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Intergovernmental **PERSPECTIVE**

The Presidency and Intergovernmental Relations



Federalism: A Revolutionary Heritage

In commemorating the nation's two-hundredth birthday, it is fitting to underscore the significance of the American Revolution in terms of our unending quest for "a more perfect Union." At first glance, there appears to be little direct relationship between the struggle for independence and the evolution of American federalism. After all, it is only by inferences that certain precepts relating to the geographic distribution of governmental authority can be gleaned from the Declaration. In a broader sense, however, the Revolution constitutes the first chapter of the history of American intergovernmental relations.

The chronicle unfolds with the cluster of arguments that were developed by colonial leaders during the period from 1763 to 1775. Whether the question was one of internal as against external taxation, of Parliament's revenue power as against its power to regulate commerce, of the authority of colonial charters and legislatures versus Parliamentary supremacy, or of the relationship of the British monarch to colonial assemblies, the basic issue of the rights and degree of autonomy of the colonials and their institutions stands out as the critical jurisdictional question dominating the thought of the colonial leaders in this "seedtime" pe-

riod. The failure of the mother country to reconcile these jurisdictional claims with the broader design of the British constitution triggered the clash at Concord and all that came in its wake.

With independence, the question of the proper relationship between a general government and constituent governments, in effect, was transferred to these shores, and another chapter in the annals of American federalism began. At the outset, the issue appeared to be more one of whether there was to be any real general government at all, given the limitations of the Continental Congress. During the wartime years, however, a national government—albeit a weak one—was launched; state constitutions were drafted, redrafted and adopted; and a dual system of government emerged. When the guns at Yorktown went silent, the Revolutionary precepts of unalienable individual rights and government by the consent of the governed had found lodging within the nearly established governmental systems at the state and national levels.

In terms of popular sentiment, a spirit of American nationality also had begun to take hold and to counterbalance loyalty to one's state or locality. The debate dur-

ing the 1780s regarding the strength of the states and weaknesses of the confederation, in one sense, can be viewed as an outgrowth of this shift in opinion. In another sense, it can be interpreted as an ongoing effort to achieve a more effective and balanced institutional framework for the Revolutionary ideals enunciated in the Declaration.

This continuing drive to achieve a better balancing of liberty and authority and a more viable governmental system incorporating the tenets of 1776 was most eloquently summed up by President Lincoln in his first Inaugural:

... in legal contemplation the Union is perpetual . . . [It] is much older than the Constitution. It was formed, in fact, by the Articles of Association in 1774. It was matured and continued by the Declaration of Independence in 1776. It was further matured, and the faith of all the then thirteen States expressly plighted and engaged that it should be perpetual, by the Articles of Confederation in 1778. And finally, in 1787, one of the declared objects for ordaining and establishing the Constitution was 'to form a more perfect Union.'

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Washington Watch

Court Strikes Down FLSA Extension to States, Cities

In a landmark decision, the U.S. Supreme Court on June 24 struck down in a 5-4 vote the 1974 law that extended federal minimum wage and maximum hour provision to state and local employees.

It also overruled its 1968 decision which had upheld a 1966 extension of the wage and hour provision to an initial group of about 2.9 million public sector employees.

Based upon the concept of state sovereignty, the decision marked the first time that the court has rejected a major piece of economic legislation by Congress in 40 years and will limit congressional commerce clause powers as applied to state and local governments.

Justice Rehnquist, speaking for the majority, said that Congress may not exercise its power under the Commerce Act "so as to force directly upon the states its choices as to how essential decisions regarding the conduct of integral governmental functions are to be made."

The Court also said that such assertions of power would "allow the national government to devour the essentials of state sovereignty."

Writing in dissent, Justice Stevens said, "The Court holds that the federal government may not interfere with a sovereign state's inherent right to pay a substandard wage to the janitor at the state capitol. The principle on which the holdings rests is difficult to perceive."

House, Senate Move Toward LEAA Reauthorization

The House and Senate Judiciary Committees have reported separate bills to reauthorize the Law Enforcement Assistance Administration (LEAA). Once passed by the respective chambers, differences between the two versions will be resolved in conference committee.

The Senate bill (S 2212) calls for a five year, \$5.4 billion authorization; the House version (HR 13636), for a 15-month extension (through Sept. 30, 1977) of \$1 billion.

The Senate bill calls for "mini-block grants" for local units of government, as proposed by ACIR.

Both bills would introduce varying

levels of categorization into the program, a move counter to the ACIR recommendations for restraint from further earmarking of funds.

The House version includes Rep. Holtzman's (N.Y.) Speedy Trial Amendment which would earmark one-third of the Administrator's discretionary funds (about \$25 million) to ensure speedy trials through the improvement of the criminal justice system.

The Senate committee adopted a plan to set aside moneys for high crime areas with funding directly to a state or unit of local government. The Senate committee also set aside funds to help underwrite the costs of judicial planning councils to assure a greater role for the courts in the development of criminal justice plans.

One or both bills reflect Commission recommendations in three key areas: greater LEAA oversight, increased involvement of state legislatures in the LEAA procedures, and expanded representation of the judiciary in the planning process.

Both House and Senate bills contain strong oversight, evaluation, and reporting provisions. The House bill also provides for state legislative advisory review of the "goals, priorities, and policies that comprise the basis of the plan."

Both bills call for increased court involvement. The House bill would require two state judicial representatives to serve on each state planning agency board; the Senate version would establish separate judicial planning councils.

The House is scheduled to vote on the measure in late June, but the Senate has not scheduled its bill for floor action.

In addition to monitoring the progress of this legislation, ACIR staff prepared draft legislation reflecting the Commission recommendations, presented testimony before relevant congressional committees, and worked closely with various House and Senate members and staff throughout the legislative process.

Revenue Sharing Bill Passes House 361-35

By a vote of 361-35, the House of Representatives approved the extension of general revenue sharing through

September 1980. The current program expires December 31, 1976.

The House bill calls for nearly \$25 billion (or \$6.65 billion for 3 1/4 years) to be distributed to state and local governments, through an entitlement program.

The House bill eliminates the current requirement that local funds be used in certain "priority" functions and the prohibition that they cannot be used as matching for federal grants. It expands citizen participation provisions and civil rights sections of the existing law and requires annual, independent audits of state and local governments.

The House bill also tightens the definition of general purpose local governments eligible to receive the funds to those which impose taxes or receive transfer payments to provide substantially for two services.

The bill now goes to the Senate Finance Committee. Hearings have not yet been scheduled but are expected in late summer.

Two Commissions Proposed To Improve Government Operations

The call for "government reform" has been heeded in two proposals aimed at streamlining and increasing the effectiveness of the federal government.

Both proposals would establish independent commissions to study current procedures and recommend improvements. Both are included in legislation currently before the Congress.

A Citizens' Bicentennial Commission on the Organization and Operation of Government would be established if *The Government Economic and Spending Reform Act of 1974*, the so-called "sunset" bill, introduced by Senators Edmund S. Muskie (Maine) and William Roth (Del.) becomes law.

This Commission would investigate the organization and procedures of all departments, agencies, and authorities of the executive branch of the federal government and would make recommendations for restructuring, consolidating, or improving efficiency of those departments.

The Commission would also make recommendations for legislative or administrative actions to assure a

proper balance and division of responsibilities among federal, state, and local governments.

Membership would be 18 individuals "with extensive experience in or knowledge of American government."

A final report would be due no later than September 30, 1979.

The proposed Citizens' Bicentennial Commission follows closely recommendations made by a special Citizens' Committee for the Study of the U.S. Government, established by the National Academy of Public Administration and chaired by Robert E. Merriam.

The second proposed commission would study one broad aspect of federal responsibility: federal aid.

Sen. Lawton Chiles (Fla.) is the key sponsor of a bill (S 3359) to set up a 15-member Commission on Federal Aid Reform, charged to develop a comprehensive government-wide policy for federal assistance.

The Commission would study all policies, procedures, and related practices by executive agencies affecting the delivery of federal assistance.

Membership on the Commission would be two Senators, two Congressmen, two State representatives, two local government representatives, the Comptroller General, the OMB Director, a college or university administrator, and four citizens from outside government.

Tax Reform Bill Includes Two ACIR Recommendations

Included in the Congress's mammoth tax revision bill (HR 10612) are measures to implement ACIR recommendations in two areas: withholding of income taxes for military personnel and disclosure of the impact of inflation on federal tax rates.

Amendments added by the Senate Finance Committee to the House-passed bill include a provision requiring the Defense Department to withhold state income tax from military personnel.

An amendment proposed by Senator William Roth (Del.) would require the President to include in his annual economic report the increase in federal tax rates caused by inflation. The amendment also directs the Joint Committee on Internal Revenue Taxation to conduct a comprehensive study of the impact of ad-

justing income taxes by the rate of inflation.

At mid-June, the bill was under consideration on the Senate floor.

Supreme Court Refuses To Hear Commuter Tax Cases

In mid-June, the U.S. Supreme Court refused to invoke its original jurisdiction in cases filed by four states against New Jersey and New Hampshire to regain moneys paid by their residents to the defendant states in the form of commuter taxes.

The cases of the plaintiff states (Pennsylvania, Maine, Massachusetts, and Vermont) relied heavily on the 1975 decision (*Austin v. New Hampshire*) in which New Hampshire's commuter tax was held unconstitutional as it violated the Privileges and Immunities Clause of the Constitution.

Yet the court drew the simple distinction that both the Privileges and Immunities Clause and the Equal Protection Clause relied upon by the plaintiff states were drafted to "protect people, not states."

The Court also said that in order to engage its original jurisdiction, "a plaintiff state must first demonstrate that the injury for which it seeks redress was directly caused by the actions of another state." By granting a credit to its citizens for taxes paid to another state, the Court said that the plaintiff states had inflicted fiscal injury on themselves.

Highway Program Extension Signed Into Law

President Ford recently signed a \$17.6 billion bill to extend the federal aid highway program for two years, until a new Congress can address the nation's long-term transportation problems.

The measure (HR 8235) allows states and cities to use funds from withdrawn segments of interstate highway projects for other road and mass transit projects and permits considerable shifting of funds between non-interstate system categories.

The bill combines three highway categories under a new basic primary system at an annual funding level of \$1.35 billion. It also extends the

date of completion of the interstate highway system from 1979 to 1990.

While 30 percent of the fiscal year 1978 and fiscal year 1979 interstate apportionments were earmarked for closing essential gaps in intercity portions of the system, President Ford noted that primary responsibility for selecting and administering projects would continue to rest with state and local authorities.

The measure establishes a special commission to study the nation's transportation system and to recommend policies for the future.

In addition, it calls for a special six month study of the metropolitan planning organizations which are now responsible for much of the decision-making concerning the "urban system" of highways and mass transportation. The roles of state and local officials in this decision-making process will be an important element of the short-term study. ACIR is represented on the advisory committee established by the Department of Transportation to assist in the study.

Senate Passes Federal Program Information Act

On June 11, the Senate approved by voice vote S 3281, *The Federal Program Information Act*, legislation calling for a computerized information system on federal domestic assistance programs.

The bill would establish a Federal Program Information Center, within the General Services Administration, to provide up-to-date information on the federal domestic programs currently found in the Catalog of Federal Domestic Assistance. Interested state and local officials could feed their project needs and a profile of their community into a computer which would then automatically give them a listing of the programs for which they would be eligible.

The legislation also calls for a more complete disclosure of pertinent program information than is currently available including the amount of funds actually available under each program.

Senators William Roth (Del.) and Edward Kennedy (Mass.) are co-sponsors of the bill.

A similar bill has been introduced in the House.

The Presidency and Intergovernmental Relations

By David R. Beam

President Ford indicates that he might call for a new "Hoover Commission" on governmental reorganization if he is returned to office.

His Republican challenger, Ronald Reagan, persistently criticizes federal administrative practices.

Former Georgia Governor Jimmy Carter, the likely Democratic Presidential nominee, pledges to cut sharply the number of federal agencies and to institute a process of "zero base" budget review for every program.

Congress, on its own initiative, considers a "sunset" bill proposed by Senator Edmund S. Muskie which would force periodic reassessment of all federal agencies and programs by both the executive and legislative branches.

Presidential leadership and control of the executive branch and the bureaucracy's internal organization and operations are significant issues in current political dialogue. In coming months, a restructuring of the President's staff and the sprawling federal establishment is a real possibility, no matter who sits in the Oval Office.

In this challenging context, the Advisory Commission on Intergovernmental Relations recently completed a review of executive branch organization and operations for intergovernmental policy development and the government-wide management of assistance programs. Administrative procedures intended to standardize, simplify, and coordinate federal grants to state and local governments, most of which were initiated in the past 10 years, also were assessed. At the heart of this inquiry was the capacity of the chief executive—through his staff agencies—to monitor and guide the bureaucracy and its programs in the interest of stronger, more effective federal-state-local relations. Two major components of the "institutionalized Presidency"—the Office of Management and Budget and the Domestic Council—were the subject of a series of Commission recommendations. Other recommendations dealt with the federal regional councils and specific management circulars.

The Expanding Presidency

The modern Presidency began, not with the spare description in Article II of the Constitution, but with an executive order issued by Franklin Delano Roosevelt in 1939. The Constitution indicates that "the executive power"—which is undefined—"shall be vested in a President . . ." This provision barely hints at the scope and significance of the role of the contemporary chief executive. As government has grown during the twentieth century, so have Presidential responsibilities.

It was during the Roosevelt administration that it became clear that the growing demands upon the Presidency were beyond the capabilities of the office as it then existed. In 1935, FDR appointed the Committee on Administrative Management, composed of three distinguished experts in political science and public administration and widely known by the name of its chairman, Louis Brownlow. "The President needs help," the Brownlow Committee concluded, urging an increase in staff assistance to him. Following the Committee's recommendation, the Executive Office of the President was established by executive order, under the authority of the Reorganization Act of 1939. The Bureau of the Budget, which had been created as a component of the Treasury Department in 1921, was moved to the Executive Office as the chief staff agency.

Since then, the presidential establishment has mushroomed. Before 1939, the President had only a handful of assistants. In the early seventies, the total Executive Office included over 5,000 employees, with

“ Despite its growing size, many contemporary commentators suggest that the institutionalized Presidency remains a ‘weak’ office in policy analysis and executive management, at least in the domestic arena. ”

more than 500 on the White House staff. These numbers have been reduced by the transfer of some functions, but the Executive Office still includes some 1,600 individuals in more than a dozen staff units. These aides and agencies are intended to provide information needed by the President in his role as a policy leader and to increase his capacity for administrative oversight and control required as general manager of the executive branch.

Despite its growing size, many contemporary commentators suggest that the institutionalized Presidency remains a “weak” office in policy analysis and executive management, at least in the domestic arena. There appear to be several reasons for this weakness. First, the Chief Executive’s personal attention, almost inevitably, is elsewhere: on international crises or national economic trends, for instance. Equally significant are the expanded scope of governmental activities and the complexity of modern social problems. The President’s authority—and his political resources for the “power to persuade”—are also limited. Moreover, his large staff can be a constraint as well as a benefit; criticism mounted—even *before* Watergate—that the corps of aides had insulated and isolated the chief executive from political currents and actual governmental performance. For all of these reasons, individual administrative agencies often operate with a good deal of autonomy, and many are held more closely accountable to committees of the Congress than to the President, his staff, or even their own departmental secretaries.

Intergovernmental Concerns

Several past investigations of federal administration have indicated the need for a presidential staff agency to deal specifically with intergovernmental issues and to strengthen interlevel communications. The Commission on the Organization of the Executive Branch (Hoover Commission, 1949) pointed the way with criticism of the “fragmentation” of federal assistance programs and a recommendation for the creation of a continuing agency on federal-state relations. The Commission on Intergovernmental Relations (Kestnbaum Commission, 1955) proposed the

creation of a presidential staff unit on intergovernmental relations. It also called for the intensification of Budget Bureau activity in the area and the establishment of a permanent advisory board on intergovernmental relations, now the Advisory Commission on Intergovernmental Relations.

Since issuance of the Kestnbaum Commission report, every President has made some special arrangement for intergovernmental staffing. President Eisenhower was the first to name a full-time Deputy Assistant for Intergovernmental Relations, former Governor Howard Pyle, in 1956. Both during and after Pyle’s service (he resigned in 1959), an active and effective role in this area was played by another Deputy Assistant, Robert E. Merriam, the current chairman of the ACIR.

Improved overall management of federal grants was the aim of several steps taken during the Johnson and Nixon administrations. *The Economic Opportunity Act of 1964* established an interdepartmental Economic Opportunity Council, which President Johnson hoped would become a “National Security Council” for a broad range of antipoverty programs. Also created by the Act was the Office of Economic Opportunity, a unit within the Executive Office of the President, which was to serve as an administrative coordinator and program operator.

President Johnson’s “Great Society” initiatives—and the resulting explosion of new categorical grants—stimulated other changes. The new programs created an administrative tangle at the state and local level, made worse by the fact that some programs largely bypassed responsible elected officials. Chiefly in reaction to gubernatorial protests, the President instituted a new procedure for intergovernmental consultation on federal regulations (BOB circular A-85) and dispatched teams of top-level officials, the “Flying Feds,” to meet with state and local leaders across the nation. President Johnson also encouraged the Bureau of the Budget to move ahead on a comprehensive agenda for reform, which included the development of the “joint funding” concept, the identification of possible grant consolidations, and a review of the federal field office structure. He lent his support to what became the *Intergovernmental Cooperation Act of 1968*, drafted by Senator Edmund S. Muskie with ACIR assistance.

Another action during the Johnson administration recognized the growing programmatic links between the federal government and cities. The Department of Housing and Urban Development, established in 1965, provided a focal mechanism for the integration of city-related programs. The model cities program, signed into law in 1966, sought to establish a fully-coordinated urban development strategy under HUD’s leadership.

President Nixon, who believed that the chief weaknesses of government lay in poor organizational design, initiated a wide range of management reforms. During his first months in office, he created a Coun-

Federal Action

Since the organization of the executive branch is pivotal to effective grant management, many Commission recommendations deal specifically with the Executive Office of the President. The Commission recognizes that individual presidents must possess flexibility to organize their central staff agencies as they wish, but holds that these recommendations may serve as broad, but necessary, guidelines to such organization.

The Commission recommends that:

- a high-ranking assistant for intergovernmental affairs be appointed to monitor and evaluate for the President the various intergovernmental relations activities performed on a government-wide basis;
- organization, staffing, and internal operating procedures of the Office of Management and Budget be thoroughly reviewed and evaluated;
- the performance of the Domestic Council or its successor, in identifying domestic problems and developing general domestic policies and objectives be improved;
- federal regional councils be strengthened through improved communications with state and local officials, increased support by OMB and the Under-Secretaries Group, decentralization of authority (where feasible), and designation as federal clearing-houses for A-95;
- a single unit within all federal grant-administering departments and agencies be named to assume leadership for inter-program grant management activities;
- existing and future interagency agreements be reviewed and monitored by OMB;
- FMC 74-7 (the circular requiring standardization and simplification of grant requirements) be the subject of an interagency review, headed by OMB;
- information available on grants-in-aid through the *Catalog of Federal Domestic Assistance* and other sources be made more timely, relevant, and accessible to users.

The Commission recommends that Congress provide specific statutory authorization for existing and future intergovernmental circulars.

cil for Urban Affairs and charged it with developing and implementing a coordinated national urban policy. He also established an Office of Intergovernmental Relations, directed by the Vice President, to provide a link with the nation's governors, legislators, mayors, and county officials. The three-year Federal Assistance Review (FAR) was a multifaceted effort to standardize the tangle of federal administrative regions, decentralize grant program operations, and build coordination through interdepartmental federal regional councils (FRCs). These councils were established in 10 newly-standardized administrative regions.

The key Nixon innovation, based upon Reorganization Plan #2 of 1970, transformed the Bureau of the Budget into the Office of *Management and Budget* (OMB) and created a Domestic Council composed of cabinet members and other high-ranking officials, commissioned to provide policy leadership. The Council, which superseded the Urban Affairs Council, was to determine *what* government would do. Like the Economic Opportunity Council (which had been discontinued), it was modeled upon the National Security Council. *How* and *how well* objectives were achieved were the responsibilities of the OMB.

Other changes followed at the beginning of President Nixon's second term. An executive order issued in late 1972 transferred the responsibilities of the Office of Intergovernmental Relations from the Vice President to the Domestic Council. In 1973, many key management activities (including several relating to intergovernmental relations) were transferred to the General Services Administration, the federal government's "housekeeping agency." These duties were returned to OMB by Congressional action—and over OMB's opposition—late in 1975.

Current presidential staffing arrangements are largely a heritage from these developments during the Nixon administration, although President Ford has made adaptations to fit his own managerial style. An effort was made to rejuvenate the Domestic Council by placing it under the close supervision of the Vice President. Many believe that the results of this experiment were disappointing, however, and it was discontinued early in 1976 at the Vice President's initiative.

In several instances, President Ford has gone outside the Domestic Council framework to establish new organizations which may be viewed as both its rivals and partners. The Economic Policy Board, Energy Resources Council, and Agricultural Policy Committee are now at the heart of the policy process in their fields.

In recent months, a number of significant steps have been taken to improve state and local access to the White House and inner policy circles. Six public forums on domestic policy were held in late 1975, conducted by the Vice President and Domestic Council. State and local officials and other citizens were

encouraged to participate in the sessions held throughout the country. In January 1976, a new Special Assistant to the President for Intergovernmental Affairs was appointed and staff assigned to this area were increased. The President has provided for full state and local involvement in the development of his proposed grant consolidation legislation. Similarly, some participation was sought in the preparation of the Domestic Council's 1976 *Report on National Growth and Development*.

Key Issues

Inadequacies in the performance of central management functions bearing upon intergovernmental relations have sparked consideration of further organizational change. Several issues, however, must be confronted in any attempted redesign of the Executive Office. First, perhaps, is whether the current OMB/Domestic Council division should be retained. Some observers contend that the existing split between "policy" and "management" has been unworkable, while most administrative theorists believe that the distinction is artificial and unclear. While "policy" is the Domestic Council's assignment, the OMB has retained considerable influence in many policy fields, in contrast to early expectations.

There is also a concern that the "domestic" definition of the Council's role ignores an important aspect of policy-making: the interrelation of many domestic and international issues. This is particularly evident in such fields as energy, agriculture and the economy. It is noteworthy that President Ford's new coordinating councils in these areas provide for participation by the Department of State and other non-domestic agencies.

The Domestic Council over its brief life has received mixed reviews. At times it has provided a more orderly process for the presentation of options to the President, but at other times it has been neglected and bypassed. In recent years, the Council has devoted disproportionate attention to immediate information needs rather than to longer-range plans, and its full membership has convened infrequently. Moreover, with a staff of 40, the Council operation is smaller than that of a number of other Executive Office units, and is well below that of the National Security Council.

Few state and local officials believe that the Council has been a fully adequate channel for bringing intergovernmental issues to the attention of the President. For this reason, the re-creation of an office of intergovernmental relations is sometimes proposed. Such an office might be lodged under the Vice President, following past practice, or placed under a presidential counselor or high-ranking assistant.

Another issue is the current linking of management and budget processes within OMB. Despite the new emphasis which was to follow reorganization, the OMB has not given equal attention to the man-

State Action

Although most of ACIR's recommendations concerning federal grant administration are naturally aimed at the federal level, the states have an important responsibility to encourage and sustain systems designed to improve operations of governmental programs.

In order to meet this responsibility, the Commission recommends that states:

- examine their legislative and administrative policies and practices regarding the expenditure of federal grant funds by the states or their political subdivisions, in order to resolve (in cooperation with OMB) any conflicts between those policies and the provisions of federal grant management circulars. Such examination should include problems involved in claiming allowable overhead costs in performance of audits by non-federal agencies.

- upgrade their participation in the Circular A-95 process. Specifically, the Commission recommends that governors and/or legislatures take steps to assure that federal program plans are reviewed for their conformity with state policies and plans. Where states have developed and adopted state-wide policies and plans impacting local government, the legislature should enact statutes or governors issue executive orders making state grants to political subdivisions subject to the A-95 clearance process.

- explore the possibility of providing their large localities with information on the purpose and amounts of grants-in-aid which the states send to their localities (including both direct grants from the state and federal grants passed-through the state).

- assign to a single agency the leadership responsibility for participation by their respective jurisdictions in jointly funded projects. Such responsibility should include the development of proposed projects and coordination of the joint funding activities of participating departments.

In addition, the Commission recommends that the process calling for intergovernmental consultation on federal regulations (OMB Circular A-85) be reexamined, particularly in light of participant responsiveness.

agement function. In fact, many observers suggest that the agency has done less managing since the "M" was added to its name. Obstacles to adequate performance have been: limited White House support and interest in management; a concentration by the agency's leadership on budget issues; excessive staff turnover at the policy level; internal tension between the agency's budget and management divisions; and differences of style and workflow in the management and budget sectors.

While many analysts suggest that there would be insufficient "clout" behind the drive for management improvement without close ties to the budget process in a single agency, others argue that recent experience suggests that the two should be divided. The idea of separating the two kinds of activities has been raised several times in the past.

An even more radical change, advocated by some, is the creation of an entirely new intergovernmental agency combining management, liaison, and operating responsibilities. Such a unit might be either a cabinet-level department or an office of state and local governmental affairs within the Executive Office of the President. It could administer the grant-related circulars, operate the general revenue sharing program and a "capacity building" block grant, and

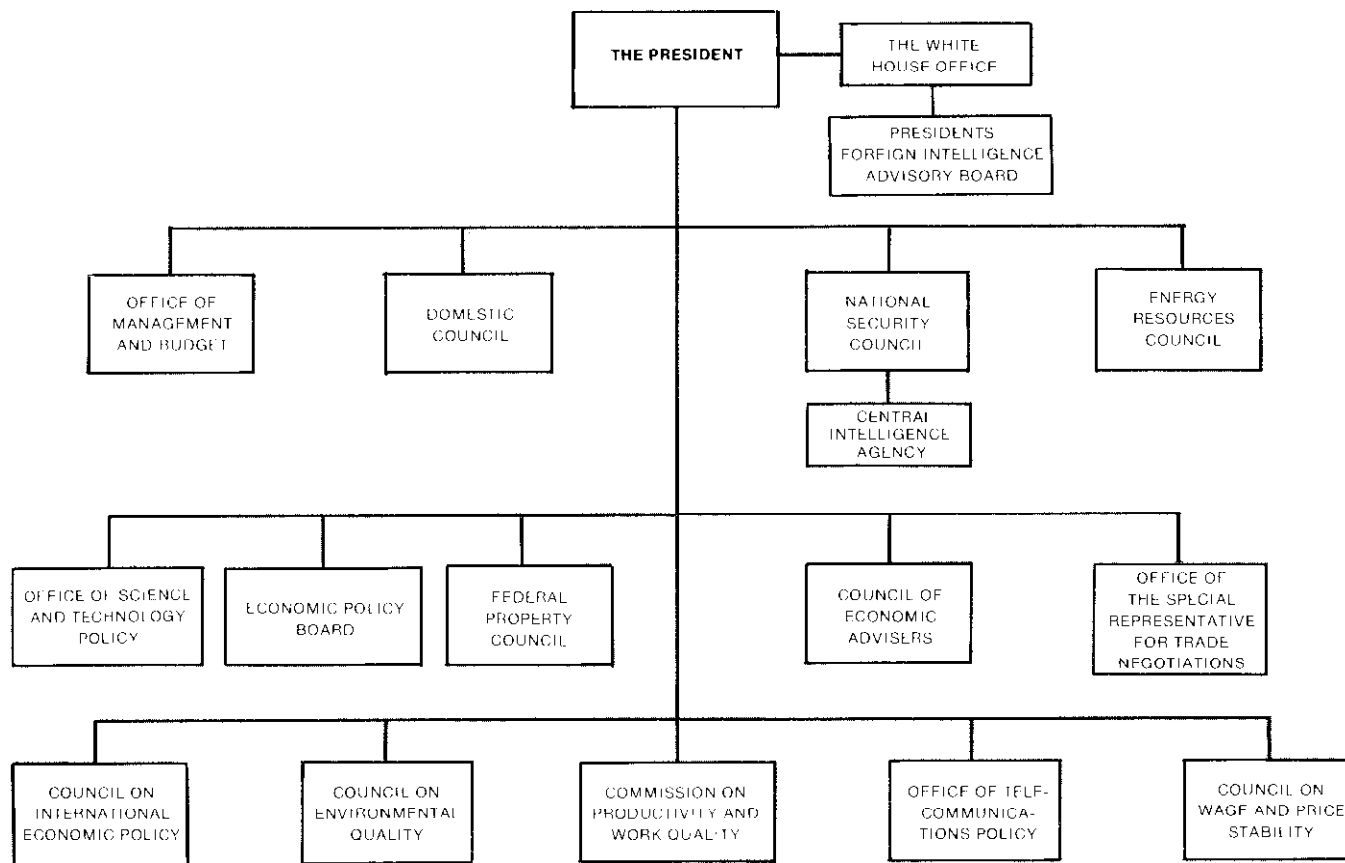
provide information and technical assistance to sub-national governments.

Still, when considering alternative institutional arrangements, a reading of the record indicates that presidential leadership and commitment may be the primary determinant of effectiveness, while the actual pattern of Executive Office organization may be secondary. Moreover, since individual Presidents have differing management styles, they have varying needs and preferences regarding staff organization.

Commission Recommendations

For these and other reasons, the Commission at its March 11 and May 20 meetings adopted a general policy statement, applicable to all levels of government, urging the executive and legislative branches to assume responsibility for establishing and maintaining the necessary central management mechanisms and to give full recognition to the intergovernmental dimensions of public management.

The Commission concluded that the federal executive branch needs a stronger central management capacity. It called upon the President to exert vigorous and visible leadership in five central management ac-



“The Commission concluded that the federal executive branch needs a stronger central management capacity.”

tivities, including intergovernmental liaison, government-wide grants management, budget preparation, domestic policy development, and legislative reference. Reinstitution of the executive reorganization plan technique, whereby the President submits reorganization plans subject to congressional disapproval, was proposed to permit the realization of his organizational objectives.

The Commission also recommended that the President appoint a high-level assistant for intergovernmental affairs who would have direct access to the President and help him monitor the performance of the whole range of activities of intergovernmental concern. Departments are urged to designate points of contact for this assistant and to bring together leadership responsibility for departmental grants coordination activities in a single unit.

Recognizing the current organizational structure of the Executive Office, specific steps were proposed for strengthening the performance of the Office of Management and Budget and the Domestic Council. These include:

- a thorough review by the Congress and the Chief Executive of OMB organization, staffing, and procedures;
- provision for consultation between OMB and state/local officials on budgetary and fiscal issues;
- transfer to OMB of two management procedures (the TC 1082 grant notification process and the A-85 regulation comment process);
- assignment of intergovernmental responsibilities to a key OMB official;
- more regular meetings of the full Domestic Council; and
- consolidation with the Domestic Council of overlapping interagency policy committees and boards.

Several of 13 other recommendations specified additional activities for OMB. These included developing procedures for strengthening interagency agreements and interagency committees; organizing a review of grant standardization requirements, and improving the *Catalog of Federal Domestic Assistance*. Congress was called upon to provide specific statutory authorization for the management circulars and to vest responsibility for their interpretation and enforcement in OMB.

The Commission recommended a set of six actions intended to strengthen the operation of the federal

regional councils. These included: familiarizing state and local officials with FRC activities; securing decentralization of grant sign-off authority wherever possible; obtaining greater conformity to the standard administrative regions and field office locations; assuring assignment by each member agency of necessary FRC staff; providing FRC staff with appropriate special training; and assuring greater communications with and support from Washington.

The councils are also to monitor the implementation of interagency agreements and be designated by OMB as “clearinghouses” under Circular A-95 for the interchange of information on grant applications of major regional impact and intergovernmental significance.

The Commission believes that together, these recommendations provide a workable approach for strengthening the institutional Presidency as manager and policy maker in the interest of a closer and more effective intergovernmental partnership.

The Commission’s recommendations, along with findings and background profiles, will appear in a forthcoming report, *Improving Federal Grants Management*, a volume in a series of studies of the intergovernmental grant system.

For Further Reading

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David R. Beam, analyst at the Advisory Commission on Intergovernmental Relations, is co-author of the forthcoming ACIR report, Improving Federal Grants Management, one part of the broad study entitled The Intergovernmental Grant System: An Assessment and Proposed Policies.

Where It Works

The Government of Canada and the State of Utah have launched systems for intergovernmental coordination and cooperation that might serve as guides to both the United States and the other 49 states.

This article highlights the background, goals, and activities of the Canadian Ministry of State for Urban Affairs and Utah's State Planning Advisory Committee and Advisory Council on Local Affairs.

The Utah Experience

Intergovernmental coordination and cooperation in policy making are by no means limited to federal action. The state of Utah provides a good example of how they can work at the state level as well.

Utah's Governor Calvin Rampton gives intergovernmental coordination "a top priority rating."

"Dissension between the various levels of government diminishes the efficiency of all government," he said in a speech before the National Association of Counties in 1974. "No unit of government, no public office has any reason for existence other than to render public service. . . . Therefore, rivalries, confrontations, petulance, and empire building weigh against the ultimate reason for government's existence to serve the needs of the citizen."

Coordination—instead of confrontation—is a must, he says, and states are in the pivotal role to initiate a means for cooperation in the federal system.

Utah has made significant strides in fulfilling this pivotal role. Through a combination of executive orders and statutes, a two-pronged process has been established to provide intergovernmental and interdepartmental involvement in both planning and policy making activities in the state.

The intergovernmental involvement comes through the Governor's Advisory Council on Local Affairs. This 21-member council, which meets monthly, is composed of county and city officials and has as its purpose:

- to serve as a common forum to identify, discuss, study, and bring into focus statewide problems and opportunities regarding the functioning of local government;

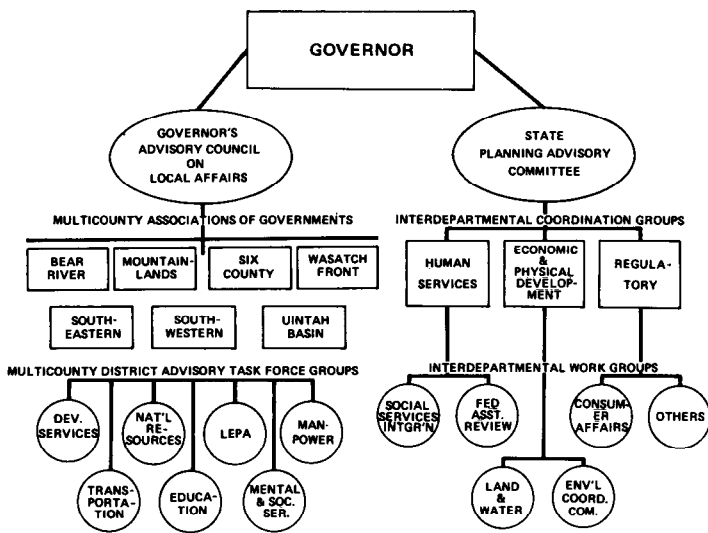
- to provide a continuing organizational system for the exchange of information and data to local government and to insure effective communication among various governmental levels;

- to review, comment upon, and coordinate state and federal programs and policies pertaining to local affairs and make recommendations to insure that these programs are consistent with the overall best interest of local government.

The Council is made up of executive officers of the state's municipal league and county associations and a county and city representative from each of seven multicounty associations of government (AOGs). The AOGs are voluntary associations of government within multicounty district boundaries established by executive order in 1970 to provide uniform data collection and planning bases for state agencies. Each governmental unit within the boundaries of the multicounty district has a voice in local planning through the AOGs. The structures and composition of the associations differ. Each decides what issues it wants to deal with, what funds it will accept, and whether it will operate certain programs.

The second prong of the state's cooperative system deals with coordination among state agencies

Utah's Intergovernmental Coordination System



This figure delineates the two prongs of Utah's intergovernmental and interdepartmental structure.

through a State Planning Advisory Committee (SPAC). The Committee coordinates the responses of state agencies to both federal and local issues and brings individual agencies under a common set of priorities and policies as set forth by the governor and legislature. The SPAC is the state's clearinghouse for A-95 and for environmental impact statements. It also reviews proposed state legislation and has the responsibility for development of a unified state policy in the areas of federal and state legislation, policies and regulations, proposed federal programs, guidelines and legislation.

The SPAC is composed of 15 members and is chaired by the state planning coordinator. It has no authority over individual member departments and does not interfere with divisions within members' departments except as issues raised by one agency have implications extending to other agencies.

The committee is subdivided into interdepartmental coordination groups (ICG) within three major categories: human services, economic and physical development, and regulatory.

The two parts of the state plan are linked at the local level by state agency representatives who participate in local AOG advisory committees.

The two-pronged Utah intergovernmental system is more than simply a planning vehicle. According to the state's planning coordinator and the Department of Community Affairs, it is a "management tool which provides for orderly decision-making across a wide variety of subjects due to the active involvement of all governmental levels and jurisdictions and which allows for the direct participation of affected or interested parties."

One example of how it works was in expediting the preparation and passage of a state land use bill (which was later recalled and defeated in public referendum).

The Utah Legislative Council created a Citizens' Blue Ribbon Task Force on Land Use Legislation in August 1973 to come up with a state land use proposal. The task force held its first meeting in September; however, by November it had produced a recommended land use planning bill, which received the formal support of most state agencies, the Advisory Council on Local Affairs, the Utah Association of Counties and League of Cities and Towns and 28 of the state's 29 counties.

The speed was possible due to the coordination system which allowed discussion and approval to occur simultaneously at several levels.

A similar procedure is currently underway in the area of energy. A Blue Ribbon Task Force on Energy has been named and has begun the consultative process with the intergovernmental groups.

Utah encourages federal agencies to respect and make use of its state planning advisory committees and multicounty associations of governments as state and area clearinghouses for A-95. In this manner they provide a means whereby the state and local governments can work together to assure that the common goals of the state and its localities are being adequately met by federal funds.

In another effort to coordinate funding, Utah has been active in developing the integrated grant administration program whereby public agencies apply for a number of federal assistance grants through a single application. The state's Department of Community Affairs is currently receiving planning funds from various federal agencies and then funneling them to the seven multi-county associations.

The most successful part of the coordination effort has been that they "have been able to transfer decision making to the level closest to the people served," according to Bill Bruhn, Director of Utah's Department of Community Affairs.

Canada's Ministry of State for Urban Affairs

While the United States has searched for a suitable system to coordinate activities among the three levels of government, Canada has established a comprehensive framework designed to facilitate intergovernmental cooperation.

The primary element of the Canadian approach is the Ministry of State for Urban Affairs, which, although limited in scope to "urban" problems, has as its goal to initiate a coordinated decision-making process and to serve as a means through which various levels of government can collaborate to determine long-range national policy.

The plans to organize the Ministry of State for Urban Affairs were announced in a 1970 Speech from the Throne, the traditional way to announce funda-

mental innovations in national policy, programs, and institutions. The Ministry itself was created by unanimous resolution a year later in the House of Commons.

The Ministry of State for Urban Affairs does not itself operate or administer programs, rather it serves as a coordinating body. It is meant to "represent the urban perspective on a wide range of federal policies without changing the distribution of constitutional power," according to H. Peter Oberlander, Canada's first Minister of State for Urban Affairs in an article in *Planning Magazine* (March/April 1975).

In pursuing its mandate to encourage intergovernmental cooperation, the Ministry has experimented with several new formats for joint national-provincial-municipal action. For instance, the Ministry has helped establish a system of trilevel consultations involving all 10 provinces and their 4,500 municipalities.

"The national trilevel consultative process involves three levels of governing in a consultative and coordinating policy and implementation system," said Oberlander. "For the first time, Canada's municipalities, while still dependent upon their respective provinces, are able to speak directly with the federal government and join the two senior governments as partners around the trilevel table."

□ National trilevel consultations concerned with Canada-wide policies in urban affairs are held approximately once a year. The conferences are organized and chaired by three cochairmen: the Minister of State for Urban Affairs, the provincial minister who is the chairman of the Annual Conference of Ministers of Municipal Affairs, and the president of the Canadian Federation of Mayors and Municipalities. These conferences have probed urban growth, urban transportation, housing, and public finance.

□ Regional-provincial trilevel conferences are held on specific programs of both a national and provincial nature. Ontario convened the first such conference in 1973 to discuss housing, transportation, and environmental management. Since then, Ontario has formed a provincial-municipal liaison committee made up of representatives of the Ontario Ministry of Treasury, Economics, and Intergovernmental Affairs and the Ontario Municipal Liaison Committee. The conference meets monthly. The Minister of State for Urban Affairs attends as an observer.

□ Metropolitan trilevel committees have been formed in the major metropolitan areas to study specific projects and their impact on the metropolitan area. The Quebec committee has considered the feasibility of a major tourist reception center and vari-

ous innovative approaches to transportation. In addition, this group serves in an advisory and coordinating role for the Planning Commission of the Quebec Urban Community Government. The Winnipeg Committee has worked on utilization of railway lines and facilities, on future expansion of the airport, and on an organizational development program for municipal administrators while the Vancouver Committee has studied future growth plans and expansion of an airport.

In order to coordinate national policies affecting urban areas, the Ministry established the Senior Interdepartmental Committee on Urban Affairs (SIDCUA). This committee serves as a forum for considering national policies and issues and for providing advice to the Minister of State for Urban Affairs on policy development and evaluation. The committee is made up of deputy heads of 15 central government departments and is chaired by the Minister of State for Urban Affairs.

The Committee deals with broad national issues and puts together the agenda for nation-wide conferences. In addition, the Committee provides a means by which national departments and agencies can be kept informed of the work of the ministry and of intergovernmental cooperation in urban matters.

Since its formation, the Ministry has projected future urban growth patterns based on prevailing trends, evaluated the consequences, and recommended a national strategy to defer further urban growth in the major urban areas and to encourage growth in smaller, less populous settings.

The Ministry has established a task force to study public finance in Canada, especially local government finance. In addition, the Ministry is working with other central governmental departments to devise a comprehensive review of the national role in transportation and was influential in the development of a comprehensive land management policies act.

This process obviously is still new but there are some doubters. An article in *Canadian Dimension*, January 1973, called the Ministry of Urban Affairs "clearly an ideological initiative."

"Because it has no constitutional mandate to tamper directly with a city government, no bureaucratic apparatus to operate locally, its function remains abstract," the article contended.

Yet its supporters are optimistic.

"An effective start has been made in focusing the federal administration system on urban issues and some policy initiatives have been achieved in operation with the provincial partners," said Oberlander in *Planning*. "The initial creative phase is essentially complete. Effective implementation and consolidation will have to take place now to prove the value of the idea and the courage it took for the government of Canada to break new ground in a specific area of the decision-making process in urban affairs in a federally constituted country."

And Briefly: Books

In Respect to Realities. A Report on Federalism in 1975. The Advisory Commission on Intergovernmental Relations, 726 Jackson Place, N.W., Washington, D.C. 20575. Single copies are free.

"This is not a time to be thinking of creating new programs. It is a time for thrift, not out of fear for the future, but in respect to realities."

With these words Governor Cecil Andrus of Idaho pinpointed the introspection found at all levels of governments in 1975 and provided the foreword to ACIR's annual report on federalism which analyzes the state of the federal system and highlights trends and key events at all levels.

In 1975, the report said, "There was a reluctance to pass new programs and a tendency to reexamine the old; a rejection of new taxes, new bond programs, and new constitutions; and a subtle hardening of public sentiment toward labor union demands, social services spending, and the belief that government action is the best solution to problems."

In Respect to Realities looks at the intergovernmental implications of New York's fiscal difficulties and at the impact of the economy on federal, state, and local governmental activities. It discusses the effect of federal aid on subnational structures and of the demographic and financial shift to the "Southern Rim."

It highlights state and federal legislation and executive action in the areas of energy, block grants, categorical grants, and key intergovernmental issues such as workmen's compensation, public pensions, and collective bargaining.

Understanding the Market for State and Local Debt. The Advisory Commission on Intergovernmental Relations, 726 Jackson Place, N.W., Washington, D.C. 20575. Single copies are free.

During 1975, state and local governments marketed nearly \$60 billion in new debt in about 8,000 separate issues.

Even more significant than the amount is the market's growth. The annual dollar amount of debt issued by state and local governmental units in the early 1970s is more than dou-

ble the amount issued in the late 1960s and about 10 times greater than in the early 1950s.

These facts—and the interest stimulated by the New York fiscal crisis—prompted this information report which outlines the essential characteristics of the state and local bond market.

The report is organized around eight topics: size of the market, who borrows, short-term state and local borrowing, who owns state and local debt, cost of borrowing for state and local units, quality of state and local debt, and operation of the market for state and local debt instruments.

It's Your Business: Local and State Finance. L. Laszlo Ecker-Racz, National Municipal League, 47 East 68th Street, New York, New York 10021. \$5.

This book is a primer on state and local finance directed at improving citizen understanding of state and local finance, particularly those issues faced by elected policy-makers and those who manage public affairs.

Among broad topics discussed are the property tax, personal income tax, inheritance tax, consumer taxes, and revenues from licenses and permits, user charges, business enterprises and lotteries. The author also discusses financing on credit, intergovernmental financial aids, and financial management.

The author provides the names and brief descriptions of informational sources in state-local finance, including a discussion of the various federal financial reports available.

L. Laszlo Ecker-Racz served as assistant director of ACIR for seven years prior to his retirement in 1966. He was with the U.S. Treasury Department for 24 years before joining ACIR.

State Growth Management. The Council of State Governments, Iron Works Pike, Lexington, Ky. 40511.

A review of state policies, plans, and programs considered pertinent to the development of a national urban growth policy is a mandated section of the biennial national growth report.

State Growth Management, prepared by the Council of State Governments through a research contract from the U.S. Department of Housing and Urban Development, provides this review and supplements the President's Report on National Growth and Development.

The CSG report details recent actions of states in responding to the wide, systematic review of the capacities and experiences of states in growth management. It is designed to provide a perspective on the states to many individuals and organizations concerned with developing a national growth policy and assessing the state role in this policy.

Toward a Planned Society. From Roosevelt to Nixon. Otis L. Graham, Jr., Oxford University Press, New York, New York. \$11.95.

Toward a Planned Society is an historical view of the idea and practice of national planning in twentieth century America, with some speculation upon the form planning may take in the future.

The author describes two types of planning: liberal planning as explored by the New Deal generation which was revived and recast by Democrats in the 1960s and a conservative form of planning explored during the Presidency of Richard Nixon.

The Urban Predicament. William Gorham and Nathan Glazer, editors. The Urban Institute, 2100 M Street, N.W., Washington, D.C. 20037. \$4.95.

According to the editors, this book "aims to further the search for more effective government policies and to temper public expectations as to what government can accomplish."

Improving Urban America: Challenge to the Federal System. The Advisory Commission on Intergovernmental Relations, 726 Jackson Place, N.W., Washington, D.C. 20575. Single copies are free.

Due in late summer, *Improving Urban America* is an update of the Commission's 1968 report, *Urban and Rural America: Policies for Future Growth*.

Community Development Tops List of ACIR Action

Meeting May 20-21, the Advisory Commission on Intergovernmental Relations made recommendations on community development, federal grant management, and inflation-induced increases in the federal income tax.

The Commission urged Congress to renew the community development block grant portion of the Housing and Community Development Act of 1974 with these changes:

- where possible, Title I programs should be coordinated and merged administratively with related community development programs, including Section 312 rehabilitation loans program;
- funding of public services considered necessary or appropriate to community development activities should be allowed, as long as no more than 20 percent of the grant is used for that purpose and no other federal program funds are available;
- the housing assistance plan should be simplified; and
- all facilities consistent with the objectives of the act should be funded whether they are neighborhood or areawide.

The Commission recommended that a new fund be established to stimulate and support the direct performance of community development programs by any state which has a demonstrated interest and capacity in this area, as evidenced by meeting these criteria: having a community affairs agency; engaging in planning for community development programs; and providing substantial amounts of its own funds for community development-related purposes.

Older, deteriorating cities and small communities should be treated more equitably in funding, according to the Commission, and the HUD "701" program should be continued with "adequate" funding.

The Commission further urged HUD to keep the administrative requirements of the program relatively simple and to continue the performance reporting to monitor its effectiveness.

Where feasible, the Commission said, councils of governments (COGs) and other general purpose regional

planning bodies should be authorized to prepare regional housing plans in lieu of local housing assistance plans. In addition, HUD should revise its guidelines to encourage COGs and other regional planning bodies to provide more technical assistance to applicant communities in preparing their housing assistance plans.

Recipients would additionally benefit from increased HUD sponsorship of research and demonstration projects, more effective use of public information devices, and additional technical assistance.

And, finally, the Commission recommended that Congress appropriate advance funds for the program for six years with provisions for periodic Congressional review of the program's goals, operation, and effectiveness.

In the area of federal income tax indexation, the Commission urged public disclosure of inflation-induced increases in real income tax revenues.

Specifically, the Commission recommended that "in the interest of complete public information, the amount of the inflation-induced real federal personal income tax increase be calculated and publicized for each tax year."

The Commission considered—and deferred until its September meeting—recommendations supporting indexation of federal and state income taxes.

The Commission's recommendations on federal grant management are incorporated in the article in this publication entitled "The Presidency and Intergovernmental Relations."

ACIR to Meet In South Dakota

At the invitation of Governor Richard Kneip, the ACIR will meet August 30-31 in Rapid City, South Dakota. The Commission tries to meet outside Washington, D.C., once a year.

At that meeting, the Commission will consider indexation of federal and state income taxes, state-imposed property tax lids, and the impact of federal aid on state and local governments.

In addition, the Commission will select several new areas for ACIR research. Preliminary work and con-

sultations are underway by staff and others to compile a list of key intergovernmental problems suitable for Commission consideration as research topics.

Suggestions for topics from readers of *Intergovernmental Perspective* are welcome. Subject areas should be strongly intergovernmental in nature, timely, relevant, reasonable and within staff capacities.

Suggestions for research topics should be received by August 1.

Prior to the August meeting, selected Commission members will hold hearings as part of the Commission's look at the national forest revenue sharing system. A one-day session will be held August 28 in Denver with testimony scheduled for county representatives, state officials, and spokesmen from the timber industry and environmental groups.

ACIR/NASBO Survey Highlights Importance of State Pass-Through

Of some \$14.1 billion in federal grants received by 22 states in 1974, 59 percent was kept by the state and 41 percent was channeled to localities, according to a survey of budget officers conducted by ACIR and the National Association of Budget Officers.

More than 90 percent of the pass-through funds were in two functional areas: public welfare and education. In fiscal year 1974, over \$3.8 billion in public welfare and \$1.6 billion in education monies were passed through to local recipients.

In the criminal justice area, the proportion passed through was greater but the amount of money less: 66 percent, or \$242 million, was passed to localities. The lowest proportions were for highways (14 percent) and manpower (16 percent).

Other findings of the survey were:

- approximately 83 percent of the funds were passed through according to federal requirements, 8 percent by state law, and 10 percent by state administrative discretion;

- by a margin of 2 to 1, budget officers indicated that, even where the state added its own money to the federal grant, there were no differences in the types of procedural or performance requirements imposed by the states;

- states more frequently attach procedural requirements (such as ac-

counting, reporting, and auditing) than performance requirements to federal pass-through funds.

Thus, the ACIR concluded that states, in general, do not use pass-through funds to influence local policies and practices. As a consequence of the pass-through then, it appears that the federal influence on local governments is understated while the state influence is over-emphasized both in quantitative and qualitative terms.

A companion study of state pass-throughs, conducted for ACIR by the Maxwell School of Citizenship and Public Affairs, Syracuse University, confirmed the significance of the pass-through funds. In comparing the pass-throughs by function and state for 1967 and 1972, this study revealed that in 1972, there was a doubling of channeled funds (from \$3.6 billion to \$7.1 billion), with considerable variation from state to state.

What this means is that in Fiscal Year 1972, total federal aid to localities, including channeled and direct grants, amounted to \$11.6 billion—some 37 percent of the total of all federal aid to state and local governments. Put differently, state aid to localities from own sources was \$28 billion—20 percent less than the total before subtracting pass-throughs.

The pass-through studies are part of the Commission's overall look at the impact of federal aid on state and local government and of state aid on local governments. The Commission will consider sections of both phases of the study at its August meeting.

ACIR Studies State Controls On Local Property Taxation

Since 1970, 13 states have adopted or substantially altered their controls on local governmental taxing powers. In light of these actions, and related reassessments of the adequacy of current limit laws, the Commission is updating its 1962 study on state-imposed limits on local governmental use of the property tax.

The ACIR study will focus on the form, effectiveness, and necessity of recent approaches.

Although the controls passed by the states have varied, conventional property tax rate limits have been

avoided without exception; rather, the states have opted for more broadly based limits that concentrate on property tax levies or all tax revenues.

The limits usually fall into two categories: levy control and full disclosure. Seven states (Calif., Ind., Iowa, Kan., Minn., Wash., and Wis.) have adopted some form of levy control which establishes a limit on the annual growth of property tax levies. Voter approval is required before the limit can be lifted.

A full disclosure or "truth in taxation" law requires that the assessor establish a property tax rate which, when applied to a percentage of the tax base, will produce revenues equal to the prior year's property tax levy. This established rate can be exceeded only by explicit vote of the local governing board after a public notification and hearing procedure. Four states have adopted these laws (Fla., Hawaii, Mont., and Va.)

There are two states of the 13 which do not fall clearly into either of the categories.

Alaska adopted limits designed to control uneven regional valuation growth from oil development, and in 1976, New Jersey adopted a stringent law limiting municipalities and counties to a 5 percent annual increase in final appropriations.

Staff Represents Commission Abroad, Before Platform Committee

Members of ACIR's staff recently represented the Commission in meetings abroad and in testimony before the Democratic Party platform committee.

ACIR Executive Director Wayne F. Anderson served as official U.S. delegate to an "Experts' Meeting on Public Management" sponsored by the Organization for Economic Cooperation and Development (OECD) April 29-30 in Paris.

The session was convened to explore current trends and future tasks of public management in member countries of the OECD. The meeting was the culmination of a three-year study to identify governmental measures which lead to innovation in public services—namely health, urban planning, housing, and communications.

ACIR Assistant Director David B. Walker presented a paper and par-

ticipated in a conference on federalism sponsored by the government of Nigeria in early May.

Walker's paper, "American Federalism in a Transitional Era," dealt with American federalism's current challenges in areas he called concepts in conflict, finances in flux, and technocrats mounting a threat. The conference was part of Nigeria's preparation for drafting a new federal constitution. Only three Americans were invited.

Walker was also a guest and presented a paper at Abu Dhabi, United Arab Emirates called "The United Arab Emirates: A Case Study in an Evolving Federation."

Bruce McDowell, ACIR Senior Analyst, presented a paper for the United Nations Habitat Conference in Vancouver, British Columbia, June 2. The paper was entitled "Intergovernmental Cooperation to Enhance Human Settlements."

In it, McDowell outlined the experience in the United States in the area of human settlements policy including the national report on growth to the Congress every two years, state efforts to prepare similar plans, and regional and local planning experiences. He emphasized the importance of citizen and private sector participation and various coordinative processes in human settlements policies.

ACIR Director of Policy Implementation Lawrence D. Gilson testified on behalf of ACIR's chairman before the Democratic Platform Committee May 1 in Denver, Colorado.

Gilson said that alleviation of governmental fragmentation and functional overlap and improvement in working relationships among federal, state, and local governments should be elements of a responsible national domestic policy. He highlighted a dozen points recommended by the commission to "bring order out of the chaos of the federal system and equip the nation to deal more effectively with the pressing domestic agenda."

ACIR recommendations will also be presented in testimony before the Republican platform committee this summer.

Copies of the Walker and McDowell speeches and Gilson testimony are available from ACIR.

A Fiscal Note

Fiscal Year	Total Social Welfare	Income Maintenance ²	Health and Medical	Education	Other Welfare ⁵
PRIVATE SECTOR					
1950	34.2	9.3	74.2	13.8	35.0
1955	35.6	11.0	74.6	16.2	50.0
1960	34.7	11.7	75.3	17.1	40.7
1965	35.7	14.0	75.6	17.8	32.6
1970	31.8	16.0	63.6	16.7	20.0
1975 ¹	27.3	13.5	57.9	15.8	12.2
FEDERAL SECTOR					
1950	29.4	52.3	11.7	26.6 ⁴	30.0
1955	28.9	64.2	11.0	8.5	22.2
1960	31.2	67.4	11.2	6.0	25.9
1965	31.4	68.0	11.8	7.3	37.2
1970	36.2	66.6	24.0	11.1 ⁴	57.0
1975 ¹	42.1	67.0	28.5	13.3 ⁴	67.5
STATE-LOCAL SECTOR					
1950	36.4	38.3	14.2	59.6	35.0
1955	35.6	24.9	14.5	75.4	27.8
1960	34.1	20.8	13.5	77.0	33.3
1965	32.9	18.1	12.6	74.9	30.2
1970	32.0	17.4	12.4	72.1	23.0
1975 ¹	30.6 ³	19.4 ³	13.6 ³	70.9 ³	20.3 ³

¹Preliminary

²For the public sector these figures include cash benefits and administrative costs under social insurance, public assistance, supplemental security income, and veterans' and emergency employment programs. Excludes cost of medical service provided in conjunction with these programs and for other welfare programs.

For the private sector these figures include employee benefits under private pension plans, group life (including government civilian employee programs), accidental death and dismemberment, and cash sickness insurance; paid sick leave; and supplemental unemployment benefit plans.

³Federal general revenue sharing is included as state-local expenditures.

⁴The larger federal expenditure in 1950 and in recent years can be attributed in part to veterans' educational programs.

⁵Excludes public assistance, included in the income maintenance column. Includes food stamps, surplus food for the needy and for institutions, child nutrition, institutional care, child welfare, economic opportunity and manpower programs, veterans' welfare services, vocational rehabilitation, and housing.

Source: ACIR staff compilations based on U.S. Department of Health, Education and Welfare, *Social Security Bulletin*, January 1976, *Social Welfare Expenditures, 1950-75*, by Alfred Skolnick and Sophie R. Dales, and U.S. Department of Commerce, Bureau of Economic Analysis, *Benchmark Revision of National Income and Product Accounts: Advance Tables*, March 1976.

YEAR	O. A. S. D. I.	MEDICARE	A. F. D. C. *
1970	984	429	1939
1971	1083	416	1889
1972	1128	448	1831
1973	1186	447	1774
1974	1181	429	1769
1975	1211	483	1624**

* This figure represents benefits per family.

** This estimate is based on the first seven months of 1975.

SOURCE: *The Budget of the United States Government, Appendix*, selected years and *Social Security Bulletin*, January 1976, Table M-31.

Changing Roles in the Social Welfare Partnership

The last quarter century has seen the federal government assume increasing responsibility in financing the nation's social welfare programs. Yet, despite dramatically escalating expenditures and increased federal financing, benefit levels—at least in certain programs—have failed to keep pace with recent price increases.

The federal share of total (public and private) social welfare expenditures increased from 29.4 percent in 1950 to 42.1 percent in 1975, with the most significant movement occurring since 1965. During the same period, the private sector share fell from 34.2 percent to 27.3 percent and the state-local share declined from 36.4 percent to 30.6 percent.

Still these figures should not mask the fact that in absolute terms state-local expenditures increased from \$13 to \$120.6 billion and the private sector from \$12.2 to \$107.8 billion from 1950 to 1975.

The escalation of public and private expenditures for all social welfare programs over the past 25 years can generally be attributed to three factors: increases in the number of people eligible for these programs, the degree to which those eligible actually participate in the programs, and inflationary cost increases.

Aid to families with dependent children (AFDC) expenditures provide a good example of how these factors affect total expenditures. Between 1950 and 1975 the dollar expenditures for AFDC increased from \$558.2 million to an estimated \$8.9 billion; the number of families receiving benefits from the program increased from 651,000 to an estimated 3.45 million; and consumer prices increased by 123.5 percent. Yet, in 1975, benefits per recipient in this program—adjusted to account for increases in consumer prices—were lower than for any year in the past six years.

To a lesser extent, the same story—that is, declining real benefits per recipient—can be found in most other public assistance programs for at least some years in the 1970 to 1975 period. Real benefits for three programs (Social Security, Medicare, and AFDC) are shown in the accompanying table.

Federalism: A Revolutionary Heritage

Continued from Page 2

From an intergovernmental viewpoint, the legacy of the Revolutionary period may be summed up thus:

- the earlier debate with the mother country was dominated by controversies over "federal" questions;
- the Declaration of Independence proclaimed libertarian and contractual ideals that subsequently required incorporation within a balanced constitutional framework;
- as the war years receded, the need for a more effective dual system became more apparent;
- both the defenders of state sovereignty and the proponents of a stronger general government sought to preserve the liberties won in the Revolution; and
- the quest for a more perfect Union was a constant theme from 1763 to 1789, with the dual governmental subtheme stronger at the beginning and the end of this period.

But what has all this to do with today? What relevance does this Revolutionary heritage have two centuries later? The attempt to provide a salutary institutional framework for Jefferson's libertarian and equal opportunity norms, the effort to strike a balance between the levels within a tiered system, and the continu-

ous drive to effectuate a more perfect Union—these are themes that this generation of Americans would do well to ponder.

It is commonplace today to hear talk of institutions that do not respond, that do not represent, that do not adapt. It is not unusual to hear rather violent debates between those who condemn our system for stifling individual liberty and for making a mockery of equal justice and those who argue that the system, in effect, embodies too much of these Jeffersonian norms and not enough of Hamiltonian order. It also is a fairly frequent occurrence these days to hear the crises confronting us—especially in urban and rural areas—described in terms of imbalance and disequilibrium. Such is the case with the Advisory Commission on Intergovernmental Relations. In probing the many facets of the very contemporary challenge facing us on the urban frontier, the Commission has found a pentagonal pattern of imbalance and disequilibrium:

- within the intergovernmental revenue system;
- between the needs and resources in the nation's urban areas;
- between the responsibilities of the states concerning their urban citizens and their overall willingness to face this challenge;

□ at all levels between those who adhere to a functional theory of governmental operations and those who have the authority to implement governmental programs; and

□ in terms of regional distribution, of urban-rural balances, and in efficient and esthetic land use.

Over the years, the ACIR has made a series of recommendations to correct these imbalances. The Commission is convinced that aggressive and imaginative action is needed if the Revolutionary heritage of ordered liberty, balanced government, and a geographic division of power is to be preserved. The nation has as much need for these ideals now as it did two centuries ago, perhaps more so.

With some of the optimism and confidence in statecraft of the first generation of Americans, this generation can discharge its responsibility to later ones of transmitting an effectively functioning federal system, of achieving a "more perfect Union."

David B. Walker

David B. Walker
Assistant Director
Advisory Commission on
Intergovernmental Relations

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