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PERSPECTIVE

THE STATUS
OF STATE POLITICAL PARTIES



View From The Commission



Dear Reader:

One of the few things growing faster than the national debt these days is the role of Political Action Committees (PACs) in financing federal elections. The October report of the Federal Election Commission showed PAC contributions to 1984 congressional campaigns up 143% over 1980 levels. PACs were also credited with a 250% rise in "independent expenditures," so called because they are made without consulting any candidate.

By contrast, the same report showed that political party contributions had made up less than 2% of all funds raised in these races, indicating that many of the activities formerly conducted by parties are now being performed by PACs.

These intriguing data support the basic premise underlying the ongoing study by the Advisory Commission on Intergovernmental Relations, "Transformations in American Politics and Their Implications for Federalism." Our political process is undergoing swift and fundamental change. And partly as a result of the way we have responded to these changes, the incentives for decisionmakers at all levels of government are much different today than they were 30, 20 or even 10 years ago.

On examination, few would dispute that federalism has been among the casualties of this new political order. Once labor-intensive affairs, successful federal election campaigns required extensive coordination among myriad ward bosses, mayors and other officials at the state and local levels. But today, these campaigns tend to be expensive, centrally run media operations, often carried out with little, if any, need for cooperation from politicians at the lower levels of government. Contributing to this trend has been the increased election role of the national parties, which has helped to undermine state and local party autonomy.

This diminished role for non-federal pols has, in turn, led to a growing lack of symmetry in intergovernmental relations. We find today's Congress increasingly unresponsive to state and local concerns on such basic issues as federal preemption. Yet, having frequently deployed state and local governments as administrative instruments of federal policy, Congress exhibits little regard for their political and managerial concerns.

Grant simplification, intergovernmental regulatory reform, and a variety of needed improvements to state-implemented national law have long occupied the back-burner of national politics. Sadly, the diminished influence of state and local officials in Washington has left no one to hold the Congress accountable for the institutional concerns of state and local governments. The decline in state party organizations is certainly a contributing factor to this phenomenon.

Regardless of how reasonable,

any effort to turn this situation around is bound to encounter difficult political obstacles, for the decline of congressional sensitivity to state and local institutional concerns has been mirrored by increased sensitivity to powerful special interests. These actors include "economic" and other moneyed interests, which, through PAC and individual contributions, fund candidates' access to media, as well as the self-described "public interest" activists, who influence legislators primarily through their access to free media publicity and their disproportionate weight in party nomination decisions.

Not surprisingly, many of these interest groups have a major stake in today's centralized policy-making process. Lobbies representing everything from highway construction to spending for the elderly would find it immeasurably more difficult to press their categorical agendas under a truly decentralized federal system, in which strong state party organizations would mediate among competing political interests. Many such groups could be expected to exert strong opposition to new decentralizing schemes.

Nevertheless, it remains both possible and desirable to upgrade the political roles of nonfederal officials and their party organizations through reforms designed to channel campaign contributions through state and local political parties. In fact, many of the current campaign funding channels were created as an unintended result of the Federal Election Campaign Act (FECA) reforms of the 1970s.

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Intergovernmental Focus

Localities Get Antitrust Cost Relief

In its waning hours, the 98th Congress approved legislation to provide local governments with some relief from the burgeoning number and cost of lawsuits filed against them alleging violations of federal antitrust laws. The bill exempts local governments, their officials and employees from virtually all costs of these lawsuits except those of their own defense.

The *Local Government Antitrust Act of 1984*, H.R. 6027, compromised House and Senate versions, the differences of which were ironed out on October 11. President Reagan signed the legislation into law two weeks later, with the bill taking effect retroactive to September 24, 1984. H.R. 6027 is the product of more than two years of intensive lobbying efforts by groups representing local governmental interests, led by the National Association of Counties, the U.S. Conference of Mayors, and the National League of Cities.

This new law contains the following provisions:

Reduced costs: Damages, interest on damages, and the costs of plaintiff's legal fees may not be recovered from municipal defendants in the damages phase of federal antitrust lawsuits. Plaintiffs, however, could still be awarded legal fees for costs incurred while seeking an injunction.

Governments covered: All local governments—both general- and special-purpose—acting in an “official capacity” are exempted from these costs.

Protects local officials: All local government officials and employees acting in an “official capacity” are exempted.

Protects private parties: Private parties following the direction of local governments, officials or employees acting in their “official capacity” are exempted.

Plaintiffs options: The bill does not immunize local actions, so lawsuits can still be filed; injunctive relief is still available when plaintiffs are harmed by governmental anticompetitive acts done in an “official capacity;” treble damages and other

costs may be covered in cases pending prior to September 24, 1984. Treble damages and other costs are available in future cases where governments or their officials can be shown as not having acted in their “official capacity.”

Retroactivity: Although retroactive relief is not provided, courts have the discretion to exempt municipal parties from damages even in pre-existing cases but the burden of proving that damages should not be assigned rests heavily on defendants.

Federal involvement: Federal agencies, specifically the Federal Trade Commission and the Department of Justice, have been re-empowered to initiate federal antitrust litigation against local governments. They had been stripped of that power by Congress earlier in 1984.

The clause in H.R. 6027 barring plaintiffs from collecting their legal fees from governments violating these laws is critical. Its aim is to combat the apparent and increasing tendency to file suits for frivolous reasons, or to delay or change public policies for personal benefit. The chance to win one's attorney's fees provides an incentive for individuals to file suits and for lawyers to represent them; even if no damages are awarded, obtaining legal fees makes filing litigation potentially cost-free. Taking away that possibility may create the desired disincentive for unmeritorious suits. However, it could create the unintended and undesired effect of inhibiting meritorious suits as well.

The core of the *Local Government Antitrust Act of 1984* comports with ACIR policy adopted in March 1984. At its meeting in Phoenix, Arizona, the Commission recommended, among other things, that

“where public bodies and officials are litigants in suits under federal antitrust laws, relief should include only injunctive and declaratory steps.” (See *Intergovernmental Perspective*, Spring 1984, Vol. 10, No. 2, p. 35.)

Many state officials, particularly legislators, urged that Congress not immunize local governments from federal antitrust laws because such

action would constitute congressional intrusion upon state authority over local governments. Immunities were considered in this past congressional session, but that issue is far more controversial than cost relief. Work on immunities issues was dropped to concentrate on the cost aspects. Although great concern has been voiced that some power to restrain unnecessarily anticompetitive local activities be retained in law, the immunity issue is almost certain to arise during the 99th Congress.

TEL Proposals Lose in 8 States, Lottery Initiatives Win in 4

Taxpayers voting in the November election appeared to be satisfied with status quo rather than opting for changes in their state-local fiscal structure. Voters turned down most initiatives and referendums that would have granted tax relief or cutbacks in government spending.

Only one tax and expenditure limitation (TEL) passed out of nine such proposals. The successful measure was the South Carolina expenditure limit which replaced this statutory limit with a constitutional one. The fate of Oregon's 1.5% property tax limitation was undetermined for several days after the balloting ended, but it appears that the measure failed by only 20,000 votes. This vote was the fifth failed attempt by initiative proponents to pass a property tax relief measure in Oregon.

Other TEL measures that were turned down:

Arizona: A legislative referendum which would have significantly tightened the state's existing expenditure limitation.

California: “Save Proposition 13” or “Jarvis 4” which would have forced state and local governments to rebate \$1.3 billion in property taxes. Also failing to pass was the Welfare Public Assistance Program referendum which would have substantially decreased state aid to welfare recipients.

Hawaii: A legislative referendum which would have repealed the automatic tax refund feature in its TEL law.

Louisiana: A legislative refer-

endum which would have limited annual budget growth to 85% of the growth in personal income.

Michigan: "Voters' Choice" which would have repealed certain tax increases and would have required all future state and local tax increases to be passed by popular vote.

Nevada: The Property Tax Stabilization measure which would have limited property tax increases and required all state and local fees to be approved by a two-thirds vote of the governing body, plus a popular vote.

Citizen lottery initiatives were the only ballot measures to hit the jackpot. All four states that voted on the lottery issue—California, Missouri, Oregon, and West Virginia—passed them with substantial margins. In addition, Missouri passed an initiative allowing pari-mutuel wagering. But casino gambling initiatives were losers in Arkansas and Colorado.

Two states, South Carolina and Virginia, passed legislative referendums constitutionally mandating a balanced state budget. Nevada voters decided to require constitutionally that food be exempt from the sales tax, although this exemption had already been accomplished statutorily. Tax proposals that failed included:

Arkansas would have raised the sales tax $\frac{1}{8}\%$ to benefit wildlife conservation programs.

Idaho would have exempted food from the sales tax.

Louisiana would have lowered the ceiling for deductions of federal income taxes paid by corporations when computing their state taxes.

West Virginia would have raised the sales tax 1% and dedicated the money for education. (This measure failed partly because many taxpayers wanted first to see how much their property tax bills would increase as a result of reassessments now in progress.)

State and local bond issues fared considerably better than most other proposals. Nine states proposed 27 issues and 231 municipalities proposed 353 issues for a total of about \$4.5 billion. About \$3.8 billion in bond issues were approved by voters.

Regional Councils Keep Key Role In Year-Old Consultation Process

The new state-run inter-governmental consultation processes under Executive Order 12372, that replaced the federally-provided process under OMB Circular A-95, was one year old October 1, 1984. Forty-eight states have established procedures replacing the uniform one that had been followed under A-95; the affected governments in the other two states retain limited rights to consult directly with federal agencies.

In general, few major differences exist between the new procedures and the old ones. According to a survey by the National Association of Regional Councils (NARC), all but five of the states in their 45-state survey continue to rely upon regional councils of local governments as "review and comment" bodies.

Several changes, however, have occurred. For example, many regional councils surveyed by NARC reported decreased federal agency responsiveness under the new procedures, while only a few reported improvements in this regard. The worst federal agencies were HHS, EPA, and DOT; the best were EDA, HUD, and FmHA.

In addition, the U.S. General Accounting Office (GAO) has reported to David Stockman, Director of OMB, that the new process has (1) subjected a shorter list of activities to consultation requirements, (2) produced differences of opinion between states and federal agencies about who should determine this list, (3) created procedural differences among the regulations established by individual federal agencies, and (4) spawned inconsistencies between federal agencies' regulations and the requirements of the *Demonstration Cities and Metropolitan Development Act of 1966* and E.O. 12372.

On the positive side, the NARC survey found that:

- six states—Arizona, Texas, New York, Massachusetts, Colorado, and Nebraska—have streamlined their processes through computerization, while many others hope to follow suit; and

- most regional councils judged relations with their states to be either excellent or good; only seven reported poor relationships in the consultation process.

OMB is expected soon to report the status of the new process to the President, as required by E.O. 12372.

Public Works Improvement Act Passes

The *Public Works Improvement Act of 1984*, S. 1330, passed the 98th Congress and was signed into law (P.L. 501) on October 19. It authorizes the U.S. Army Corp of Engineers to provide states with grants to encourage construction of necessary public projects.

Title I creates a National Council on Public Works Improvement composed of five members—three appointed by the President, one by the Speaker of the House, and one by the President of the Senate. The Advisory Group will be composed of 12 members—the Secretaries of the U.S. Departments of the Army (Chairman), Agriculture, Housing and Urban Development, Transportation, and Commerce, the chairman of the National Governors' Association, National Conference of State Legislatures, National Association of Counties, National Association of Regional Councils, National League of Cities, and United States Conference of Mayors. Authorized funding during the Council's three-year span is \$3.5 million for fiscal years 1986 and 1987 and \$2 million in fiscal 1988, the group's final year.

Between 1986 and 1988, the Council will submit to the President and the Congress two annual reports. One will review the state of the nation's infrastructure. The second report will propose guidelines for uniform reporting by federal agencies of construction, acquisition, rehabilitation, and maintenance data related to public works improvements. The reports will be reviewed by the Congressional Budget Office.

Title II, Federal Capital Investment Program Information, requires federal agencies to provide budget projections

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State Parties in the 1980s

Adaptation, Resurgence and Continuing Constraints

Timothy Conlan, Ann Martino, and Robert Dilger

Strong and vigorous state parties historically have provided an important channel of intergovernmental communication and state influence in Washington. Within the states themselves, the capacity and role of political parties can affect both the character and, in some cases, even the effectiveness of the policy making process. Yet, in recent decades, many scholars have suggested state parties may be trapped in a pattern of decline. As V.

O. Key concluded in the 1950s at the close of his landmark study of *American State Politics*: "Over a period of a half century party organizations have seriously deteriorated."¹ More recently, Malcolm Jewell and David Olson determined that "it has become a truism that [state and local] party organizations are declining in importance, and there is no reason to anticipate a reversal of that trend."²

To the extent that such conclusions accurately reflect the organizational health of state parties today, they have profound implications for the political role of the states in the federal system and for the internal conduct of state government and politics. There is reason to believe, for example, that individual interest groups tend to exert a greater influence over policy making in states where political parties are relatively weak.³ Moreover, it is argued that the balance of executive and legislative power in many states has been altered by changes in the party system. According to Alan Rosenthal:

Executive leadership . . . has been in some decline. . . . The political parties, which—especially in states like Connecticut and New Jersey—were valuable gubernatorial resources, are weaker nearly everywhere and of less use than formerly.⁴

These are significant developments. Yet patterns of party decline in the states are by no means clear or universal. Indeed, there is mounting evidence that political parties, far from becoming doddering relics on the verge of extinction, are undergoing a complex process of adaptation to new electoral conditions and are emerging in many states as vigorous entities capable of performing a mix of both modern and traditional tasks. Although it is difficult to gauge precisely how overall levels of state party influence have changed over time—especially in relation to the of-

ten competing forces of interest groups, the mass media, local and national party organizations, and the independent campaign consultants serving individual candidates—recent evidence suggests that there has been a resurgence of political party organizations at the state level. As one recent study has demonstrated:

Not all signs . . . portend [party] decline. . . . State party organizations are surprisingly well organized. Nearly all operate a headquarters, most have substantial organizational resources. . . . Indicators of programmatic activity reveal that party organizations have become substantially *more* active over the last two decades. Compared with those of the early 1960s, state parties in the late 1970s were more likely to maintain electoral mobilization programs, to conduct public opinion polls, to provide services to candidates, and to publish newsletters.⁵

In many respects, ACIR's research on the status of state political parties is consistent with this promising finding. In the view of state political leaders, most state parties now possess a significant organizational presence in their state, offer an array of candidate services, and enjoy rising or sustained levels of involvement by elected officials. At the same time, however, there remains considerable diversity in levels of political activity and organizational sophistication. Not only do patterns of party politics vary enormously from state to state, but significant differences exist in many

areas between the two major parties. Moreover, the Commission's research concerning state regulation of political parties suggests that many states could do far more to provide a legal and regulatory environment that encourages—or at least does not hamper—the development of active and responsible political parties.

The following article details these and other significant findings on the current health and status of political parties in the states. It is based upon data from a recent ACIR survey of state party chairs, conducted in cooperation with the Republican and Democratic National Committees.⁶

¹V. O. Key, *American State Politics* (New York: Alfred A. Knopf, 1956), p. 267.

²Malcolm Jewell and David Olson, *American State Political Parties and Elections* (Homewood, IL: Dorsey Press, 1982), p. 280.

³Sarah McCally Morehouse, *State Politics, Parties and Policy* (New York: Holt, Rinehart and Winston, 1981), p. 117.

⁴Alan Rosenthal, "Legislative Oversight and the Balance of Power in State Government," *State Government* 56 (1983): 91.

⁵James Gibson, Cornelius Cotter, John Bibby, and Robert Huckshorn, "Assessing Party Organizational Strength," *American Journal of Political Science* 27 (May 1983): 194-205. Original emphasis.

⁶Two rounds of questionnaires were mailed to the chair or executive director of each state party (including the District of Columbia) between October 1983 and February 1984. Forty Republican state chairs and 30 Democrats responded, for an overall response rate of 69%. For additional survey details and findings, see ACIR, *Transformations in American Politics and Their Implications for Federalism*, forthcoming.

Additional information on state regulations affecting political parties and their role in nominations and elections was derived from an analysis of state statutes.

State Party Organizations

As recently as the mid-1960s, most state party organizations operated on a "shoe string" budget of \$50,000 or less, and many were part-time, voluntary operations run out of the state party chair's home or office. Typically, even in those states where parties had a permanent party headquarters, such operations were staffed by only one or two full-time employees.⁷

By 1984, this situation had changed dramatically. Ninety-six percent of the state party chairs responding to ACIR's survey reported having at least one full-time staff member, and approximately 15% of their organizations had ten or more. Significantly, however, there were important differences in staffing patterns between the two major parties. As Figure 1 shows, Democratic state organizations tend to be less well staffed. Forty-four percent of them still had only one or two full-time employees by early 1984, and the average number of staff was four. In contrast, only 8% of the Republican organizations had fewer than three employees, and the average staff size was nearly double that of the Democrats.

Considering this pattern in staffing, it is not surprising that partisan differences are also apparent in the budgets of state party organizations. The Commission's survey found that a majority of Democratic state parties have annual budgets under \$250,000, while a majority of Republicans have budgets over \$500,000 annually (see Figure 2).

Several factors contribute to these partisan disparities. To begin with, Republican state organizations as a rule receive more assistance from their national party, a point discussed later in this article. Moreover, especially in parts of this country where Republicans have been distinctly in the minority, state parties have attempted to compensate for this disadvantage with stronger organizational efforts. One indicator of this effort has been the greater use made by Republicans of more sophisticated and effective methods of fundraising. For example, one of the most traditional and time-honored means of raising funds for political activities is

through dinners and social gatherings held for the party faithful and other potential contributors. Ninety-three percent of the responding state Democratic leaders report relying on such functions as a "very important" source of party revenues, as do 72% of Republican organizations. Because such gatherings draw primarily upon political activists, however, they are fairly limited in their scope and appeal.

Partly for this reason, many political organizations have turned in recent years to more elaborate techniques like direct mail and telephone solicitations, which can reach a far larger audience and potentially raise much greater sums of money through multiple small contributions. Such systems, however, require more technically sophisticated methods of collection, greater initial investment of resources, and substantial time to build productive and reliable mailing lists. It is significant, therefore, that 90% of the Republicans identify direct mail and telephone solicitations as a major source of party revenues, compared to just 67% of the Democrats.

Greater resources enable Republican state parties, on average, to provide a broader and more sophisticated range of services to candidates than their Democratic counterparts, although both parties are active in this area. As Table 1 shows, a majority of state organizations in both parties provide some level of campaign contributions and fundraising assistance to candidates for both state and congressional offices. In addition, most Republican and many Democratic state parties provide a range of other modern services to candidates for state office, such as polling, media consulting, and campaign seminars (see Table 2). Finally, a slim majority of Republican organizations and almost one-third of the Democrats now seek to coordinate PAC contributions to candidates for state office, highlighting the belief held by most state party chairs (72%) that PACs are assuming a major role in state as well as national campaign finance.

Elected Officials, State Parties

The principal purpose of providing party services to candidates is to elect party members to office. Once elected, however, a secondary aim is often to encourage such officials to take cognizance of party views and to be active in party affairs. Certainly, such

activity is well received by party officials. Eighty-seven percent of party leaders surveyed said additional party involvement by elected officials would be welcomed. The remainder praised existing, often high, levels of activity, and none favored less involvement.

On the surface, this finding would appear to be consistent with the oft-expressed concern that relationships between political parties and their candidates and officeholders have grown attenuated in recent years. With the growing influence of the news media, the rise of independent campaign consultants, new sources of campaign contributions, and diminishing public identification with the political parties, many candidates have been able to run successful campaigns with relatively little party involvement. Yet party-candidate relations cannot be described in terms of simple disengagement. Although most party chairs would like additional involvement by elected officials, most maintain there is considerable activity by such officials at the present time, and many report that such activity has *increased* rather than decreased in recent years.

For example, a majority of party chairs maintain that gubernatorial, congressional, and state legislative officeholders in their party are "very" or "somewhat" active in party affairs. Only in the case of local government officials did a majority of state chairs detect an overall pattern of inactivity (see Table 3). On the other hand, only Democratic governors were judged to play a *very* active party role in a majority of the responding states. As Figure 3 shows, the relative levels of highly active participation by different categories of elected officials are similar in both parties, although there are substantial partisan differences in participation levels at the gubernatorial and state legislative levels.

There also are interesting regional variations in activity levels. Republican governors are judged to be less active in party affairs as one moves from east to west, while Republican congressmen are extremely active in the west. In contrast, Democratic gubernatorial involvement in state party matters is relatively consistent across the country, but congressional

⁷John F. Bibby, et. al., "Parties in State Politics," in *Politics in the American States*, 4th ed., Virginia Gray, Herbert Jacob, and Kenneth Vines, eds. (Boston: Little, Brown and Company, 1983), pp. 76-79.

activism varies considerably and is lowest in the west.

More substantial partisan differences are apparent in state chairs' assessments of candidate involvement over time. State chairs were asked to estimate whether partisan involvement by elected officials had increased, decreased, or remained constant in their state over the past 25 years. For most categories of officeholders, the most common estimate was that little had changed (see Table 4). Among Republicans, however, in every category of elected office, more state chairs believed that involvement had increased than believed it had decreased during recent years, and the numbers citing levels of increased involvement by state legislators and members of Congress were substantial (see Figure 4). In contrast, about equal numbers of Democratic chairs saw decreased activity as saw increased activity by Democratic officeholders, with the single exception of local government officials, whose participation was deemed to have dropped sharply. This finding is consistent with the widely perceived decline in political influence by big city mayors and political "machines" in state politics.

Overall, generally steady or rising levels of candidate involvement in party affairs may reflect, in part, the renewed efforts being made by state parties to deliver campaign contributions and related services to candidates for office. Close examination of the Commission's data indicates that, among Democrats, the more campaign assistance state parties provide to gubernatorial and state legislative candidates, the more likely it is that those candidates will be active in party affairs.⁸ In addition, state parties with larger budgets tend to devote a greater share of their budget to campaign contributions, and, as we have seen, those budgets have been rising in recent years. A similar but very slight relationship exists among Democratic congressional candidates.

In contrast, almost no such relationship between campaign contribution levels and party activity exists among Republicans, except in the case of congressional candidates. Since practically all Republican candidates receive assistance from their state party, however, it is not sur-

Figure 1

Staffing Patterns of State Party Organizations

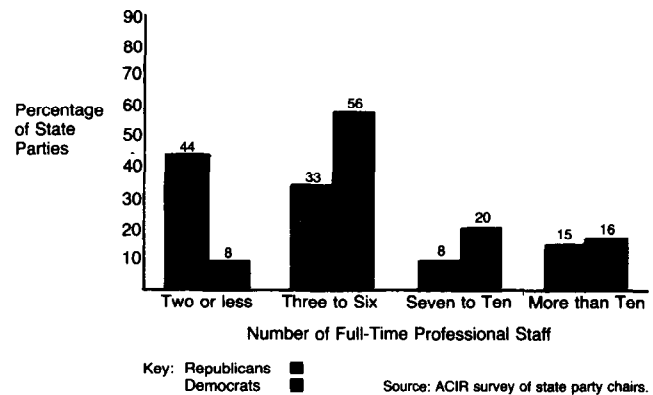


Figure 2

Annual Budgets of State Political Parties

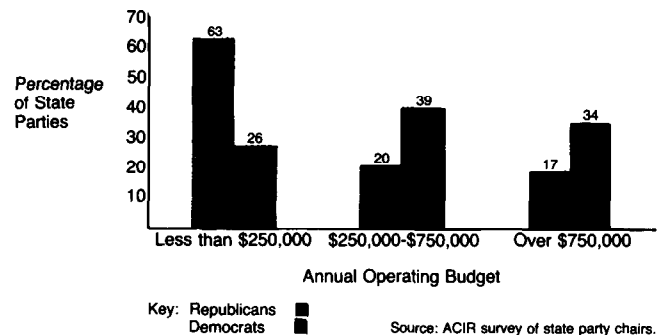
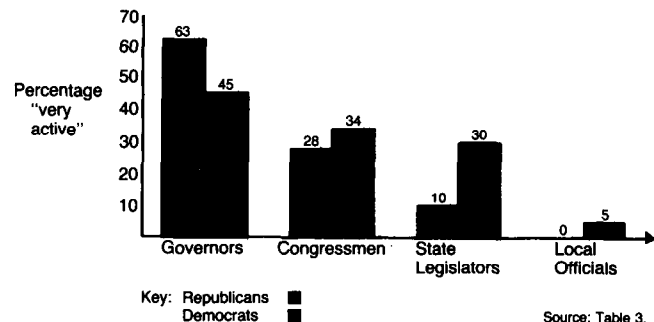


Figure 3

Elected Officials' Activities in State Party Affairs



⁸The gamma correlation coefficients are .46 and .75, respectively.

Figure 4

Trends in State Party Activity Over Time

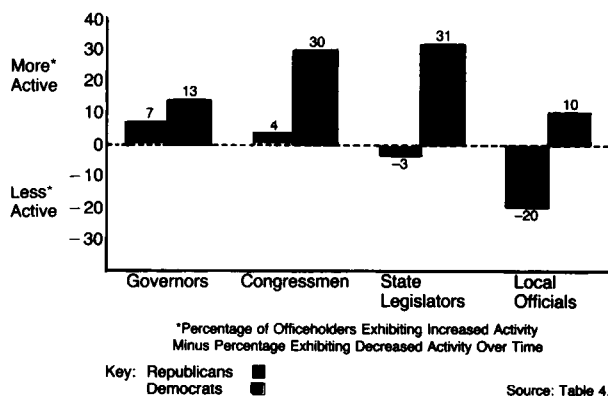
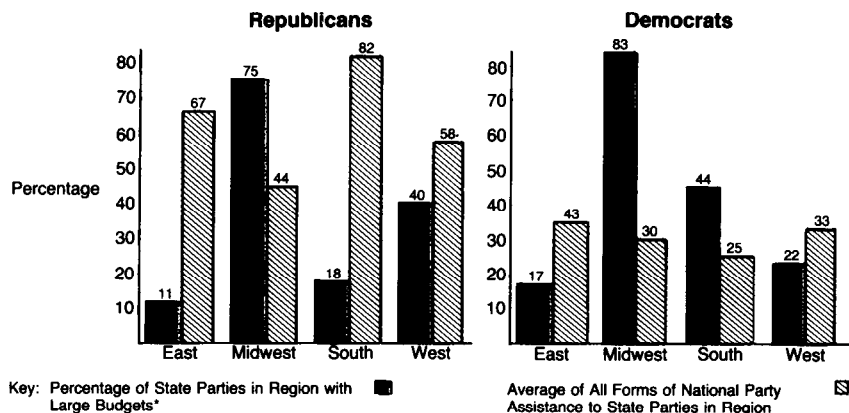


Figure 5

State Party Budgets and National Party Assistance, By Region



*Based on average annual budget. State organizations in each party were grouped into three roughly equal categories of high, medium and low budgets. For Republicans, the high budget category comprised all state parties with annual budgets over \$750,000; for Democrats, whose budgets are as a rule considerably smaller, the high budget category comprised all those with annual budgets over \$200,000.

*See Table 5 for forms of assistance.

prising that variations in party activity levels tend to be shaped by other factors.

State Parties in National Context

Naturally, state political parties do not exist in a political and legal vacuum. In particular, state party organi-

zations have developed varying relationships with their national counterparts, and even more important, they are deeply affected by the statutory and regulatory actions of government at both the state and national levels.

Not surprisingly, given substantial differences in the resources of the two national party committees, Repub-

lican state party organizations as a whole receive far more assistance from the national party than their Democratic counterparts do. As Table 5 indicates, this is true for virtually every category of assistance, from direct financial aid to organizational management assistance and data processing. The sole exception to this pattern is issue research, which was voluntarily mentioned by almost one quarter of the responding state chairs. Seventeen percent of the Democrats said that they receive assistance from their national committee in researching and characterizing key issues, compared with just 8% of the Republicans.

Within each party, however, there are also significant differences in the amount of national party assistance that state organizations receive. To a considerable extent, these variations reflect differences in the independent resources (and presumably the needs) of individual state parties. Thus, on the average, 82% of the Republican state parties in the South—traditionally the area of least Republican strength—receive each form of assistance provided by the Republican National Committee, and similarly large amounts of aid go to state parties in the Northeast. As Figure 5 shows, these are also the two areas of the country that have the fewest state parties with large budgets. Three quarters of the Republican organizations in the midwest, on the other hand, have large annual budgets, and state parties in this region receive the lowest amounts of support from the Republican National Committee. Although overall levels of support for state parties from the Democratic National Committee are lower and tend to vary less between regions, a similar pattern of targeting aid to regions with fewer state resources is apparent among Democrats as well.

State political parties are not only affected by the actions of their national committees; they can also be influenced by national legislation. Forty-three percent of all state party leaders in ACIR's survey reported that federal campaign and election laws interfered with their activities, and a slim majority of Republican chairs detected interference (see Table 6). Three specific effects were most frequently cited: limitations on state party fundraising and excessive reporting requirements were each mentioned by 60% of those citing federal interference, while 15% objected to provisions in the *Federal Elections*

Campaign Act that favored PACs over state parties for fundraising purposes.

State Laws on Parties and Elections

Because they affect many more areas of state party structure and activity, state laws regulating political parties and elections are generally more significant than national laws. Thus, it is significant that a slight majority (53%) of state party leaders believe that, overall, laws in their state are generally unsupportive of their party's activities. Again, there are substantial partisan differences on this issue, with a sizable majority of Republican chairs perceiving that state laws are unsupportive while a majority of Democrats find them generally supportive (see Table 7). Much of this difference may reflect the difficulties encountered by minority parties in certain areas of the country. Republican discontent is focused on the northeast and the south, where approximately two-thirds of Republican chairs find state laws unsupportive. Much of the Democrats' enthusiasm for state laws is also centered in the south. In other regions of the country, both parties are about evenly divided on the issue. Moreover, there also is considerable partisan agreement concerning which kinds of laws are least helpful to successful party activities, with leaders of both parties identifying campaign finance and open primary laws as problematic and many Democrats also citing obstacles to registration.

Regulation of Political Parties

To gain a better understanding of the impact state laws have on state and local party organizations, ACIR supplemented its survey of state party chairs with a systematic analysis of 1) state laws that regulate the internal structure and composition of state political parties, and 2) major state laws governing state party roles in the electoral process. This analysis discovered that only five states do not regulate at least one major aspect of state parties' internal structures, composition, and operating rules. Some states, such as California, Illinois, Louisiana, and Ohio regulate all three areas in great detail. In between are many other grades of statutory specificity. To provide a more comprehensive perspective on the

Table 1
Contributions by State Parties to Candidates

Form of Assistance	Republicans	Democrats
% providing campaign contributions:		
—for state candidates	90%	70%
—for congressional candidates	70%	56%
% providing fundraising assistance:		
—to state candidates	95%	63%
—to congressional candidates	63%	63%
State Party Chairs Responding	(40)	(30)

Source: ACIR survey of state party chairs.

Table 2
Additional Services Provided by State Parties to Candidates for State Offices

Services Provided	Republicans	Democrats
polling	78%	50%
media consulting	75%	46%
campaign seminars	100%	76%
coordinating PAC contributions	52%	31%
State Party Chairs Responding	(38)	(30)

Source: ACIR survey of state party chairs.

Table 3
Role of Officeholders in State Party Affairs

Office	REPUBLICANS			DEMOCRATS		
	Activity Level					
	Very Active	Somewhat Active	Not Very Active	Very Active	Somewhat Active	Not Very Active
Governor (when member of party)	45%	45%	10%	63%	22%	14%
Other Statewide Officeholders	28%	60%	12%	33%	50%	17%
Members of Congress	34%	48%	18%	28%	51%	21%
State Legislators	30%	48%	22%	10%	53%	37%
Local Officials	5%	40%	55%	0%	33%	67%

Source: ACIR survey of state party chairs.

nature and extent of these differences, an index based on the following seven issues was constructed:

1. Does state law mandate the manner for selecting members of state parties' central committees?
2. Does state law in any way mandate the composition of the parties' central committees?
3. Does state law mandate when or where the parties' central committees will meet?
4. Does state law mandate any of the internal rules or procedures governing actions by the state central committees?
5. Does state law mandate the manner for selecting members of the parties' local organizations?

6. Does state law in any way mandate the composition of the parties' local organizations?
7. Does state law mandate any of the internal rules, procedures, or activities of the parties' local organizations?

The answers to those questions were determined by examining the statutes regulating political parties in each state. The results of the statute search are presented in Table 8. An X on the table indicates states regulating party actions in the designated issue area while a blank indicates states that do not. The overall character of each state's legal treatment of political parties is summarized in a cumulative regulatory index score, which is based on regulatory actions

Table 4

Officeholders' Participation in State Party Affairs

	Level of Party Activity Over Time					
	REPUBLICANS			DEMOCRATS		
	Increased	Decreased	Little Change	Increased	Decreased	Little Change
Governor	39%	26%	35%	33%	26%	41%
Other Statewide Officeholders	34%	23%	43%	37%	30%	33%
Members of Congress	44%	14%	42%	30%	26%	44%
State Legislators	44%	13%	44%	28%	32%	40%
Local Officials	23%	13%	42%	12%	32%	56%

Source: ACIR survey of state party chairs.

Table 5

National Party Assistance to State Parties

Form of Assistance	Percentage of State Parties Receiving Assistance	
	Republicans	Democrats
Financial aid to state party	70%	7%
Fundraising assistance	75%	20%
Polling and data processing	60%	27%
Organizational management aid	75%	63%
Voter registration	38%	33%
Financial aid to state candidates	70%	13%
Candidate recruitment and training	65%	23%

Source: ACIR survey of state party chairs.

Table 6

Do National Laws Interfere with State Party Activities?

	Republicans	Democrats
Yes	53%	35%
No	47%	64%
State Party Chairs Responding	(34)	(27)

Source: ACIR survey of state party chairs.

Table 7

Are State Laws Regulating Political Parties and Elections in Your State Generally Supportive or Unsupportive?

	Republicans	Democrats
Supportive	39%	57%
Nonsupportive	61%	43%
State Party Chairs Responding	(36)	(28)

Source: ACIR survey of state party chairs.

in each of the seven areas examined. States respecting the parties' autonomy by not regulating in a specific area are given a regulatory index score of 0 for that area; states that limit party autonomy only moderately or regulate in a manner that may have a beneficial impact on state and local party organizations are given a score of 1; and states that significantly limit state and local party autonomy are given a score of 2. Each

state's seven regulatory index scores are then added together to create a cumulative regulatory index score.⁹

Based upon the states' cumulative regulatory index scores, Table 8 also classifies the states into three groups according to how heavily they regulate the parties' internal structures, composition, and rules. It reveals wide variation among the states, with 19 regulating political parties heavily, 17 regulating the parties mod-

erately, and 14 regulating them lightly. The distribution of states among these three classifications suggests that the states possess highly varying degrees of trust in state and local party organizations. Nevertheless, the fact that only 28% of the states can be classified as "light" party regulators indicates an overall pattern of distrust of political parties at the state level.

State Laws Governing the Party Role in Elections

In addition to legislation restricting the autonomy of state and local party organizations, states can take a variety of other actions that implicitly or explicitly hinder or reinforce state and local party activities and influence. To provide a perspective on the ways in which state laws affect the role of state and local party organizations in the electoral process, the states' positions on the following five issues were examined:

1. Does the state allow or require party nominating conventions?
2. Do any of the state's parties make preprimary endorsements of candidates?
3. Does the state have a closed primary?
4. Does the state prevent candidates who contest but lose a party's primary from running in the general election under another party label?
5. Does the state provide on its ballot a means to vote a straight party ticket?

Each of these issues is generally acknowledged by scholars as having a significant impact on the parties' role in the electoral process.

Table 9 identifies each state's position on these issues. An X on the table indicates states that take a position which is generally regarded as favorable to the parties' role in the electoral process, while a blank indi-

(Continued on page 23)

⁹For example, although 36 states regulate the method used by the parties to select their state central committee's members, 27 states require the parties to select them at party conventions, presumably the selection method that most parties would elect to use anyway. As a result, 9 regulating states were awarded a regulatory index score of 2, 27 regulating states were awarded a regulatory index score of 1, and the 14 nonregulating states were given a score of 0 on this issue.

Table 8

Index of State Laws Regulating Political Parties

State	State Comm. Selection ¹	State Comm. Composition ²	State Comm. Meeting Date ³	State Comm. Internal Rules ⁴	Local Comm. Selection ⁵	Local Comm. Composition ⁶	Local Comm. Internal Rules or Activities ⁷	Cumulative Regulatory Index Score ⁸
LIGHT REGULATORS⁹								
Alaska								0
Delaware								0
Hawaii								0
Kentucky								0
North Carolina								0
Alabama							X	1
Georgia							X	1
Minnesota							X	1
New Mexico							X	1
Oklahoma							X	1
Virginia							X	1
Connecticut						X	X	3
Maine	X		X		X		X	4
New Hampshire	X				X		X	4
MODERATE REGULATORS								
Arkansas	X				X		X	5
Florida		X	X	X		X	X	5
Nebraska	X				X		X	5
Rhode Island				X	X	X	X	6
Pennsylvania	X	X	X	X			X	7
Colorado	X	X	X	X	X	X	X	8
Idaho	X	X			X	X	X	8
Iowa	X	X			X	X	X	8
South Carolina	X	X		X		X	X	8
South Dakota	X	X			X	X	X	8
Utah	X	X		X	X	X	X	8
Mississippi	X	X		X	X	X	X	9
Montana	X	X			X	X	X	9
Nevada	X	X		X	X	X	X	9
Vermont	X	X	X	X	X	X	X	9
Washington	X	X			X	X	X	9
Wisconsin	X	X			X	X	X	9
HEAVY REGULATORS								
Indiana	X	X	X	X	X	X	X	10
Michigan	X	X		X	X	X	X	10
New York	X		X	X	X	X	X	10
North Dakota	X	X	X	X	X	X	X	10
Oregon	X	X	X	X	X	X	X	10
Arizona	X	X	X	X	X	X	X	11
California	X	X		X	X	X	X	11
Maryland	X	X	X	X	X	X	X	11
Massachusetts	X	X	X	X	X	X	X	11
Missouri	X	X	X	X	X	X	X	11
Tennessee	X	X	X	X	X	X	X	11
West Virginia	X	X	X	X	X	X	X	11
Kansas	X	X	X	X	X	X	X	12
New Jersey	X	X	X	X	X	X	X	12
Texas	X	X	X	X	X	X	X	12
Wyoming	X	X	X	X	X	X	X	12
Illinois	X	X	X	X	X	X	X	13
Ohio	X	X	X	X	X	X	X	13
Louisiana	X	X	X	X	X	X	X	14

¹Does state law regulate the manner of selecting the parties' state central committees?

²Does state law regulate the composition of the parties' state central committees?

³Does state law regulate when the parties' state central committees will meet?

⁴Does state law regulate any of the internal procedures of the parties' state central committees?

⁵Does state law regulate the manner of selecting the parties' local organizations?

⁶Does state law regulate the composition of the parties' local organizations?

⁷Does state law regulate any of the internal rules or activities of the parties' local organizations?

⁸Scores are determined by state regulatory actions in the seven areas examined. Minimum score is 0; maximum score is 14.

⁹"Light" regulators are defined as having an index score of 0-4; "moderate" regulators are those states having index scores of 5-9; and "heavy" regulators are those states having index scores above 10.

Source: The Annotated Statutes of the states.

Table 9

State Laws Governing Party Roles in the Electoral Process

State	Nominating Convention ¹	Party Endorsement ²	Closed or Party Open Primaries ³	Sore Loser Provision ⁴	Straight Party Ballot ⁵	Cumulative Party Support Index Score ⁶
GENERALLY UNSUPPORTIVE						
Alaska						0
Hawaii						0
Louisiana						0
Montana						0
Vermont						0
Mississippi			X			1
Florida			X			2
Idaho				X		2
Nevada			X			2
New Jersey			X			2
Washington				X		2
Arkansas			X	X		3
Minnesota		X		X		3
North Dakota		X		X		3
Tennessee			X	X		3
Texas			X		X	3
Wisconsin		X			X	3
MODERATELY SUPPORTIVE						
Arizona			X	X		4
California			X	X		4
Illinois		X	X		X	4
Kansas	X		X			4
Maine			X	X		4
Maryland			X	X		4
Nebraska			X	X		4
New Hampshire			X		X	4
Oklahoma			X		X	4
Oregon			X	X		4
Virginia	X	X	X			4
West Virginia			X	X		4
Wyoming			X		X	4
Alabama	X		X		X	5
Delaware		X	X	X		5
Georgia	X		X		X	5
Massachusetts		X	X	X		5
Missouri			X	X	X	5
Ohio		X	X	X		5
Rhode Island		X	X		X	5
Kentucky			X	X	X	6
New York	X	X	X			6
North Carolina			X	X	X	6
GENERALLY SUPPORTIVE						
Iowa	X	X	X		X	7
Michigan	X	X		X	X	7
Pennsylvania		X	X	X	X	7
South Carolina	X		X	X	X	7
South Dakota	X	X	X		X	7
Colorado	X	X	X	X		8
Connecticut	X	X	X		X	8
Indiana	X	X	X	X	X	8
New Mexico		X	X	X	X	8
Utah	X	X		X	X	8

¹Does the state allow or require nominating conventions?

²Do any of the state's parties make candidate endorsements before the general election?

³Does the state have a closed primary or require voters to acknowledge a party preference?

⁴Does the state have a "sore loser" provision?

⁵Does the state provide a straight party voting mechanism on its ballot?

⁶Scores are determined by the state's positions on the five issues examined. Minimum score is 0; maximum score is 10.

Source: ACIR staff compilation and *The Book of the States*, 1984-85 (Lexington, KY: Council of State Governments, 1984).

Intergovernmental Aspects of FECA: State Parties and Campaign Finance

Cynthia C. Colella

A national law regulating the conduct of campaigns for national elective office, the *Federal Election Campaign Act* (FECA), is seldom thought of as having intergovernmental ramifications. Yet those offices covered by FECA, although national, represent single states or districts within single states. As a result, they are of intense interest to states and localities and to state and local constituencies. In addition, though treated somewhat differently by the law than other political committees which support candidates for federal office, state and local party committees—like their federal counterparts—are subject to the gamut of FECA requirements and limitations. These requirements and limitations affect the structure and operation of political parties at all levels. Finally, by design or effect, certain provisions of the law appear to have strengthened the national parties relative to their subnational counterparts, thus possibly contributing to the trend toward the nationalization of campaign finance.

The Antiproliferation Rule

Under the contribution limits of FECA, the national political party committees are given a distinct advantage over other political committees (see Tables I and II). Notably, however, those advantages accrue *only* to parties at the national level. For purposes of contribution limitations, state and local party committees are legally considered to be just like other political committees—e.g., political action committees (PACs). Indeed, this even-handed treatment is fairly extensive, including in its reach a Federal Election Commission (FEC) provision known as the “antiproliferation rule.” Originally designed to ensure against single businesses or unions setting up a number of different segregated funds to circumvent FECA’s contribution limits, the FEC has also applied the antiproliferation rule to political parties and, in so doing, has decided that with rare exceptions state and local parties are one for the purposes of contribution and expenditure limits. In other words, local parties are legally assumed to be affiliates of the state parties in much the same way that divisional units of corporations are viewed as the affiliates of those groups. Consequently, a state party and all the local parties within a particular state share a single limit.

Because the national party and Senate campaign committees share a much higher contribution limit and the U.S. House of Representatives campaign committees are exempt from joint contribution restrictions, state and local parties find themselves at a distinct financial disadvantage. Hence, “Senate candidates can receive three and half times more from their national party than from the state party whose nominee they are, and House candidates can receive twice as much.”¹

Coordinated Expenditures

In 1976, the Supreme Court overturned some portions of FECA that restricted expenditures on the basis that such restrictions were in violation of First Amendment free speech guarantees. As a result, individuals and groups may now make unlimited expenditures for the purpose of “advocating the election or defeat of clearly identified candidate(s)” as long as those expenditures are “not made with the cooperation or prior consent of” any candidate or her/his agents.² This type of independent expenditure has been denied political parties at all levels on the assumption that they can never genuinely disconnect themselves from candidates bearing their labels.

A special category of expenditures, therefore, has been created for parties: coordinated expenditures. So

¹Jo Freeman, “Political Party Expenditures Under the Federal Election Campaign Act: Anomalies and Unfinished Business,” Paper presented for delivery at the 1983 Annual Meeting of the American Political Association, Chicago, IL, September 1983, p. 17.

²Federal Election Commission, *Campaign Guide for Nonconnected Committees* (Washington, D.C.: FEC, 1983), p. 47.

Table I

FECA: DEFINITIONS IN BRIEF

FECA

The Federal Election Campaign Act of 1971, as amended in 1974, 1976, 1977 and 1979.

POLITICAL COMMITTEE

A group that meets one of the following conditions:

1. Any local unit of a political party (excluding a state committee) which:
 - Receives contributions aggregating over \$5,000 during a calendar year;
 - Makes contributions or expenditures aggregating over \$1,000 during a calendar year; or
 - Makes payments aggregating over \$5,000 during a calendar year for activities exempted from the definition of contribution and expenditure.
2. Any state unit of a political party which receives contributions or makes expenditures aggregating in excess of \$1,000 during a calendar year.
3. Any authorized committee regardless of how much it receives or spends, once the individual who authorized the committee becomes a candidate.
4. Any separate segregated fund, upon its establishment.
5. Any other organization, club, association, or group of persons that receives contributions or makes expenditures aggregating in excess of \$1,000 during a calendar year.

Party Committee: A political committee which represents a political party and is part of the official party structure at the national, state, or local level.

Local Party Committee: A political committee which functions at the level of a local party organization.

State Party Committee: A political committee which, by virtue of the bylaws of a political party, is responsible for the day-to-day operation of the party at the state level.

National Party Committees: Political committees established and maintained by a national political party. A party's national committee, House campaign committee, and Senate campaign committee are defined as national party committees.

Affiliated Committees: Committees that are considered one political committee for purposes of contribution limits.

- A state party committee is presumed to be affiliated with the local party committees within the state unless a local committee can demonstrate its independence.
- All authorized committees of the same candidate are affiliated.
- All political committees established, financed, maintained or controlled by the same person, group, corporation or labor organization are affiliated.

Multicandidate Committee: A political committee with more than 50 contributors that has been registered for at least 6 months and, with the exception of state party committees, has made contributions to 5 or more candidates for federal office.

Separate Segregated Fund: A political committee established by a corporation (profit or nonprofit), labor organization, or incorporated membership organization.

Contribution

Anything of value given to (or provided on behalf of) a candidate or political committee to influence a federal election.

Expenditure

A purchase or payment made to influence a federal election.

Independent Expenditure: An expenditure for a communication expressly advocating the election or defeat of a clearly identified candidate that is not made with the cooperation or prior consent of, or in consultation with, or at the request or suggestion of, any candidate or his/her authorized committees or agents.

Coordinated Party Expenditures: Limited expenditures made by party committees on behalf of federal candidates in general election campaigns.

Source: Federal Election Commission.

named because the expenditures may be made in coordination with a candidate's campaign, the party rather than the candidate must actually do the spending. Although being able to coordinate expenditures with their candidates may be seen as giving the parties an advantage over other groups and individuals, critics are quick to point out a corresponding disadvantage. Unlike inde-

pendent expenditures which are unlimited by law, coordinated expenditures are subject to per candidate limits.

Agency Agreements. The subject of coordinated expenditures takes on a more overtly intergovernmental cast when state party committees allow national party committees to act as their spending agents. Such

Table II

CONTRIBUTION LIMITS UNDER FECA

CONTRIBUTIONS TO

CONTRIBUTIONS FROM	Candidate or His/Her Authorized Committee	National Party Committee ¹ Per Calendar Year ²	Any Other Committee Per Calendar Year	Total Contributions Per Calendar Year
Individual	\$ 1,000 Per Election ³	\$20,000	\$ 5,000	\$25,000
Multicandidate Committee⁴	\$ 5,000 Per Election	\$15,000	\$ 5,000	No Limit
Party Committee	\$ 1,000 or \$ 5,000 ⁵ Per Election	No Limit	\$ 5,000	No Limit
Republican or Democratic Senatorial Campaign Committee⁶, or the National Party Committee, or a Combination of Both	\$17,500 to Senate candidate per calendar year in which candidate seeks election	Not Applicable	Not Applicable	Not Applicable
Any Other Committee or Group⁷	\$ 1,000 Per Election	\$20,000	\$ 5,000	No Limit

¹ For purposes of this limit, each of the following is considered a national party committee: a party's national committee, the Senate Campaign committees and the National Congressional committees, provided they are not authorized by any candidate.

² Calendar year extends from January 1 through December 31. Individual contributions made or earmarked to influence a specific election of a clearly identified candidate are counted as if made during the year in which the election is held.

³ Each of the following elections is considered a separate election: primary election, general election, runoff election, special election, and party caucus or convention which has authority to select the nominee.

⁴ A multicandidate committee is any committee with more than 80 contributors which has been registered for at least 6 months and, with the exception of State party committees, has made contributions to 5 or more Federal candidates.

⁵ Limit depends on whether or not party committee is a multicandidate committee.

⁶ Republican and Democratic Senatorial Campaign committees are subject to all other limits applicable to a multicandidate committee.

⁷ Group includes an organization, partnership or group of partners.

Source: Federal Election Commission.

agency agreements are the offspring of a provision of FECA which holds that "[t]he limitations on contributions . . . do not apply to transfers between and among political committees which are national, State, district, or local committees . . . of the same political party." Beginning in 1978, however, a number of state GOP party committees authorized the National Republican Senatorial Campaign Committee (NRSC) to spend their funds—in other words, to act as their agent for spending purposes—a practice subsequently upheld by the Supreme Court.

Although most observers feel that unlimited funds transfers are a perfectly acceptable feature of the law, some are less than sanguine about their newest permutation: agency agreements allowing national party committees to spend state party funds. Thus, political scientist and North Carolina state party chair David Price has commented:

I really think unlimited transfers of funds between state and national party units is still desirable. [However,] I'm not sure . . . that simply letting the

national party absorb the state parties' spending entitlements is desirable . . . I'm not sure that's a healthy development from the standpoint of the strength of our state parties.³

The 1979 Amendments: Revitalization Or Intergovernmental Loophole?

In 1979, Congress amended portions of FECA. In so doing, it was responding to complaints that the statute discouraged state and local parties from engaging in grassroots activities. As President Ford's campaign manager observed in 1976.

One of the major results of the spending limitations has been to encourage the development of highly centralized campaign organizations with elaborate controls over spending. . . . The experience of the Ford campaign in 1976 showed conclusively that it was easier to discourage grassroots activity than to try to control it and report it. In previous campaigns, it was possible to tell a local campaign or party official to go ahead with a project as long as he could raise the money to finance it. Now, federal law places a premium on actively discouraging such activity because of the danger that it could well lead to a violation of the spending or contribution limits in the primary. Furthermore, in the general election, because no contributions are permitted once federal funds become available, it is even more important to discourage such activity.⁴

In response, the 1979 amendments:

- allowed state and local party groups to buy campaign materials for voluntary activities, unencumbered by spending limits, and
- permitted unlimited spending by state and local parties for purposes of voter registration and get-out-the-vote drives on behalf of presidential tickets.

These amendments have been praised as an important first step toward rekindling state and local party viability—encouraging those longtime bulwarks of the party system to engage in the sort of grassroots activities that have been their traditional forte.

"Soft Money." On the other hand, as the now popular journalistic term "soft money" implies, some feel that the 1979 amendments are less notable as a means of strengthening state and local party committee involvement in federal elections than as a convenient loophole for circumventing the intent of FECA.

"Soft money" has been so named because it involves the use of funds—from corporate treasuries, union dues, and large individual donors—that cannot directly be contributed to federal elections. Such funding sources are, however, legal in many states and presumably allowable under the 1979 contribution and expenditure exemptions for party-building activities.⁵

³Testimony before the Advisory Commission on Intergovernmental Relations, Washington, D.C., June 6, 1984.

⁴Richard B. Cheney, "The Law's Impact on Presidential and Congressional Election Campaigns," in *Parties, Interest Groups, and Campaign Finance Laws*, ed. by Michael J. Malbin (Washington, D.C.: American Enterprise Institute, 1980), p. 240.

⁵For example, corporations are allowed to give money to state parties in 33 states.

The use of the 1979 amendments as a soft money vehicle first manifest itself during the 1980 campaigns, with the Republican National Committee (RNC) raising and spending approximately nine million such dollars.⁶ The idea quickly caught on and

[b]oth parties now see soft money as a way of supercharging their presidential campaigns. Both have active programs to collect cash and channel it through their state brethren.⁷

In 1984, Democrats planned to raise between \$20 and \$27 million through a separate Democratic Victory Fund. Of that amount, about \$15 to \$16 million was scheduled to be channelled through Democratic parties "in 20 key states" for registration and get-out-the-vote drives.⁸ Although no figures were set for similar GOP activities, sources estimated the amounts to range between \$10 and \$14 million.⁹

Critics contend that it has been primarily the national—rather than state and local—party committees which have coordinated the raising, distribution, and use of soft monies. They view the 1979 amendments in practice more as a gigantic statutory loophole for national party spending rather than an effective means of energizing state and local parties. According to critic Elizabeth Drew:

The theory was that the state parties should be able to participate in the publicly financed Presidential campaign But in 1980 the national parties assumed the role of raising and distributing such funds—which was not the intent of the law—and have significantly expanded their use. Through an imaginative, and questionable, interpretation of the law, both parties now use soft money for congressional as well as Presidential campaigns. They use it as much as they can—and as much as they think they can get away with—for television advertising and get-out-the-vote drives. Their rationale is that they are using soft money for non-federal elections—for governorships, state legislatures, and so on. (The only federal election mentioned in the 1979 change in law was the one for President.) But, obviously, efforts to motivate people to vote the party ticket at the state level are likely to benefit the candidates for federal office as well. So the distinction is a false one, and the lengths to which the parties go to make the distinctions between their soft money and hard money expenditures are fairly ludicrous.¹⁰

Others, however, believe that Drew may be too harsh in her criticism and contend, in fact, that the amendments may potentially benefit state and local parties:

Critics such as Drew are too quick . . . to condemn all loopholes in FECA indiscriminately. The 1980 expe-

⁶Xandra Kayden quoted in Peter Grier, "'Soft Money' and '84 Campaign Financing," *The Christian Science Monitor*, 19 June 1984, p. 4.

⁷Grier, "'Soft Money'," p. 4.

⁸Thomas B. Edsall, "'Soft Money' Will Finance Voter Signup," *Washington Post*, 12 August 1984, p. A4; and Jeff Gerth, "Democrats Set Up \$27 Million Drive," *New York Times*, 29 August 1984, p. A20.

⁹Edsall, "'Soft Money'," p. A4.

¹⁰Elizabeth Drew, *Politics and Money: The New Road to Corruption* (New York: Macmillan Publishing Company, 1983), p. 15.

rience suggests that the law as written and administered may be open to abuse; certainly contributions to large voter-mobilization efforts on behalf of the national ticket should be subject to FECA's limits and disclosure requirements. But to regard the 1979 amendments simply as a loophole is to beg important questions: if private and party money have *any* role to play in Presidential elections, then one must ask through what channels that money is best raised and spent. The 1974 law, while providing an ancillary role for national party committees, clearly tended to remove state and local parties and their voter contact activities from the Presidential campaign. Assuming that some "loopholes" for party initiatives are desirable, the 1979 provisions seem, on balance, to be well conceived. They open up the possibility of a significant campaign role for state and local organizations and make the Presidential campaign a less centrally controlled media-dominated affair.¹¹

In either case, the political issue of soft money recently became a legal issue when the Center for Responsive Politics filed a complaint with the FEC. Specifically, the group alleges that "the Republicans and Democrats illegally transferred funds to their respective state committees to influence the outcome of the special election to fill a U.S. Senate seat in November 1983 in Washington State."¹² The group bases its allegations on the fact that in 1983 the Democratic National Committee contributed \$20,000 from its Non-Federal Corporate Account to the Washington State Democratic Central Committee while Republican national committees contributed a combined \$67,000 to the Washington State Republican Party for "party-building" and other purposes. Only one statewide office—the U.S. Senate vacancy—was at stake in the election; the remainder of contests were local and primarily nonpartisan. According to the Center's Executive Director Ellen Miller:

It is hard for the Center to believe that the massive expenditures made by the national party committees were made to influence the outcome of a few races for county coroner (Spokane County), a county assessor, auditor, and sheriff (Whatcom County) or the city council (King and Snohomish Counties).¹³

As the foregoing suggests, current uses of the 1979 amendments are viewed alternatively as invidious on the one hand or invigorating on the other. The one claim probably awaits judicial consideration; the other, time and additional research. At present, however, it does appear that amendments designed to enhance state and local parties may, at the same time (or perhaps instead), have further enhanced the fiscal position of their national counterparts.

Conclusion

As the accompanying article on "State Parties in the 1980s" illustrates, state political parties have become increasingly professional, financially sound, and better able to adapt to evolving political conditions. Nonetheless, state and local parties continue to face formidable obstacles and major challenges, including rapid technological changes and competition from organized interests.

Those parties also face legal challenges. To varying degrees, state laws regulate party structure, procedure, and electoral involvement. At the same time, federal law may be perceived as placing additional legal burdens on subnational party organizations. For instance, ACIR's survey of state party chairs found considerable dissatisfaction with FECA's reporting requirements and contribution limits.

If parties at all levels face competitive challenges in the forms of organized interests and PACs, subnational parties also face the challenge of maintaining their historical autonomy at a time when their national counterparts appear to be in financial and organizational ascendancy. That process, some contend, has been exacerbated by the *Federal Election Campaign Act*. By strengthening the financial bond between candidates and national party committees and encouraging state and local parties to defer to the fiscal and organizational superiority of their federal counterparts, some fear that the law has already contributed to unprecedented levels of party centralization. As one of the nation's leading scholars on campaign finance has noted:

[R]ecent changes in party organization are the result of both political reform (in this case the *Federal Election Campaign Act of 1971*, as amended) and changes in other areas . . . which were not directed toward the parties but are, nonetheless, having unintended consequences on party structure.¹⁴

Whether or not these "unintended consequences" will ultimately lead to a nationalization of campaign finance remains to be seen.

¹⁴Xandra Kayden, "The Nationalizing of the Party System," in *Parties*, ed. Malbin, p. 257.

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¹¹David E. Price, *Bringing Back the Parties* (Washington, D.C.: Congressional Quarterly Press, 1984), pp. 252-53.

¹²Center for Responsive Politics, Press release and accompanying Complaint to the Federal Election Commission, August 28, 1984.

¹³*Ibid.*

Federal Income Tax Deductibility of State and Local Taxes

Since 1913, state and local taxes have been an allowable deduction under the federal personal income tax law. Four major types of taxes are allowed as deductions: individual income, real estate, personal property and general sales. Despite this history which goes back to the inception of the federal income tax, the matter of deductibility has become one for serious and controversial discussion. This discussion has been inspired chiefly by the two ailments afflicting the national government: growing budget deficits and a revenue structure that is viewed by many as seriously flawed and in need of reform.

The \$195 billion federal budget deficit in FY 1983 was about \$25 billion larger than the total tax collections in that year for all 50 states—a stunning intergovernmental comparison. Not since World War II had there been a similar year, with a federal budget deficit running greater than total state tax collections.

The scale of the deficit prompted an ACIR study, **Strengthening the Federal Revenue System: Implications for State and Local Taxing and Borrowing**, which examined how a number of policy options, including ending deductibility, would affect the intergovernmental fiscal system.

At the same time that deductibility grew more appealing to those persons concerned with measures to reduce the deficit, it became embroiled in the broad debate over federal tax reform. Many participants argued that tax reform and simplification must precede actions to increase revenues. This priority—for reform, not more revenue—is supported by the growing public perception that the federal income tax is unfair. This perception of “unfairness” is documented by responses to ACIR’s annual public opinion polls. Each year since 1979, respondents have pointed to the federal income tax more often than any other major tax when asked: “Which do you think is the worst tax—that is, the least fair?”

Other surveys show widespread belief that there are too many loopholes in the federal income tax, and that they are used unfairly. Regardless of its validity, this perception is furthered by the complexity of the current income tax law which finds taxpayers spending an estimated \$10 billion annually for professional assistance to prepare their returns.

The twin issues of deficit reduction and tax reform are as complex as any to be faced by policymakers. Their broad goals are not easily translated into specific improvements or changes. Taken together, however, they ultimately carry great consequences for state and local fiscal systems. As discussion continues, a key question of fiscal federalism must be addressed: What would be the implications to state and local governments of changes in deductibility?

Rationale for Deductibility

To understand the context for any change in deductibility under existing law, it is useful to review the rationale for this provision before assessing the effects of deducting state-local taxes.

Deducting can be supported by two separate arguments: (1) it is necessary to make taxable income more closely reflect the individual taxpayer’s ability to pay, and (2) it is an appropriate indirect subsidy to state and local governments.

Deductibility has become more vulnerable, despite these traditional rationales, on two grounds: (1) it serves as a substantial indirect subsidy to state and local governments, and (2) it distorts the equity of the overall federal personal income tax. Under present law, approximately \$30 billion annually could be gained if

ACIR TAX RESEARCH

The accompanying article is based on Chapter 3 of ACIR's forthcoming study, *Strengthening the Federal Revenue System: Implications for State and Local Taxing and Borrowing*, to be available in January 1985. This study began in 1983 when the Commission decided to examine the intergovernmental fiscal impacts of potential changes in existing tax law that might be used to reduce the federal deficit.

The deductibility of state and local taxes which is allowed under present law carries great importance in intergovernmental fiscal relations. Unfortunately, any discussion of the effects and benefits of deductibility is subject to serious misinterpretation. The material presented here focuses only on how deductibility functions and its effects under present law; any projections do not take

into account the net effect of various tax reform proposals. A separate ACIR study is in progress on how various proposals would treat deductibility, and the implications of these changes for each state. That study will be available in March 1985.

These two tax studies will be augmented by a third, the latter being conducted under contract with the U.S. Treasury Department as part of its broader examination of federal, state, and local fiscal relations. The Treasury study, required by the legislation renewing general revenue sharing, must assess the impact on state and local governments of changing tax deductibility in conjunction with increasing revenue sharing. Preliminary results of this analysis will be available in January 1985.

deductibility were ended—a strong temptation for would-be deficit reducers. For the reformers, deductibility would be eliminated, should a pure flat tax—doing away with all deductions—be adopted. Even a modified flat tax could alter deductibility significantly.

Any evaluation of the arguments that support deductibility rests crucially on how one views state and local governments. If their taxes are seen as “prices” paid for goods and services that taxpayer-voters desire, the ability-to-pay argument is weakened. Some critics ask why property tax payments that finance local pools and tennis courts are allowable deductions, while homeowner association fees for the same facilities are not. They argue further that state and local taxes should not be deductible to the extent that voters have chosen freely to increase the taxes they pay in order to receive government benefits that are very much like benefits received from private goods.

At the other end of the argument, state and local taxes can be regarded as mandatory payments in return for no clearly defined benefits. Under this position, ability-to-pay carries more weight. Further, the view is sometimes expressed that an individual should not have to pay “tax on a tax”—a variant of the ability-to-pay argument.

The Mechanics of Deductibility

For the taxpayer who itemizes state-local taxes, deductibility has two direct effects: (1) a reduced “price” for most state and local public goods and services, and (2) a reduction in combined federal-state-local taxes.

The reduced price for state and local services is directly proportional to the taxpayer's federal marginal tax rate. A taxpayer in the 14% marginal tax bracket, for example, reduces federal income tax liability by 14 cents for every extra dollar of state and local taxes deducted. This deduction brings the net price of one extra dollar of state and local services down to 86 cents. For a taxpayer with a marginal tax rate of 50%, the price of an additional dollar's worth of services would be only 50 cents.

Deductibility provides no tax benefits for those taxpayers who do not itemize. In 1980, only 8.8% of those taxpayers with adjusted gross income (AGI) of less than \$10,000 itemized their taxes, while more than 90% of taxpayers reporting more than \$50,000 AGI were itemizers. As a result, both the proportion of taxpayers itemizing and not itemizing, as well as their relevant marginal tax rates, must be taken into account when

calculating the average net price of state and local services for a particular group of taxpayers.

In 1980, the average price per dollar of state-local services fell from \$1 for the lowest income level to 87 cents for taxpayers with median family income and to 31 cents for taxpayers in the highest tax bracket. Because the top marginal tax rate is currently 50%, high-income taxpayers no longer pay net prices of less than 50 cents on the dollar.

Benefits of Deductibility

Like an individual taxpayer, who enjoys greater relative benefits from deductibility the higher his marginal tax rate and the greater his payment of state-local taxes, a particular group of taxpayers would also have proportionately higher benefits the more of its members that itemize. For this reason, it is possible to draw conclusions on the relationship of deductibility and the progressivity of the federal personal income tax. It is also possible to assess the distribution of benefits to states as well as individuals.

On balance, deductibility reduces the progressivity of the federal income tax because its benefits accrue more than proportionately to higher-income taxpayers. The amount by which an itemizer's federal income tax is lessened—and more income retained—can easily be calculated by multiplying the marginal tax rate by the total state-local taxes deducted. A taxpayer in the 14% tax bracket would save \$140 for \$1,000 deducted in such taxes; a taxpayer in the 50% bracket would enjoy a benefit of \$500. With the proportion of itemizing taxpayers increasing from 1.8% to 99.1% as one progresses up the income scale, the regressive effect of deductibility is further aggravated when taking into account those who do not itemize.

Deductibility's benefits to states is impressive. Although the indirect aid received from this provision in the law has grown at a modest rate since 1981, federal revenue loss from this single item has grown rapidly—by almost 600%—between 1967 and 1983. Deductibility represents about one-fifth of all federal aid—direct and indirect—to state and local governments.

The total aid picture in FY 1983 included grants-in-aid (\$93 billion), tax deductibility (\$26 billion), and exclusion of interest paid on state and local bonds (\$20 billion). On a nationwide basis, more than half (53%) of the \$26 billion resulted from deducting state and local income taxes. Personal and real estate property taxes were next in importance (33%), with benefits derived from sales tax reductions amounting to 15%.

For taxpayers in different states, however, the importance of deductibility for each category of taxes can vary greatly. For example, Texans receive less than 5% of their tax deductions from income taxes; 46% of the tax deductions of Louisianans come from sales taxes.

Benefits received by itemizing taxpayers are divided unevenly among the states. Upper-income taxpayers residing in high-spending states with relatively progressive tax structures gain the most from deductibility under the present tax code. Upper-income taxpayers in

“ Some critics ask why property tax payments that finance local pools and tennis courts are allowable deductions, while homeowner association fees . . . are not. ”

states that have modest tastes for government services, and which rely on relatively regressive tax systems, benefit much less.

Those states in which taxpayers receive the highest tax savings from deductibility are California, Delaware, Maryland, Massachusetts, New York and Washington, D.C. Itemizing taxpayers in Florida, Louisiana, Nevada, South Dakota, Tennessee, Texas, Washington and Wyoming gain the least.

Deductibility and State-Local Spending

Deductibility stimulates state and local spending in three ways:

1. Itemizing taxpayers are more likely to support or tolerate higher spending than they otherwise would in their voting behavior because of deductibility's effect in raising their net income and reducing their net prices for state-local services.

2. Higher spending levels are encouraged by making high-spending and high-taxing jurisdictions more attractive relative to low-spending ones. In the case of itemizing taxpayers, deductibility either reduces the incentive for their outmigration from or encourages their immigration to jurisdictions that are relatively high spending and high taxing.

3. Elected officials may be more apt to propose tax increases because they recognize that the net additional tax payment will be less than the actual proposed increases, due to many of their citizens' use of deductibility. At the same time, officials are likely to worry somewhat less about maintaining higher tax rates compared to other jurisdictions because of deductibility's muting effect on interjurisdictional tax differentials.

Deductibility and Voters

Assuming that elected officials respond directly to the electorate, it can be asked: (1) how does deductibility affect the desires of voters for governmental goods and services, and (2) does deductibility cause voters to desire higher spending levels, and, if so, how much higher?

Because deductibility's two broad effects are to reduce the price of state-local services and to increase the itemizers' disposable income, the two together can be expected to increase the amount of government services desired by persons who vote and itemize. Not all voters are itemizers, however. The estimated proportion of taxpayers who itemize their taxes ranges from a high of

“ Deductibility's stimulus to spending tends to be greatest in high-income states because they have the highest average marginal tax rates and the highest proportion of taxpayers who itemize. ”

50% in Utah to a low of 19% in West Virginia, with a U.S. average of 37%. The question arises of how influential itemizing voters are in the political arena. If the majority of voters in a state or locality are non-itemizers, deductibility might not carry any stimulus to public spending. However, high-income taxpayers are both more likely to vote and to itemize than lower-income taxpayers. A Massachusetts survey indicated that 56% of that state's household heads who voted in 1980 itemized deductions on their federal income taxes.

According to ACIR's estimate, if deductibility were to be eliminated from the current tax code with no changes in the rate structure, state and local spending across the United States financed through deductible taxes would be expected to fall on average by at least 7% relative to the spending level anticipated prior to the end of deductibility.¹ This estimate is conservative; some analysts have estimated that state-local spending would fall by as much as 21% in the absence of deductibility.

Deductibility's stimulus to spending tends to be greatest in high-income states because they have the highest average marginal tax rates and the highest proportion of taxpayers who itemize deductions. The states with the highest stimulus to spending—8% or more—also have average per capita incomes of at least 10% above the U.S. average. (These states are Alaska, California, Colorado, Maryland, Michigan, Minnesota and New York.) The states with the least stimulus to spending—5% or less—have average per capita incomes less than 85% of the U.S. average. (These states are Arkansas, Maine, North Dakota, South Dakota, Tennessee and West Virginia.)

¹To estimate the magnitude of deductibility's stimulus to spending, and hence its actual subsidy-value, it is necessary to find the average price voters paid for additional state-local services. The average marginal tax rate of itemizers and the proportion of voters who itemize have been used in computing this average price. The average national net price for an extra dollar of state-local services was computed at 89 cents. Methodology for this computation is presented in Chapter 3 discussing deductibility in ACIR's forthcoming report, **Strengthening the Federal Revenue System: Implications for State and Local Taxing and Borrowing**. See notes to Tables 1 and 5, pp. 40 and 44-45. An estimate of the responsiveness of state-local spending to the reduction in price is also needed. An average price elasticity of spending of $-.6$ was chosen; in other words, a 10% decrease (increase) in price leads to a 6% increase (decrease) in state-local spending.

Deductibility and State-Local Tax Systems

Deductibility not only affects the overall level of state-local taxing and spending but the type of state-local tax system as well. Specifically, it affects the distribution of tax burden by income level and the particular types of state-local taxes used.

Currently, only a few state and local taxes are not allowed as federal deductions. Those disallowed are user charges and other special fees, special assessments for improvements to property, and state and local excise taxes. The deductibility provision produces a bias in favor of deductible taxes at the state-local level rather than user charges. The more progressive the state-local system, the greater the federal offset, a factor not overlooked by state-local policymakers.

Conclusion

Eliminating the deductibility of state-local taxes in existing U.S. income tax law would have several effects

1. The federal income tax liability of all taxpayers who have been itemizing these deductions would increase.

2. The greatest increases would be felt by upper-income taxpayers in high-spending states with relatively progressive tax systems.

3. Total state and local spending would be depressed by an estimated 7% annually.

4. The progressivity of the federal income tax would be increased.

This article has discussed the mechanics and implications of deducting state and local taxes under the present law governing personal income tax liability. It has not considered how deductibility's effects would be altered by any changes in the federal tax code. The conclusions presented here offer additional perspective on the ways in which deductibility is woven into the fabric of state-local revenue structures. The consequences for deductibility within the various proposals for tax reform have not been examined in this article; they will be assessed in an ACIR study to be available in March 1985.

*This article is drawn from Chapter 3 of ACIR's forthcoming study, **Strengthening the Federal Revenue System**. That chapter was prepared by Senior Analyst Daphne A. Kenyon.*

STATE PARTIES

(from page 11)

cates the opposite. In addition, each state is again assigned a cumulative party support index score which is based upon their policies toward all five issues examined. State policies that are generally considered to weaken the parties' role in the electoral process are given a party support score of 0 for that issue; state policies having a marginal or uncertain impact on that role are given a score of 1; and state policies that are generally believed to strengthen the parties' role in the electoral process are given a score of 2.¹⁰ Each state's five party support scores are added together to create a cumulative party support index score.¹¹

Table 9 reveals significant variations in the way states govern the role of state and local party organizations in the electoral process. Importantly, however, it also suggests that an overwhelming majority of the states (80%) do not provide a predominantly positive role for state and local parties in the electoral process. Since most states (72%) also substantially regulate the internal processes of state and local parties, it appears that the legal environment confronting political parties in most states is not nearly as supportive as it might be.

Conclusion

State political parties, like many other aspects of the party system today, are commonly believed to be declining in importance. Although state parties vary widely in their contemporary roles and historical significance, as a group they have been viewed by many as pallid vestiges of bygone days. Such perceptions may be exaggerated by distorted memories of past prominence. Yet, as a forthcoming article in the next issue of **Intergovernmental Perspective** will suggest, political parties at all levels do face a difficult and very different political environment today—an environment transformed by the emergence of the welfare state, the advent of merit hiring systems and the declining availability of patronage, technological advances in mass communications, the growing size and educational sophistication of the middle class, and substantial changes in historic immigration patterns. At the same time, political parties have been challenged by major new com-

petitors able to perform many of their historic functions, including the mass media, proliferating interest groups, independent political consultants, and political action committees.

Confronting these new challenges, political parties at the state level have not retired into doddering obscurity. On the contrary, they have shown significant signs of organizational revitalization and functional adaptation. Compared to the early 1960s, their budgets and staffs are now larger and more professional. State party services and activities are substantial, and elected officials' involvement in party affairs is perceived to be rising. Although there are significant differences in party developments among the states and between the two parties, these trends apply to state parties as a whole. Even where Republicans have led the way, activity by Democrats suggests that they are making similar party building efforts and are capable of comparable gains.

The most important issue still remains, however: Will parties adapt sufficiently to offset their vigorous competitors and regain a major measure of their former status? In the main, the answer to this question rests with the parties themselves. But it also rests in part with the states and the federal government. As one noted scholar and state party chair observes, governmental policy as well as social change has played a role in undermining political parties:

The weakened state of the parties owes much to the actions of governments Since the progressive era, legislators and rule makers have intervened in the life of the parties at all levels. It is important to understand the impact of their actions on the health of the parties and to assess the potential for constructive change.¹²

As this analysis has shown, if state and federal policymakers decide that the virtues of contemporary parties are sufficient to warrant greater support, there remains a great deal that they can do to support further party revitalization.

¹⁰For example, thirteen of the 19 states allowing preprimary candidate endorsements were given a party support index score of 1 instead of 2 because their endorsement process is extra-legal, post-primary, or not fully sanctioned by state law. In addition, 12 states that have open primaries were given a party index score of 1 instead of 0 because they require voters to acknowledge a party preference before participating.

¹¹As with the previous data on state regulation of political party structures and procedures, the information in Table 9 is intended to be only illustrative. Both indices are relatively imprecise indicators of state policy toward political parties, and the inclusion, measurement, and weighting of individual factors are open to differences of opinion. For example, it can be argued that the index could be improved by weighting the five issue areas examined according to their relative importance to the parties' role in the electoral process or by adding more issue areas for consideration. There is very little agreement, however, on specific weights to assign to each factor or even to the relative importance of the existing issues, from most significant to least significant. Although the table provides an admittedly rough estimate of how policies in each state affect the parties' role in the electoral process, the issues examined are generally acknowledged as important factors affecting their role. It does, therefore, provide useful insights into the area of inquiry.

¹²David E. Price, **Bringing Back The Parties** (Washington, DC: Congressional Quarterly Press, 1984), p. 121.

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Fiscal Federalism and ACIR: A Look Back

Wayne A. Clark

Throughout the past quarter century, the Advisory Commission on Intergovernmental Relations has witnessed and participated in profound changes in the American federal system. Two of those changes have had a particularly strong influence on the complex inter-relationship that exists among governmental bodies: the growth in the size and role of government and a related increase in the amount of federal aid. Both issues emerged as dominant themes of fiscal federalism which, over the years, has occupied much of the Commission's efforts. This retrospective article reviews ACIR's role in shaping federalism by focusing on a few key fiscal issues and the Commission's response to them.

Expectations and Focus

By the late 1950s, the need to improve inter-governmental fiscal relations had been clearly established. The growing number of federal grants had accompanied and accelerated the study of inter-governmental relations. At regional hearings conducted by the House Subcommittee on Intergovernmental Relations, state and local officials complained of complex program requirements, inadequate coordination among governments, and confusion about roles and responsibilities. The subcommittee concluded that it was time to find practical ways to improve the federal system, particularly where grants were involved. To achieve this goal, Representatives L. H. Fountain (NC) and Florence Dwyer (NJ) and Senator Edmund Muskie (ME) introduced legislation to create the Commission.

Although the enacting legislation, signed by President Eisenhower in September 1959, had received vigorous bipartisan support, ACIR's supporters had diverse goals. Some thought the new body should merely act as a forum, providing an opportunity to exchange views among officials who would occasionally offer policy recommendations. Others expected nothing short of a comprehensive national policy on intergovernmental relations to emerge from ACIR. Many governors and local officials, concerned about the growth of the national government, viewed ACIR as a potential ally in enhancing the role of state and local governments.

Despite these differing expectations, there existed a consensus that ACIR would delve into inter-governmental fiscal relations. Representative Fountain singled out federal grants as a subject requiring special attention:

I believe it is desirable that we now concentrate on the practical and continuing problem of seeking to improve the operation of our Federal system, particularly the design and consistency of the innumerable Federal grants . . . the Commission could serve as a central point for reviewing the characteristics of grant programs and proposals for their overall effects on the States and the Federal System.¹

Early Studies and Goals

Under the leadership of its first Chairman, the late Frank Bane, and Executive Director William Colman, the Commission chose research topics that were important to all levels of government, that were manageable and that resulted in practical improvements. Initial fiscal studies—the improvement of state practices in in-

¹Quoted in *Congressional Record*-House May 6, 1959., p. 6794.

vesting idle cash is an example—enabled the Commission to establish its credibility. (Later studies on federal aid would be more controversial.) This approach to research indicated that ACIR was more interested in practical solutions than in abstract theories of government.

One of the Commission's main goals was to strengthen the role of state government vis-à-vis the national government. ACIR urged states to assume a stronger, more active role in solving governmental problems. It proposed an array of specific actions to help states improve their performance and enhance the structure and functions of local government. On the fiscal front, ACIR called for a broader, less restrictive state role in devising and administering grant programs. It supported local governments by stressing the need to relax state constitutional and statutory restrictions on local fiscal, functional, and structural powers. ACIR also sought to influence state governments to provide aid to central cities.

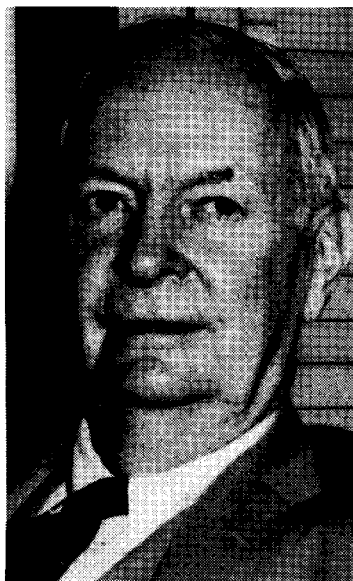
When the Commission began its work, most state executives and legislatures were viewed as being unresponsive to the need for dealing effectively with local policy concerns. Thus, reforms initiated by state governments in the 1960s and court-ordered legislative reapportionment came at an opportune time. These reforms strengthened the Commission's argument that states could adopt changes that would help solve the problems associated with federal grants.

Congressional Response. The Commission called on the national government to consolidate grants, simplify guidelines, and make programs more flexible. Three milestone pieces of legislation incorporated one or more of these proposals: the *Partnership for Health Act* (1966) consolidated some 12 categorical programs into a single comprehensive program; the *Demonstration Cities and Metropolitan Development Act* (Model Cities) provided funds for a wide assortment of urban needs and gave local officials considerable flexibility in selecting projects; the *Intergovernmental Cooperation Act* (1968) required intergovernmental consultation on, and periodic congressional reviews of, new grant programs.

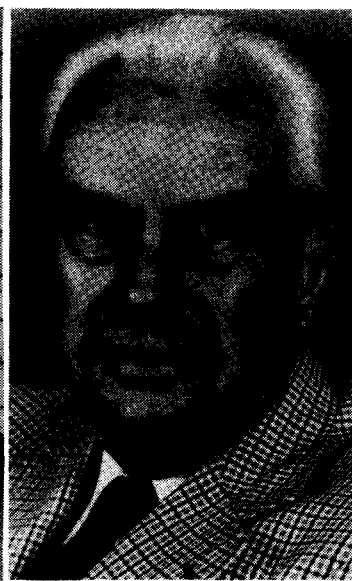
Fiscal Balance

Convinced of a need for better use of fiscal resources, the Commission undertook in 1965 a comprehensive study of fiscal balance in the federal system.² Requiring almost two years of work, this two-volume study was the most ambitious research task the staff had been assigned up to that time. The project encompassed the history of fiscal federalism, the grant-in-aid system, as

²See *Fiscal Balance in The American Federal System* (A-31), Vol. I, ACIR, October 1967 and *Metropolitan Fiscal Disparities*, Vol. II, ACIR, October 1967.



Frank Bane



William G. Colman

well as fiscal relationships of governments in metropolitan areas. Its data revealed sharp disparities between central cities and suburbs, with a marked concentration of needy citizens in inner cities, lower education expenditures in cities than in suburbs, and a greater per capita tax burden relative to personal income.³

Three-part Approach. The Commission, drawing on these reports, advocated a three-part approach to federal aid consisting of general revenue sharing, block grants, and reformed categorical grants. The rationale for this recommendation was that it would provide flexibility in the kinds of federal aid available to state and local units. The three types of programs would also meet different needs and allow the national government, the states, and localities to accomplish different objectives. To facilitate this approach, ACIR made a wide range of recommendations and urged the states to strengthen their executive and legislative branches. ACIR recommended stronger state and local tax systems, greater involvement of private enterprise in urban programs, stronger local government organization and neighborhood initiative, reduced disparities in educational financing, and improved coordination and management of federal grants.

Finally, the Commission examined what it called the central problem of state-local relations—the increasing demands on a limited tax base. ACIR believed the local property tax was no longer able to generate sufficient revenues needed to meet rising service needs, par-

³ACIR, *Metropolitan Fiscal Disparities*, pp. 5-7.

ticularly public welfare and education. Noting that some states and localities were clearly less prepared to meet these needs than were others, the Commission recommended that the national government assume full responsibility for public assistance and Medicaid. At the same time, it proposed that the states assume full responsibility for financing public education.⁴

Equalizing Benefits. In making these recommendations, the Commission argued that only the national government had the fiscal resources needed to assume welfare costs and the ability to equalize benefits nationwide. The Commission also pointed out that the states, once freed of the welfare burden, could relieve local governments of most of the local school financial burden. Thus the local school property tax could be "freed up" for financing local program needs—police, fire protection and other municipal services. These proposals were controversial; several members dissented or abstained from voting. Without the full support of the House and Senate members of the Commission, these recommendations received little attention in Congress.

Federal Assistance

Intergovernmental fiscal relations entered a new phase in 1972 when enactment of general revenue sharing demonstrated that the national government could adopt a substantial, long-term financial commitment with relatively few strings attached. Since the mid-1960s, the Commission had looked to revenue sharing as a means of easing the urgent financial burdens of state and local governments. And ACIR members, particularly Governor Nelson Rockefeller (NY), played a key role in generating support for revenue sharing. Rockefeller said he preferred a general takeover of public welfare costs by the federal government instead of revenue sharing. But because that was politically unacceptable, revenue sharing was the best alternative. The only sensible thing to do, he argued, was for the governors to form a coalition with the mayors to lobby for revenue sharing. Rockefeller added:

What I am about to say I probably should not say as a governor. However, if we expect to get revenue sharing from a hostile Congress we governors are going to have to make peace with the big-city mayors. That means that a good share of the Federal revenue sharing funds will have to be sent through directly to local governments.⁵

⁴See *State Aid to Local Government* (A-34), ACIR, April 1969.

⁵Quoted in *The U.S. Advisory Commission on Intergovernmental Relations: Some Personal Observations*, John Shannon, Reprint Series #12, Center for Research on Federal Financial Relations, The Australian National University, September 1975, p. 5.

In early 1974, the Commission began an ambitious study of federal categorical grants and the state role. The resulting volumes identified the most pressing problems within the system of federal assistance. Among its 60 recommendations, ACIR called for simpler standardized procedures; consolidated grants; assessment of the impact of new grant programs; ongoing evaluation; and a further reexamination of the federal, state, and local roles in aid programs.⁶

Although Congress had failed to endorse ACIR's plan to sort out government functions, a modest but discernable shift toward a balanced tripartite system of federal aid had occurred by the mid-1970s. There was no doubt that the work of the Commission had helped bring about this change, which was clearly visible in the different types of financial aid available. In FY 1975, about 10% of the aid to states and local governments was devoted to block grants, 14% to unrestricted revenue sharing, and the remainder to categorical programs. Of the latter, the largest was Medicaid, about 15% of the total package's \$54 billion.

Encouraged by this trend, the Commission continued to promote the block grant approach to federal aid and to decry the expansion in the number of categorical grants. ACIR recommended further grant consolidation, although it was aware that not all states were capable of shouldering block grants' additional responsibilities. The Commission seemed to assume that those states that lacked the ability or willingness would learn by example and by trial and error.

Fiscal Restraint Imposed

As the national government began to rely more on block grants and revenue sharing, states wrestled with shrinking budgets and economic downturns. The Commission called 1975 a turning point for many states as they passed from reasonably stable fiscal conditions to potential deficits. Intergovernmental relations at that time entered a phase described by political scientist Deil Wright as the calculative period. With an eye on their budgets, officials and policymakers carefully considered their course of action, tried to anticipate consequences, and calculated dollar costs.

Fiscal restraint was supported in part by public attitudes. ACIR's annual public opinion survey in 1976 showed that half the public favored keeping taxes and services at about their current levels, but three out of ten Americans preferred to cut both taxes and services. The survey and other indicators led ACIR to conclude

⁶See *Summary and Concluding Observations: The Intergovernmental Grant System: An Assessment and Proposed Policies* (A-62), ACIR, June 1978.

that support for fiscal restraint might be more than a temporary trend, that it might reflect a broad desire among the general public to slow the growth of government. Passage of California's Proposition 13 in 1978 validated the Commission's early assessment.

Circuit Breakers. Strict tax limitations such as Proposition 13 called attention to the need for more flexible alternatives. ACIR turned to its long-standing recommendation for state-financed "circuit breakers" to provide property tax relief for low-income home owners and renters. The Commission recommended retention of the property tax but also greater reliance on the circuit breaker in order to moderate the impact of rising taxes. Political scientist Steven D. Gold concluded:

ACIR deserves a great deal of credit for promoting circuit breakers. Through publications and through speeches, the virtues of the circuit breaker have been touted far and wide. State budgets were relatively flush in the early 1970s when circuit breakers spread most rapidly. The initiation of General Revenue Sharing in late 1972 was followed by the creation of eight new circuit breakers in 1973.⁷

Indexing. Dealing with another fiscal issue, the Commission in 1976 proposed indexing federal and state income taxes to eliminate "bracket creep" and higher tax burdens induced by inflation. The recommendation was not popular at first, but it gradually gained more understanding and support. By 1984, 10 states had adopted an indexed income tax. In 1985, federal income taxes will be indexed as a result of federal legislation. Assistant Director John Shannon stated:

Tax indexing is an area where ACIR had a real influence, especially at the state level. It prevents politicians from hiding in the inflationary weeds watching tax payers being pushed automatically into higher brackets. It also gives the government an incentive to hold down inflation. We were way ahead of the crowd on this one.⁸

Fiscal Federalism Emphasized

In the mid- to late-1970s, ACIR concentrated much of its efforts on fiscal issues. The series of reports on federal grants analyzed their administrative and pro-

“ Of some twenty other reports published in 1977, only three were not directly concerned with fiscal affairs or block grants. Federalism had given way to fiscal federalism, and cash flow had become the most salient feature of intergovernmental relations. ”

grammatic features. Most of ACIR's other studies also emphasized a fiscal component. For example, in May 1977, the Commission examined the problem of cigarette tax evasion. At the time, this problem was basically one of black marketeering, but ACIR's interest stemmed mainly from the states' loss of tax dollars. Of some twenty other reports published in 1977, only three were not directly concerned with fiscal affairs or block grants. Federalism had given way to fiscal federalism, and cash flow had become the most salient feature of intergovernmental relations.

Scope of Aid. Assistant Director David Walker summed up these trends in late 1977. Federal aid to state and local governments, he wrote, had grown from \$10 billion to nearly \$60 billion in ten years. The number of governments receiving federal assistance had increased dramatically with general revenue sharing. Almost one-fourth of all federal aid, Walker noted, went directly to local units. Finally, the form of federal aid had changed from categorical to a mixed system of categorical, block grants, and revenue sharing. Nonetheless, Walker concluded, categorical grants still comprised three-fourths of federal aid in the mid 1970s.⁹

Fiscal issues such as tax revolts, inflation, and fiscal restraints continued to head the Commission's agenda in 1979, requiring a hard look at how functions and their financing were allocated among the levels of government. As a result, ACIR opposed proposals to exclude states from general revenue sharing. The Commission called for renewing the program—including the states' share—with the total appropriation increased to compensate for inflation. Congress renewed revenue sharing, but eliminated the state portion for fiscal 1981. Governor Richard Riley (SC) summed up the position of the Commission and the states:

It is my opinion that the revenue sharing program should be the last program to be reduced or cut. It is the most flexible of all aid programs. State and local officials, who are

⁷Steven D. Gold, "Circuit-Breakers and Other Relief Measures," in *The Property Tax and Local Finance* ed., C. Lowell Harris (New York: The Academy of Political Science, 1983), pp. 150-151.

⁸Interview with John Shannon, September 27, 1984.

⁹"Federal Aid Administrators and the Federal System," *Intergovernmental Perspective*, Fall 1977, p. 11.

“ President Reagan’s 1982 State of the Union address emphasized federalism and brought new attention to the issue of decentralization. The Commission found itself at the center of the ensuing discussion, serving as a primary source of information for news media and public officials.”

closest to the needs of the people, can target revenue sharing dollars for use in areas they deem most necessary. Finally, revenue sharing has the lowest overhead cost of all programs and is the federal program most directly related to holding down property taxes.¹⁰

Fiscal constraints. It was now obvious to Commission members and policymakers throughout the nation that fiscal constraints would strongly influence intergovernmental relations during the 1980s. The era of affluent federalism had ended. By 1978, federal aid to states and local governments had peaked in constant dollars; in 1981, the grant package peaked at \$95 billion in absolute dollars. The Commission had concluded that the entire intergovernmental system had become “overloaded”—a direct result of expanded federal aid. This judgment coincided chronologically with double digit inflation and a growing national consensus that taxes and the growth of government spending should be curbed.

ACIR and New Federalism

ACIR’s goals of restraining the central government’s role, turning more program responsibility over to the states, and minimizing the administrative burden of the grant system received strong support from the White House. President Reagan’s 1982 State of the Union address emphasized federalism and brought new attention to the issue of decentralization. The Commission found itself at the center of the ensuing discussion, serving as a primary source of information for news media and public officials.

Seventy-seven categorical programs were consolidated and 60 others phased out when the Reagan Administration and Congress created nine new block grants under the *Omnibus Budget Reconciliation Act of 1981*.

Block grants, which the Commission had promoted for 20 years, now moved to center stage. Accompanying them were more program responsibilities for the states, fewer regulations, and fewer dollars. ACIR began to monitor the states’ responses to block grants, and in September 1981 issued its first information bulletin on the topic. Subsequent studies, by ACIR and others, indicated that most state and local governments were working to ensure the success of the block grant programs, although budget cuts and economic recession complicated their efforts.

Achievements, Opportunities

The Commission’s work on grants and other fiscal issues has had an important role in formulating and refining public policy. Revenue sharing, block grants, tax indexing, and circuit breakers top the list of fiscal policies and programs championed by the Commission. Thirty-one states have adopted the circuit breaker concept to provide property tax relief. Ten states and the federal government have adopted indexation of income taxes. Revenue sharing and block grants have gained wide acceptance, although their growth has slowed in recent years. Collectively, these policies have helped state and local governments function with greater flexibility within a framework of competing interests and limited resources.

Over the past 25 years, the Commission has consistently stressed the need for a rational, principled approach to intergovernmental fiscal relations. It has shown that careful analysis can aid in formulating sound policy for a complex, constantly changing system of government. Current trends—fewer federal dollars, realigned responsibilities, and a growing interdependence among governments—raise many new fiscal challenges. As the nation approaches the bicentennial of the Constitution, ACIR has an opportunity to apply its unique experience to the search for answers that will meet future as well as contemporary needs.

Senior analyst Wayne A. Clark recently completed a history of the Commission. This article is based on that work.

¹⁰“View from the Commission”, *Intergovernmental Perspective*, Summer 1979, p. 2.

Four New ACIR Members Named

In September, President Reagan named four new members to ACIR. Governor John H. Sununu (NH) was named ACIR Vice Chairman. Senator Miles "Cap" Ferry, President of the Utah State Senate, Mayor William Hudnut III of Indianapolis (IN) and Mayor Bob Martinez of Tampa (FL) were also appointed.

Governor Sununu, first elected chief executive in 1982, served for nine years as chairman of the Salem Planning Board, was chairman of the Legislative Study Committee on Zoning and Planning, and is currently Vice Chair of the National Governors' Association's Committee on Energy and the Environment. Governor Sununu replaces Governor Lamar Alexander (TN) as one of four governors serving on ACIR and as Vice Chairman.

Major Hudnut was president of the National League of Cities in 1980 and 1981 and continues to serve on NLC's Board of Directors. He was first elected Mayor of Indianapolis in 1975 and was re-elected to a third four-year term in 1983. Prior to becoming mayor, he represented Indiana's Eleventh District in the 93rd Congress (1973-74).

Mayor Bob Martinez became Mayor of Tampa in 1979. He served on the National League of Cities' Board of Directors from 1981 to 1983 and remains a member of the League's Advisory Council. Prior to becoming mayor, he taught at the University of Tampa and was executive director of the Hillsborough Classroom Teachers Association.

Hunter Heads ACIR Research

Lawrence Hunter joined ACIR in October as Acting Research Director. Dr. Hunter, who holds a Ph.D. from the University of Minnesota, was staff director of the U.S. Senate Subcommittee on Intergovernmental Relations prior to coming to the Commission. He joined the Subcommittee in 1981 following two years as an assistant professor at the University of Maryland and as a consultant to the Maryland Legislature on fiscal management.



Dr. John Shannon was named ACIR's first Kestnbaum Distinguished Fellow at the June meeting. Attending the meeting was Robert Kestnbaum, son of Meyer Kestnbaum in whose honor the position was established. Shown at the meeting are, from left, Kate and Robert Kestnbaum, John and Kate Shannon.

John Shannon Cited for Research, Named ACIR Kestnbaum Fellow

John Shannon, Assistant Director for Taxation and Finance since 1967, has been named ACIR's first Kestnbaum Distinguished Fellow. Shannon, who joined ACIR in 1964, was honored for his extensive contribution to the research and understanding of intergovernmental finance issues.

The position, which was established in June, is named for the late Meyer Kestnbaum, a Chicago businessman who chaired the original Commission on Intergovernmental Relations in the mid-1950s. The work of the Kestnbaum Commission, as it was called, gave strong impetus to the creation of ACIR as a permanent body.

Mr. Kestnbaum's son Robert and his family were present at the announcement ceremony on June 7, 1984, and at the subsequent luncheon in Dr. Shannon's honor.

At ACIR, John Shannon has been responsible for more than 20 policy reports and 40 analyses, information reports, and other documents. Besides a regular contributor to *Intergovernmental Perspective*, he has authored 85 professional articles and working papers. He has prepared two reports for the Senate Banking Committee, and has presented testimony

more than 15 times before congressional committees. Over the years, he has spearheaded staff development, especially through the fellows program, so that ACIR public finance "alumni" are now scattered throughout the nation and all levels of government.

Under Dr. Shannon's direction, the fiscal analyses of ACIR have become recognized as thorough and authoritative. Used both by analysts and policymakers, this extensive body of research is widely credited as having encouraged broader acceptance of such innovations as tax indexing the circuit breakers at the state and local level.

Dr. Shannon is also responsible for overseeing three annual ACIR reports: **Changing Public Attitudes on Governments and Taxes, Significant Features of Fiscal Federalism, and Tax Capacity of the Fifty States.**

Among his many professional activities, Dr. Shannon serves on the advisory committee to the Graduate Center for Public Administration at the University of Kentucky, and on the Board of Visitors of the School of Public and Environmental Affairs at Indiana University.



Assessors Honor ACIR's Work

ACIR has become the first organization to receive the Property Tax Achievement Award of the International Association of Assessing Officers (IAAO). IAAO conferred the award in September in recognition of ACIR's research on, and encouragement of, the circuit breaker concept which shields low-income homeowners and renters from property tax "overload" situations. States, counties, and municipalities have enacted circuit breakers, often relying on ACIR's analyses in shaping their policies. Dr. John Shannon, Assistant Director for Taxation and Finance, accepted the IAAO award in behalf of ACIR from Joseph Vick, IAAO president.

President Signs Single Audit Act

The *Uniform Single Financial Audit Act of 1984*, S. 1510 and H.R. 4821, was signed by the President on October 19. This measure is designed to simplify and standardize financial auditing requirements for federal grants and other assistance programs. An organization-wide audit of federal funds is required of state-local governments and nonprofit organizations receiving federal funds on an annual or biennial basis. The national government will be required to pay for any additional audit work that it requires.

This Act responds to the Commission's recommendation in its study **Fiscal Management of Federal Pass-Through Grants: The Need for More Uniform Requirements**

and Procedures. ACIR recommended that Congress pass legislation to improve coordination of audits and prescribe appropriate means for reimbursement; standardize and streamline administrative requirements; and consolidate federal programs which create unnecessary requirements for recipients.

The Act's major provisions require single audits by state and local governments that receive (not expend), \$100,000 or more of federal assistance during the fiscal year. However, those receiving between \$25,000 and \$100,000 have an option of conducting a single audit or complying with other applicable audit requirements attached to any federal grant provided to that government. Governments receiving less than \$25,000 are exempt from all audit requirements but must keep adequate records for several years to allow random federal audits. Because state agencies differ in size, each government may choose to audit on an agency-by-agency basis, or audit the entire government's operations, except as provided for in the General Revenue Sharing Act.

The audit will include the entire financial operation of the government, department, or agency. An independent auditor will determine and report whether its financial statements present fairly its financial operations, and if they are in accordance with generally accepted accounting principles. Further, the auditor will review a government's internal controls to assure that it is managing federal assistance in compliance with federal laws and regulation. The audit will also determine compliance with and regulations that may have a material effect upon the financial statements.

Move To Enlarge ACIR Postponed

Legislation to increase the membership of ACIR failed to pass Congress after differing House and Senate versions could not be reconciled before adjournment. The latest measure, H.R. 6259, introduced by Rep. Theodore S. Weiss to increase the membership from 26 to 37 passed the

House by a voice vote. But the House and the Senate could not reach agreement on which members to add to the Commission.

The House bill would have added representatives from Indian tribal governments, school boards, towns and townships, regional governments, and the federal and state judiciaries.

The Senate-passed bill would have added representatives from towns or townships and school boards and would have included most of the technical amendments also contained in the House measure.

ACIR reaffirmed its long-standing objections to expanding its membership and changing its composition. The Commission believes the proposed number would diminish the effectiveness of the Commission as a deliberative body. The Commission also believes the proposed changes in membership do not meet the criteria Congress used when establishing the Commission in 1959. These criteria include balance among levels of government, bipartisan balance, appointment of only elected officials except for federal executives who are "political" policymakers, and representation of only general governments which are universal or nearly so in our nation.

I G Regulatory Relief Stalls

Action on the *Intergovernmental Regulatory Relief Act*, S. 2401, was postponed by the 98th Congress. This legislation would have relieved state and local governments from costs incurred when complying with federal regulations. The federal government would reimburse them for direct costs or would reduce existing costs either by reimbursement or by reducing the regulatory requirements themselves.

This measure is expected to be reintroduced in the 99th Congress in slightly different form, and hearings will be held early in the year, according to committee staff. ACIR's study, **Regulatory Federalism**, provided the policy underpinning of this legislation. The Commission identified more than 35 major federal regulatory statutes that place significant burdens on state and local governments.

VIEW FROM COMMISSION

(From page 2)

These earlier reforms placed strict limits on the amounts that parties, PACs and individuals could contribute to federal campaigns, with the principal goal being limiting the role of money in politics. However, because PACs could proliferate, while parties could not, the main effect of these reforms was to enhance greatly the importance of non-party contributors in the election process at the expenses of state party organizations.

In my opinion, these mistakes should be corrected. Ceilings on party contributions to federal candidates can be safely eliminated if combined with measures to preclude parties from becoming conduits for corruption. These and other reforms can be used to enhance the role of state and local party organizations in funding federal elections, and, with it, the influence of nonfederal officials in the legislative process.


At the same time, plans which seek to limit PAC contributions should be viewed with great caution. Such reforms would run afoul of the constitutional rights of Americans to participate in this political process, and would merely channel more campaign financing into "independent expenditures," which the Supreme Court has said are not subject to financial limits. We must remember that PACs are a legitimate form of political expression, and have actually helped to increase citizen involvement in the electoral process.

Notably, the need for sensible campaign finance reform extends beyond the issue of federalism and intergovernmental relations. With the parties no longer providing significant election support to congressional candidates, legis-

lators have found themselves increasingly compelled to seek campaign funding from highly personalized coalitions of special interests. This situation has enhanced the ability of interest groups to undermine legislative discipline in Congress. And it has been this lack of legislative discipline that is largely responsible for our stalemate on such hotly contested, but vital, public issues as deficit reduction and tax reform.

While I cannot speak for all of my colleagues on the Commission, I believe it is essential that Congress undertake a timely review of the Federal Election Campaign Act, and that states also examine their own laws regulating political parties. Our investigation of this subject will hopefully stimulate awareness at all levels of government as to the broad significance of this arcane area of the law.

Once again, the Commission is to be commended for its illuminating insights into a major policy issue affecting the nation. I cannot think of any more important intergovernmental issue than the state of our political party system.



Dave Durenberger
United States Senator
Minnesota

INTERGOVERNMENTAL FOCUS

(From page 5)

and needs assessments for major federal capital investment programs; agencies must also assist state and local governments in assessing major capital investment programs. The President is to include detailed information and material from this Capital Investment Program report in each proposed federal budget, beginning in January 1986.

The Commission's recent report on **Financing Public Physical Infrastructure** (A-96) found that Congress can improve existing federal programs by balancing both capital and maintenance needs, by allowing flexibility in statutory construction standards, and by emphasizing research and development to stretch the infrastructure dollar. The Commission's findings supported the need for flexibility in federal standards because physical infrastructure requirements vary sharply between localities. It is also important to recognize that spending choices differ widely among geographically diverse citizens.

Under this Act, the Council will develop and publish uniform criteria and procedures which may be used by federal agencies or state and local governments for conducting inventories of needed public works improvements. According to committee staff, however, mandatory standards are not intended to be imposed on state and local governments.

Highway Fund Bill Fails To Pass

Sharp differences between House and Senate for the second consecutive year blocked passage of comprehensive legislation to release the states' money for interstate highway construction. Although the House bill, H.R. 5504, passed on June 7 and a Senate bill, S. 3024, passed on October 7, the conference committee failed to reach an agreement before Congress adjourned. The proposed legislation would have released more than \$7 billion for fiscal 1984 and 1985 from the Highway Trust Fund. The money in the Trust Fund is raised from gasoline and diesel fuel taxes and other road-related fees.

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(November 1984)

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