 to 46 at the end of the year. During 1967, two conferences of these coordinators were held. The two conferences served as forums within which Federal agencies described their programs and representatives of States raised questions and voiced criticisms and suggestions.

The new office initiated a weekly newsletter to the Governors alerting them to upcoming hearings, Congressional votes and prospective administrative actions. Through the efforts of the Office, views of Governors on pending issues were assembled and presented to the Executive and Legislative branches of the National Government.
Rapidly Increasing Taxes and Expenditures of State Governments

The year 1967 saw greater receptivity on the part of citizens with respect to bond issues and new taxes.

...Record tax increases were voted in a number of States

...Borrowings to assist local government also reached record proportions

...California's Governor Reagan proposed and the legislature approved tax increases of around $1 billion a year, the largest State tax increase in the Nation's history

...New York State voters approved a $2.5 billion bond issue to be used for a variety of State and local purposes in the field of transportation, including sizeable amounts for urban mass transportation. This was the largest State government bond issue in the Nation's history.

...Approximately 85 percent of the bond issues placed before the people in 1967 were approved in contrast to 1966 when barely half of the bond issues were approved. (There were exceptions to the 1967 trend--in California, nearly 60 percent of the issues were rejected.)

New financing and new programs authorized by the legislatures of the various States in 1967 were in striking contrast to the "hold the line" stance of the first session of the 90th Congress. Many new programs in the field of domestic government in the United States were undertaken by the States and the local governments, in contrast to a relative status quo situation at the National level.

Increased Concern of Business Organizations with State and Local Government Problems

A new force in the modernization of State and local government emerged in 1967. The business community displayed active support for an increased role in the federal system for State and local government, especially the latter. Often in the past, business organizations have objected to new Federal programs on the grounds that they represented an unwarranted intrusion into what was more properly a sphere of State government activity. All too often, however, the same organizations or their State counterparts would go before State legislative committees and oppose State government programs directed to the same general objectives on the ground that the best government was the least government.

The year just closed, however, saw a "crossing of the Rubicon." The Committee for Economic Development, the United States Chamber of Commerce, and the National Association of Manufacturers took important steps to marshal support in the business community for grass root efforts to strengthen and modernize State and local government and to utilize the fiscal resources needed at those levels to deal effectively with emerging problems.

The Committee for Economic Development for several years had been concerned with the antiquated structure of State and local government. Its 1966 report on the Modernization of Local Government received extremely wide notice throughout the
United States. A second report offering A Fiscal Program For A Balanced Federalism was issued in June 1967. In it, CED urged Congress to strengthen State tax capabilities by giving taxpayers partial Federal income tax credits for State income tax payments.

A month later, in July 1967, CED released its report on the Modernization of State Government, which called for the general reforms that political scientists have urged for several decades--shortening the ballot; strengthening the power of the Governor to budget, to appoint, and to reorganize; and most importantly, rejuvenating the State legislature as an important force in the American federal system.

Later in the year the Chamber of Commerce of the United States adopted a policy statement favoring structural improvements in State government similar to those enunciated in the CED report. The Chamber had earlier established a unit within its organizational structure responsible for State and local government modernization and had conducted small conferences in nearly all States with State and local Chamber executives, municipal league and county association directors and others for the purpose of explaining and developing support for the new program.

1967 also marked a growing concern on the part of the National Association of Manufacturers with regard to problems of federalism, particularly the strengthening of State and local government. An intergovernmental relations newsletter was initiated and a person responsible for following problems of federalism and of State and local government modernization was added to the Washington office of the Association.

State Constitutional Revision

In terms of State constitutional revision, 1967 was a "mixed bag." The greatest disappointment of the year came with the performance of the New York State Constitutional Convention. Dogged at the outset by partisan bickering and presented at the end with a "take it or leave it" package of very controversial proposals, the new constitution went down to a resounding defeat at the polls. On a lesser scale and despite three years of labor the initial draft of the proposed Rhode Island constitution was referred back to the Constitutional Convention for revision--since it faced near certain defeat at the polls. A vote now has been scheduled for April 1968. On the more hopeful side, several States adopted individual constitutional amendments which called for general constitutional revision or adopted piecemeal revisions of their constitutions. At the end of the year, 22 States were engaged in either overall or limited constitutional revision activity.

State legislatures began to assume a role of increased significance in the federal system during 1967. This was occasioned partly by the influx of new, younger members as a result of "one man-one vote" reapportionment. Partly it reflected a growing recognition on the part of the American business community that strong State legislatures are essential to responsive State government and that responsive State government is essential to a strong America.

The activities of the Citizens Conference for State Legislatures, and the "self-starting" efforts of many legislatures for a self-appraisal all began to bear fruit. An improvement in public climate could be detected in terms of a desire to unshackle the State legislatures--at least to some extent--and to permit them to operate as strong and effective lawmaking bodies.
Increasing State Financial Assistance to Urban Areas

The Commission stated in its Eighth Annual Report that the "wholesale involvement and participation by the State in the functions of urban government continued to be the exception rather than the rule. At year's end in 1966 only eight States were assisting financially in the construction of local sewage treatment plants." At year's end in 1967, 20 States were rendering such financial assistance. It is true that the dramatic increase in State financial participation in municipal water pollution abatement could be traced at least partially to a special incentive provision for State government participation contained in the Water Quality Act of 1965. Nevertheless, it was apparent that State governments were showing willingness to issue bonds and to raise taxes in order to begin to fulfill one of the long neglected functional responsibilities of State government. In one area--Chicago--Mayor Richard Daley was one of the principal catalyzing forces hurrying along a lagging interstate effort needed to begin cleaning up lower Lake Michigan.

In other fields as well, the number of States participating in a meaningful financial way in areas previously dominated by Federal-local relationships was encouraging. Eight States were giving financial assistance to urban mass transportation, and eleven States were giving similar assistance in the field of urban renewal. (See Appendix B)

So by the end of 1967, while "wholesale involvement and participation by the State in the functions of urban government" continued to be the exception rather than the rule, the pattern seemed to be changing. In another year or two such participation may become the rule rather than the exception. When States involve themselves in large-scale programs of financial assistance to urban communities many of the arguments of political scientists, State officials, and others against the so-called "bypassing" of the States in Federal-local programs will become academic. When the States become financially involved, they will begin to control the channeling of Federal aid funds to urban areas.

Meanwhile, many State leaders continued to assert that the States should be the "prime contractor" for all Federal grants--including grants to localities--regardless of whether they provide some of the matching funds. In Washington this view had more support in the House than in the Senate or the Administration--as witnessed by the passage by the House of the Cahill Amendment to the "crime control" bill and the near-passage of the Quie Amendment to the elementary and secondary education bill.

However, there seemed little likelihood that the Administration would countenance a "State's rights" policy on Federal grants, and votes to spare in the Senate were available to block such an approach. On the other hand, the Administration was showing signs of agreeing to a policy of State channeling if particular States would "buy in" to the particular programs.

Establishment of State Departments of Urban Affairs and Community Development

In 1967 the trend continued toward the establishment of more State agencies concerned with local government and urban affairs. The principal newcomers were: (1) Missouri which established a full-fledged State Department of Community Development; (2) Washington which set up a similar department; (3) Ohio which created a State Bureau of Urban Affairs; and (4) Connecticut which launched a well financed Department of Community Development. Several States in addition to those mentioned made organizational arrangements during 1967 for increased attention to problems of urban and local government. In Michigan, Governor Romney repeatedly called for
creation of a Department of Urban Affairs but has not yet received legislative approval of the proposal.

The preference in 1967 seemed to be for full-fledged "line" departments with substantive and financial responsibilities, in contrast to the strictly technical assistance and advisory functions performed by the so-called "offices of local affairs" typified by the Office of Local Government in the State of New York—-one of the pioneers in this field. (A tabulation of State agencies showing the functions exercised is contained in Appendix C.)

Stalemate on State Taxation of Interstate Commerce

Turning now to more negative aspects of the evolution of the concept of "States' responsibilities as well as States' rights," a near-stalemate continued in the very difficult and controversial question of State taxation of corporations doing business in more than one State. H. R. 2158 by Representative Willis of Louisiana based upon a study conducted by a special subcommittee on the House Judiciary Committee was pending in the House Rules Committee from late July on to the end of the year. Opposition to any further Federal enactments in this field was led by the Council of State Governments. It offered instead an interstate compact designed to facilitate the adoption of a uniform formula for the apportionment for tax purposes of corporate multistate income and to provide machinery to resolve interstate disputes over jurisdiction. The development of the compact which was adopted by 14 States in 1967, and the other steps taken by the States during the year were prompted in large measure by the threat of Congressional action.

Industrial Development Bonds: A Growing Problem

During the year industrial development bonds continued to be issued by local governments throughout the country in increasing numbers. The use of these bonds began to have a new effect as the year drew to a close—strong competition with the "legitimate" issuances of State and local governments for strictly governmental purposes. The tight money situation combined with the increasing volume of the industrial bond offerings were forcing up the interest rates on both kinds of issues. It was also becoming apparent that the industrial bond problem was not confined to revenue bonds as distinguished from general obligation bonds. In late November, Mississippi marketed over $100 million of general obligation industrial bonds.

An increasing number of State and local officials began to be convinced that strong action by the Congress was necessary if the whole edifice of tax exempt State and municipal securities was not to collapse. Sentiment was increasing that Congress should in some way curb the issuance of industrial development bonds with tax exemption privileges. The great difficulty involved in framing such legislation was the fear that curbing the tax exempt status of this type of issue might be considered in later years a precedent for curbing the tax exemption privileges of general purpose State and local government securities.
The Welfare Problem

Throughout the year increasing concern was expressed about the shortcomings of existing Federal-State welfare policies and programs. Many contended that public welfare policies initiated in 1935 had the effect of discouraging the transfer of individuals from welfare rolls to a self-supporting status. This situation stems from the fact that most outside earnings have been taken into account in determining how much aid the individual will be given, and outside earnings reduce the welfare entitlement by an equal amount. There also was concern about the lack of incentive in existing welfare policies and programs for the recipient to undertake adult education courses and work training that would qualify him for a self-supporting job. The House of Representatives endeavored, in reporting out the Social Security Amendments for 1967, to remedy some of these deficiencies. The House bill required most welfare recipients to accept work training programs or be denied benefits, permitted recipients to earn some money without a commensurate reduction in the welfare allotment, and limited future ADC-roll expansion. The limitation on ADC-roll expansion was considered by many to be too punitive in nature, but generally the House version prevailed in the bill sent to the President.

Coupled with dissatisfaction over current welfare policies and programs is the strong belief on the part of many that (1) responsibility for financing public assistance is incorrectly allocated among the various levels of government, and (2) a "guaranteed annual income" or a "negative" income tax would be a more effective means of meeting the public assistance needs of the Nation. Others, however, believe that such approaches would tend to remove all motivation whatever for welfare recipients to move off the welfare rolls into productive employment. With regard to intergovernmental responsibilities in the field of welfare, some States are beginning to assume an increased share of welfare costs. Massachusetts is scheduled to take over all financial responsibility for welfare in 1968, joining the ranks of eleven other States that require little or no local financial participation in categorical or general assistance.

Widespread Disarray in Federal Categorical Grant System

The enactment by Congress of more than 200 grant programs during the 1963-66 period produced dissatisfaction on the part of the recipients with the way the programs were operating and dissatisfaction in Congress as to the degree of coordination among the various Federal agencies concerned. More and more during the year, the need was expressed for consolidation of separate grant programs and for some kind of "computerized" system of information about the Federal programs that would facilitate participation by smaller units of government.

President Johnson, in his message to the Congress early in the year dealing with the "quality of Government," called for efforts to consolidate grant programs into a smaller number of categories and to simplify requirements for application, funding, and fiscal reporting. The Bureau of the Budget developed proposed legislation to authorize the use of several appropriations for closely related or "packaged" local or State programs. As the first session drew to a close, however, the legislation was not yet moving.
Increasing Representation of State and Local Governments in Washington

A corollary of the proliferation of categorical grants and the increasing difficulty of penetrating the Federal "jungle" was the establishment by State and local governments of Washington offices. At year's end 17 States, 24 cities and four counties had taken steps to provide themselves with "on the ground" representation in the Nation's capitol beyond that provided by their representatives in Congress. (See Appendix D)

Poverty Program: Whither Community Action?

Throughout much of the year the future of the Poverty Program was in doubt. Its authorization was due to expire June 30, 1968, and legislation was before the Congress to extend the program for an additional year or two. For some time it seemed doubtful that any kind of poverty bill would pass the House of Representatives.

However, with the support of a coalition of Southern conservatives and Northern "moderates" a bill fashioned by the House Education and Labor Committee managed to achieve a comfortable majority in the House when it finally came to a vote in November 1967. The provision that saved the bill was the so-called "city hall amendment" which placed control over community action programs essentially with units of general local government--cities or counties--with a "bypass" provision operative in those cases where the local government chose not to initiate a community action program or chose to initiate it along lines not compatible with requirements of the Economic Opportunity Act. Only in those cases would the Director of Economic Opportunity be empowered to establish direct Federal relationships with private, non-profit organizations to operate community action programs in these particular localities. The "city hall amendment" alleviated the concern expressed by some mayors and many county officials about the "bypassing" of general local government which had taken place under the Community Action title.

Improved Communications Between State Governments and the Federal Executive Branch

During 1967 former Florida Governor Farris Bryant, the Director of the Office of Emergency Planning, led teams of Federal officials to 40 State capitals for day-long visits with Governors and other State administrators for the purpose of exchanging views and airing problems of Federal-State relations. A large number of problems were identified; a considerable number were solved or mitigated; others were left for remedial action through legislation.

The Bryant trips clearly improved the attitudes on the part of both Federal and State administrators, and increased understanding at each level of the problems faced at the other level. In addition to disclosing inadequacies in Federal organization and procedures, the visits also disclosed serious shortcomings in the constitutional, legal, and fiscal structure of State governments. At year's end both Governors and Federal administrators were arming themselves to cope with the weaknesses and shortcomings that had been identified in their respective systems during the course of the year.

Also during the year Vice President Humphrey continued his vigorous program of consultations and "trouble-shooting" with mayors, county officers and other local
government officials. At his encouragement a Washington meeting was convened of a cross section of school board members from across the country for the purpose of discussing and questioning new Federal programs and policies.

The Heller Plan

At the opening of the 90th Congress nearly 100 separate bills were introduced in the House and Senate to provide Federal-State-local revenue sharing along the general lines of the original "Heller-Pechman plan" under which a designated percentage of Federal income tax collections would be set aside for distribution to the States (and/or localities) with few strings attached. As these measures were introduced studies were made by the National Governors' Conference, the Advisory Commission on Intergovernmental Relations, the National League of Cities, and others. It became increasingly apparent that many questions would have to be resolved before a satisfactory formula for sharing of Federal revenues with States and localities could be devised. The proponents of revenue sharing began to concede that "some" strings would need to be attached to Federal bloc grants. Similarly, opponents of the plan began to concede that some form of general fiscal support would be necessary in the years ahead, other than that which could be accommodated within the framework of the categorical aid system.

In October 1967, the Advisory Commission on Intergovernmental Relations, after more than a year's study of "fiscal federalism" adopted a recommendation calling for a "middle of the road" approach to the question of revenue sharing. The Commission urged broadening the "fiscal mix" of Federal grants-in-aid to include not only (1) categorical grants for purposes of stimulation and demonstration but also (2) functional bloc grants for the purpose of continuing support within designated functional fields of significant National interest and (3) general support funds allotted on the basis of population with variations in tax effort taken into account. The Commission went on to say that if the Congress should decide to distribute general support funds directly to localities as well as to the States, safeguards would be required to insure that local spending of Federal general support funds in no way conflicts with existing comprehensive State plans.

FEDERALISM AT THE CROSSROADS

America's federal system is on trial today as never before in this century of crisis and change. Hopeful signs can be found at all levels of government and within the perspective of the past three decades some suggest drastic changes--for the better. Yet, when measured against present and prospective needs and expectations, progress seems discouragingly slow.

Throughout the Nation's history a distinguishing feature of the federal system has been its remarkable capacity--with but one failure--to adapt to changing circumstances and shifting demands. But now the rate at which circumstances and demands shift and change is of a totally different magnitude and imposes a new dimension.
Despite this new dimension, many States and localities still cling to policies and practices that hardly satisfied the modest requirements of a bygone era and are grossly unsuited to cope with today's urgent challenges. Despite this new dimension, some policies and attitudes of the Federal establishment continue more attuned to the problems and solutions of the thirties and forties, than to the horizon of the seventies and eighties.

The challenges of today are cast in seething racial unrest and civil disorder, burgeoning crime and delinquency, alarming differences in individual opportunity for education, housing and employment. Historically, these constitute one more--albeit a highly dramatic--chapter in the age-old American struggle to fulfill the mighty promise of Jefferson's Declaration within and through the balanced, constitutional system framed by the Founders in the Great Charter of 1789.

The manner of meeting these challenges will largely determine the fate of the American political system; it will determine if we can maintain a form of government marked by partnership and wholesome competition among National, State and local levels, or if instead--in the face of threatened anarchy--we must sacrifice political diversity as the price of the authoritative action required for the Nation's survival.
II. CHANGES IN COMMISSION MEMBERSHIP AND STAFF

In March 1967 Farris Bryant, Director of the Office of Emergency Planning, was appointed by President Johnson to the Commission and designated as Chairman, succeeding Frank Bane whose term had expired in 1966.

At the beginning of the 90th Congress, Senators Sam J. Ervin, Jr., North Carolina, Karl E. Mundt, South Dakota, and Edmund S. Muskie, Maine, were reappointed to new terms on the Commission by the President of the Senate.

At about the same time, the Speaker of the House reappointed Congressmen L. H. Fountain, North Carolina, and Florence P. Dwyer, New Jersey, to new terms on the Commission. The Speaker appointed Congressman Al Ullman, Oregon, to the Commission, succeeding Eugene Keogh of New York.

The following additional appointments to the Commission were announced by the President in March 1967:

- Price Daniel, Austin, Texas, public member (subsequently designated as Vice Chairman); Mr. Daniel succeeded Thomas H. Eliot, former public member and Vice Chairman.
- Alexander Heard, public member, Chancellor, Vanderbilt University, Nashville, Tennessee.
- Dorothy I. Cline, public member, Professor of Political Science, University of New Mexico, Albuquerque, succeeding Mrs. Adelaide Walters, public member from Chapel Hill, North Carolina.
- Ramsey Clark, Attorney General, was designated a representative on the Commission from the Federal Executive Branch succeeding Robert C. Weaver, Secretary of Housing and Urban Development.
- Buford Ellington, Governor of Tennessee, was appointed to the place formerly occupied by Carl Sanders of Georgia.
- Theodore R. McKeldin, Mayor of Baltimore, was appointed to the place formerly occupied by Herman Goldner of St. Petersburg, Florida.
- Ben Barnes, Speaker of the Texas House of Representatives, was appointed to the place formerly occupied by Marion Crank of Arkansas.
- Jesse Unruh, Speaker of the California Assembly, was appointed to the place formerly occupied by Charles R. Weiner of Pennsylvania whose term on the Commission had expired and who had been appointed to the Federal Judiciary.

In April 1967 Gladys N. Spellman, Chairman of the Board of Commissioners, Prince George's County, Maryland, was appointed to the place on the Commission formerly occupied by Edward Connor, Supervisor, Wayne County, Michigan. Mr. Connor, who had been a member of the Commission since its inception, passed away in mid-1967.
Angus McDonald, Commissioner, Yakima County, Washington, was appointed to the place on the Commission formerly occupied by Barbara Wilcox, County Commissioner, Washington County, Oregon, who resigned from the Commission in April 1966.

In May 1967 Jack D. Maltester Mayor of San Leandro, California, was appointed to the Commission to succeed Richard C. Lee, Mayor of New Haven, Connecticut, whose term had expired.

Also in May, Governor James A. Rhodes of Ohio was appointed to the place on the Commission formerly occupied by Robert Smylie of Idaho, whose term had expired in 1966.

With all of these appointments the Commission's membership was again complete as of May 23, 1967.

In early October, following Governor Bryant's departure from his post as Director of the Office of Emergency Planning and his return to private business in Florida, President Johnson appointed him as a public member replacing Governor Daniel who had succeeded Mr. Bryant as Director of the Office of Emergency Planning. The President designated Governor Bryant to continue to serve as Chairman of the Commission and Governor Daniel to continue as Vice Chairman and to serve as one of the three representatives on the Commission from the Federal Executive Branch.

In early November the President reappointed Nelson A. Rockefeller of New York to another term on the Commission as one of the four Governor members.

In late December, the President appointed William F. Walsh, Mayor of Syracuse, New York, to the place on the Commission formerly occupied by Theodore R. McKeldin whose term on the Commission expired in early December, coincident with the expiration of his term as Mayor of Baltimore.

The following changes occurred in the professional staff of the Commission:

Elton K. McQuery joined the staff as Assistant Director for Program Implementation. Mr. McQuery previously had served as Western Regional Director of the Council of State Governments.

Mr. L. R. Gabler was appointed as an Economist on the Commission's staff. Mr. Gabler had been serving as an Economist on the staff of the International Finance Division of the Treasury Department.

Mr. Carl W. Stenberg, III reported for duty in early January 1968, as a Junior Analyst on the Commission's staff. Mr. Stenberg had been serving as a graduate assistant at the State University of New York where he had completed work for his doctorate.
III. NEW REPORTS AND RECOMMENDATIONS ADOPTED BY THE COMMISSION DURING THE YEAR

In 1967 the Commission approved two major reports with recommendations for action by Federal, State and local governments. These were: (1) a report dealing with the effect of State and local taxation policies upon industrial location, and (2) a comprehensive report dealing with fiscal balance in the American federal system.

The Commission also adopted a position statement in support of S. 698, the proposed Intergovernmental Cooperation Act of 1967 introduced by Senator Muskie (D., Me.) in the Senate and co-sponsored by several other Senators from both sides of the aisle. Similar bills were introduced in the House by Congressmen Fountain (D., N.C.) and Ullman (D., Ore.), Congresswoman Dwyer (R., N.J.) and others.

The Commission also adopted a policy statement (which was held in suspension subject to possible later reconsideration) relative to the eligibility of State legislative committees and agencies to receive Federal research grants.

STATE-LOCAL TAXATION AND INDUSTRIAL LOCATION

In recent years all levels of government have demonstrated concern over the economic health of the areas they serve. While State and local governments do not possess the variety of tools for affecting economic growth possessed by the Federal Government, they are exhibiting a general tendency to replace their former "passive" or neutral role toward economic growth with active programs.

The relationship between State and local taxes and industrial location and growth has been repeatedly examined by citizens' committees, chambers of commerce, promotional groups, and scholars. Some public officials have argued that State and local taxes are such a minor item of business costs that they cannot significantly influence business decisions. They argue further that in exchange for its tax payments, business receives services from State and local governments which are of equal, if not greater value than the taxes paid. This line of argument concludes that no one enjoys paying taxes and that industry's complaints of State and local tax burdens are normal reactions to the payment of taxes; that business threats to move elsewhere are merely ill-advised attempts to win special concessions.

The counter argument advocated by business groups and industrial promotion organization is that State and local governments have taken advantage of the limited mobility of business in times past to impose tax burdens which were out of line with ability to pay. The situation of railroads, taxed heavily upon unprofitable operations, is often cited. Business contends that it lives in a competitive climate and that State and local tax burdens in excess of those imposed upon similar business located elsewhere tend to restrict the growth of business at the high tax locations.
The Commission's study of this general area found that:

1. The relative importance of the tax differential factor in industrial location decisions appears to increase as the location process narrows down to a particular jurisdiction within a general region.

2. Differences in tax levels among widely separated States exert little influence on plant locations. As between regions, non-tax factors such as access to markets, and labor and supply costs are decisive.

3. Only among local governments within a State, and especially within a metropolitan area, do "low" tax loads exert some discernible pull on plant location.

4. Because States generally have been careful not to get "too far out of line" with their neighbors, tax differentials as among States within the same region usually appear too small to have a strong plant location influence.

After consideration of the foregoing and other factors:

1. The Commission concluded that early identification of significant shifts in the industrial base of central cities, suburban communities, and non-metropolitan areas would facilitate more effective intergovernmental planning. Therefore, the Commission recommended that the President direct the appropriate Federal agencies to give early and favorable consideration to assembling on a continuing basis more timely and detailed geographical information on industrial location trends, including a breakdown among central city, suburban, and rural portions of Standard Metropolitan Statistical Areas.

2. The Commission recommended that States, by statutory enactment or administrative regulation, set forth enforceable physical presence rules to govern the jurisdictional reach of their income and sales tax administrators; the Commission further recommended that the States, through collective action, strive to make such physical presence rules as uniform as possible.

3. The Commission was aware that retention or repeal of the tax on business personal property is a policy issue the State alone can resolve in full awareness of its own local circumstances. However, the Commission believed that in framing their business tax policies, States should give a high priority to eliminating or perfecting the locally administered tax on business personal property because it discriminates erratically among business firms. Therefore, the Commission recommended that States eliminate the tax on business inventories and either move the administration of the tax on other classes of business personality (notably machinery and equipment) to the State level or provide strong State supervision over the administration of the tax to insure uniformity. It recommended further that States reimburse local governments for the attendant loss in revenue by making more intensive use of State imposed business taxes.

4. The Commission concluded that the practice of making special tax concessions to new industry can have baneful effects on our federal system by setting in motion a self-defeating cycle of competitive tax undercutting and irrational discriminations among business firms. Therefore, the Commission recommended that States avoid policies calculated to provide special tax advantages or concessions to selected groups of business firms, and frame their business tax policies along general rather than special benefit lines.
5. Recognizing that interlocal competition for economic development is a natural and healthy manifestation of local home rule and that any State intervention designed to prevent this competition should be handled with care, the Commission nevertheless concluded that the practice of negotiating the assessment of new industrial property solely at the local level may produce a discriminatory tax system that is open to abuse. Therefore, the Commission recommended that States provide adequate technical assistance and supervision in local property tax assessments to insure uniformity of treatment.

FISCAL BALANCE IN THE AMERICAN FEDERAL SYSTEM

During part of 1966 and most of 1967 the Commission engaged in a very long and comprehensive study of fiscal balance in the American federal system. The study encompassed the size, shape and significant features of fiscal federalism; the history, development and present operation of the Federal grant-in-aid system; fiscal disparities among local governmental jurisdictions within metropolitan areas; and in-depth case studies of central city-suburban disparities in twelve selected metropolitan areas.

The Commission found the need for a new look and a new approach to Federal financial aid to State and local governments. It found many weaknesses in the Federal categorical aid system both at the Federal level and at the State and local level, many of the latter being rooted in State constitutional inadequacies. Among the startling findings emerging from the Commission's review of fiscal disparities in metropolitan areas were:

1. An increasing fiscal disparity between central cities and suburbs, particularly in the Northeast and Midwest.

2. The paradox of central city poverty in the midst of metropolitan plenty strikingly illustrated by the fact that metropolitan areas account for 65 percent of the population, 70 percent of taxable assessed valuation, three-quarters or more of Federal personal income tax collections, and 80 percent of bank checking accounts; but these areas also account for most of the nation's poverty, crime, delinquency, and civil disorder.

3. A concentration of "high cost citizens"--children in school, the elderly, welfare recipients--in the central city, with the prospect that this concentration will increase in the future.

4. Central city educational expenditures lower than in the suburbs, not only on a per capita basis, but also on a per pupil basis. Where the need is greatest the support dollars are fewest!

5. A local tax burden in the central cities, measured against income, more than one-third greater than in the suburbs. Growth in State and Federal aid has not been sufficient to counteract growing disparities in per capita tax revenues between the central city and suburbia.
A listing in summary form of the Commission's recommendations arising from the entire study is set forth below:

Basic Structure of Fiscal Federalism

A. Broadened Fiscal Mix and Greater Fiscal Flexibility in Federal Aid to States and Localities

1. Congress and the Administration adopt a flexible combination of Federal financial assistance to States and localities to consist of categorical grants-in-aid, general functional block grants, and per capita general support payments. The Federal support payments, adjusted for variations in tax effort, could be made to either State or major local units of government; they should not conflict with any existing comprehensive State plan. (Chairman Bryant dissented and Mayor Naftalin dissented with respect to the comprehensive State plan requirement.)

2. Congress authorize the President to submit grant consolidation plans, such plans subject to veto by either House within a period of 90 days.

3. Congress and the President reduce the number of separate authorizations for Federal grants--as a general goal a reduction by at least half the present number starting with consolidation in the field of vocational education and water and sewer facilities.

4. Congress support legislation proposed by the Administration to authorize a single grant application by State and local governments for interrelated projects and joint funding of projects containing components deriving funds from several Federal sources and that the States enact similar legislation where necessary.

5. The Bureau of the Budget simplify and systematize the varied matching and apportionment formulas for existing grant programs.

B. Strengthening State and Local Fiscal and Tax Systems

1. Serious consideration be given by the States to providing more constitutional flexibility for long-range State financing.

2. A better balance in State and local tax systems be achieved by more effective local use of the property tax, the adoption of broad-based State taxes, and the shielding of basic family income from undue burdens of sales and property taxes.

3. The productivity of the sales tax be strengthened by protecting low-income families from undue tax burdens on sales of food and drugs.

4. The productivity of the local property tax be enhanced by State action to help localities in relieving low-income families from undue property tax burdens.

Metropolitan Fiscal Disparities

A. Greater Involvement of Private Enterprise in Urban Programs

1. States initiate constitutional and statutory action to remove barriers to greater private enterprise involvement in coping with urban problems and to enhance public-private cooperation.
B. Strengthening Local Government Organization and Neighborhood Initiative

1. Fragmentation of the local tax base be prevented by authorizing a State agency, subject to public hearing and court review, to consolidate or dissolve local governmental units within metropolitan areas, to stop the use of interlocal contracts that contribute to fragmentation, and to reduce State aid to local governments not meeting statutory standards of economic, geographic, and political viability. (Governors Rhodes and Rockefeller dissented.)

2. Neighborhood initiative and self-respect be fostered by authorizing counties and large cities to establish, and at their discretion to abolish, neighborhood subunits endowed with limited powers of taxation and local self-government. (Governors Rhodes and Rockefeller dissented.)

3. Cities and counties provide, without Federal aid, adequate funds and staff to improve their fiscal and program coordination of Federal grants.

4. Congress expand the current program of financial assistance for State establishment of urban information and technical assistance to small communities to include all communities regardless of population.

5. Federal, State and local financing of neighborhood information centers and referral services be authorized to orient in-migrants and others to the demands of urban society.

C. Reducing Disparities in Educational Financing

1. State school aid formulas be amended to reflect higher per pupil costs for disadvantaged children, especially in densely populated areas; amendment to Elementary and Secondary Education Act to authorize use of available grant funds in support of such action.

2. States authorize regional school property taxing districts to assist in equalizing the property tax burdens of school financing between central cities and suburbs. (Governor Rockefeller dissented in part.)

3. States authorize and provide financial aid for specialized educational facilities on a multi-district basis.

4. Federal Government encourage and provide financial assistance for multi-district educational arrangements. (Congressman Fountain dissented.)

D. Improved Statistics for Metropolitan Areas

1. A national system of social accounts be established with special emphasis on the development of such data for individual cities, counties and Standard Metropolitan Statistical Areas, as well as State and national aggregates.

2. Internal Revenue Service expand its statistical reports on income to provide data on individual units of local government within Standard Metropolitan Statistical Areas.
3. Existing or new nongovernmental organizations establish data facilities
   to measure comparative performance levels of local governmental units for the major
   urban functions. This effort should look toward setting optimal standards, and
   collecting, analyzing and publishing data.

Administration of Federal Categorical Aids

A. Improved Federal Coordination and Management

1. Coordination of Federal grant programs being administered by a variety of
   Federal departments and agencies be strengthened through the Executive Office of the
   President.

2. The authority to review and approve plans developed as a condition of
   Federal formula-type grants to State and local governments be decentralized to Fed-
   eral regional offices and the wide variations in boundaries of Federal administra-
   tive regions be reduced.

3. Federal Executive Boards be brought under Bureau of the Budget supervi-
   sion and at least one full-time staff member be provided for each of the major
   Boards.

4. The President establish a computerized information system for grant admin-
   istration, formulation of intergovernmental fiscal policy and management purposes;
   Congress should establish a similar system for review of grant programs and for
   other legislative purposes and tapes and other data produced from such systems be
   made available to State and local governments.

B. Simplification of Administrative Controls Under Federal Grants

1. Congress authorize the Comptroller General of the U.S. to certify State
   auditing systems and those systems of local governments receiving sizeable grants
   directly from Federal agencies, in lieu of fiscal audits by Federal agency personnel.

2. Congress enact pending legislation to modify the single State agency re-
   quirement associated with Federal grants-in-aid to State governments.

3. Congress enact general legislation, consolidating insofar as possible
   into a single enactment, those planning requirements to be applicable to existing
   and future grant programs.

4. Congress revise Section 701 of the Housing Act of 1954, to strengthen
   comprehensive planning at State, regional, metropolitan and local levels, and to
   require review and comment by State planning agencies of project proposals im-
   pinging upon State or local comprehensive plans. The Commission took no position
   on assignment of responsibility within the Federal Government for financial assis-
   tance to State and local planning activities.

The States as Effective Partners in the Federal System

A. Strengthening the Executive

1. States amend their constitutions to reduce the number of separately
   elected State officials.
2. States, where needed, amend their constitutions to permit the governor to succeed himself.

3. States, by constitutional or statutory action, provide for a gubernatorial budget covering all estimated income and expenditures to be submitted to each session of the legislature.

4. Each State develop a strong planning capability in its executive branch for development of long-range policies and plans for gubernatorial and legislative consideration; for provision of a framework for functional, departmental, and regional plans; and for assistance to the governor in budget-making and program evaluation.

5. State constitutions be amended to authorize the governor to reorganize and shift functions among departments and agencies, subject only to a veto by either House of the State legislature within a specified time period.

6. States themselves provide, without Federal aid, adequate funds and staff to improve their fiscal and program coordination of the Federal categorical grants which they receive.

B. Strengthening the Legislature

1. States act to remove certain restrictions on the length and frequency of State legislative sessions; that those States now holding biennial sessions give serious consideration to annual sessions; and States authorize payment of State legislators on an annual basis in an amount commensurate with the demand on their time. (Governor Dempsey dissented.)

2. States provide for year-round professional staffing of major State legislative committees.

3. State legislatures establish machinery for following Federal legislation and for presenting State legislators' views at Congressional hearings.
IV. THE CURRENT AND FUTURE WORK PROGRAM

Urbanization and New Community Development

During the past two years it has become increasingly evident to many that some new and hard looks need to be taken at population trends in the United States as they affect the future placement of population in urban places of various size. A number of different studies are underway as to ways in which the in-migration to central cities of low income, poorly educated people may be slowed and productive employment found for these people in places other than highly congested metropolitan areas. The Commission's study is directed to the intergovernmental aspects of the many policy questions associated with future population growth and distribution.

Among the major areas examined in the study are: (a) past and present population trends; (b) diseconomies of urban congestion in private and public sectors of the National economy; (c) question of a National economic development and urbanization policy; (d) Federal and State incentives for industrial location and urbanization including the question of priorities for State and local industrial development credit corporations, and priorities in Federal aid programs and in public contracts; (e) potential of new communities as a method of coping with increased urbanization; (f) problems involved in planning, regulating and building large new communities and the roles of Federal, State and local governments and the relationships between public and private sectors; (g) questions of land assembly and development, and the character of municipal government for new communities; and (h) governmental and administrative techniques that can be used to regulate new community development in accord with public policy objectives.

A draft report on this subject is being considered by the Commission at an early February meeting in 1968.

Development of Current Information on Composition of Increased State Revenue Collections

Work is beginning on perfecting a methodology for recording annual information on State tax collections and with increases in collections factored among (a) natural economic growth; (b) rate increases; (c) other statutory changes. The new data will be published by States and will afford public officials and scholars an improved perspective of State tax phenomena. A similar periodic tabulation may be attempted for local nonproperty taxes.
V. PROGRESS IN IMPLEMENTING THE RECOMMENDATIONS OF THE COMMISSION

Since the Advisory Commission is a continuing—rather than a temporary—body, it is able to approach its work selectively and to consider problems in depth. It was established as a result of growing recognition that the problems of intergovernmental relations cannot be resolved by the spasmodic efforts of temporary agencies, but require the sustained and seasoned attention of an established body. It recognizes, however, that its own value and place in the federal system will be determined by its ability to make constructive contributions that produce significant improvement in relationships among Federal, State, and local agencies of government. Therefore, the Commission considers the function of implementation just as important as the research and study function and devotes a significant share of its energies to stimulating and encouraging the adoption of its recommendations by National, State, and local governments.

During the year, in order to give proper attention to the implementation of the Commission's work, a third Assistant Director was added to the staff to have primary responsibility for initiative and follow-up activity with regard to the implementation of Commission recommendations.

The following is a summary of recent developments at the Federal and State levels of government with respect to recommendations adopted by the Commission.

NATIONAL GOVERNMENT

Recommendations made by the Commission to the National Government for legislative action are usually introduced as bills by the congressional representatives on the Commission from the Senate and House. The Commission works closely with the Subcommittees on Intergovernmental Relations of the Government Operations Committees of the House and Senate. The Commission also works closely with the Executive Office of the President and with department and agency officials on administrative, procedural, and legislative proposals affecting intergovernmental relations.

Federal Legislation Enacted

During the first session of the 90th Congress only one previous ACIR recommendation was enacted into law. The authorizing legislation for the Office of Economic Opportunity was amended to provide that local community action programs be conducted under the supervision of local units of general government (cities, counties and towns) with such arrangements subject to "by-pass" in certain situations. This amendment, proposed by Representative Green (D., Oregon), was supported by some mayors and most county officials throughout the country. It parallels the recommendation made by the Commission in its 1966 report on Intergovernmental Relations in the Poverty Program.

Federal Legislation Introduced

Legislation introduced, but not yet enacted, in the first session of the 90th Congress designed to implement recommendations of the Commission, include the following:
1. The omnibus Intergovernmental Cooperation Act of 1967-- S. 698 (Muskie, et al.) and H.R. 5522 (Fountain), H.R. 5523 (Dwyer), H.R. 5524 (Fascell), H.R. 5525 (Reuss), H.R. 5526 (Machen), and H.R. 5527 (Ullman). The proposed legislation is an expended version of the predecessor legislation introduced in the 89th Congress (S. 561).

(a) Title I provides for improved administration of grants-in-aid to the States (the initial title covers definitions). The entire title was endorsed by the Commission at its nineteenth meeting (January 18-19, 1965) and the specific provision for increased flexibility in connection with "single State agency" requirements in Federal grants-in-aid was recommended in Statutory and Administrative Controls Associated With Federal Grants for Public Assistance, May 1964.

(b) Title III permits Federal departments and agencies to provide specialized or technical services to State and local units of government; this provision was endorsed by the Commission at its twelfth meeting, December 13-14, 1962.

(c) Title IV establishes a coordinated intergovernmental policy and improved administration of grants for urban development; most of the title's provisions are based on recommendations emanating from the Commission's report on Impact of Federal Urban Development Programs on Local Government Organization and Planning, January 1964, and its report on The Problem of Special Districts in American Government, May 1964.

(d) Title V of S. 698, and all but one of the House companion measures provides for more systematic congressional review of future grants-in-aid to State and local governments (Periodic Congressional Reassessment of Federal Grants-in-Aid to State and Local Governments, June 1961).

(e) Title VI of S. 698, and most of the House bills, authorize the President to submit grant consolidation plans to Congress under terms comparable to the Reorganization Act of 1949; the Commission endorsed this provision at its April 14, 1967 meeting.

(f) Title VII of S. 698 relates to the acquisition, use, and disposition of land within urban areas by the General Services Administration and seeks to assure greater conformity with the land utilization programs of affected local governments; the basic principles of this title were endorsed at the Commission's ninth meeting, May 4, 1962.

(g) Title VIII of the Senate bill establishes a uniform national relocation policy with respect to relocation payments and Advisory assistance (this title implements several recommendations advanced in the Commission's report Relocation: Unequal Treatment of People and Businesses Displaced by Government, January 1965).

- 26 -
The last title of S. 698 establishes a uniform land acquisition policy for Federal and federally assisted programs in an attempt to encourage acquisition by amicable agreements with owners and to promote greater public confidence in governmental acquisition practices; the basic provisions of title were endorsed by the Commission at its April 14, 1967 meeting.

Hearings on S. 698 and other intergovernmental legislation were scheduled by the Senate Subcommittee on Intergovernmental Relations early in 1967, but it was not feasible to include S. 698 in the hearings finally conducted. All of the House measures were referred to the Subcommittee on Executive and Legislative Reorganization of the Government Operations Committee. No action was taken on the House bills during the 1967 session.

2. Separate legislation providing for periodic congressional review of grants-in-aid has also been introduced in the 90th Congress including S. 458 (Mundt), S. 735 (Scott), and H.R. 8194 (Long, Md.). Both Senate bills were referred to the Senate Committee on Government Operations, and the House bill was referred to the House Committee on Government Operations. No action has been taken by either committee. (Periodic Congressional Reassessment of Federal Grants-In-Aid to State and Local Governments, June 1961.)

3. Separate legislation has been introduced dealing with relocation of people and businesses displaced by Federal or federally aided public works programs. H.R. 386 (Cohelan), H.R. 5528 (Fountain), H.R. 7078 (Hall), H.R. 10549 (Cramer), and H.R. 8651 (Pepper) were referred to the House Committee on Public Works and H.R. 624 (Gonzales) and H.R. 2049 (Adams) were referred to the House Government Operations Committee. All of these measures incorporate the Commission's relocation recommendations. No action has been taken on this legislation.

4. An amendment to the Buck Act (4 U.S.C. 105-110) permitting States under specified conditions to levy property taxes on privately owned property located in Federal areas was introduced by Congressman Aspinall (Colorado) (H.R. 3892) and by Senator Muskie (S. 1364). The House measure was referred to the House Committee on Interior and Insular Affairs, and the Senate measure to the Committee on Government Operations and subsequently to the Subcommittee on Intergovernmental Relations. No action has been taken by either Committee. (State and Local Taxation of Privately Owned Property Located in Federal Areas, June 1961.)

5. An amendment to the Internal Revenue Code permitting individuals to claim a credit against Federal income tax for 40 percent of their State and local income taxes, in lieu of deducting such taxes, was introduced by Congressman Ullman on January 10, 1967 (H.R. 1415). A similar measure was introduced in the Senate by Senator Pearson on May 10 (S. 1743). The chief difference between the two is that the latter allows a 50 percent deduction for such taxes. The House bill was referred to the House Committee on Ways and Means and the Senate bill to the Senate Finance Committee. No action has been taken on either measure. (Federal-State Coordination of Personal Income Taxes, October 1965.)

6. Legislation authorizing the Secretary of Treasury to enter into mutually acceptable agreements with States for Federal collection of State income taxes was introduced by Representative Ullman on January 10, 1967 (H.R. 1414) and was referred to the Committee on Ways and Means. No action has been taken. (Federal-State Coordination of Personal Income Taxes, October 1965.)
7. Several bills amending the Internal Revenue Code to disallow for income tax purposes the deduction of rent paid for the use of municipally financed industrial plants under certain conditions were introduced in the House. Two of the bills carry out the Commission's recommendations contained in its report on Industrial Development Bond Financing, June 1963. The two bills are H.R. 7979 (Dwyer) and H.R. 7984 (Fountain). Other measures introduced would go further than the Commission recommended and some would outlaw industrial revenue bonds entirely. The other bills dealing with the subject include H.R. 876 (Minish), H.R. 5485 (Reuss), H.R. 5519 (Zablocki), H.R. 9172 (Corman), H.R. 9182 (Fountain), H.R. 9162 (Annunzio), H.R. 9203 (Nix), H.R. 947 (Dulski), H.R. 10149 (Ullman), and H.R. 11645 (Byrnes et al.). All of these measures have been referred to the Ways and Means Committee, but no action has been taken. In the Senate S. 1282 was introduced by Senator Nelson and referred to the Senate Finance Committee.

8. Amendment of the Federal Estate Tax increasing the Federal credit allowed for death taxes paid to the State was introduced by Congressman Fountain and Congressman Ullman on April 11, 1967 (H.R. 8329 and H.R. 8351 respectively); both were referred to the Committee on Ways and Means, but no action has been taken. (Coordination of Federal-State Inheritance, Estate, and Gift Taxes, January 1961.)

STATE AND LOCAL GOVERNMENT

One or more statutes similar to draft bills developed by the Commission or consistent with Commission recommendations were enacted in most States during the 1966-67 biennium. The draft bills appear in the Commission's 1968 State Legislative Program. The following is a list of the State legislation similar to, or embodying provisions of, these bills developed by the Commission to implement its recommendations. The coverage below may be somewhat incomplete for the 1967 enactments in a few States whose sessions continued through most of the year.

Taxation and Finance

1. State collection of broad-based local sales taxes.
   1966: Virginia
   1967: Colorado, Ohio, Texas and Utah.

2. State collection of local income taxes.
   1967: Maryland and Michigan.

3. Authorization for local governments to invest and receive interest on idle funds.
   1966: Significantly broadened authority in Kentucky.
   1967: New Mexico (proposed State constitutional amendment to broaden authority), and South Carolina. Broadened authority in South Dakota and North Carolina.

4. State technical assistance to local government debt management.
   1966: Kentucky.
5. Property tax reform and changes.
   1966: California.

6. Adoption of real estate transfer tax (documentary stamp tax).
   1966: Delaware, Hawaii, Michigan and Rhode Island.
   1967: California, Colorado, Georgia, Illinois, Maine, Nevada, 
         New Hampshire, North Carolina, Ohio, Oklahoma and Vermont.
   States that raised rates to add on Federal tax that expires 
   January 1, 1968: Minnesota, Rhode Island, South Carolina, 
   Tennessee and West Virginia. Kansas and Oregon enacted laws 
   requiring declaration of consideration paid for transfer.

   1967: Georgia.

8. Use tax credits for sales paid in other States.

9. Requires evidence of payment of personal property tax on 
   automobile as a condition for registration.
   1966: Georgia.
   1967: Arkansas.

10. Adoption of State personal income tax.
    1967: Michigan and Nebraska.

11. Bringing State income tax provisions into harmony with 
    Federal Code.
    1966: Kentucky and Vermont.
    1967: Kansas, Maryland, Michigan, Nebraska and North Carolina.

12. State regulation of the issuance of local industrial develop-
    ment bonds.
    1967: Arkansas (prohibits lessee of facility from purchasing 
          or having an interest in bonds), Massachusetts, Minnesota and 
          Pennsylvania (State agency approval required).

Structural and Functional Relationships

1. Authorization for local units of government to exercise 
   functions jointly or to contract with one another for per-
   formance of functions.
   1967: Arkansas, Michigan, Montana, South Carolina, 
         Tennessee and Washington.

2. Authorization for metropolitan, county and regional planning, 
   and for establishment of planning and development agencies.
   1966: Missouri and New Jersey.
   1967: Illinois (Northeastern Illinois Metropolitan Area), 
         Indiana, Ohio, New Mexico, North Dakota, and Vermont.

- 29 -
3. State agency for local affairs or community development.

4. Authorizes county-wide agency to review creation of special districts, boundary changes and incorporations.

5. Liberalizing procedures for municipal annexation of territory.
1966: Georgia.
1967: Arizona, Kansas and Oregon.


7. Provision for local governments' exercise of "residual" home rule powers.

8. Municipal water supply and sewage disposal planning and regulation of wells and septic tanks.
1966: Maryland.

9. State aid for local sewage disposal and water supply.
1966: Georgia (authorization expanded), Delaware and Wisconsin.

10. State assumption of at least 50% of general assistance costs.
1967: Massachusetts.

11. Uniform Relocation Assistance.
1967: Indiana and New Jersey.

1967: Kansas, Minnesota (authority expanded), Montana and Utah.

13. Broadening availability and reciprocity of public employee retirement systems.

14. Authorization for State and local governments to acquire and preserve "open space" and grant tax credits for scenic easements.

15. Authorizing establishment of county subordinate service areas.
1967: Utah.
1967: Hawaii (rent supplements), New York (capital grant for low-rent assistance program expanded), and New Jersey (demonstration grants for construction or rehabilitation).

Actual draft language has not been developed for all Commission recommendations. In these instances, policy statements are submitted for consideration of the States. The following listing summarizes action taken in the States consistent with these Commission proposals. In other cases, States have taken actions consistent with ACIR recommendations, but along lines differing from the specific approach incorporated in the Commission's draft bills. Such action is also included in the following listing:

**Taxation and Finance**

1. Easing restrictions on local debt.  
   1966: Illinois, Michigan (permits simple majority vote for G.O. bonds for home rule villages), and Pennsylvania.

2. Property tax reform.  
   1966: Virginia.  
   1967: Idaho, Florida and Nebraska (exempted household goods).

3. Exempting business inventories from property tax.  
   1967: Idaho (gradual phase-out) and Minnesota.

   1967: California, Iowa and Maryland.

5. Uniform apportionment formula for corporate income tax purposes.  
   1967: Hawaii, Utah and Oklahoma.

   1967: Texas.

**Structural and Functional Relationships**

1. Stricter standards for incorporation of new municipalities.  
   1966: Colorado.  
   1967: New Mexico.

   1966: Kentucky and Louisiana.  
   1967: Missouri, New York (broadens the regional planning responsibilities of counties) and Wisconsin.

3. Authorization for local governments to form authorities for management of areawide transportation facilities.  
   1966: Maine and Virginia.  
   1967: Hawaii, Indiana (for counties with first class cities), Minnesota, Michigan, California (authorizes Santa Cruz Metropolitan Transit District), and Washington (Metropolitan Municipal Corporation given expanded authority for mass transit).
4. State financial assistance for urban transportation facilities.  

5. Authorization for State and local governments to acquire and 
   preserve "open space."
   1966: Virginia.

6. Authorization for metropolitan charter or study commissions. 
   1966: Missouri and Florida.

7. State establishment of a metropolitan council of government. 
   1967: Minnesota (Metropolitan Council for Minneapolis-St. 
   Paul area).

8. Coordination of State programs affecting water resources 
   development and supply. 
   1966: Wisconsin. 
   1967: Arizona, Minnesota, North Carolina, South Carolina, Texas 
   and Washington.

9. Restricting zoning authority to counties and larger municipalities 
   in metropolitan areas. 
   1966: Kentucky.

10. Strengthening State water pollution control programs. 
    1966: Colorado, Georgia, Kentucky, Maryland and Wisconsin. 
    1967: Arizona, Connecticut, Nebraska, Washington, Indiana, 
    Kansas and West Virginia.

11. State sharing in local urban renewal costs. 
    1966: Rhode Island. 
    1967: Connecticut and New Jersey.

12. State financial aid to low-income housing. 
    1966: Massachusetts and Michigan. 
    1967: Alaska (authorized Governor to prepare plan), 
    Connecticut (rental housing for the elderly) and New Jersey.

13. Authorization for establishment of vocational education on 
    an areawide basis. 
    1967: New Mexico and Montana.

14. Authorization of areawide administration for water and sewer 
    facilities. 
    1967: Connecticut (creates Southeastern Connecticut Water 
    Authority).

15. Expands authority for joint exercise of powers. 
    1967: Kansas.

16. Granting authority to municipalities to exercise planning, 
    zoning, and subdivision control in fringe areas. 
    1967: North Dakota.
17. Liberalizing Annexation Laws.
1967: Kansas.

18. Authorization of study to consider the establishing of a division of building codes.
1967: Massachusetts.

A steering committee consisting of representatives of several State Building Code Agencies met in Madison, Wisconsin, in November and agreed to form a conference of State officials to study building codes and standards, to exchange technical information, and to facilitate appropriate Federal-State cooperation in this field. This represents the initial consideration by the States of proposals advanced by the Advisory Commission in its report on Building Codes: A Program for Intergovernmental Reform, wherein States were urged to take a more active role in the formulation and enforcement of building codes. The Steering Committee has indicated that it will call a national conference of appropriate State officials concerned with building codes and standards to discuss further the establishment of a permanent organization of such officials.

New draft State legislative proposals were prepared to implement recommendations of the report on State-Local Taxation and Industrial Location adopted in 1967 and to implement recommendations in previous reports for which draft legislation was needed. They are contained in the Commission's 1968 State Legislative Program as separate new proposals or major amendments to previous proposals. The new draft bills cover the following subjects:

--Repeal of Tax on Business Inventories and Reimbursement to Local Governments

--State Assessment of Industrial Property

--Income and Sales Tax Amendment Establishing Physical Presence Rules

--Fiscal Measures for Equalizing Property Tax Burdens

--Debt Limitation Not Based Upon Assessed Value

--Pooled Investment Fund

--Relief from Tax Limitation by Home Rule or by Referendum

--County Performance of Urban Functions

--Taxing Authority for Metropolitan Service Corporations

In addition to the proposals listed above, a draft bill on Legislative Jurisdiction over Federal Lands Within the States has been included in the 1968 State Legislative Program. This bill was prepared by a Special Committee on Legislative Jurisdiction of the Council of State Governments, and was included in the Council's 1959 edition of Suggested State Legislation.
VI. OTHER COMMISSION ACTIVITIES

The Commission, in 1967, continued activities designed to carry out its statutory responsibilities for technical assistance in the review of proposed Federal legislation and for encouraging discussion of emerging public problems. Staff members reviewed about 35 bills, and submitted comments thereon to the Bureau of the Budget or Congressional committees. Commission members and staff also testified before, or filed statements to, committees of Congress and of State legislatures and State constitutional conventions and revision commissions (including the Maryland and New York conventions and a revision commission in Tennessee) on Commission findings and recommendations as applied to subjects before these bodies.

In order to familiarize concerned citizens with the Commission's functions, activities, and programs, Commission members and staff made more than 60 appearances before annual conventions and special meetings of national, regional, and State organizations of public officials and business, professional and special groups. The Commission sponsored a National Conference on Legislative Leadership designed to improve communications between the State legislatures and the Congress. The Commission also began implementation of a Presidential directive to arrange for consultations with heads of State and local governments or their representatives in development of Federal rules, regulations, standards, procedures, and guidelines. Finally, the Commission published a new information document and began a Periodical Indexing Service.

National Conference on Legislative Leadership

The Commission sponsored a National Conference on Legislative Leadership, held in Washington, D. C., October 13 and 14. The Conference was attended by Senate Presidents Pro Tem, House Speakers and Majority and Minority Leaders of the legislatures of the several States. The participants reviewed present legislative strengths and weaknesses, explored ways of developing closer relationships with the Congress, considered the impact on the State legislative process of Federal grants-in-aid, and examined the pros and cons of revenue sharing.

Advice and Consultations with State and Local Officials

On November 11, 1966, President Johnson issued a memorandum to the heads of various Federal agencies notifying them that:

To the fullest practical extent I want you to take steps to afford representatives of the Chief Executives of State and local government the opportunity to advise and consult in the development and execution of programs which directly affect the conduct of State and local affairs...I am asking the Director of the Bureau of the Budget to work with you, with the Advisory Commission on Intergovernmental Relations, and with the public interest groups representing State and local government in developing useful and productive arrangements to help carry out this policy.

On June 28, 1967, this memorandum was implemented by Bureau of the Budget Circular No. A-85, the purpose of which is:
...to afford chief executives of State and local governments a reasonable opportunity to comment on significant proposed Federal rules, regulations, standards, procedures, and guidelines... applicable to Federal assistance programs. As an alternative to direct consultations, the Circular provides for assistance by the Advisory Commission on Intergovernmental Relations in arranging to obtain State and local advice and comment on such matters, in cooperation with State and local general government associations.


New Commission Informational Publications

In order to fulfill its clearinghouse and informational activities, the Commission in 1967 continued to assemble selective information on certain intergovernmental problems, to identify the major sources of information in order to serve as a convenient reference point, and to prepare monographs summarizing presently available but relatively inaccessible data in Federal agencies and other sources which will assist various levels of government in dealing with financial and administrative problems of an intergovernmental nature.

In March, the Commission published A Handbook for Interlocal Agreements and Contracts. The Handbook was designed to: (1) assist State legislators in preparing enabling legislation, (2) aid local legislative bodies in making decisions regarding the use and negotiation of agreements or contracts and in approving them, (3) aid local administrators in drafting and negotiating interlocal agreements and contracts, and (4) help fill an information gap confronting public service groups and individual citizens who want to better understand this device and encourage its use. Part I of the Handbook presents a brief general discussion of interlocal agreements and contracts with specific examples of the kinds of problems that have been surmounted by them. It includes a discussion of the constitutional and statutory provisions drawing on both model bill language and actual enactments. For those interested in more detailed information there is an annotated bibliography, including general references and a State-by-State listing. Part II reviews the specific elements included in agreements and contracts and provides guidelines concerning their drafting with cross references to pertinent sections of the subsequent model and sample agreements. The guidelines are followed by models and examples, comprising the bulk of the Handbook, which provide a selection designed to highlight the two basic types of agreements--(1) those providing governmental services on a contractual basis and (2) those authorizing joint undertakings of a function or joint operation of a facility.

In April the Commission began a Periodical Indexing Service, covering journals of State leagues of municipalities, journals of State county associations, and newsletters of university bureaus of government research. The ACIR research staff had found the information contained in these publications to be a valuable research tool; in order to make this information more readily accessible, the index was started. The index emphasizes articles of general interest, descriptions of new techniques, and case studies on the solution of particular widespread problems. Copies of the index are circulated every month to libraries, government research bureaus, and organizations of State and local governments.
## APPENDIX A

### OBLIGATIONS OF THE ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS
FOR FISCAL YEARS 1967 AND 1968

Object Classification (in thousands of dollars)

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<td>Personnel benefits (retirement, health, insurance, FICA)</td>
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<td>32</td>
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<td>Rent, utilities, and communications</td>
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<td>Printing and reproduction</td>
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### APPENDIX B

**STATE AID TO LOCALITIES SUPPLEMENTING THE LOCAL CONTRIBUTION**

**UNDER SELECTED FEDERAL GRANT PROGRAMS**

**DECEMBER 1967**

<table>
<thead>
<tr>
<th>State</th>
<th>Waste Treatment Works</th>
<th>Airport Construction</th>
<th>Hospital Construction</th>
<th>Urban Renewal 1/</th>
<th>Water and Sewer Facilities</th>
<th>Urban Mass Transportation</th>
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1. Typically provides one-half of local contribution
2. Owns all or most of the airports
3. Provides or has provided aid in specified instances
4. Owns and operates some of the airports
5. Sewer only
6. Loans only
7. Bond issue
8. Only in cases of proven hardship
9. Limited application

* Some or all aid from aviation-related taxes and revenue
## APPENDIX C

### SUMMARY OF INFORMATION ON EXISTING STATE OFFICES OF LOCAL AFFAIRS

<table>
<thead>
<tr>
<th>Name of agency</th>
<th>New York</th>
<th>Alaska</th>
<th>R. I.</th>
<th>Tennessee</th>
<th>California</th>
<th>Penna.</th>
<th>Missouri</th>
<th>Ohio</th>
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<tr>
<td>Office of local govt. agency</td>
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<td></td>
<td></td>
<td>Office for local govt.</td>
<td>Intergovtl. council on urban growth¹</td>
<td></td>
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### Year established
- New York: 1959
- Alaska: 1959
- R. I.: 1961
- Tennessee: 1963
- California: 1963
- Penna.: 1966
- Missouri: 1967
- Ohio: 1967

### Location
- New York: Within the exec. dept.
- Alaska: Off. of Gov.
- R. I.: Dept. of adm.
- Tennessee: Off. of Comptl. of Gov.
- California: Off. of Comptl. of Gov.
- Penna.: Indep.
- Missouri: Indep.
- Ohio: Indep.

### Functions

#### Advisory, Coordinating & Technical Assistance
- Fiscal advice
- Municipal mgt.
- Eng. & public works
- Leg. aspects of intrastate govt. relations
- Research, statistics, & information collection
- Personnel training
- Boundary & fringe problms.
- Assist Gov. in coordinatg.
- State activities affecting localities
- Recommend programs & legislation
- Interlocal cooperation

#### Financial Assistance
- Supervise Local Finances³

### Planning Functions

#### Statewide planning

#### Local planning assistance

#### Coordinate with reg. plng.

#### Coordinate with Statewide planning

### Program Responsibility
- Urban renewal & redevelopmt.
- Poverty
- Housing
- Area redevelopment

### Statutory Citations
- New York: NY Consol. Laws Chap. 335
- Alaska: A.S. 44.19
- Tennessee: Laws 1963 Chap. 205
- Penna.: Reorg. Plan 2, Act 582, 1965 Regular Sess. (ap. 2/1/66)
- Missouri: H. B. 129, 1967
- Ohio: Substitute H.B. 495, 1967

¹ Interegovtl. council on urban growth
² Dept. of community affairs
³ Supervise Local Finances
⁴ Substitute
⁵ X
## APPENDIX C

**SUMMARY OF INFORMATION ON EXISTING STATE OFFICES OF LOCAL AFFAIRS (Cont'd)**

<table>
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<th>Wisconsin</th>
<th>Colo.</th>
<th>Illinois</th>
<th>New Jersey</th>
<th>Washington</th>
<th>Conn.</th>
<th>Minnesota</th>
<th>Vermont</th>
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<td>Dept. in the exec. br.</td>
<td>Office of ind. adm. dept.</td>
<td>Off. in State plng. agency</td>
<td>Office of local affairs</td>
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APPENDIX C

SUMMARY OF INFORMATION ON EXISTING STATE OFFICES OF LOCAL AFFAIRS (Concl'd.)

FOOTNOTES

1 Department and Commission of Housing and Community Development administers other programs, notably those of direct administration (poverty program, housing, etc.) rather than those of supervision and assistance. It renders advice on fiscal problems related to its programs, collects statistics and recommends legislation.

2 Effective October 15, 1967.

3 In New York, the State Comptroller, an elective officer, supervises certain aspects of local fiscal affairs; audits and examines them on a continuing basis; maintains a State data bank on local governments; and advises and gives technical assistance on matters of law and finance. (N. Y. Consolidated Laws, Ch. 24.)

4 Refers solely to the functions of the Ohio Office of Appalachia within the Department of Urban Affairs.

5 Refers to administration of the Rural Redevelopment Fund.

6 The Vermont Office was set up by executive authority only, and is awaiting statutory authority to undertake the functions proposed.

7 All State financial aid to localities for urban renewal, poverty programs, mass transit, etc., is channeled at the discretion of the Director (or Commissioner) of the Agency (or Department).

8 The Washington State Agency is given responsibility for "Administration or coordination of state programs and projects relating to community affairs for the planning and carrying out of the acquisition, preservation, use and development of land and provision of public facilities and services for fully carrying out the state's role in related federal grant or loan programs."
## APPENDIX D
### FEDERAL-STATE LIAISON OFFICES IN WASHINGTON

<table>
<thead>
<tr>
<th>State</th>
<th>Full Time</th>
<th>Part Time</th>
<th>When Est.</th>
<th>Prof. Staff</th>
<th>Size</th>
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* Authorized, but not yet established
APPENDIX E

COMMISSION PUBLICATIONS

Reports Published During 1967

State-Local Taxation and Industrial Location. April 1967. (Report A-30)


1968 State Legislative Program of the Advisory Commission on Intergovernmental Relations. September 1967. (Report M-35)


Reports Published in Previous Years

(Currently available)


Local Nonproperty Taxes and the Coordinating Role of the State. September 1961. (Report A-9)

Alternative Approaches to Governmental Reorganization in Metropolitan Areas. June 1962. (Report A-11)

Intergovernmental Responsibilities for Water Supply and Sewage Disposal in Metropolitan Areas. October 1962. (Report A-13)


The Role of the States in Strengthening the Property Tax. June 1963. (Report A-17) (two volumes)


Intergovernmental Relations in the Poverty Program. April 1966. (Report A-29)

Measures of State and Local Fiscal Capacity and Tax Efforts. October 1962. (Report M-16)

The Advisory Commission on Intergovernmental Relations. May 1967. (A Brochure, M-17)


