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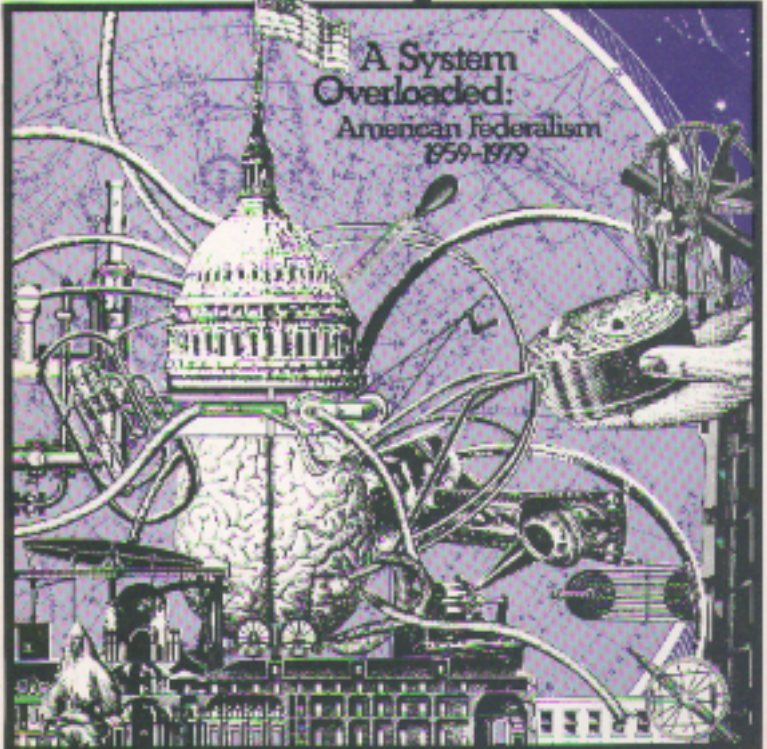
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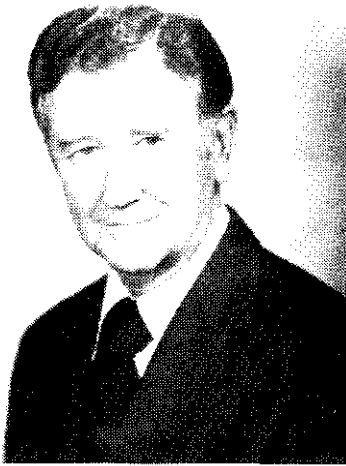
Intergovernmental

PERSPECTIVE



A System
Overloaded:
American Federalism
1859-1979

View From The Commission



Dear Reader:

As the Nation enters the 1980s and the Advisory Commission on Intergovernmental Relations begins its third decade, it seems entirely fitting to examine the trends that have developed over the past 20 years both in intergovernmental relations and in the ACIR's activities. This issue of *Intergovernmental Perspective* attempts to do just that, and I am pleased to provide this preface to the Commission's assessment and to offer a few observations of my own.

Many dramatic changes have taken place during the past 20 years—in politics, in social affairs, and in science and technology. In reviewing these changes, the developments in intergovernmental relations in the United States surely rank high on the list.

Public sector growth at all governmental levels, the skyrocketing rise in federal grant programs and dollars, the increasing intrusion of the federal presence in almost every facet of our lives, the great improvement in state governments in general and state revenue systems in particular, and the increasing dependence of local government on

federal and state aid dollars are all very important developments during this period.

Although those of us in the Congress concerned with intergovernmental relations had little basis for predicting these specific developments 20 years ago, fortunately we did foresee a growing need for continuous study and improvement in the relationships between our federal, state, and local governments. Accordingly, we designed a commission to deal with the existing problems of the day, and to help governments avoid or prepare for others.

In 1959, the ACIR was viewed as a political innovation in that it was set up as a genuine interlevel body, composed of public officials from all levels of government, rather than as an agency dominated or controlled by any one level of government. Furthermore, its mandate—to continuously review intergovernmental programs and problems with an eye toward maintaining the viability of our federal system of government—was certainly novel.

The stage for establishing the ACIR was set by the work of the temporary Commission on Intergovernmental Relations, popularly known as the Kestnbaum Commission, which conducted the first official study of federal-state-local relationships since the Constitutional Convention in 1787. The findings and recommendations of the Kestnbaum Commission concerning the division of functions and responsibilities among the several levels of government strongly suggested the value of a continuing body of this kind.

Soon after the Commission's report was published in 1955, the House Intergovernmental Relations and Human Resources Subcommittee, which I have had the privilege

of chairing since 1955, began an extensive study of its recommendations. After three years of study, including detailed questionnaire surveys, and an intensive series of hearings held in Washington and throughout the country, the Government Operations Committee issued a report developed by our subcommittee which included a recommendation for the establishment of a permanent and broadly based Advisory Commission on Intergovernmental Relations.

Legislation setting up such a commission was promptly drafted in the subcommittee. Rep. Florence Dwyer, the subcommittee's ranking minority member, joined me in sponsoring the bill in the House, while Sen. Edmund Muskie and 25 co-sponsors introduced it in the Senate. Joint House-Senate hearings were held and the measure was passed by the Congress with strong bipartisan support and signed into law by President Eisenhower on September 24, 1959.

The new decade ahead promises to be a turbulent one, with continuing challenge and ferment as governments at all levels adjust to an "era of limits" along with changing roles and functions. In this environment, the ACIR will likely become even more important than ever as an agent for alerting the Nation to emerging problems that will affect our federal system, and for devising workable and reasoned solutions to those problems.

A handwritten signature in cursive script that reads "L. H. Fountain".

L. H. Fountain
United States Representative
North Carolina

PERSPECTIVE

2 View from the Commission

Congressman L. H. Fountain of North Carolina discusses some of the changes in the intergovernmental system over the past 20 years and highlights some of the history of the formation of the Commission in 1959.

4 Federalism in Transition: 1959-79

ACIR Assistant Director Carl W. Stenberg looks at the key intergovernmental events and trends of the past 20 years, a period which he says has "altered the fiscal, functional, and political balance within the federal system" as well as re-kindled the debate over the proper division of powers and responsibilities among the constituent governmental units.

14 ACIR and the Intergovernmental System: A 20-Year Review

Like the intergovernmental system, the ACIR has changed in many ways over its first 20 years. In this article, ACIR Information Officer Carol S. Weissert outlines those changes and makes some assessment as to how effective the Commission has proven to be over the years.

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Federalism in Transition: 1959-79

by Carl W. Stenberg

The evolution of the American federal system has been accompanied by significant changes in the distribution of governmental powers and responsibilities. Sometimes these shifts occurred gradually over several decades. Other times they took place over a relatively short period, particularly in response to developments on both the domestic and international fronts. The Civil War and Great Depression, for example, tested the strength, endurance, and adaptability of the federal system. Worldwide inflation, energy shortages and costs, and monetary instability present similar challenges to contemporary intergovernmental relationships.

The two decades of ACIR's existence (1959-79) have witnessed many key events which initiated or affected the nature and direction of major intergovernmental trends. These events and trends have altered the fiscal, functional, and political balance within the federal system and have rekindled debate over the proper division of powers and responsibilities among the constituent governmental units. Together they mean that as the Nation enters the 1980s the patterns of intergovernmental relations are fundamentally different from those which had been present 20 years earlier.

This article reviews the developments between 1959 and 1979 that challenged and changed the course of the American federal system. It is based on a survey of ACIR professional staff members regarding the most significant intergovernmental events and trends over that period. (See sidebars, pages 5 and 8). While the results may not be necessarily representative of the wide range of participants and diversity of viewpoints in the field, our purpose is to provide a point of departure for, and perhaps a stimulant to, students and practitioners who seek to understand and assess federalism in transition during the 1960s and 1970s.

Governmental Growth

The most striking change in intergovernmental relations between the 1950s and the late 1970s was the growth of government—especially the federal and state sectors. This expansion was reflected in many ways:

- a sharp rise in federal domestic expenditures and state-local outlays from 15.9% of the Gross National Product in 1959 to 25.9% in 1979 (see *Figure 1*);
- a near doubling (from 19 to 37) between 1960 and 1979 in the number of states using both income and sales taxes;
- a 90.6% hike between 1953 and 1977 in the real tax burden for the middle class family;
- a 72.5% increase between 1957 and 1977 in the number of state and local employees per 10,000 population; and
- an explosion in the number and types of regulatory activities, illustrated by expansion in the size of the *Code of Federal Regulations* from 23,000 pages in 1950 to nearly 84,000 pages in 1978 and of the *Federal Register* from 9,500 pages to over 61,000 pages during the same period.

These figures represent significant changes in the role of government in the private sector of the economy and in the day-to-day lives of American citizens. From the standpoint of intergovernmental impacts, however, the federal government's assumption of progressively greater responsibility for dealing with domestic problems through use of grants-in-aid stands out as a dominant feature of this 20-year period. Federal moneys supported state and local efforts to tackle tough social and physical prob-

ACIR's Poll of Major Intergovernmental Events Of the Past 20 Years

In order to more accurately identify and review the key intergovernmental events and trends between 1959 and 1979, a poll of ACIR professional staff members was conducted in the fall of 1979. Two rounds of surveys were undertaken. The first asked for a list of the ten most significant intergovernmental events during the past 20 years and the reasons why each item was chosen. The second round listed these responses in three clusters—intergovernmental events, trends, and societal events—and called for a ranking of the most important ones in

each category. The survey results were then reviewed and discussed by ACIR's management staff.

Listed below are the intergovernmental events that were ranked highest by the staff. The intergovernmental trends are listed in a box on page 8.

While the poll was neither scientific in technique nor necessarily representative of the views of the wide range of participants in intergovernmental relations, we hope it will serve as a point of reference for—and perhaps stimulant to—others who attempt to assess federalism in transition.

1. **Passage of General Revenue Sharing And Five Block Grants**
Most frequently cited item by the staff, primarily due to the fact that these enactments put into place a tripartite system of federal aid that gave states and localities added discretion over how federal dollars could be spent.
2. **Enactment of Civil Rights/Voting Rights Legislation**
Facilitated the expression of minority political clout, especially in central cities.
3. **Baker v. Carr**
A landmark Supreme Court decision calling for "one man, one vote" in state legislatures that brought to an end rural domination of many state legislatures and led to the modernization that occurred there throughout the 1970s.
4. **Passage of California's Proposition 13**
Was the most dramatic expression of citizen dissatisfaction with government and led to considerable activity in cutting taxes and establishing spending and taxing limits in cities and states across the country and a rethinking of the roles of the various levels of government. Was also significant in that such a major tax policy was the result of citizen initiative—successfully bypassing representative government.
5. **Economic Opportunity Act/War on Poverty**
Heralded the major acceleration of federal domestic assistance, providing substantial federal dollars to inner cities while largely bypassing state and local government.
6. **National Environmental Policy Act (NEPA)**
Led to federal preemption of the air/water quality field and served as a forerunner to other national level actions in the regulatory area that threatened the "balance" of federalism.
7. **Serrano v. Priest**
A California Supreme Court decision that reaffirmed the principle of equity in funding/service delivery and brought about significant reorganization of school finance systems.
8. **New York City Fiscal Crisis**
Capped the awareness of the intergovernmental effects of suburbanization and the intergovernmental responsibilities toward central cities and urban areas.
9. **School Desegregation Court Cases: Green v. New Kent County School Board, Swann v. Charlotte-Mecklenburg Board of Education, Milliken v. Bradley**
While **Brown v. Board of Education** was the first such case in the early 1950s, the past two decades saw cases that in combination laid the basis for HEW school desegregation initiatives that have powerfully affected and sometimes damaged numerous central cities.
10. **Peaking of Federal Aid**
After years of skyrocketing federal aid increases, the last year of the decade brought a turnaround and an apparent peaking of the massive aid increases. The impact on state and local governments which have grown accustomed to substantial federal aid "fixes" may well be enormous.
11. **Passage of Medicare/Medicaid**
Represents another major expansion of governmental activity involving all three levels of government and significantly expanding social programs to the elderly and poor.

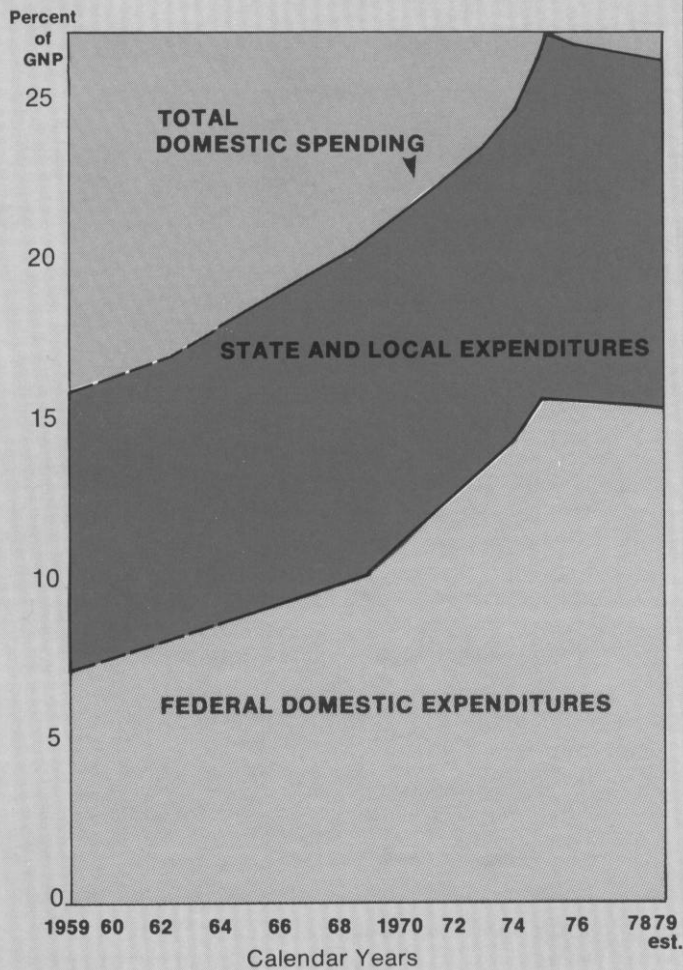
lems, they stimulated new undertakings, they helped develop more systematic ways of identifying inter-functional linkages and coordinating activities, and they encouraged improvement of recipient organizational arrangements, personnel systems, as well as planning and management capabilities. At the same time, occasionally they generated administrative, fiscal and political problems for both grantors and grantees.

At least seven aspects of this federal assistance phenomenon are especially noteworthy:

1. **The Dollar Amount:** Aid to state and local governments has mushroomed from approximately \$7 billion in fiscal year 1960 to \$83 billion in fiscal year 1980, with the annual rate of growth during the last decade standing at about 15%, or \$6 billion a year. As a percent of total state-local expenditures, federal aid has risen from 14.7 to 23.6 over this period. The number of programs also has climbed steadily, from 150 in 1960 to 498 in 1979.
2. **Instruments:** The types of instruments for dispensing aid have increased and given rise to a variety of federal-state, federal-local, and federal-private transactions under formula and project categorical grants, block grants, General Revenue Sharing, procurement contracts, and cooperative agreements. Determining which instrument to use to accomplish a particular purpose has only recently become a real concern to assistance program designers.
3. **Participants:** The extent of state and especially local government involvement in federal programs has expanded to the point where virtually all general purpose local units and many special purpose ones now receive federal funds. This was not the case as recently as the early 1970s. Until the advent of General Revenue Sharing, many smaller jurisdictions and rural communities did not participate in federal grants or received only relatively small amounts of funds through a limited number of programs. Some jurisdictions, especially the larger ones, have come to depend heavily on this source of revenues to sustain their service delivery systems. Federal aid as a percent of own source revenue of the Nation's 47 largest cities, for example, jumped from 2.6 in 1957 to 49.7 in 1978. Adding to the complexity of the "intergovernmental partnership" are organizations like Federal Regional Councils, multistate and substate regional planning and development agencies, and neighborhood bodies which have been established to plan for, administer, coordinate, or spend federal moneys. The number of people affected by the actions—or inactions—of these units has similarly multiplied.
4. **Strings:** The conditions attached to federal programs are often extensive, expensive, and intrusive. While traditional "watchdog" requirements such as financial reporting and audits continue to be applied, in recent years the federal government has increasingly used assistance programs as vehicles for achieving national social policy goals, such as affirmative action, environmental quality, historic site preservation, and citizen participation. Some 59 of these cross-cutting requirements apply to most or all federal aid programs, regardless of purpose.
5. **Certainty:** Although more federal funds are now available to more jurisdictions for more purposes than ever before, recipients' capacity to plan for the effective use of these moneys continues to be impaired by uncertainty over whether the amounts required to launch a program or undertake a project will be available when they are needed, and whether they may be used for recipient priority purposes. Advance planning is made difficult by the annual nature of most grant awards, as well as by the frequently wide gap between Congressionally authorized spending levels and actual appropriations.
6. **Bypassing:** The bypassing tendencies of federal agencies and Congressional committees have become more pronounced over the past 20 years. States in particular have been the long-standing targets, although during the 1960s local governments experienced some of this federal leapfrogging with money going directly to Community Action Agencies or other neighborhood groups. While the majority of the 39 federal-local programs were enacted between 1960 and 1967, with the exception of public housing, urban renewal, airport development, and community action, most of these were relatively small project grants. With the establishment of General Revenue Sharing and sizable block grants in the community development and employment and training areas in the early 1970s, however, the dollar amounts of direct federal-local aid increased substantially by the end of the decade, to some 30% of total federal assistance to state and local governments—double the 1968 percentage.
7. **Lobbying:** Accompanying the growth in the number of programs and amounts of federal assistance was an increase in the intensity and the participants in Congressional lobbying. Functional interest groups have long been an integral part of the Washington scene. During the 1960s and 1970s various special issue interest groups—such as civil rights advocates, the handicapped, environmentalists, and consumers—as well as public interest groups like Common Cause and "Nader's Raiders" were influential in the design of federal policies, programs, and procedures. Their actions often produced new requirements and conditions that

FIGURE 1

Total Domestic Spending, 1959-1979¹
(Expenditure as a Percentage of Gross National Product)



SOURCE: ACIR Staff

¹ From own funds.

were imposed on grant recipients. Not widely recognized, however, were the activities of what Professor Samuel Beer has called "topocrats," or representatives of a particular place rather than function or special issue.

From the standpoint of program politics, this intergovernmental lobbying phenomenon has at least two key dimensions. First, the increasing efforts by national associations of state and local chief executive and legislative officials to articulate the need for federal action, urge the use of certain instruments to accomplish national purposes, and support the renewal and perhaps redesign of existing programs. Second, the emergence of spokesmen for regions of the country which are seeking their "fair share" of federal resources. Representatives of Sunbelt states, for instance, have sought to end what they consider to be long-standing patterns of geographic discrimination in aid formulas and to achieve a more balanced dis-

tribution. The presence of these intergovernmental lobbyists has added a new and sometimes controversial dimension to the so-called "iron triangle" of federal agency-Congressional committee-special interest group participants in national policymaking.

The Urban Connection

The factors responsible for the substantial growth in the federal government's fiscal role have their roots in the Great Society. Beginning in 1964, President Lyndon Johnson called for the development of new and expanded federal partnerships with state and local governments and private enterprise to tackle many of the pressing problems of urban society—poverty, crime, unemployment, illiteracy, substandard housing, disease, and physical decay. His "creative federalism" agenda launched a number of what were to become long-standing changes in the nature and extent of the federal government's relationships with the state, local, and private sectors. In addition to the seven general features of federal assistance noted earlier, these included:

- a shift in the functional distribution of federal assistance outlays from commerce and transportation programs (36% of the total in 1963 to 23% by 1968) to health and human resources programs (13% of the total in 1963 to 40% in 1968); changes in the objectives and operation of the traditional grant-in-aid system featuring (a) the use of federal aid to stimulate state and local action in behalf of an expressly stated national purpose instead of to support the ongoing operations of these governments; (b) the active intervention on the part of federal administrators in influencing the program priorities and implementation processes of recipients instead of remaining largely in the background; (c) the distribution of an increasing share of federal funds on a project grant and competitive basis instead of in accordance with a statutory formula and as an entitlement, and (d) the assumption of a substantial federal matching share (e.g., 80% or more) instead of requiring a significant (e.g., 50%) state or local cash contribution to program costs;
- a recognition that the resources of private enterprise should be mobilized to work with government agencies in tackling urban problems, and that financial assistance or tax benefits should be offered as an incentive to such involvement;
- a willingness on the part of Great Society architects to use federal funds to facilitate the organization of community groups or private nonprofit organizations to plan for, and carry out federal programs, sometimes without the consent or cooperation of local government officials; and
- an increase in the number of devices to help

coordinate the rapidly proliferating federal aid system, including assignment of convener authority to certain agency heads, designation of the Vice President and the Director of the Office of Emergency Preparedness as the President's liaison with the Nation's Mayors and Governors respectively, installation of new budgeting and management techniques such as PPBS, and creation of community level and substate regional coordinating mechanisms like Community Action agencies, Model Cities boards, and councils of governments.

The Great Society years generated great expectations on the part of many people—especially the poor and racial minorities—who historically had experienced difficulty exercising effective political clout at the local level and penetrating the Washington “iron triangle,” which had crafted the federal aid system and often steadfastly resisted any alteration in the program status quo. A fundamental shift in the purposes of federal assistance was triggered by at least three forces: the emergence of black political power in many of the Nation's cities; the coalescing of divergent urban, consumer, civil rights, environmental, and other groups in the wake of Viet Nam and the assassinations of the Rev. Martin Luther King and Senator Robert Kennedy; and the social unrest and violence in many of the Nation's cities and on college campuses. As a result, more and more money was “targeted” to needy jurisdictions and, directly or indirectly, to the needy people living in them.

In the mid to late 1960s, discussions of the urban condition were permeated with the notion of “crisis.” Attention was riveted on the problems of the “unheavenly city,” the migration of people and businesses to the suburbs, and the social, economic, and physical consequences of local budgetary overburdens, infrastructure deterioration, metropolitan disparities, jurisdictional fragmentation, citizen alienation, and city hall isolation. At that time, the best course of action appeared to be the declaration of a national objective, design of an aid program, and establishment of a new office or agency in Washington to administer it. There was a close relationship, in the minds of many, between the amount of outside financial assistance available and the prospects for successfully remedying urban problems.

Yet the Great Society also left in its wake much disillusionment, if not despair. The great promises and sometimes lofty social goals of Johnson-era federalists—to eradicate poverty, control crime, restore a sense of community, rebuild the urban physical plant, and the like—were inspiring to many, but by the late 1960s the amounts of dollars that a Viet Nam-stretched national budget could make available severely curtailed the level of national effort that could be mounted. Local revenue systems, hobbled by dependence on the property tax, could do

ACIR's Key Intergovernmental Trends of the Past 20 Years

1. Growth in government and expansion of governmental roles into many areas formerly in the purview of the private sector.
2. Massive growth in the size, scope, and intrusiveness of federal aid.
3. Troubled cities and urban areas.
4. Increasingly significant role of the courts in intergovernmental areas accompanying a concern for equity in the system.
5. Growing local government (particularly cities) dependence on state and federal aid.
6. Strengthened states in general and more powerful state revenue systems in particular.
7. Disaffection with government and growing concern for government accountability, manifested in the late 1970s by Proposition 13 and other “tax revolt” activities and responses.
8. Increased intergovernmental lobbying—governments lobbying government.
9. Increasing numbers of regional bodies.
10. Emergence of the Frostbelt-Sunbelt regional competition, also the growing tensions between the “haves” (the oil rich states) and the “have nots” (the consumer states).

little to compensate for these cutbacks. There was a growing realization that the exercise of governmental spending powers provided no assurance that various societal problems could be ameliorated. Some even contended that certain governmental programs, like those which encouraged suburbanization, only compounded the problems of Urban America.

Ten years later, significant shifts were evident with respect to the future of central cities. It had become commonplace for politicians to talk about a “lowering of expectations” regarding what could be accomplished as a result of governmental intervention. The Carter Administration developed a national policy and a series of program initiatives aimed at targeting federal resources to distressed urban and rural areas, better coordinating agency actions impacting on these places, and leveraging private sector investments in community development. A number of states took similar actions. At the same time, many cities were experiencing a “gentrification” phenomenon in response to rising energy costs and soaring real estate values. While concerns mounted about the effects of the displacement of the poor and elderly from neighborhoods undergoing renewal, and the dependence of larger jurisdictions on outside funds, by the end of the decade a somewhat strengthened intergovernmental

commitment to community conservation was apparent.

Equity and the Courts

Despite disillusionment about the capacity of targeted funds to redress well ingrained social, economic, and political imbalances, redistribution of resources has remained a basic purpose of federal assistance programs. At the same time, the equity principle has been reaffirmed by an increasingly activist federal and state judiciary. Contrary to earlier views that the courts should not intrude into the "political thicket" of the executive and legislative branches, over the past 20 years the judiciary has played an increasingly significant role in intergovernmental relations. In the 1950s and early 1960s, state legislative reapportionment and school desegregation were the focal points of judicial efforts to extend the fairness doctrine. Judicial decisions on these subjects made a significant impact on the composition and performance of state legislatures and on the nature of the problems and solutions available to the Nation's cities.

During the 1970s, the 14th amendment was invoked by federal courts and counterpart provisions of state constitutions by state courts to curb discrimination in the quality of education arising from disparities in school expenditures, in the patterns of delivery of other public services by cities and counties, and in the boundary adjustment and form of government decisions of local governments. And the courts were often not content to make pronouncements and await lengthy implementation proceedings. In one highly publicized case, the New Jersey Supreme Court in 1976 ordered the public schools in the state closed until the state legislature adequately funded its school equalization order.

Also during the 1970s, the highly intergovernmental area of litigation relating to federal grants-in-aid mushroomed. Federal grant law, called by one jurist a "slumbering giant," awoke to the point where there are now more than 500 decisions directly related to receipt and use of federal assistance.

A decade ago, suing a grantor agency was an extraordinary act. Today it is frequent—even commonplace. These lawsuits can seek to overturn grantor fiscal actions based on noncompliance with federal "strings" or they can seek to prove grant regulations are illegal or unconstitutional. They can challenge federal denial of reimbursement for claimed costs or can question in court the disapproval of a discretionary grant.

The issues that make up this burgeoning area are varied. They range from the state legislature's right to appropriate federal funds to constitutional changes required for a state to implement a federal program; from the ability of a locality to refuse funding of a program "mid-stream" in order to avoid compliance with regulations it does not like, to defining the limitations of compliance with certain national policy regulations.

Most of these cases rely on the spending power of Article I, Section 8, of the *U.S. Constitution* to provide for the general welfare of the nation. In upholding this power, the Court has generally—but not always—held against the states and localities. One important decision of the 1970s, *National League of Cities v. Usery*, handed down in 1976, relied on the interstate commerce clause to rein in the power of Congress to override state sovereignty even when exercising its powers to tax or to regulate commerce.

These cases have clearly placed the courts in the mainstream of intergovernmental policymaking and implementation. They also have imposed on the judiciary a sometimes staggering work load and required justices to become knowledgeable about matters of economics, public administration, and politics—as well as law.

The States: Unrecognized Partners?

One of the real ironies of the 1959-79 period involves the states' position in the intergovernmental system. The bypassing of the states in the anti-poverty, Model Cities, and other urban development and social programs of the Great Society raised serious questions in some quarters about the viability of state government. These included basic concerns about the proper role of the states in relation to their political subdivisions, the range of responsibilities which the federal government should assume in meeting urban needs and problems, the prospects for increasing centralization of power in Washington, the possibility that the states had forfeited their role as major urban policymakers to become administrative adjuncts of federal agencies, and the most desirable and feasible ways to provide federal financial assistance to local governments.

In other quarters, the post-1960 resurgence of direct federal-local relationships merely confirmed the validity of certain indictments of the states which had been made again and again since the Depression. The most common charges were that state elected and appointed officials were corrupt, incompetent, and racist; that state constitutions were long, complex, and antiquated; that Governors were weak, underpaid, and overworked; and that legislatures were unrepresentative, backward, and cumbersome. As a result of these conditions, so the argument ran, states maintained outmoded and unnecessary shackles on the structural, functional, and fiscal powers of local government. While recognizing that these indictments did not apply across the board, nevertheless, during the 1960s and 1970s, some national and local observers would probably have agreed that Charles E. Merriam's 1934 assessment of the states' activities was of contemporary relevance: "In many instances the state is a fifth wheel as far as city government is concerned."

By the early 1970s, however, many of the indictments of the states were no longer valid due largely to constitutional modernization and reapportion-

ment (see *Figure II*). Nearly all Governors served for a four-year term and were eligible for reelection, and most had gained greater control over management of the executive branch as a result of reduction in the number of separately elected officials, authorization to reorganize agencies subject to a legislative veto, and establishment of an executive budget process. The legislatures too had become more effective as well as representative. Meeting on an annual basis, increasing the number of professional staff, raising salaries, streamlining committees, and other institutional improvements made state legislative office more attractive to potential candidates and enhanced the exercise of the legislature's law making and oversight functions.

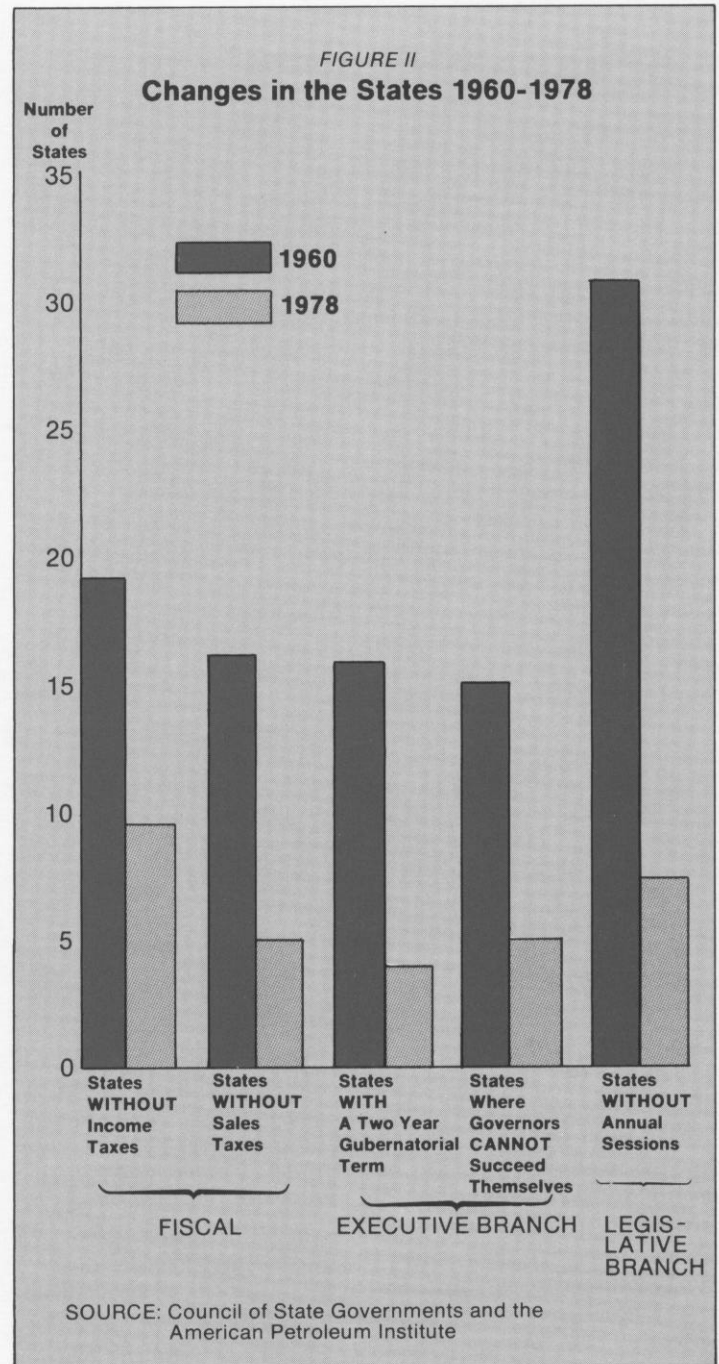
State revenue systems also have been overhauled in recent years. The increased revenues collected by the states have been used to expand state educational, social welfare, health and hospital, and transportation services and local aid programs, as well as to provide tax relief to certain residents, such as the poor and elderly, and to businesses.

These state accomplishments generally were ignored by national policymakers throughout the 1970s. The bypassing tendencies increased, the failure to differentiate among the states on the basis of their interest and capacity to handle urban problems persisted, and the paternalistic or contemptuous attitudes in some Washington quarters concerning states continued. More often than not, these attitudes were conditioned by outdated political attitudes (e.g., deep-seated antagonism and distrust between state and big city political leadership), political philosophy (e.g., "states' rights"), and political pragmatism (e.g., easy access to national decisionmakers). They failed to recognize that in at least a legal sense local governments remained "creatures" of the state, to take into account the growing evidence of the states' willingness and ability to assume new urban responsibilities, and to fully appreciate their record in discharging existing duties.

New Federalism

An exception to these generalizations was President Nixon's "new federalism" domestic agenda. Coming in the wake of a national administration which had justified the expansion of the federal role in domestic affairs partly on the basis of the states' default on their urban responsibilities, the Nixon Administration adopted a much more supportive position concerning the states.

In August 1969, President Nixon introduced a series of proposals which formed the core of his agenda for a "new federalism." In special messages on welfare, manpower, and revenue sharing, the President called for a fundamental departure from the trends in federal-state relations which in his view had developed over the previous 30 years. The "new federalism" of the 1970s would be an administratively decentralized and functionally devolved



system. The deliberate intents of the administration's proposals were to: (a) reverse the flow of power, funds, and responsibilities away from the federal government and toward the states, localities, and general public; (b) reduce the size and power of the federal bureaucracy; (c) simplify inter-governmental administrative machinery; and (d) bolster the authority of elected officials of general purpose governmental units and curb that of private nonprofit organizations, special districts, and other so-called "paragovernments."

The principal themes of "new federalism" included:

- a belief that "big government" and large centralized bureaucracies remote from the people

and the sources of problems were undesirable, and that the best government is that "closest to the people;"

- a feeling that Washington alone cannot accurately diagnose or solve all or even most domestic problems, and that a loss of public faith in the federal government had occurred due to a gap between promise and performance;
- an assumption that the appropriate roles and functional assignments of different levels of government could be identified, and that sub-national units would be willing to assume their proper responsibilities;
- a view that the structure of the federal executive branch needed to be overhauled, its bureaucracy cut down to size and made more accountable, and its personnel put "on tap, but not on top;" and
- an awareness that the degree to which functions could be turned back to states and localities would be conditioned by their willingness and capacity to perform, and that federal tax revenues should be used for the purpose of strengthening the capabilities of state and general purpose local governments.

These themes could be traced to at least the 1950s, when there was fairly widespread agreement that the states were responsible and responsive partners in the federal system, and that federal centralization was a dangerous condition. They also paralleled one of the main purposes behind the creation of the Joint Federal-State Action Committee (1957-60) and, to some extent, the Commission on Intergovernmental Relations (1953-55)—the pin pointing of functions being performed by the federal government which could be turned back to the states. Twenty years after these bodies issued their reports and went out of existence, and six years after Richard Nixon left office, the interest in functional reassignments is now on the upswing. One example is President Jimmy Carter's establishment of a commission to develop a national agenda for the 1980s, which will consider this issue among others. The renewed interest in functional reassignment during the 1970s has largely been a reflection of mounting concern about accountability stemming from what has become a "supermarbled" and overloaded federal system.

The Accountability Quest

The "new federalism" years witnessed the launching of the tripartite federal assistance system, featuring the addition of block grants and General Revenue Sharing to existing categorical aids. By the mid 1970s, the structure of federal assistance was more diverse and discretionary. While the number of categorical programs continued to mount, the block grants, General Revenue Sharing, and some large formula categoricals gave state and local recipients considerable leeway in allocating federal funds to their priority needs.

To some observers, including President Nixon, these discretionary instruments were a "leap of faith" in federalism. To others, like the national associations representing state and local chief executive and legislative officials, they were symbols of important victories in the battles against the "iron triangle." To still others, especially members of Congress, they were necessary compromises which could be kept in check by employing a number of tactics, such as selectively earmarking priorities or establishing additional program categories, allowing the buying power of federal dollars to be gradually eroded by inflation, and requiring recipients to adopt a number of procedural devices like public hearings and periodic audits to help ensure openness and enforce compliance.

The rapid expansion in the dollar amounts of federal assistance, the diversification of funding instruments, the lobbying by state and local governments for more federal involvement—at least fiscally—in domestic affairs, the emergence of, and competition between, Sunbelt and Frostbelt states and other regional coalitions in formula battles, and the desire on the part of Congress and the federal bureaucracy to show sensitivity and concern for national as well as less-than-national problems all combined to effectively blur responsibility between the various governmental levels. Responsibility for handling matters that as recently as the early 1960s had been exclusively within the domain of state or especially local governments was increasingly shared by a variety of governmental, paragonovernmental, and nongovernmental actors. A review of federal aid bills introduced in Congress since that time, for example, reveals a long list of activities considered by some members to be national, not subnational problems. These include:

school security	urban gardening
pothole repair	noise control
training for use of the metric system	arson
home insulation	rat control
urban park facilities	alcohol abuse
meals-on-wheels	solid waste disposal
jellyfish control	aid to museums
snow removal	runaway youth
police disability payments	art education
aquaculture	rural fire protection
displaced homemakers	education of gifted children
bridge replacement and rehabilitation	development of bikeways

Unquestionably, many of the federal assistance programs spawned during the 1960s and 1970s were desirable and even necessary. But this intervention on such a massive scale also created confusion and uncertainty over which level of government or group of public officials was ultimately responsible for service delivery. There were simply too many fingers in the intergovernmental service delivery pie.

Somewhat ironically—although “new federalists” sought to keep the size and influence of the federal government and especially its bureaucracy in check, as well as to decentralize decisionmaking—the opposite occurred. The amounts of federal aid and number of programs mushroomed, while decentralization efforts were for the most part sporadic and short-lived. Moreover, the structure of the intergovernmental system became more complex, confusing, and costly. Thousands of bodies were created largely as a result of federal initiatives or resources to perform various roles in connection with assistance programs. These included ten Federal Regional Councils, several multistate economic development commissions, over 500 clearinghouses for handling area-wide review and comment procedures under OMB Circular A-95, and more than 2,000 single and multi-purpose substate regional planning bodies. Most of these bodies were established to plan, coordinate, and facilitate communications—functions that were especially vital to intergovernmental relations in the 1960s. Their implementation capacity, however, has been severely curtailed by their voluntary nature and lack of operational authority.

In addition to the emergence of new organizations and intergovernmental procedures, the 1959-79 period witnessed a tremendous expansion in the volume of paperwork that flowed between grantor and grantee agencies through these and other organizations. This increase was attributable to many sources including: (a) cross-cutting requirements attached to grant programs that require aid recipients to document their compliance with various national priorities and social policy objectives; (b) plan development, application submission, and financial reporting conditions which provide federal funding agencies and Congressional committees with information necessary to make decisions on grant awards as well as to monitor and evaluate program implementation; (c) regulations governing procurement procedures, subcontracting, employment conditions, and the like; (d) laws such as the *Freedom of Information* and *Privacy Acts* which are intended to make available governmental records to the public and provide guidance for disclosing or not collecting certain types of information about citizens or public employees; and (e) procedural requirements imposed on recipients which seek to ensure that decision-making in connection with the use of federal funds will not occur behind closed doors and that genuine opportunities will be provided for citizen access to, and participation in, these matters.

Mounting paperwork requirements have greatly increased the compliance costs that both public and private agencies must pay. For example:

- A 1979 report by the Office of Management and Budget on progress in implementing the Federal Paperwork Commission's recommendations indicated that federal agencies were using 4,916 forms, reports, and recordkeeping

requirements which imposed an estimated reporting burden of over 786 million hours.

- In a November 1, 1979, statement before the Senate Governmental Affairs Committee, OMB Associate Director Wayne G. Granquist estimated that over half of total federal non-tax reporting stems from the need to ensure compliance with laws or regulations.
- A study for the Joint Economic Committee by Murray L. Weidenbaum predicted that the public and private sectors would spend at least \$100 billion complying with federal regulations during 1979, the Department of Commerce put the figure at between \$150 billion and \$200 billion, and others claimed that both estimates were incorrect.
- On June 16, 1979, the federal government announced that over a three-year period 13 federal agencies had spent \$36 million to comply with the *Freedom of Information* and *Privacy Acts*.

Despite the volume of paperwork and administrative costs that are associated with various efforts to enhance public sector accountability, several intergovernmental realities reduce their effectiveness. Federal funds under many programs are highly fungible, in the sense that once they are deposited in the recipient's general fund they become simply money available to carry out services. The possibilities for supplantation, displacement, or diversion are real, and will remain so until federal funds can somehow be made traceable.

Even if clear “audit trails” could be established, the sheer number of recipients, the range of their program commitments, and the staff and geographic limitations experienced by grantor agencies mean that much activity under federal programs actually escapes review or scrutiny. The General Accounting Office, for example, recently released a study of 73 grant recipients which revealed that 80% of their federal funds were not audited by grantor agencies.

A third factor here is how the information supplied by recipients is handled in Washington. Plans, applications, financial reports, and technical materials travel from city hall or county courthouse through a chain of regional, state, and federal intermediaries before arriving in Washington—where they may be given a cursory review, filed away, and forgotten. The sheer amount of required information, and the usually large number of participants, make intensive scrutiny a luxury understaffed grantor agencies cannot normally afford. As President Carter indicated in his September 9, 1977, memorandum to the heads of federal departments and agencies on improving grants management: “Many existing federal requirements are confusing and unnecessarily difficult to comply with. They produce mounds of paper—some grant applications arrive in Washington in crates rather than envelopes—but the material they demand is too often duplicative,

unhelpful, and sometimes even unread.”

As a result of the foregoing factors, many of the approaches that have been employed over the past 20 years to instill accountability for the proper expenditure of public funds could be considered at best ineffective and inefficient and at worst misguided and counter-productive. As the decade of the 1970s ended, there seemed to be a growing realization that federal agencies were mainly check and condition writers—not service deliverers. Recipients hundreds if not thousands of miles away from Washington were resource mobilizers and program implementors. In an increasingly complex assistance structure and costly regulatory environment, the need to rethink the accountability dimension of intergovernmental relations has become more and more critical.

The Trust Factor

Even though the past 20 years have witnessed rapid governmental growth accompanied by significant changes in intergovernmental relations, one factor has been omnipresent—the skepticism if not distrust shown toward state and local elected officials by many of their counterparts at the national level. These attitudes have been reflected in a variety of ways:

- in the bypassing of states and occasionally localities by the federal government;
- in conditions attached to federal funds under 155 programs calling upon recipients to hold public hearings, organize advisory committees, and establish other processes for facilitating citizen participation in decisionmaking;
- in the 59 cross-cutting requirements which mandate recipients to prepare frequently massive and costly documentation of their adherence to various national social policy objectives; and
- in the Congress' reluctance to significantly expand the discretionary portion of federal assistance, and ready willingness to re-categorize existing block grants and let General Revenue Sharing twist slowly in the inflationary winds.

These trends indicate, in the view of some members of Congress, federal program administrators, and interest group spokesmen, that the state or local

ballot box does little to ensure that elected officials will be sufficiently sensitive of, and responsive to, their constituents' needs and interests. The perpetuation of so-called “picket fence federalism” tendencies, featuring close and frequently reinforced ties between functional specialists at the various governmental levels which elected and appointed generalist officials can do little to alter, illustrates a fundamental underlying question in intergovernmental relations—whom do you trust? The “creative federalism” and “new federalism” periods indicate the extremities of this issue; the former relied heavily on the Washington bureaucracy, the latter on state and local elected officials. During the Ford and Carter years, more of a middle ground approach between the forces of centralization and decentralization and the position of generalists and specialists in intergovernmental decisionmaking has been sought in actual practice.

Throughout the 1970s, another element of this equation became more and more significant. Middle class Americans, who had experienced a progressively bigger tax bite as government operations at all levels expanded and mounting frustrations at perceiving that their tax burdens far outweighed the benefits they received from the public sector, turned to the initiative and referendum to “send a message” to governmental officials concerning their dissatisfactions. Many of these actions took the form of proposals to establish state constitutional or statutory limits on taxes and/or expenditures. Pressure was also placed on the Congress by many state legislatures to pass a constitutional amendment requiring a balanced federal budget.

Some of these proposals were not well conceived, and the long-term impact of those that were successful cannot be discerned yet. But the tax and expenditure limitation movement reveals much about the breakdown of the processes of representative government—processes which enable an airing of views on policy alternatives, provide vital checkpoints that mitigate against radical change, and offer opportunities for making compromises and forging consensus. The middle-of-the-road philosophy of the major national political parties since 1964 regarding federalism issues contributed to this breakdown.

And so, as the decade of the 1980s gets underway, perhaps the most disturbing trend involves the future directions of representative government. Concerns about the proper relationship between the governors and the governed, go back to the founding of the Republic. But considering the dramatic changes that have occurred over the past 20 years, and the current domestic and international challenges confronting the nation, the restoration of trust in representative government is crucial to the course of federalism in the years ahead.

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“As the decade of the 1970s ended, there seemed to be a growing realization that federal agencies were mainly check and condition writers—not service deliverers.”

ACIR and the Intergovernmental System: A 20-Year Review

by Carol S. Weissert

The past two decades have been dramatic ones for the American intergovernmental system. The distinguishing characteristics of the system as it enters the 1980s—the pervasive nature of federal grants-in-aid, the centralization of power in Washington and state capitals, and the growing dependence of local governments on both federal and state aid—were just beginning to emerge in the fall of 1959 when President Eisenhower signed the law establishing the Advisory Commission on Intergovernmental Relations. The fledgling Commission, designed to monitor the flow of intergovernmental relations and make recommendations for change, found much to monitor and recommend. Now, 20 years later, the time may be right to make some judgments as to how well that Commission has done its work and what difference that work has made to our intergovernmental system.

Surprisingly, in view of the fact that 151 men and women have served on the Commission over the years, the philosophy of the Commission has remained relatively constant. This philosophy can perhaps be summed up as the belief that federalism works best when all three levels of government are strong. Since the federal government has been the powerhouse in the federal system over the past 20 years, much of the Commission's attention has been devoted to strengthening states and local governments—and to encouraging federal restraint in areas that inhibit the development of states and localities.

The states have been a primary recipient of ACIR attention thanks to their key position as “middlemen” in the federal system. States obviously heavily influence the well-being of local government by their actions on finance, structure, and functional assignments. In the last analysis, it is only the states which can correct the fundamental problems of local governments.

Another key element of the Commission's philosophy is a bias in favor of general purpose governments and generalists who are elected or appointed to run them. Accountability is the argument used to support generalism—for if important decisions are made by limited governments (such as special districts that have single-function tunnel vision and usually do not face an electorate) or appointed functional specialists, then certainly our representative system of governance has been weakened.

Underlying these elements are certain premises that permeate the Commission's 20-year record. One is that little purpose is served in questioning federalism and the structural principles set out by the founding fathers. Another relates to the most practicable approaches for generating change. The Commission has long felt that incremental approaches are the most realistic and the ones most likely to further the concept of a balanced system. It also leans toward structural simplicity in areas such as reforming the grant system and bringing sense into regional governance.

However constant these themes, it would be misleading to say that the Commission position has remained unchanged over the past two decades, for example:

- The early years of the Commission saw more attention devoted to rather narrow, “squeaky joint” problems, including such issues as federal inheritance, estate, and gift taxes; investment of cash balances by state and local governments; and transferability of public employee retirement credits among units of government. Some of the more recent studies have focused on very broad and major improvements or overhauls of the system—such as the 14-volume, 60-recommendation study of the intergovernmental grant system and the studies currently underway attempting to delineate federal, state, and local roles and functions in our federal system.

- There has also been a change in the Commission's view of the federal government. In its earliest years, the Commission tended to view Washington as a second-string player, concentrating its focus mainly on state-local activities. In recent years, Washington's paramount role in the federal system has been clearly underscored in Commission reports and recommendations.
- The Commission, in its role as intergovernmental watchdog, has become increasingly aggressive in identifying and publicizing the governmental consequences of every public policy action. Sometimes in response to outside—mainly Congressional and Presidential—requests, sometimes on its own, the Commission has attempted to assess the impact of decisions, legislation, or economic changes on the federal system, whether it be Proposition 13 in California, moves to balance the federal budget in Washington, or the impact of inflation and recession on state and local governments.

Unique Nature of the Commission

Some of these constancies—and changes—inherently derive from the unique nature of the Commission—a permanent body of representatives from all three governmental levels, established to systematically monitor intergovernmental relations. This unique nature—fully contemplated by the Congress in setting up the new body—was not without early critics.

One such critic was the Bureau of the Budget—now the Office of Management and Budget—which

felt it was perfectly capable of handling intergovernmental issues. Who needs another Commission to clutter up the policy landscape, was the question it repeatedly posed.

Others felt that Congress was the ultimate commission on intergovernmental relations and as such should not be usurped by a separately established body. The word "advisory" was made a prominent part of the new group's name to clearly delineate its "stock in trade" and preserve Congressional power.

Nevertheless, the Commission was endowed from the beginning with two characteristics that are unusual for "advisory" groups. It was made permanent and independent. In making the new body permanent, the Congress recognized that intergovernmental problems are a continuous, important aspect of our federalism and that progress cannot be expected from one-shot efforts at intervals.

Thus unlike the numerous bodies which advise and self-destruct, this Commission was meant to continuously monitor and make recommendations. Although the Commission must go to the Congress for appropriations each year, its authorization is fixed. In fact, the Commission itself has to encourage the Congress to hold oversight hearings once every five years in order to get a systematic assessment of its activities.

Independence. ACIR's "independent" status has long been a point of considerable confusion to the press and others who variously cite ACIR as a "Congressional arm," "Presidential commission," and at least once—a "nonprofit organization." Yet this independence has proven to be a source of strength

ACIR: A Brief History

The first formal call for a continuing agency to study intergovernmental relations was in a 1949 report of the Hoover Commission. Four years later, President Eisenhower established the Commission on Intergovernmental Relations (popularly known as the Kestnbaum Commission for its chairman), a temporary commission charged to take a close look at the federal system. The report of that commission included a recommendation that "provision should be made for a permanent center for overall attention to the problems of intergovernmental relations."

But like recommendations of many well intentioned commissions, these may well have been ignored but for the persistence of one Congressman, L. H. Fountain of North Carolina, the chairman of the House Intergovernmental Relations Subcommittee. Soon after publication of the Kestnbaum report, his subcommittee held extensive hearings on the recommendations of the commission, including formation of some type of permanent body. In 1959, the subcommittee issued a report which included a recommendation that a broadly based Advisory Commission on Intergovernmental Relations be

established.

Legislation setting up such a commission was introduced in the House by Representatives Fountain and Florence Dwyer of New Jersey, and in the Senate by Senator Edmund Muskie of Maine and 25 other Senators. Joint hearings were held on the measure. It was passed by both houses and signed into law by President Eisenhower on September 24, 1959. Upon the establishment of the Commission, one existing coordinating body, the Federal-State Joint Action Committee, made up of Governors and federal officials appointed by the President, was disbanded and its files turned over to the new ACIR.

One interesting point in this history is that although the commissions initially recommending establishment of ACIR were created by the President, most of the impetus for establishment of the Commission came from the Congress, not the executive branch. And, although Sen. Muskie was active in promoting the legislation in the Senate, he gives primary credit for establishment of ACIR to Rep. Fountain. Both became original members of the Commission and Rep. Fountain still serves today. Sen. Muskie served 18 years and only resigned when his then new duties as chairman of the Senate Budget Committee preempted his attentions.

to both the fledgling and the established Commission. For the Commission has been able to set its own agenda and has been free to make the recommendations it feels are most appropriate, even if those positions frequently differ from Administration and Congressional majority preferences.

This is not to say that the President and the Congress have not made significant inputs regarding the activities of the Commission. ACIR has embarked on several studies for the President—such as the value added tax and monitoring of General Revenue Sharing in 1972, an evaluation of Administration efforts to improve federal grants administration in 1977, and monitoring state efforts to develop urban policies in 1978—and for the Congress—state taxation of out-of-state banks in 1975, citizen participation and federal role studies in the late 1970s, federal payments in lieu of taxes in 1978, and others in process.

Membership. The membership of the new body was also unique. Its makeup—as prescribed by the enabling legislation—was to be 14 state and local representatives (four Governors, four Mayors, three state legislators, three county officials), nine federal representatives (three Senators, three Representatives and three federal executives) and three private citizens. Only in the selection of cabinet officials and private citizens would the President have the option to select at will. The state and local members would be chosen by the President from a list of nominees submitted by the national public interest groups representing those officials. Congressional members would be designated by Congressional leadership.

Although the law specified a two-year term, there is no limit to how many terms members can serve, so members frequently stay on the Commission for a number of years. One current member, Rep. L. H. Fountain (NC), who was primarily responsible for the passage of ACIR's enabling legislation in 1959, has served on the Commission since its formation. Sen. Edmund Muskie (ME), another key sponsor of ACIR's enabling legislation, was on the Commission for 18 years. Several members have served on the Commission in different capacities; for example, first as Mayors, then Governors or Congressmen, or first as cabinet officials, then private citizens.

Staff. Unlike most governmental bodies, ACIR has not substantially increased its staff and budget over the years. In 1965, the staff was 23 professionals and clerical personnel. In 1971, it was 32; in 1979 it was 37. And there appears to be little desire for any substantial increase. In fact, a 1979 special committee of the Commission asked to review ACIR's work program, budget, and staffing rejected the idea that ACIR should attempt to increase its number of staff. The special committee felt that the quality and scope of Commission work might suffer with a personnel increase and expressed its desire for the continuation of the small staff for the time being.

Similarly, the budget has maintained a steady, but

unspectacular, growth over the years. In 1965, it was \$410,000; in 1971, \$784,000. By 1979, even with the higher inflation of the 1970s, it had grown to only \$1.7 million. Of this total, most came from Congressional appropriations. In addition, the Commission does seek contributions from states and localities and regularly receives grants from federal agencies and nonprofit foundations to undertake specific projects.

Role of ACIR

ACIR's role is clearly set out in its legislative mandate: to monitor intergovernmental relations and make recommendations for change. In fulfilling this mandate, the Commission has attempted to make a positive contribution of ideas for dealing with real problems through:

- providing objective and high quality intergovernmental research;
- working with federal-state-local governments to find the best ways to put to use the research results, including providing model legislation;
- fostering new institutions designed to provide intergovernmental assistance, such as state ACIRs; and
- highlighting and publicizing novel solutions to new and old problems.

A key part of the monitoring role is to serve as a focal point for intergovernmental relations. One way to do this is to translate its research into easily understandable and utilized information which is then disseminated widely to a federal-state-local audience. Another role is to monitor and report activities in the states and in Washington of major intergovernmental concern and predict trends in taxing and spending reflected by level of government and by state.

ACIR has also frequently served as a rallying point for intergovernmental proponents. Initial passage of General Revenue Sharing in the early 1970s and efforts to promote passage of omnibus grant reform legislation in the late 1970s are two examples. ACIR works very closely with national organizations representing state and local officials and other groups of elected officials in dealing with these and other key intergovernmental issues.

And finally, as a disseminator of timely, accurate information on intergovernmental relations, ACIR has maintained a close relationship with many colleges and universities. Its reports are widely used as college texts and inform thousands of the Nation's young about the workings of our federal system.

In addition, ACIR members and staff undertake fairly extensive teaching, training, and writing activities as additional ways to "spread the word" about ACIR and intergovernmental relations. The number of college-level intermediate and advanced courses in intergovernmental relations has increased since ACIR's 1969 report on federalism and the academic community which strongly urged more substantive treatment of intergovernmental relations in colleges and universities. This survey was used

ACIR Research Procedures

Selection of topics for ACIR study is one of the most important things the Commission does. These selections are determined by Commission members based on their own government experience, analyses by the ACIR staff, or on requests from various outside groups or individuals. In addition, the President and the Congress may refer an intergovernmental issue to the Commission for consideration.

In selecting items for its work program, the Commission considers the relative importance and urgency of the problem, the likelihood of constructive change, what others have done or are doing regarding the problem, and whether ACIR has the requisite competence and resources.

Once the Commission decides to consider a subject:

- ACIR staff compiles available data, research documents, and related materials on the subject through such means as surveys, interviews and statistical computations.
- Early in the process, scholars, government officials, public interest group staff members, and other persons who know the subject are

brought together in a "thinkers' " session to critique the ACIR research design and raise questions about the problem area being studied.

- The staff then conducts the research, writes a background report, and formulates alternative recommendations for the Commission's consideration.
- A "critics' " session, drawn from the same kinds of persons who attended the "thinkers' " session, is convened to review the material to insure that the report is accurate, objective, and complete.
- When appropriate, the Commission holds hearings as part of its process for becoming informed about the range of opinion on the policy options.
- The Commission considers the alternative recommendations and makes its final decisions in an open session.
- Following their final actions, the research findings and accompanying recommendations are assembled, printed, and distributed widely.

There are two ACIR research sections. One deals with taxation and finance issues; the other with problems related to government structures and functions.

by a number of textbook publishers and political science departments as a basis for upgrading and expanding the teaching of intergovernmental relations.

Successes

Yet an organization's success is not proved by its recommendations and reports. Success is better measured by results, actual changes in the system or efforts that have influenced the thinking of decision-makers. In trying to list such accomplishments, several points must be made at the outset. First, in most instances ACIR was a prime mover—but not the only mover—in supporting and encouraging enactment or implementation. In others, it only added to the momentum for a particular change. Secondly, there are important external factors that affect the way ACIR's recommendations are welcomed by key recipients, including timeliness, complexity, and political realities. A number of ACIR's recommendations—such as full federal take-over of welfare, indexation of the federal income tax, use of umbrella multijurisdictional organizations (UMJOs) for all federal grants with an areawide component, and state "buy in" for federal grant programs to local governments—have not been enacted due to one or a combination of these reasons.

Other recommendations are more timely, more easily understood, and more politically salable. Falling into the "timely" category were ACIR's recommendations urging adoption of state income taxes and property tax circuit breakers. Also timely and easily understood were Commission recommen-

dations in the area of cigarette bottlegging and state legislative appropriation of federal funds.

Most of the Commission's recommendations—and successes—fall somewhere in between the two extremes. Examples of successes at the federal level with which ACIR has been prominently associated are:

- enactment of General Revenue Sharing and five block grants;
- passage of the *Intergovernmental Cooperation Act of 1968* and Section 204 of the 1966 Model Cities legislation;
- passage of the *Uniform Relocation Act* (which was then also adopted and enacted by a number of states);
- enactment of Supplemental Security Income—nationalizing welfare aid to the aged, blind, and disabled;
- establishment of a biennial balanced growth report submitted by the President to Congress;
- incremental legislative and executive steps to make the federal aid system more flexible and easier to comprehend and understand, including adoption of various management tools such as OMB Circular A-95 and changes in grant programs such as the LEAA block grant.

At the state level, the list includes:

- institution of equitable, diversified, and productive tax systems in a number of states;
- passage of property tax circuit breakers in many states;
- reimbursement for state-imposed mandates on local governments;

- enactment of legislation authorizing interlocal cooperation and contracting statutes;
- indexation of state income taxes;
- legislative appropriation of federal funds; and
- state assumption of a primary role in financing schools.

At the local level, the Commission has worked to promote interlocal contracts, provide guidance in functional assignments among governments, encourage county modernization, urge full implementation of home rule, and support diversification of local revenue systems to relieve the traditional reliance on the property tax.

ACIR has been perhaps equally influential—but less noticeable—in helping to mold the thinking of decisionmakers in broad areas such as designing the tripartite federal grant system and reevaluating what the roles and responsibilities of various levels of government should be. The Commission has also influenced opinions through its long-term efforts to identify intergovernmental tax and spending trends spotlighting government growth, and its continuing efforts to chronicle metropolitan disparities, to support and encourage fiscal balance, and to promote balanced urban growth. Many of the Commission's recommendations in the area of substate regionalism also fall into this opinion-shaping category.

ACIR and the Intergovernmental System

Well, fine and good, but what about the real question? What impact has ACIR had on the intergovernmental system? What difference, if any, has its existence made to the federal system over the past 20 years?

One way to gauge this impact is to compare ACIR's record to the major intergovernmental trends noted in the preceding article. Where did it have a strong impact? Where were there examples of moderate impact and where little or none?

ACIR can say that it had a strong impact on three areas cited: growth in size and composition of federal aid; stronger states and strengthened state revenue systems; and the increased role of regional governance.

Federal Aid. One of the first policy reports published by the Commission in 1961 concerned federal aid.¹ Since then, the Commission has published 24 reports specifically on federal aid—13 of these as part of a major effort in the mid-1970s to assess and make recommendations to improve the intergovernmental aid system.

The Commission's recommendations on the sub-

¹ACIR, *Modification of Federal Grants-in-Aid for Public Health Services*, A-2. Washington, DC, U.S. Government Printing Office, January 1961.

The Implementation Program

The Commission recognizes that its contribution to strengthening the federal system will rightfully be measured by actual accomplishments in fostering improvements in the relationships between and among federal, state, and local governments. It therefore devotes a significant share of its resources to encouraging the consideration of its recommendations for legislative and administrative actions by government at all levels.

When the Commission makes recommendations directed at the federal level, draft bills are developed for consideration by Congress. Congressional members of the Commission—and occasionally other House and Senate members—are asked to introduce these measures. On request, the staff then works closely with Congressional staff in providing information, helping to understand potential problems, and making any changes necessary in the legislation. ACIR members and staff also provide testimony and make presentations at appropriate forums. Commission recommendations for administrative changes at the national level are transmitted to the President, his executive office, and the heads of individual departments and agencies as appropriate. ACIR also works with the executive and legislative branches of government to review and comment on proposed legislation affecting the federal system.

ACIR recommendations for state action are translated into model legislative language for consideration by state legislatures. ACIR's state legislative program includes over 100 bills under ten headings: state government structure and processes; local government modernization; state and local revenues; fiscal and personnel management; environment, land use and growth policy; housing and community development; transportation; health; education; and criminal justice. These draft proposals are made available to Governors, state legislators, state administrative officials, and other state and local policymakers and their advisors.

In addition, the staff makes special efforts to work closely with those jurisdictions which request technical assistance, with study commissions, and wherever there appears to be the greatest potential for constructive change.

Another key part of ACIR's implementation effort is dissemination of information in the most readable and easily understood manner possible. Toward this goal, in recent years, the Commission has launched several new publications designed to condense and simplify ACIR findings and recommendations for a broad audience. These include publication of a quarterly magazine entitled *Intergovernmental Perspective* and a series of executive summaries of major ACIR reports entitled *In Brief*. ACIR also works closely with members of the press both in, and outside of Washington to provide timely and accurate information in the area of intergovernmental relations.

ject run the gamut from the broad—federal takeover of welfare—to the specific—detailed program components of CETA, Community Development, and LEAA Block Grants. A number of the recommendations have been implemented. Others involve long-term approaches where change will be slower in coming. Examples of ACIR's recommendations in the federal aid area are:

- Congress should enact a general statute providing for periodic Congressional reassessment of federal grants-in-aid to state and local government (1961).
- To assure the greatest flexibility, the federal government should authorize a combination of grants-in-aid: categorical grants to meet specific needs of national concern; block grants to provide greater flexibility in broad functional areas; and per capita general support (revenue sharing) to enable states and localities to meet their own unique needs (1967).
- Congress and the President should drastically reduce the number of separate grant-in-aid authorizations. The Congress should authorize the President to submit grant consolidation plans which would become effective unless rejected by either house within 90 days (1967).
- Congress should enact legislation to authorize single applications for interrelated projects and joint funding of projects with components from several sources. States should enact similar legislation for their grant programs (1967).

The Commission's five-point agenda for reform of the grant system—the central product of the 1976-78 study of the intergovernmental grant system—combines both earlier and new recommendations into these five strategies:

- grant consolidation;
- restrained and considered use of national policy requirements;
- careful program design and evaluation;
- simplifying and standardizing grant management procedures; and
- reconsideration of each level's functional responsibilities.

Considerable efforts have been made to deal with two of these points. Careful program design and evaluation have been encouraged through implementation of a tripartite system, some experimentation with advance funding, and research into the areas of matching and maintenance-of-effort requirements. More attention has been given to simplifying and standardizing grant management procedures through joint funding; increased use of single applications for interrelated projects; development of standardized application and reporting forms; and establishment of several management tools such as OMB's Circular A-95 to set up state and areawide bodies to review applications for federal aid, TC 1082 to inform state and local officials of grant awards, and OMB Circular A-102 to establish uni-

form requirements for state and local governments applying for federal aid.

Two areas—grant consolidation and restrained and considered use of, and greater uniformity in, cross-cutting requirements—are major parts of ACIR's work program as the 1980s begin. Several major public interest groups strongly support the concept of grant consolidation and some interest has been expressed by the White House as well. Cross-cutting requirements and how to best deal with them are a major focus of a study underway at the Office of Management and Budget on grant management. Both areas are also addressed in federal legislation now pending in the Congress—"The Federal Assistance Reform Act."

The final area is the one that may draw increasing attention throughout the next decade: Who should do what; or, more to the point at hand, what should be the role of the federal government in the federal system? Which, if any, of the 498 purposes for which there are aid programs should be returned to the states and local government?

Up until now the Congress has been all too willing to be city council, county board of supervisors, state legislature and Governor, in addition to legislating on issues of national scope. Such an expanded role has led to a federal "overload" where federal grants-in-aid are provided in areas such as bridge replacement and rehabilitation, rat control, development of bikeways, and police disability payments. ACIR feels there must be a sorting out of federal functions—and a giving up of some of them and full assumption of others—if the system is to function more accountably and effectively.

Thus the Commission's role in encouraging change and promoting system, order, and balance in federal aid has been a key one. Yet ACIR's advice on certain points has been trampled by strong contrary forces. For example, the fact that the number of categorical grants have skyrocketed—from a cumulative total of 160 through 1962 to 492 in 1978—would indicate that the Commission's plea for order, restraint, and consolidation did not register with the Congress and Presidents.

Similarly, the Commission's repeated reminders that states play a pivotal role in the federal system fell on deaf ears during the Great Society years when federal aid began to bypass states, and during the 1970s when this trend became even more pronounced. The expansion of the federal-local connection as evidenced in CETA and Community Development Block Grants as well as numerous categorical grants, has led to the coining of the term "pinwheel federalism," where all actors—states, areawides, counties, cities, townships, not-for-profit agencies, and others—are essentially equal shafts revolving around Washington as the "pin." While this makes political sense, it compounds fiscal and functional assignment confusion.

In addition, the increasing dependence of local government (particularly cities) on federal and state

aid flies in the face of long standing Commission policy calling for fiscally strong general purpose local governments.

Strengthening States. Two intergovernmental trends to which ACIR has made significant contributions relate to strengthening of the states by revamping, modernizing, and making the three branches of state government more accountable and by vastly improving the state revenue systems.

Perhaps one of the greatest ironies of the intergovernmental scene over the past 20 years has been that at the same time when the state's role has been weakened thanks to the growing federal-local connection in the \$80 plus billion grant world, the states have actually strengthened both their structures and functions and their finances to the point where they are quite capable of assuming full partnership in the federal system.

Well over 50 reports of the Commission deal with state and state-local fiscal and structural/functional relationships. In addition, the state receives central attention in the Commission's yearly compilation and assessment of innovative actions occurring at federal and state levels and in the ten-volume series of suggested state legislation on issues ranging from state government modernization to local financial management.

Throughout these reports flows the Commission's concern for improving the states through such recommendations as:

- Restrictions on annual sessions of state legislatures should be removed and legislators should be paid on an annual basis commensurate with demands on their time (1967).
- States should provide year-round professional staffing of major legislative committees (1967).
- State constitutions should specify clearly legislative apportionment provisions including apportionment based on population and a clear formula to which people can react at the polls (1962).
- State constitutions should be amended to reduce greatly the number of separately elected state officials (1967).
- Governors should be permitted to succeed themselves; be given responsibility to submit to the legislature a budget covering all estimated state income and expenditures; and be empowered to reorganize the administrative structure of state government subject to a veto of either legislative house within a specified period of time (1967).
- To achieve a more equitable, diversified, and productive state-local tax system, states should require and enforce effective local use of the property tax, equip themselves with a productive and broad based tax system capable of underwriting a major portion of expanding state-local expenditure requirements (1967).

- States should shield low income families from undue tax burdens on food and drugs under general sales taxes (1967).
- States should use grants to equalize local property tax loads within metropolitan areas (1965) and should help localities finance the cost of relieving any undue local property tax burden on low income families (1967).
- States should retain responsibility for shaping policies dealing with general property tax relief and intrastate school finance equalization (1973).

Indeed by almost every measure, states have improved their ability to govern, provide services, and meet the current and anticipated future needs of their constituents.

On the legislative side, reapportionment was clearly the impetus for improved legislatures—changing the image—and fact—of rural dominated “pork chop” legislatures into more representative bodies made up of younger, more dedicated, more urban, and more public-oriented legislators. The adoption of annual sessions (now in 43 states), the hiring of full-time, highly qualified staff in practically every state, and the emergence of a national public interest organization representing only state legislatures were all factors supporting the strengthening of state legislative bodies.

As the 1970s ended, there were still other indications of strengthened state legislative activities such as a marked increase of legislative involvement in appropriating federal dollars, reviewing and approving state agency applications for federal grants, playing a strong role in formulating state plans in various areas, and adopting innovative legislation in such areas as state assistance to urban areas, transportation funding, and indexation of the state income tax and other forms of tax relief.

On the executive side, reorganization was the key word in numerous states in recent years as Governors attempted to get a better handle on their own cabinets through consolidation of small, functionally related agencies into larger agencies equipped to handle a variety of state and federally funded programs. These consolidations, said the Governors, not only helped make agency heads more accountable to the state's chief elected official but also made it easier for recipients to know where to go to get services. Additionally, a number of constitutional changes advocated by ACIR such as allowing gubernatorial succession and reducing the number of elected state officials were made in many states.

State judicial reform has moved along at an even more rapid pace—with states unifying their state court systems, eliminating and revamping outdated or misused justices of the peace or similar low-level courts, and generally improving the administration of courts, thereby reducing time before trial and eliminating unnecessary paperwork.

“**Indeed by almost every measure, states have improved their ability to govern, provide services, and meet the current and anticipated future needs of their constituents.**”

On the financial front, states greatly improved their capability by adopting general sales and personal income taxes—as recommended by ACIR. In the past 20 years, 11 states adopted sales taxes; ten, the income tax. The result has been a big increase in state revenue collections. For example, in 1948, state taxes accounted for 2.7% of the gross national product (GNP); by 1978, they made up 5.7% of GNP. By way of contrast, federal taxes were 15.4% of GNP in 1948; in 1978 they had fallen to 13.5%.

Not only are state tax systems productive, but the widespread adoption of sales tax exemptions and progressive income taxes has made tax systems, on the whole, less regressive than in the past and less regressive than local systems which rely heavily on the property tax.

Regional Bodies. In its early years, the ACIR made several studies of metropolitan area problems. In devising possible solutions to these problems, it first recommended federal financial aid be provided to metropolitan area planning agencies in 1961. In 1966, ACIR recommended that states create multi-purpose regional public agencies to undertake physical, economic, and human resources planning and development programs over multicounty areas. In the early 1970s, ACIR further expanded its view of the role of regional bodies by urging the federal government to enunciate a comprehensive policy for all federal grant programs with substate regional planning, administrative, and districting components. According to the Commission, the policy should at a minimum:

- encourage all states to adopt a substate districting system;
- rely on umbrella multijurisdictional organizations (UMJOs) for all federal grants with an areawide component;
- enact legislation that consolidates all areawide planning requirements to make use of UMJOs;
- enact a consolidated aid program for UMJOs with a bonus for states to buy into it; and
- make UMJOs the A-95 review agency and require that all major capital facilities projects with an areawide impact be consistent with UMJO plans.

By encouraging use of these UMJOs, the Commission did not intend to set up an additional level of

government independent of other levels and unaccountable to the people. The Commission recognized that in light of the proliferation of single purpose substate regional units since the mid-1960s, certain problems do transcend local boundaries and must be dealt with on a regional rather than a local basis. By encouraging uniformity and setting out specific policies, the Commission hoped to curb the duplication, overlap, and confusion that had resulted from differing regional bodies that had been set up within the same general area. The Commission saw the use of UMJOs as a short-term strategy toward meeting the long-term goal of structural reorganization.

In sum, ACIR's recommendations in the regional arena call for a three-part approach:

- strengthened regional councils in multijurisdictional areas where no areawide general purpose government exists;
- state authorization of local government reorganizations to create areawide local governments through such techniques as annexation, incorporation, consolidation, the modernized county, and/or transfers of functions; and
- state policies and programs which would more carefully and equitably assign local and areawide responsibilities among the units created under the other two parts of the strategy.

While regionalism is not new to the past 20 years—regional planning for metropolitan areas goes back to the 1920s and multijurisdictional authorities for providing special services go back even further—the use of such districts has become a nationwide phenomenon over the past two decades. One major impetus for the spread was enactment of the *Housing Act of 1954* which made “701” planning assistance available to regional planning commissions, to state planning agencies carrying on statewide or interstate comprehensive planning and, by the amendments of 1965, to councils of governments.

By the close of 1965, eight states were active in providing assistance to areawide agencies. In 1972, ACIR found 40 states with officially delineated statewide systems of substate planning and development districts. In 1979, there were 43, plus two with de facto systems, and every state has at least one general purpose type of substate regional organization. Two-thirds of the states (34) have such regional organizations covering all of their territory (up from 14 in 1972).

A number of federal programs have encouraged these substate regional organizations and activities. As of 1976, there were 32 federal programs which have substantial significance for substate regions—including the federal aid review and comment process (A-95).

Most of the nearly 700 regional councils spawned by federal programs, state action, and local cooperation serve a variety of constructive purposes. While they concentrate on planning in large measure, many

have substantive records in service delivery.

Yet the increase in numbers and accomplishments should not obscure the general weakness of these regional bodies. They tend to lack formal authority to carry out their policy recommendations, and they rely very largely on federal funding to support their operations. An irony surrounds these regional bodies as well. One of the justifications for their establishment was to make sense out of the fragmented, overlapping system of local governments. Yet in fact there is now another level of fragmented, overlapping regional entities on top of the still disordered local system.

Some Impact

In other major intergovernmental trend areas, ACIR had some role—but not as strong as in the earlier areas noted. One example would be the Commission's response to the problems of cities.

Urban Problems. Although many of ACIR's early works dealt with metropolitan area problems and some 16 reports fall in this category, a number of the human relations and other concerns that have plagued major metropolitan areas have not been directly considered by the Commission. Chief among these would be race relations, in general; and more specifically, white flight from the cities to the suburbs, busing, and loss of economic viability. The exception here would be reducing urban crime, where in 1971 the Commission made a series of recommendations to states in five areas: police, courts, prosecution, counsel for the indigent and corrections.

ACIR's program for meeting urban needs has taken a broader, intergovernmental approach that includes:

- restoring fiscal balance in the American federal system,
- creating effective national and state urban development and housing policies,
- restructuring the maze of local governments,
- coordinating and curbing special function governments,
- strengthening general purpose management in urban America,
- improving the delivery of urban services,
- improving urban financial and personnel management,
- securing greater state commitment to solving urban problems, and
- achieving greater consistency among the conflicting federal roles and programs in urban problem solving.

In some of these areas, progress has been great over the past few years. Probably the two most noteworthy advances relate to achieving fiscal balance in the American federal system, which has been amply referred to in earlier sections of this report, and community and economic development.

For a number of years Washington and the states have attempted to promote policies to provide a range

of housing, especially for low and moderate income people. Through setting up departments of housing to oversee construction and operation of specially built housing and exercising greater control over building codes, many states have made major strides toward this goal.

In the related area of urban development policies, Washington was frequently ahead of the states in providing targeted assistance to "blighted" areas. Yet in recent years, the states have stepped up their efforts to set forth comprehensive state urban policies, including efforts to encourage business to invest in intercity areas, and to use regulatory tools, fiscal incentives, and new spending proposals to curb sprawl and revitalize central city areas.

States have also taken steps to improve urban financial and personnel management through such means as improving state oversight over local pension systems, assisting local governments in marketing their debt, establishing insurance pool operations, and regulating use of short-term debt by local governments.

Some other parts of ACIR's package have not fared as well. Restructuring local government through liberalizing municipal annexation, strengthening home rule, and setting up consolidated governments or two or three-tier arrangements have not been widespread. Similarly, efforts to halt further proliferation of special districts, to sort out functional tasks among different levels and types of government, and to achieve greater consistency among federal roles in urban problem solving remain few and far between.

The bottom line is that while there have been major efforts made to help ailing central cities, the problem remains serious and certain fundamental ills are rarely attacked.

Other Areas. Needless to say, an organization of the size and with the mandate of ACIR has not—and perhaps should not—attempt to make recommendations relating to all major areas of intergovernmental concern. Indeed there are important intergovernmental developments discussed in the preceding article—notably the impact of the courts on intergovernmental relations, and changes in the political components, including politics, parties, interest groups, and the Congress itself—where the Commission has been noticeably silent over the years.

“The bottom line is that while there have been major efforts made to help ailing central cities, the problem remains serious and certain fundamental ills are rarely attacked.”

Yet this silence is the result of neither oversight nor trepidation. These subjects have been on the research agendas considered by the Commission at intervals in recent years. They have not been chosen for a variety of reasons, mostly priorities but also questions concerning what types of recommendations and actions might result from detailed study (for example, what recommendation could or should ACIR make to the courts?) and the likelihood of a Commission made up almost entirely of partisan elected officials putting aside all political mantles to make policy recommendations on political parties or rising above their positions as federal, state, and local officials to make tough judgments on the public interest groups which nominate them for Commission membership.

These and other areas—such as growth of the public sector and Frostbelt-Sunbelt regional competition—are perhaps best handled by careful monitoring and periodic reporting on their impact on our intergovernmental system—the approach which has been followed by ACIR on these issues to date.

There are, nevertheless, clear areas of intergovernmental significance which are looming large in the near future and which do lend themselves to policy recommendations of the type provided by ACIR. Among these items—which are under consideration by ACIR for future research topics of the 1980s—are implications for the federal system of demographic and economic trends, role of the private sector in providing public services under federal aid programs, and federal mandates and federal regulation of state and local government. There is also a long list of government operations where responsibility is shared among the federal, state, and local levels, and where serious problems are evident. Examples include numerous energy programs, unemployment compensation, welfare administration, and regulation of the banking and insurance industries. ACIR is not in danger of running out of work.

Conclusion

Predictions, experience shows, miss more than they catch, and certainly intergovernmental seers in 1969—much less in 1959—would not have been able to predict with any accuracy the changes in the intergovernmental system that we have lived through during these two decades.

Nevertheless, there are strong indications that the new decade will be one more aptly characterized by lean than by fat, by “makedo” instead of expansion, and refinement rather than innovation. These characteristics have already been attributed—at least in rhetoric—to governments in the closing years of the 1970s. And indications are that continued pullbacks are full steam ahead for the early 1980s, if not beyond.

Perhaps this period of relative pullback will give policymakers more time for reflection and introspection. Perhaps there will be more questioning along the lines of, does the federal government really belong in some areas like rural fire protection and is

this program really worth the millions it demands; and what impact do federal programs really have on our institutions, service recipients, the economy, and our intergovernmental system? What is the state role in an intergovernmental system operating in a new era of limits? Are services and functions indeed being “centralized” at the state level and, if so, is this the best way? And what about localities? Can our central cities continue to survive—much less thrive—with their increasing dependence on federal and state aid to provide basic services?

Similarly, ACIR’s role in the 1980s should continue to be one of questioning and careful monitoring and producing considered refinements to our ever-changing federal system. For in this milieu of fairly drastic changes, the ACIR has the continuing and fundamental mandate to probe the complex, probably unpopular, ways by which government must adapt to these new—and not necessarily unhealthy—circumstances. We don’t expect the path to become easier. For it appears the next 20 years may well be as dynamic—and unpredictable—as the last 20.

Carol S. Weissert is ACIR’s Information Officer and editor of Intergovernmental Perspective.

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