

18th Annual Report

ACIR: The Year in Review

The Advisory Commission on Intergovernmental Relations
Washington, D.C. 20575 January 1977

ACIR: THE YEAR IN REVIEW

Since its founding by the Congress in 1959, the Advisory Commission on Intergovernmental Relations has, through its recommendations and research reports, developed and illuminated many means of fostering improved intergovernmental operations and coordination, and of diminishing intergovernmental tensions. ACIR's recommendations are aimed at correcting the major malfunctions in our federal system by building stronger States; organizing and revitalizing local government; promoting fiscal balance, partially through alterations in Federal aid; curbing the growing influence of program specialists; and promoting more rational growth policies and patterns.

ACIR's base of findings and recommendations on the intergovernmental aspects of government structure and finance took on additional significance in 1976 because economic and fiscal stresses continued to pressure all levels, particularly some of the States and local governments in general. This financial bind is driving governments to seriously consider many courses of action that had scant likelihood of adoption in better times.

In this context of increasingly hard pressed governments, the Commission's staff worked toward completion of its extended study of the Federal categorical and block grant system and its state level equivalents. Issues addressed in that study gained increased relevance as the political campaign placed renewed emphasis on effectiveness of the Federal aid system and as the Congress debated public works and countercyclical aid programs and renewal of general revenue sharing and the Safe Streets program.

The ACIR staff also continued its public sector growth studies -- to identify the elements of growth; to analyze the impact of that growth on the individual taxpayer, on various levels of government, and on the nation's economy; and to probe certain selected growth generators and controls.

The value of previous ACIR work was also enhanced by the economic woes of the nation's cities. Earlier ACIR recommendations on fiscal management, government structure, tax policy, and assignment of functions all were applicable to the events of the year. A 1973 publication titled City Financial Emergencies continued to draw attention and to be implemented as Federal, state, and local officials, bankers, scholars, the public, and the nation's press looked beyond the 1975 New York fiscal crisis in examining ways to prevent or cope with the possibility of other cities going bankrupt. The ACIR study had reviewed the history of municipal bankruptcy in the United States, identified danger signals which might foretell serious fiscal problems, and suggested remedial actions in the event of impending or actual default. This work and the related staff work which has occurred since its publication resulted not only in a greater demand for the volume but also in substantial staff involvement as many national and local organizations attempted to rethink the "crisis of the cities" and new related questions about regional imbalances.

Similarly, the financial problems of local governments resulted in an upswing in interest in recent Commission positions on local revenue diversification, boundary adjustments, and additional Federal financing of welfare. And the obvious need for greater intergovernmental communication and consultation called attention to a range of Commission recommendations, including the call for state-level ACIRs.

Interest in and use of ACIR's expertise was the result not only of the events of the year but also was attributable to ACIR's producing a record number of new publications and expansion of its technical assistance furnished to governments at all levels when they request it.

Completed Work

During 1976, the Commission made specific recommendations on five subjects that are parts of the Commission's broad study of the intergovernmental grant system. They were health, community development, manpower, federal grant management and administration, and state aid to local governments. An earlier portion of that study, an evaluation of the Safe Streets Act, was completed in November 1975.

Other actions taken by the Commission during the year were in the areas of inflation and federal and state income taxes, state-imposed tax and spending limits, cigarette smuggling, federal insurance of public deposits, and state and local cash management and investment practices.

Health. In its review of the first block grant passed by the Congress, Partnership for Health, the Commission urged the Congress to pass new and stronger federal legislation authorizing cost sharing in public health expenditures by the states. Such legislation would replace the current Section 314 d of the Public Health Services Act and 20 categorical grants in the preventive health area by providing for federal reimbursement of a fixed percentage of state and local expenditures for a defined set of public health services.

The Commission suggested that health cost sharing legislation include a range of statutorily specified public health services, such as drug abuse and alcohol treatment programs, family planning projects, and community health centers. The cost sharing would be limited by a per capita ceiling within each state, modified according to appropriate need factors.

Each state, with local inputs, would develop its own comprehensive health plan, choosing from among the various federal services the ones

that best suit that state's needs. Federal health priorities could be reflected by permitting a temporary higher variation in federal matching for those "preferred" services.

Such a cost sharing program would encompass current programs totaling over \$1 billion.

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

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

The Commission recommended that a new fund be established to stimulate and support the direct performance of community development programs by any state which has a demonstrated interest and capacity in this area.

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

The Commission further urged the Department of Housing and Urban Development (HUD) to keep the administrative requirements of the program

relatively simple and to continue the performance reporting to monitor its effectiveness.

Where feasible, the Commission said, councils of governments (COGs) and other general purpose regional planning bodies should be authorized to prepare regional housing plans in lieu of local housing assistance plans. In addition, HUD should revise its guidelines to encourage COGs and other regional planning bodies to provide more technical assistance to applicant communities in preparing their housing assistance plans.

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

And, finally, so as to assist recipients in programming more longer-term capital projects, the Commission recommended that Congress appropriate advance funds for the program for six years with provisions for periodic congressional review of the program's goals, operation, and effectiveness.

Manpower. In December, ACIR examined Title I of the Comprehensive Employment and Training Act (CETA) which provides a program of block grant assistance to state and local governments for comprehensive manpower services, including training, employment, counseling, testing, placement, and supportive services.

The Commission's research found that although 17 categorical grants in the manpower field were folded into Title I, it did little to curb the historic fragmentation of federal manpower programs and that substantial amounts of block grant funds have been used for meeting cyclical rather than structural unemployment needs.

Thus the Commission recommended that Title I be improved in several ways and used more extensively as the preferred mechanism for providing

and/or coordinating all federally aided manpower services designed to meet the needs of state and substate labor markets. Improvements recommended call for consolidation, federal government reorganization, joint funding, inter-agency agreements, more meaningful comprehensive manpower planning and review processes, and better interagency coordination. Other recommendations were that:

°Title I of CETA be amended to prohibit the use of block grant funds for public service employment or for equivalent programs, except under specified conditions;

°The Title I formula allocations be changed to rely on indices that gauge long-term structural unemployment;

°The "hold harmless" provision of the act be deleted;

°The Employment and Training Administration provide greater assistance to facilitate the operations of state manpower services councils; and

°Congress amend CETA to delete the youth employment provisions of Title III, Part A, and consider the advisability of establishing a Youth Employment Services title with a separate appropriation and allocation formula based on the relative amount of unemployed youth above the national average served by the primary sponsor.

Federal grant management and administration. Here the Commission, on the basis of its research, stresses that the federal executive branch needs stronger central management of the Federal aid system and intergovernmental relations in general. It called upon the President to exert vigorous and visible leadership in five central management activities: intergovernmental liaison, government-wide grants management, budget preparation, domestic policy development, and legislative reference.

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

Recognizing the current organizational structure of the executive office, specific steps were proposed for strengthening the performance of the Office of Management and Budget (OMB) and, if retained, the Domestic Council. These include:

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

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

The Commission also recommended a set of actions intended to strengthen the operation of the federal regional councils (FRCs). These included: familiarizing state and local officials with FRC activities; securing decentralization of grant sign-off authority wherever possible; obtaining greater conformity to the standard administrative regions and field office locations; assuring assignment by each member agency of necessary FRC staff; providing FRC staff with appropriate special training; and assuring greater communications with and support from Washington.

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

States As Aid Providers, Administrators. As part of its examination of the federal grant system, the Commission studied the state's role as provider of aid to local governments and as administrator of federal aid channeled to the states.

Under this first subject, the Commission found that state programs of general local government support, many of which are shared taxes returned to place of origin, are "commonly excessive in number, inadequate to equalize local fiscal capacities, and neglectful of urban needs." The Commission also documented that state aid systems have grown rapidly since 1960, but that aid composition has changed little and "urban aids" are still puny.

Hence, the Commission urged that states provide adequately funded programs of general local government support (revenue sharing), to be distributed by an allocation formula reflecting population, tax effort, and municipal overburden.

States with multiple programs of general support for local governments should consolidate the programs and be geared to achieve fiscal equalization. For specific program needs (other than minimum foundation education programs), the ACIR recommended that state functional (categorical) grants be used. Thus, general support and specific program objectives would not be combined in a single aid program.

Since many state aid programs have been created through a series of piecemeal and largely ad hoc decisions, the Commission recommended that states periodically review their categorical aids in each functional area. As part of this review, the Commission recommended a "sunset" provision, calling for the simultaneous termination of aid programs in each functional area upon a specified review date and at regular intervals thereafter unless such programs are reauthorized by legislative action.

Finally, the Commission urged state legislatures to provide advance funding of state aid, where appropriate, and to prescribe a uniform fiscal year for local governments, geared to the legislative appropriations calendar.

In their role as administrator of federal aid channeled to the state, the Commission recommended that state legislatures become more involved in determining how federal funds are used and that governors approve state agency actions related to the application and receipt of federal grants.

Specifically, the Commission recommended that state legislatures:

- °include federal funds in appropriations bills;
- °prohibit spending of federal funds over the amount appropriated by the legislature; and
- °specify spending priorities by establishing sub-program allocations.

In addition, the Commission urged a stronger state legislative role in determining the use of federal funds passed through the state to local

governments, especially in defining recipient eligibility and conditions of performance.

The Commission also urged that the gubernatorial role in grant administration be strengthened by requiring state agencies (through executive order or statute) to obtain the approval of the governor or his designee before entering into negotiations with federal grant agencies, applying for or accepting federal grants.

Indexation. As one of its public sector growth studies, the Commission looked at inflation's impact on taxpayers, the three levels of government, and public sector growth. One way to alleviate that impact is the use of "indexation."

Under a system of indexation, rate brackets and personal exemptions, credits and deductions, measured in fixed dollar terms, would be adjusted proportionately with the general price level changes. The effect would be a lifting of the tax burden, particularly on the low and upper income and on large families in all income brackets.

Four considerations prompted the Advisory Commission to recommend that the Congress index the Federal individual income tax:

1.) Fiscal Accountability: Indexation is needed to insure that higher, effective income tax rates are the product of overt legislative action rather than the automatic consequence of inflation.

2.) Tax Equity: The maintenance of tax equity requires that increases in tax liability be based on real rather than nominal income.

3.) Public Sector Growth: Without indexation, there is a bias in favor of an expanded public sector because inflation automatically pushes taxpayers into higher tax brackets with the consequent unlegislated increase in governmental revenues.

4.) Fiscal Imbalance: In the absence of indexation, inflation aggravates intergovernmental fiscal imbalance because the Federal government is the primary collector of the "inflation tax" while local governments, which are dependent on less progressive taxing instruments, become particularly hard-pressed.

The Commission also recommended indexation of state income taxes.

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

Property Tax Lids. Although the Commission has long supported strong local authority to determine local tax and expenditure policies, in a series of recommendations taken this year it recognized that states, under certain circumstances, have a legitimate reason to stabilize local property tax levels through local property tax limits or ceilings on revenue from local property taxes.

The Commission recommended that:

°such "lids" should be imposed only when the locality can use other revenue sources--such as income or sales taxes--or when the state provides additional funds to the local government to meet public demands;

°local governments should institute a full disclosure policy whereby all proposed revenue increases are publicized and debated before final tax increase action is taken; and

°states should include "fiscal notes" on major state legislation, setting out the costs of that legislation for local governments before the vote is taken.

The Commission also outlined several instances where a state is justified in imposing temporary local tax limits: where the state introduced a major new program of financial aid to equalize fiscal burdens or to relieve property taxation and where a state orders a major increase in real property tax assessments.

In designing such "lids" the Commission said that escape hatches should be provided for local cost increases mandated by administrative, legislative, or judicial actions of federal or state government, large changes in the population, changes in functional assignments, natural disasters, and inflation.

The Commission therefore concluded that by implementing these recommendations it is possible for local officials to retain considerable fiscal power while, at the same time, permitting State officials to take credit for State-financed property tax relief.

Cigarette smuggling. In a hearing before the Commission, state tax and law enforcement officials and representatives of groups interested in the subject described the extent and consequences of cigarette smuggling. Not only do the states lose almost \$400 million in revenue annually, but organized crime now dominates cigarette smuggling operations in many areas, squeezes out legitimate distributors, and makes massive profits, according to witnesses at the hearing.

The Commission recommended both federal and state action. It urged the Congress to pass legislation making the interstate transportation of contraband cigarettes (over a certain quantity) a federal criminal offense and encouraged states, especially those with serious cigarette smuggling problems, to reconsider the adequacy of their enforcement efforts and take aggressive action to strengthen those efforts where appropriate.

In addition, the Commission recommended that:

°high tax states enter into cooperative agreements with low tax states to detect and report unusually large cigarette purchases that appear to be intended for illegal sale in high tax states;

°Congress remove the exemption from State and local cigarette taxes that applies to cigarettes sold on military bases;

°states broaden their current cigarette laws to make it a felony to ship, sell, or possess a substantial number of contraband cigarettes and increase penalty provisions; and

°public information programs be developed to aid in the enforcement of cigarette tax laws.

Federal Insurance of Public Deposits. Public Law 93-495, passed by the Congress in October 1974, requested the ACIR to conduct a study of the impact of increased federal insurance of public deposits on the state and local bond market, on funds available for housing and on other related matters. Federal insurance now covers public demand deposits up to \$40,000 and public time deposits up to \$100,000. The Commission completed this study and made the following recommendation to the Congress: that the appropriate federal agency insure the full amount of public deposits in commercial banks, savings and loan associations, mutual savings banks, and credit unions. Such federally-insured deposits must not be subject to any state pledging requirements and the total amount of public deposits in a single financial institution would be limited to a reasonable percentage of total deposits and/or total capital.

Cash Management. The Commission also examined state and local cash management practices and recommended that state and local government be provided, through state law, with more flexibility in their choice of

depository institutions, allowing them to seek out the most economic deposit relationships.

The Commission also recommended that:

°legal pooling of separate funds be permitted, provided detailed and accurate accounting records are maintained for each fund;

°constitutional and statutory restrictions upon the investment of governmental funds be removed;

°pools of investment funds be developed for the state and those local governments electing to participate; and

°programs of technical assistance in the area of cash management and the investment of idle funds be provided by the states to local governments.

ACIR Information Reports

State Actions in 1975. Each year the ACIR surveys state constitutional, legislative, and executive actions during the previous year and compiles selected major institutional and functional policy activities in a volume entitled State Actions. This publication describes state action by functional area and highlights innovative actions and nationwide trends. For the first time, the 1975 volume also included a comprehensive index.

Understanding the Market for State and Local Debt. During 1975, state and local governments marketed nearly \$60 billion in new debt in about 8,000 separate issues.

Even more significant than the amount is the market's growth. The annual dollar amount of debt issued by state and local governmental units in the early 1970s is more than double the amount issued in the late 1960s and about 10 times greater than in the early 1950s.

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

The report is organized around eight topics: size of the market, who borrows, short-term state and local borrowing, long-term state and local borrowing, who owns state and local debt, cost of borrowing for state and local units, quality of state and local debt, and operation of the market for state and local debt instruments. Both this report and ACIR's new cash management report were by-products of its Congressionally-mandated research on Federal insurance of public deposits.

The Role of States in Strengthening the Property Tax. Vol. 1. ACIR has reprinted this 1963 volume with an updated introduction. The report deals with such fundamental and still timely issues as the place of the property tax in the state-local tax system, conflict of assessment law and practices, and the responsibilities of the states in property tax administration and assessment.

Pragmatic Federalism: The Reassignment of Functional Responsibility. In conjunction with the International City Management Association and Professor Joseph Zimmerman of the State University of New York - Albany, ACIR surveyed over 3,000 cities to determine how many functions the cities had shifted to counties or assumed from other sources, why these transfers were made, how the results were perceived, what plans they have for future transfers of function and what their opinions are concerning additional transfers. The survey found that one-third of the municipalities had transferred some functional responsibility to the state or county level.

In addition to results from the survey, the report provides legal citations and historical data on the broad issue of shifts in functional responsibility.

Improving Urban America: A Challenge to Federalism. This publication is an update of the Commission's 1969 report entitled Urban America and the Federal System. This new volume incorporates ACIR findings and recommendations from 1969 to 1975 and, in the process, presents an overall review of urban America, its problems, its governmental capabilities, and an intergovernmental approach to urban problems.

Major thrusts for improving urban America discussed in the report include: restoring fiscal balance in the American federal system, providing effective national and state urban development and housing assistance, restructuring the maze of local government, improving the delivery of urban services, improving urban financial management, reducing urban crime, and greater state commitment to, and federal consistency in, urban problem solving.

State and Local Finances: Significant Features of Fiscal Federalism. Beginning with the 1976 issue, the report will be published in several volumes, each with related and more timely data. These information reports, taken together, form a compilation of statistical tabulations from ACIR studies and other sources that serve as a handbook on state-local fiscal systems. In June, Volume I, "Trends," was published. That volume contains the statistics on government expenditures, revenues, tax burdens, federal and state aid, public employment and wages, and public debt and interest costs. Volume II, to be published early in 1977, will present tables dealing with federal, state, and local revenue systems and debt structures.

Changing Public Attitudes on Governments and Taxes. For the fifth consecutive year, the Commission contracted for a public opinion survey on selected intergovernmental issues, which was released in July 1976. Five major findings emerge from the survey on governmental performance, taxes, and federal aid:

--For the fifth year in a row, the Federal government scored first, local government second, and state government third in response to the question "From which level of government do you feel you get the most for your money?" The Federal government continued to hold its relatively strong popular lead--the alleged "anti-Washington" sentiment to the contrary notwithstanding.

--The public does not appear to be quite as resistant on the issue of government spending and taxes as it was at the time of the 1975 poll. Perhaps due to somewhat improved economic conditions, the number of respondents who favored a cut in government spending and taxes fell from 38 percent to 30 percent, while those supporting a "hold the line" policy rose from 45 percent to 51 percent. As was the case last year, however, only 5 percent of the body politic opted in favor of increased government services and higher taxes.

--If a state government must raise taxes substantially, a sales tax increase commanded far more public support than an income tax hike. A property tax increase ranked a very poor third.

--The Federal general revenue sharing program continued to enjoy clear majority support among the American public -- three out of every five respondents favored this program. About one in five respondents opposed the program and another one in five expressed no opinion.

--The public is of two minds when asked whether it favors special Federal aid for central cities in financial difficulty -- 48 percent of the respondents were favorably disposed while 40 percent opposed such special help. As might be expected, a sharp division was disclosed when the poll results were analyzed by type of respondent. Those favoring special Federal aid to the central cities ranged from 72 percent of the apartment dwellers to only 33 percent of the rural respondents.

Trends in Metropolitan America. During 1976, the Commission staff, with the help of the Maxwell School at Syracuse University, compiled a set of tables dealing with population, income, and economic activity in the 85 largest Standard Metropolitan Statistical Areas. The tables to be published early in 1977 will provide historical perspective as well as current data on disparities between cities and suburbs, a subject that ACIR has monitored for a decade.

Implementation Activities

The Commission recognizes that its mandate is not merely to study the operations of the federal system but also to urge and assist in its improvement. Therefore, the Commission believes that its contribution should be measured in part by its actual achievements in bringing about significant improvements in the relationships among Federal, state and local governments. For that reason, it devotes a significant share of its resources to encouraging the consideration of its recommendations for legislative and administrative action by governments at all levels.

National efforts. Commission recommendations for changes at the national level are transmitted to the Congress, the President, or the heads of Federal departments and agencies as appropriate. This transmission of Commission views is frequently followed by Congressional or executive requests for additional ACIR involvement. As in the past, the Commission's Chairman and staff testified frequently before Congressional committees in 1976. Topics covered included Federal aid administration, general revenue sharing, the "rebirth of the American city," state and local fiscal conditions, national growth policy, the renewal of the Safe Streets Act, and intergovernmental relations generally. Federal executive branch dealings of both a formal and informal nature are always numerous.

In other activities which result from the Commission's statutory mandate to "make available technical assistance to the executive and legislative branches of the Federal government in the review of proposed legislation to determine its overall effect on the federal system," ACIR receives many requests from Congressional committees, the Office of Management and Budget, and other Federal sources to review and comment on proposed and pending legislation. If the proposal deals with a subject on which the Commission has taken a policy position, that fact is reported along with the Commission's supporting arguments. If the Commission has taken no policy positions on the subject or on related matters, that fact is reported. When a proposal has a significant impact on intergovernmental relations, and when there is sufficient guidance from Commission recommendations on related matters but no position on the exact subject, staff reactions are offered but clearly labeled "Staff Comments."

ACIR staff also addressed or undertook other implementation activities at some 35 conferences, policy workshops, and other national, state and local forums in 1976. In addition the Commission testified before both the Democratic and Republican national platform committees, presenting identical statements on intergovernmental issues and needs.

State efforts. ACIR recommendations for state action are translated into suggested legislative language for consideration by state legislatures. These draft proposals are made available to Governors, state legislative leaders, state administrative officials, other state and local policymakers, and interested citizens. In 1975, ACIR undertook its first comprehensive updating of approximately 120 bills which comprise its cumulative state legislative program. That substantial revision of previous legislation resulted in the production or updating of model bills based on the 16 years

of ACIR recommendations applicable to the states. A ten-volume ACIR Legislative Program was published in time for distribution to and use in the 1976 sessions of the state legislatures.

Efforts to implement ACIR legislation at the state level in 1976 took two forms: (a) wide distribution of Commission recommendations to centrally involved public officials and (b) direct technical assistance to the states, provided upon request. Building on the experience and the contacts of the previous year, ACIR distributed several thousand model bills along with appropriate supporting material. The staff rendered technical assistance at the request of at least 41 states during the year, up from 38 states in 1975 and 20 in 1974. That assistance involved preparing specially tailored materials, modifying ACIR draft bills to meet special conditions, testifying before legislative committees, and working with citizen study commissions, state agencies, legislative committees, legislative drafting offices, and Governors' staffs.

Examples of ACIR's state technical assistance activities in 1976 included testifying before the Iowa legislature on county home rule and local revenue diversification, working with the Wisconsin Commission on State-Local Relations and Financing Policy, meeting with the Mississippi Economic Council and Mississippi Municipal League to discuss the state's newly adopted optional forms of local government law, worked with the Coalition of North East Governors to prepare for meetings with economic problems of the North East, and met with the South Carolina Lieutenant Governor's staff and transportation committee chairman to discuss redrafting the state's transportation planning law.

The Commission also seeks formal support for its recommendations or implementation assistance from various organizations of state and local

officials, such as the National Governors' Conference; the Council of State Governments; the National Conference of State Legislatures; the National Association of Counties; the National League of Cities; the U.S. Conference of Mayors; the International City Management Association; state leagues of municipalities and associations of counties; citizens groups; business, professional and labor organizations; taxpayers' leagues; bureaus of government research; and other public and private interest groups. Information Services. ACIR's information program, an integral part of the implementation effort, continued to grow in 1976. Five information bulletins were issued on topics ranging from state ACIRs to the involvement of state legislatures in the administration of federal funds.

The year was also the first full year of publication of ACIR's quarterly publication Intergovernmental Perspective. The magazine quickly became a popular forum for exploration of intergovernmental issues in greater depth than our Information Bulletins but more concisely than a full report with recommendations. Each issue is built around a particular theme in addition to the regular features of "ACIR News," "Washington Watch," "And Briefly: Books," and "A Fiscal Note." Themes featured in the 1976 editions of the magazine were "The Safe Streets Act: Seven Years Later," "Federalism Before the Court," "The Presidency and Intergovernmental Relations," and "Government Growth: An Intergovernmental Concern." A fourth, regular column, "State/Local Watch," was added with the Fall 1976 issue. That column highlights innovative or otherwise noteworthy activities of state and local governments.

The Commission staff monitors the legislative and executive actions of the states pertaining to the state government itself and its local governments.

The results of monitoring these state actions are published each year.

State Actions in 1975 focused on state and local governments' accountability, efficiency, and fiscal self-sufficiency. State Actions in 1976 has been written and will be available in early 1977.

OMB Circular A-85

ACIR is the administrator of OMB Circular A-85, which provides a mechanism for state and local government review of draft Federal regulations having substantial intergovernmental implications. ACIR distributes the proposals among the six national interest groups which represent state and local governments and are named in the A-85 Circular. ACIR also serves as the convener of meetings of the state-local groups and promulgating agencies to resolve differences regarding proposed regulations. Over the past several years ACIR has sought to improve the operation of the A-85 process by encouraging the Office of Management and Budget to clarify and strengthen some of the Circular's provisions and by working with the promulgating agencies and reviewing groups to improve their performance with respect to the process. Regrettably there was little progress on these fronts during 1976. ACIR prepares and transmits to the Director of OMB a separate annual report detailing the year's activities under this Circular.

Future Activities

At its meeting in December, the Commission authorized the staff to begin work on three major studies, two of which were requested by the Congress in laws enacted in 1976.

The major area in which the Commission staff will soon begin work is interstate and interregional competition which will include at least three distinct elements: tax competition; distribution of federal aid, installations, payroll, other outlays, and tax expenditures; and growth and environment

policies. While a number of regional coalitions and researchers are commencing studies on this subject matter, most are oriented toward a specific region. ACIR, in contrast, will proceed from the national perspective and attempt to propose balanced national policies.

Research on intergovernmental economic stabilization and countercyclical aid, which was mandated by the Congress, was also approved as current work by the Commission. The Public Works Act of 1976 directs ACIR and the Congressional Budget Office to conduct a study of countercyclical aid to determine how the federal government can most effectively stabilize the national economy during periods of rapid economic growth and high inflation through programs directed toward state and local governments. A partially overlapping study was also mandated by the State and Local Assistance Amendments of 1976.

The Congress also directed ACIR to conduct four other studies: an evaluation of the allocation and coordination of taxing and spending authorities between levels of government; interrelationships in servicing and financing responsibilities among state and local governments and special districts; citizen participation in governmental fiscal decisions; and potential forces affecting American federalism and possible adjustments. The Commission staff, in accordance with the law, will begin work on these projects when additional funds are appropriated by the Congress. The Tax Reform Act Conference Committee also requested that ACIR prepare a study on state taxation of water vessels, particularly barges.

Commission Members

Advisory Commission on Intergovernmental Relations

December 31, 1976

Private Citizens

Robert E. Merriam, Chairman, Chicago, Illinois
John H. Altorfer, Peoria, Illinois
F. Clifton White, Greenwich, Connecticut

Members of the United States Senate

Ernest F. Hollings, South Carolina
Edmund S. Muskie, Maine
William V. Roth, Delaware

Members of the U.S. House of Representatives

Clarence J. Brown, Jr., Ohio
L. H. Fountain, North Carolina
Richard Vander Veen, Michigan

Officers of the Executive Branch, Federal Government

James M. Cannon, Assistant to the President for
Domestic Affairs
Carla A. Hills, Vice Chairman, Secretary, Department of
Housing and Urban Development
James T. Lynn, Director, Office of Management and Budget

Governors

Otis R. Bowen, Indiana
Daniel J. Evans, Washington
Richard F. Kneip, South Dakota
Philip W. Noel, Rhode Island

Mayors

Harry E. Kinney, Albuquerque, New Mexico
Jack D. Maltester, San Leandro, California
John H. Poelker, St. Louis, Missouri
Tom Moody, Columbus, Ohio

Members of State Legislative Bodies

John H. Briscoe, Speaker, Maryland House of Delegates
Robert P. Knowles, Senator, Wisconsin
Charles F. Kurfess, Minority Leader, Ohio House of
Representatives

Elected County Officials

Doris W. Dealaman, Freeholder Director, Somerset County,
New Jersey
William E. Dunn, Commissioner, Salt Lake County, Utah
Conrad M. Fowler, Shelby County, Alabama

Appendix B

Permanent Staff - December 31, 1976

Anderson, Wayne F., Executive Director
Walker, David B., Assistant Director
Shannon, F. John, Assistant Director
Gilson, Lawrence D., Director of Policy Implementation

Beam, David R., Analyst
Bird, Deanna R., Secretary
Bunn, Elizabeth A., Secretary
Byrne, Joanne G., Secretary to Executive Director
Clarke, Lavinia B., Secretary
Davis, Marinda T., Secretary
Ferrell, Lynn D., State-Local Relations Associate
Folkman, Gordon M., Intern
Fonkert, J. H., Intern
Fried, Esther, Administrative Officer
Gabler, L. Richard, Senior Analyst
Hahn, Thomas D., Accountant
Jones, MacArthur C., Duplicating Machine Operator
Kleine, Robert J., Senior Public Finance Resident
McDowell, Bruce D., Senior Analyst
Myers, Will S., Senior Analyst
Nolin, Evelyn M., Secretary
Phillips, Ruthamae A., Secretary
Preston, Beverly A., Secretary
Reeder, Richard J., Intern
Richter, Albert J., Senior Analyst
Roberts, Diana M., Production Manager
Roberts, Jane F., State-Local Relations Associate
Ross, John P., Senior Academic Resident in Public Finance
Ross, Ronald L., Mail Room Supervisor
Ryan, Jean A., Secretary
Silberg, Linda S., Secretary
Steinko, Franklin A., Assistant to Executive Director
Stenberg, Carl W., Senior Analyst
Tippett, Francis X., Statistician
Weissert, Carol S., Information Officer
Wright, Carol Monical, Librarian

Appendix C

Official Consultants

Albert J. Abrams, secretary of the New York State Senate, Albany, New York
Frank Bane, former chairman of ACIR, Washington, D.C.
John E. Bebout, state program director, Institute for Urban Studies,
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George C.S. Benson, director, Henry Salvatori Center and President
Emeritus, Claremont Men's College, Claremont, California
John C. Bollens, professor of political science, University of
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George Break, professor of economics, University of California,
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Frank L. Britt, executive manager, Toledo Area Governmental Research
Association, Toledo, Ohio
Alan K. Campbell, dean, The Maxwell Graduate School of Citizenship
and Public Affairs, Syracuse University, Syracuse, New York
Arnold Cantor, assistant director of research, AFL-CIO, Washington, D.C.
William N. Cassella, executive director, National Municipal League,
New York, New York
William G. Colman, governmental consultant, Potomac, Maryland
Charles F. Conlon, executive director, Federation of Tax Administrators,
Chicago, Illinois
William L. Day, professor and managing editor of "Illinois Issues,"
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Daniel J. Elazar, professor of political science and director, Center
for the Study of Federalism, Temple University, Philadelphia, Pennsylvania
Neely Gardner, professor of public administration, University of Southern
California, Los Angeles, California
C. Lowell Harriss, professor of economics, Columbia University; Economic
Consultant, Tax Foundation, Inc., New York, New York
Lawrence Howard, professor of public and international affairs, University
of Pittsburgh, Pittsburgh, Pennsylvania
Victor Jones, professor of political science, University of California,
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Richard Leach, professor of political science, Duke University, Durham,
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Eugene C. Lee, director, Institute of Governmental Studies and professor
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Carl H. Madden, chief economist, Chamber of Commerce of the United
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James Maxwell, professor emeritus, Department of Economics, Clarke
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Oliver Oldman, professor of law, Harvard School of Law, Cambridge,
Massachusetts
James A. Papke, professor of economics, Purdue University, Lafayette,
Indiana
Joseph A. Pechman, director of economic studies, The Brookings Institution,
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Carl Pforzheimer, Jr., director, National Association of State Boards
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Murray L. Weidenbaum, professor of economics, Washington University, St.
Louis, Missouri
Joseph F. Zimmerman, professor of political science, State University
of New York, Albany, New York

Appendix D

Financial Support

From its inception, the Commission has been financed primarily from Congressional appropriations but has generated some additional income from state or local government contributions and from grants to support specific research or other projects. The Commission received about \$40,000 in 1976 in contributions, honoraria, and travel reimbursements.

In 1976, ACIR, on the basis of its discussions with the Office of Management and Budget and the House and Senate Appropriations Committees, reinstated its program of soliciting contributions from state governments. A goal of \$100,000 in state-local support was established for FY 1979. While the 1976 solicitations will first bear fruit from some states in FY 77-78, because of the timing of state fiscal years and budget formulation, ACIR has already received \$13,200 in such contributions from 11 states. By year's end 19 states had indicated an intention to include a contribution in their next budgets. In summary, the contributions effort ACIR resumed in 1976 has already resulted in 27 states' making a cash contribution from current year appropriations, agreeing to include or consider an appropriation in their budgets that will be considered in 1977, or both.

From time to time federal agencies contract with ACIR to conduct research or undertake projects of special interest to the agency and closely related to ongoing work of the Commission. Project funds from other agencies in 1976 amounted to \$123,000, and came from the

Department of Housing and Urban Development and the Department of Health, Education, and Welfare. The funds partially support ACIR's 12-volume research project on "The Intergovernmental Grant System: An Assessment and Proposed Policies."

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

Appendix E

Salaries and Expenses
Statement

Object Classification	FY 1976 Actual	FY 1977 Estimate
Personnel Compensation	\$ 707,000	\$ 869,000
Personnel Benefits	62,000	78,000
Travel and Transportation of Persons	46,000	50,000
Transportation of Things	4,000	5,000
Rent, Communications, and Utilities	191,000	206,000
Printing and Reproductions	75,000	85,000
Other Services	66,000	66,000
Supplies and Materials	39,000	33,000
Equipment	36,000	15,000
Total Obligations	\$1,226,000	\$1,407,000

Appendix F

Publications

REPORTS PUBLISHED IN 1976

Block Grants: A Roundtable Discussion. A-51. October, 1976. 32 pages. Proceedings from a roundtable discussion on block grants.

State Taxation of Military Income and Store Sales. A-50. 128 pages. July, 1976. In the fall of 1975, the ACIR passed strong recommendations regarding state and local taxes of military personnel in two areas -- sales and income taxes. This volume describes the current status of military taxation and outlines the need for change.

Improving Urban America: A Challenge to Federalism. M-107. 296 pages. September, 1976. A report on how Federal government programs, functions, and processes can be used to improve metropolitan areas.

Significant Features of Fiscal Federalism 1976 Edition -- 1. Trends. M-106. 80 pages. Jun, 1976. This report develops the patterns of governmental finances, resources, and resource allocations.

Pragmatic Federalism: The Reassignment of Functional Responsibility. M-105. 80 pages. July, 1976. This report discusses the assignment of various governmental functions among the various levels of government.

Understanding the Market for State and Local Debt. M-104. 64 pages. May, 1976. An information report outlining the characteristics of urban financial problems, and the market for state and local debt in particular.

In Respect to Realities. M-103. 48 pages. April, 1976. A summary of the policy problems of Federalism in 1975.

State Actions in 1975. M-102. 144 pages. July, 1976. Reports on state legislative actions in 1975.

Changing Public Attitudes on Governments and Taxes - 1976. S-5. 32 pages. July, 1976. Results of a poll to gauge public opinion as to tax instruments, Federal aid, and effectiveness of government.

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