

24th Annual Report

ACIR: THE YEAR IN REVIEW

Advisory
Commission on
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 Relations
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1982 may well go down in the annals of intergovernmental history as a year of intense debate on the shape and substance of American federalism. For the first time since the Great Depression, federalism became a subject of keen nationwide interest and discussion. The single most important catalyst behind its rise to the top of the nation's agenda was undoubtedly President Reagan's January 1982 State of the Union Address, in which he announced his Administration's proposal for fundamentally restructuring governmental roles, responsibilities and resources.

Overview

For the Advisory Commission on Intergovernmental Relations, the New Federalism initiative made 1982 a year of high visibility. No sooner had the President's proposal been placed on the table than the Commission was called upon to explain how our federal system of tripartite governance does -- and should -- work. The Commission's view that, because of the dramatic growth in the federal government's domestic role through the grant-in-aid mechanism, "intergovernmental relations... have become more pervasive, more intrusive, more unmanageable, more ineffective, more costly, and above all, more unaccountable," was shared by President Reagan.

Just how to rebalance federalism preoccupied the Commission for much of 1982. ACIR assumed a multifaceted role: first, it served as a source of information. Following up on its 1980 call for a major

"sorting out" of governmental responsibilities through a tradeoff of large programs, consolidating many federal grants and eliminating others, ACIR examined detailed programmatic "swap" alternatives along with accompanying resource turnbacks. This information, prepared at the Commission's direction and at the request of the White House, was disseminated to those officials involved in negotiating a federalism reform package. ACIR's research was also widely cited by the press and by state and local public interest groups in their efforts to shed light upon this complex and controversial subject.

Secondly, the Commission served as an intergovernmental forum for exploring alternative issues and solutions in the context of political realities and within the philosophical framework of federalism as it was Constitutionally set forth and as it has evolved. Further, much of the Commission's ongoing research that reached fruition in 1982 related directly to many of the fundamental issues raised during the course of the New Federalism debate.

The decentralizing thrust of the President's proposal highlighted the role of the states and the differences among them. ACIR's research, State and Local Roles in the Federal System released in 1982, spoke directly to the point of state institutional, administrative and functional capacity. The Commission's work showed that the states had undergone a period of unprecedented reform and that, in general, they were now far better equipped to discharge their duties as middle-men in our federal system.

However much stronger states are to deal with current challenges, they still vary considerably in their tax wealth. In 1982, the Commission issued its study, Tax Capacity of the Fifty States, that measures the states' relative abilities to tap revenue sources and the extent to which they do so. ACIR's work on tax capacity clearly reveals widening fiscal disparities among the states and has been widely noted in the federalism debate. That some states could assume additional responsibilities with comparative ease while others would be able to do so only with considerable strain became a central point in the discussion over reallocating responsibilities and resources.

Directly related to federal system reform is the issue of federal regulation of state and local activities. The growth in federal aid, ACIR research shows, was matched by an equally dramatic increase in federal regulations, including new, and especially coercive techniques for changing the ways in which states and localities do business. The Reagan Administration's decision to make regulatory reform a priority fit well into ACIR's ongoing research schedule. Over this past year, the Commission considered findings stemming from its study on regulatory federalism and adopted a 12-point agenda for streamlining the ways in which the national government affects its state and local partners.

Consideration of the report on state taxation of multinational corporations followed closely on the heels of the Commission's call for fundamental regulatory reform and put to the test ACIR's commitment

to a "hands off" federal role when no harm has been done by state practices. Congress should not, the Commission urged, pass legislation limiting state tax practices with respect to multinational corporations or "foreign source" income. The Commission took this stand because it found that there was no evidence that these current state tax practices cause harm to the nation and that, in any case, our system provides for judicial redress and allows companies to locate freely in states with the most congenial tax climates.

In addition, because a number of ACIR's research projects were at or near completion in 1982, the Commission looked to the future to decide what intergovernmental problems were emerging that would benefit from Commission attention. The Commission set its research program to include the intergovernmental aspects of federal tax policies, problems in financing the costs of improving public physical infrastructure, and the role of political parties in federalism. ACIR will continue to monitor closely state/ local relations, intergovernmental fiscal trends and public opinion on taxing and spending. The Commission will also tackle a number of intergovernmental problems in specific areas; local jail reform, interlocal agreements, and financing mass transit are examples of ACIR's ongoing work on various timely topics.

The ACIR Approach

ACIR is a 26-member national, bipartisan body established by Congress in 1959 to monitor the intergovernmental system and make

recommendations for change. Because it represents the executive and legislative branches of all three levels of government and because of its status as a permanent, independent commission, ACIR is able to follow-up on its recommendations, encouraging and assisting executive and legislative branches of federal, state, and local governments to consider and implement them.

The work of the Commission flows in three stages: staff research undertaken at the direction of the Commission; policy-making by the Commission; and efforts by both the Commission and its staff to facilitate adoption of the Commission's policy recommendations.

The Commission determines its own research agenda, basing its choices on the members' wide-ranging experiences, observations, and contacts as well as on staff evaluations of alternatives. Once a topic is selected, staff gathers information by a variety of methods including library research, commission hearings, special surveys, and field studies.

To assure that all relevant aspects of each subject are reflected in the findings and background sections of a report, the staff conducts "thinkers' sessions" at the beginning of a research project to help define its scope and approach. "Critics' sessions" are scheduled near the completion of a project to minimize errors of omission or bias in the draft prepared for the Commission. Participants in these

sessions usually include Congressional staff members, representatives of appropriate government agencies, public interest group spokespersons, members of the academic community, and representatives of relevant civic, labor, research and business associations.

Background information and findings are presented to the Commission along with an appropriate range of alternative policy options. The Commission debates the report at a public meeting and votes on policy recommendations. Subsequently, the report is widely disseminated, appropriate recommendations are translated into model state legislation or Congressional bills, and implementation work proceeds.

The Commission recognizes that, as a permanent body, its mandate is not merely to study the operations of the federal system, but to seek to improve it. The Commission believes that it should be measured largely by its actual achievements in bringing about improvements in the relationship between the national, state, and local governments. For that reason, it devotes a significant share of its resources to encouraging and facilitating consideration of its recommendations by governments at all levels, using draft legislation proposals, technical assistance, and other implementation activities.

Completed Work

In 1982 the Commission substantially completed work on four major research projects: rebalancing federalism; state and local

roles in the federal system; fiscal disparities among the states; and, state taxation of multinational corporations.

In addition, Commission members completed consideration of recommendations stemming from a study of federal regulation of state and local governments. A twelve-point regulatory reform agenda was adopted and the entire research study was being readied for publication in 1983.

Rebalancing Federalism. Rebalancing federalism has long been a top ACIR priority and, in 1982, it became linked with the Administration's efforts to sort out governmental roles, responsibilities and resources. Commission work on the rebalancing issue has flowed in several distinct stages. As a follow-up to its 1980 recommendation for a "swap" of responsibilities among the national, state, and local levels, ACIR staff developed a series of decongestion strategies including alternative functional program tradeoffs, block grants and categorical aid terminations, and turning back certain revenues and taxes.

Throughout 1982, the Commission served both as a source of information about and a forum for debate over the shape of American federalism. In response to the Commission's directive and the White House's request, staff reports were prepared detailing state-by-state variations under some 60 different program tradeoffs and revenue or program turnback combinations. Additional material was considered

in March on the issues raised by the New Federalism initiative. These were (1) fiscal disparities among the states; (2) protection of benefits for the truly needy; (3) state capacity to absorb added responsibilities; and (4) local governmental roles within the sorting out process. At the direction of the Commission, the staff analysis of the basic issues underlying the New Federalism was widely disseminated to aid those involved in the "sorting out" debate.

Throughout their discussions on the New Federalism, Commission members expressed their feelings that a delineation of federalism's "first principles" was necessary so that assigning responsibilities by level of government could be made on a sound philosophical footing. Similarly, while ACIR had gone a long way in measuring state fiscal and administrative capacities, little had been done on assessing state needs. At its December meeting, staff working papers were prepared on these two topics. The papers, on first principles of federalism and needs measurement and equalization, were used as background material for a policy profile posing 15 specific questions about how a rebalanced federalism might look. Commission members were asked to complete the policy profile to determine whether a consensus exists on key aspects of federal system reform.

State and Local Roles. Early in 1982, the Commission released the centerpiece volume of its work on State and Local Roles in the Federal System. The study revealed strengthened state institutional and procedural capabilities; traced the growing dependency of localities on intergovernmental financial assistance; and presented the Commission's recommendations for further improvement, stressing the need for states to ensure the viability of their localities.

ACIR's release of this study proved to be particularly timely in light of the New Federalism proposal to place additional responsibilities at the state level. No sooner had this initiative been unveiled, than the question of state capacity was raised. More often than not, ACIR's work was cited to dispel myths about antiquated state governments and to bolster the case for a strong state role in our federal system. The Commission's findings revealed that the states have generally moved in the directions urged by reformers for the past several decades. They have modernized their constitutions; streamlined their court systems; and their legislatures have been reapportioned and professionally staffed. Also, the governors' authority as chief executives has been strengthened, their office staffs upgraded, and their control over administrative agencies extended. One area where there was only "mixed progress" was the states' multifaceted role as sources of authority, assistance and encouragement for their local governments.

The release of State and Local Roles in the Federal System (A-88) was preceded by two related reports issued in 1981. They are Measuring Local Discretionary Authority (M-131) and The Federal Influence on State and Local Roles in the Federal System (A-89). In 1982, the Commission also released an In Brief (B-6) summarizing this research.

The Representative Tax System. Although it has been recognized for many years that states vary widely in their ability to tap tax resources, until recently, there has been no up-to-date comprehensive measure of state tax capacity. The most commonly used index of tax capacity, resident per capita income, misrepresents the actual ability of many governments to raise revenue. Because states tax a wide range of economic activities other than the income of their residents, the per capita income measure fails to account for sources of revenue to which income is only partially related.

In 1982, the Commission recommended that the federal government consider utilizing a broader measure of fiscal capacity, such as the representative tax system, that more fully reflects the wide diversity of revenue sources states currently use.

The representative tax system, its design and meaning as a measure of state tax capacity, was the subject of the ACIR report issued in the Spring of 1982 entitled Tax Capacity of the Fifty

States: Methodology and Estimates (M-133). The report, subsequently followed by a supplement containing updated figures and the Commission recommendation, examines the ability of the states to raise taxes by applying a standard set of tax rates against 24 different tax bases. Because the same set of tax rates is used for every state, estimated yields vary only because of differences in the underlying tax bases. The result is a measurement of "tax capacity" using what is called the representative tax system (RTS) approach. The range of per capita tax capacity as measured by the RTS is extreme, Alaska's being some three times greater than that of the lowest tax capacity state, Mississippi.

But clearly tax capacity is only part of the picture. Also relevant is how extensively states are using that capacity. One indication of that use is what ACIR calls "tax effort," a measure which compares tax capacity to actual tax collections. Again, the variations are great, from Texas which is some 37% below the national average for tax effort to New York at 72% above.

The Reagan Administration's proposal to shift program responsibilities to states and localities has highlighted the issue of states' capacity to assume those programs. The ability of the states to take up the "fiscal slack" necessary to carry out these programs in face of declining national financial support is frequently questioned in Washington and elsewhere. Compensating states with low fiscal

capacity, as revealed by the representative tax system, has become part of the federalism policies of groups representing elected state and local officials in Washington.

Regulatory Reform. The Commission adopted a twelve-point agenda for reforming the ways in which the federal government regulates state and local activities. Based on research showing dramatic growth in federal intergovernmental regulations over the past 15 years, including the rise of new and especially coercive types of regulatory devices, the Commission called upon the national government to "strive to confine its regulation of state and local governments... to the minimum level consistent with compelling national interests." Federal intergovernmental regulation may be warranted to protect basic political and civil rights, to ensure national defense, to establish uniform or minimum standards, to prevent particularly adverse state and local actions, or to assure essential integrity in the use of federal grant monies. Even when these tests are met, the Commission warned, a clear and convincing demonstration must be made that federal action is necessary and that state and local governments are unable to address the problem at hand. The Congress, the Commission further recommended, should fully reimburse states and localities for all direct expenses incurred in implementing new national statutory mandates. The Commission also urged:

- o Major changes to coordinate better those cross-cutting regulations that apply to all or most federal

grants. In particular, the national government needs to clarify which crosscutting requirements apply to block grants and how their implementation is to be shared between the national government and recipient jurisdictions.

- o The President, executive agencies, and independent regulatory agencies should consider using alternative, more flexible regulatory means such as performance standards, special provisions for small units of government, economic incentives, and compliance reforms in lieu of standard rules and regulations.

In addition, the Commission called for repeal of certain relatively new, coercive types of regulations such as crossover sanctions where failure to comply with provisions in one law may result in the loss of federal aid under other specified programs. Partial preemption programs, the Commission found, should be administered on a more cooperative basis. Several major environmental laws, including the Clean Air Act, Clean Water Act and others, employ the partial preemption device under which minimum federal standards are established but states are allowed to adopt or continue to use standards that are at least as high as national ones.

The Commission affirmed the right of state and local officials to participate from the earliest stages in developing federal rules and regulations that will affect them, and urged that all major rules be accompanied by analyses detailing their fiscal and non-fiscal impacts on state and local governments.

Finally, Commission members urged that the national legislative, executive and judicial branches reconsider current interpretations of the commerce and spending powers as they apply to the newer, and more intrusive forms of national regulation, such as partial preemption devices, crosscutting grant requirements and crossover sanctions. The Commission further urged that the federal judiciary revive and expand upon the principles expressed in the landmark case, National League of Cities v. Usery (426 U.S. 833), especially those addressing the "basic attributes of state sovereignty" and "integral functions of state government." In NLC, the Court said that "Congress may not exercise its power to regulate commerce so as to force directly upon the states its choices as to how essential decisions regarding the conduct of integral governmental functions are to be made." Although the Court's ruling was heralded as a major Tenth Amendment victory at the time, it has lacked clarity and has been a source of confusion in lower federal courts. The Court, in effect, failed to provide guidelines for identifying integral governmental operations.

The ACIR study, Regulatory Federalism: Politics Processes and Policy, including recommendations for reform, is in the final stages of completion and will be published in 1983. Throughout 1982, ACIR staff widely disseminated the Commission's findings and recommendations stemming from this study to assist members of Congress and the Administration in their efforts to reduce the regulatory burden.

State Taxation of Multinational Corporations. In December 1982, the Commission found that because (1) our federal system allows states the widest latitude in determining their own tax structures, (2) the judicial system provides processes for determining whether state tax practices conflict with constitutional standards, (3) business enterprises in our federal system are free to locate in states that provide the most congenial tax climate, and (4) there is no evidence that state tax practices have caused harm to the nation, Congress should not pass legislation limiting state tax practices with respect to multinational corporations or "foreign source" income.

State taxation of multinational corporations has been accorded increasing prominence in recent years due to court decisions, state legislative actions, deliberations on international tax treaties and proposed national legislation. At the heart of the controversy is whether states should be allowed to decide independently how to tax the income of multinational corporations. Some states currently apportion part of a corporation's worldwide earnings (called the

worldwide combined reporting method) for tax purposes, claiming that such procedures are necessary to prevent corporations from shifting income to avoid state taxes.

Commission research, being readied for publication in 1983, will join a growing body of information on this controversial state tax issue. It was the topic of a General Accounting Office report, and the subject of several Supreme Court cases (including a number still pending). Legislation on this issue was proposed in the 97th Congress and may well reappear in 1983.

Implementation Activities

The Commission's policy implementation section encourages consideration of ACIR recommendations for legislative and administrative action by governments at all levels. At the national level, implementation activity consists of monitoring intergovernmental policy decisions and transmitting Commission recommendations to appropriate legislative and administrative decisionmakers. At the state and local level, the implementation unit provides technical assistance, distributes Commission publications and maintains a network within the 50 states to monitor fiscal and functional activities. ACIR recommendations for state action also are translated into suggested legislative language for consideration by state legislators. In addition to its information gathering and technical assistance roles, the implementation section frequently undertakes

short term study projects dealing with topical intergovernmental issues.

Although the majority of these efforts are the responsibility of the policy implementation section, the staff of both research sections as well as the Executive Director, the Chairman, and Commission members participate to varying degrees in implementation efforts. Implementation activities during 1982 are summarized below.

Federal Relations. 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 step is frequently followed by Congressional or executive requests for additional ACIR involvement. Commission members and staff testified before or prepared written comments for Congressional committees in 1982 on the President's New Federalism proposal, federal intergovernmental regulation, OMB Circular A-95, OMB data collection requirements, and ACIR's membership.

-- New Federalism. In testimony before the Senate Committee on Governmental Affairs on March 16, senior Commission staff members described ACIR research findings and recommendations on how to "sort out" roles and responsibilities within the federal system. Acting Executive Director Carl Stenberg and Assistant Directors David Walker and John Shannon explained the Commission's views that the national government's role should be limited to those domestic activities that

have: (1) a clear and essential national purpose; (2) a program history in which national initiatives and involvement have been concerted and predominant; and (3) heavy national funding relative to state and local funding. They also addressed the issues of state-local relations, and fiscal disparities among the states, all areas in which the Commission has had a longstanding interest.

In other testimony, as requested by the Joint Economic Committee (JEC), Assistant Director John Shannon reported the views of ACIR on how the New Federalism proposals will affect the finances of states and localities over the next several years. Dr. Shannon pointed out to JEC members that although it is difficult to institute major changes in times of budgetary stress, "fiscal austerity both prevents federal policymakers from constantly increasing the number and costs of federal aid programs and forces them to allocate diminished resources to those programs of greatest national priority."

-- Federal Intergovernmental Regulation. Pursuant to the Commission's recommendation adopted in June 1982 that states and localities be reimbursed for the costs of complying with all new national mandates, Executive Director S. Kenneth Howard wrote to key Congressional leaders that the resolution calling for a balanced federal budget amendment to the Constitution should include a federal mandate reimbursement provision. Additionally, the Commission's

regulatory reform agenda was transmitted under separate cover to Congressional members directly involved with pending regulatory reform legislation.

The Commission also commented on legislation that would require federal regulation of state and local pension systems, the subject of prior Commission study. Pending legislation in the 97th Congress would have imposed federal reporting, disclosure, and fiduciary requirements on state and local pension systems. In this connection, ACIR Chairman Robert Hawkins wrote to members of relevant Congressional committees and the Administration expressing ACIR's strong opposition to federal regulation because "such a policy represents unjustified and undesirable intrusion into fundamental areas of personnel and their compensation."

-- OMB Circular A-95. The Commission also raised several issues about the proposal to replace OMB Circular A-95 with a set of policies allowing each state and local government to design its own intergovernmental review, comment and coordination system for evaluating proposed federally-supported activities. In written testimony for hearings before the Senate Subcommittee on Intergovernmental Relations, ACIR noted that while the current Circular is not free of faults, the process it sets up is basically a sound one, responsive to the legislation that underpins it (the Intergovernmental Cooperation Act of 1969).

-- OMB Data Collection Requirements. The Commission commented favorably on legislation requiring the Office of Management and Budget to continue reports on the geographic distribution of federal outlays -- a task previously performed by the now defunct Community Services Administration. Writing to the relevant legislative committees, the ACIR's comments noted the critical importance of such data in tracking and projecting unprecedented changes now taking place in the federal aid system and in highlighting the role of the national government in the nation's economy. The measure was approved by Congress and signed into law by the President on October 15, 1982.

-- ACIR's Membership. Following the introduction of measures on Capitol Hill to expand ACIR's membership to include school board members and representatives of towns and townships, the Commission at its January meeting considered and rejected the idea of enlarging the Commission. It did, however, recommend that towns and townships be represented on the Commission and that Congress amend ACIR's enabling legislation to include membership of these units under the existing local government categories. The Commission voted unanimously against recommending the inclusion of school board members.

In response to a request for ACIR's views by the House Subcommittee on Intergovernmental Relations and Human Resources in April, the Commission submitted written testimony reflecting its policy adopted in January. The Subcommittee held hearings on this subject

and reported out a bill last Spring expanding the Commission's membership. The House passed the measure and, after amending it to reflect Senate concerns, sent H.R. 7173 to the Senate. As transmitted, the bill included four new seats: a representative from small towns or townships; a school board member; a federal court judge; and, a state supreme court judge. The House-passed bill was placed on the Senate unanimous consent calendar during the lame duck session of the 97th Congress but failed to gain Senate passage. Interest in similar legislation expanding the Commission's membership is expected to resurface in 1983.

State and Local Relations. The implementation process for ACIR recommendations directed toward state and local governments encompasses a broad spectrum of activities. As noted previously, the major components of the staff's work include disseminating ACIR reports, responding to requests for information and assistance, monitoring current events, offering testimony before legislative committees and study commissions, and working with policymakers in specific state and local jurisdictions. Given the central Constitutional and statutory positions of the states in the area of state-local relations, and the limited availability of staff, the primary focus of ACIR's work is at the state level, with particular attention directed toward state legislative activities.

The central component of ACIR's state legislative work is its State Legislative Program that incorporates well over 100 model

bills dealing with state and local government structural, financial, and functional activities. These proposals are made available to governors, state legislators, state administrators, local officials, and their advisors. ACIR also distributes these materials to and seeks support for its recommendations from various national organizations of state and local officials, and state municipal leagues and county associations. In addition, ACIR works with citizens groups, businesses, professional and labor organizations, taxpayers' leagues, bureaus of government research, academic institutions, and other public and private interest groups appropriate. For example, in early 1982, an "Action Guide" entitled "State-Local Relations: An Agenda for the Eighties" was developed and widely distributed to provide state and local executive and legislative policymakers with ACIR's suggested legislation and with summaries of pertinent Commission studies.

Monitoring and Implementation - The state monitoring and implementation program has four primary goals: providing technical and other assistance to state and local policymakers regarding current legislative and policy issues; discussing current and emerging inter-governmental issues with key executive and legislative branch representatives, and, where practical, with local government officials; expanding ACIR's contacts in the states; and, providing assistance to on-going ACIR research and implementation projects and activities.

Significant intergovernmental developments throughout the country are followed by ACIR staff and reported regularly in the "Intergovernmental Focus" section of Intergovernmental Perspective. The Winter 1983 issue of Perspective, the issue that annually reviews important intergovernmental developments, will discuss: the 1982 election results, particularly the results of referenda and initiatives on the November ballot; efforts to strengthen intergovernmental consultation and cooperation; diverse state use of block grant and other federal monies; taxing and spending trends; and local structural changes.

Block Grant Implementation. ACIR staff continues to watch trends and issues in block grant implementation, especially how states are allocating block grant funds; the effect of federal aid cuts; and procedural and regulatory changes states make implementing block grants; and executive-legislative relations and court decisions.

The nine block grants passed in 1981 and the job training bill adopted in 1982 are important efforts at decentralizing government. States will have to determine the appropriate roles for governors, legislatures, and administrative agencies, in making program decisions involving the allocation of scarcer resources among competing interests, pinpointing intergovernmental issues that need further study, and resolving conflicts. As the number of federal dollars decline relatively, state legislatures will need to review the limits that have been imposed on local governments' revenue-

raising capacity, the fiscal impact of state mandates, and the need for greater autonomy among sub-state governmental units. These issues represent the very core of ACIR's state-local relations agenda.

In addition to tracking the development of state responses, ACIR worked with the OMB Intergovernmental Affairs Division in its efforts to assist states with block grant transition and implementation activities. ACIR continues to work with OMB and its "state information network" to help keep state and local officials abreast of developments in block grant implementation. Staff also worked with the General Accounting Office in its continuing studies of block grants, as well as with the Administrative Conference of the United States in its examination of the legal aspects of block grants.

State ACIRs. The enactment of the block grants, the continuing debate surrounding the President's federalism reform initiatives, and the renewed interest in "sorting out" functions between levels of government have helped focus attention on state ACIRs and similar kinds of state-local advisory bodies. During 1982, staff worked with three states - Washington, Iowa and Georgia - that created advisory groups, and with several states in the process of establishing some type of intergovernmental organization.

The creation of an Iowa ACIR was a high legislative priority of Governor Robert Ray and of the local government associations within that

state. The new panel serves as a vehicle for formal communications among state and local officials. The Washington ACIR, created by executive order in May, had as its first task reviewing new federalism initiatives and assessing their effects upon the State. The Georgia Commission on State Growth Policy was established by statute and will begin operation in January 1983. It will serve as a forum to discuss intergovernmental problems, growth and development, service delivery, urban-rural relationships and equity issues. In addition to these new organizations, ACIR staff maintains a strong working relationship with the older and well established state ACIRs and other advisory groups. Nearly half of the 50 states now have a state ACIR or comparable state-local advisory organization.

Implementation Research

State Urban Policy. As part of a HUD-funded project, ACIR staff prepared and disseminated the 1981 report on The States and Distressed Communities. Additionally, a draft copy of the 1982 volume was completed with publication scheduled for spring 1983. The report surveyed the actions of the 50 states in assisting their local governments in five policy areas: housing, community development, economic development, fiscal reform, and local self-help authorizations.

The final year of this project will survey state actions for 1983, provide an analysis of trends in state development programs, and develop draft legislation for targeting state aid to distressed communities.

Publications and Presentations

Staff members have participated in national meetings and workshop sessions of the National Governors' Association, National Conference of State Legislatures, National Association of Counties, U.S. Conference of Mayors, and National League of Cities as well as serving as speakers for annual meetings of numerous state organizations representing municipal and county officials.

During 1982, the Commission published eight reports, three issues of Intergovernmental Perspective and one "In Brief." Of the reports, three contained policy recommendations and five were informational. The In Brief summarized the Commission's work on state and local roles in the federal system.

Current and Future Activities

ACIR's current and future research agenda reflects the complexity of our intergovernmental system. The mixture of long- and short-term projects reflects the continuing effort to produce quality, indepth research while also providing more immediate information on timely intergovernmental trends and developments.

In 1983, the Commission will issue its research findings and recommendations from two major studies: federal regulation of state and local governments and state taxation of multinational corporations (see section on "completed work" for a description of these two studies). Continuing research expected to near or reach completion this year includes studies on the intergovernmental dimensions of local jails, financing mass transit in the 1980s and states as middlemen in the federal system.

Because 1982 was a year when several of the Commission's major research undertakings were completed, a number of new projects will be initiated during 1983. As of January, staff work had already begun on two indepth studies: federal tax policies and their effects on state and local governments and problems in financing the nation's public physical infrastructure. A third study on political parties and their role in the federal system will be underway shortly. The Commission also expects to under take work on specific state-local issues such as revenue diversification.

Specific Activities. Tracking intergovernmental fiscal trends continues to be a high priority for the ACIR. Significant Features of Fiscal Federalism, the Commission's annual compendium of charts, tables and graphs on federal, state and local taxing and spending, will be published again in 1983. Staff will also update the Representative Tax System, the composite index showing state fiscal capacity, and will, for the first time, provide a similar index for about 65

metropolitan areas. ACIR's poll on public attitudes towards taxes and government spending will be conducted for the 12th consecutive year, with the results issued next fall.

As has been the case over much of the Commission's history, considerable attention will be paid to state governments, their institutional and procedural arrangements, and their relationships with cities, counties, towns and townships. ACIR will be issuing a major study on state roles in the federal system, an expansion of previous research on the states that appeared in a chapter of State and Local Roles in the Federal System. On a related topic, ACIR staff will also be surveying localities to determine the extent to which they are transferring functions to other jurisdictions, entering into interlocal agreements, and contracting out to private providers for public services.

Local Jails. Under a grant from the National Institute of Corrections (part of the Bureau of Prisons within the U.S. Department of Justice), ACIR is studying the intergovernmental aspects local jails. Part of the research is a survey of the 50 state departments of corrections to determine:

1. whether and how states subsidize their local corrections facilities;
2. state efforts to set standards for local jails; and,
3. state officials' perception of the local jail problem and what can be done to correct it if one exists.

Recommendations stemming from this study, entitled Jails: Intergovernmental Dimensions of a Local Problem, will be considered by the Commission next summer. Part of the Commission's task will be to look at the national government's role in local jails, including the effect of federal court orders on local jail practices and facilities.

Financing Mass Transit. ACIR will continue its study on financing mass transit in the 1980s under contract with the U. S. Urban Mass Transportation Administration. ACIR will analyze multi-jurisdictional financing arrangements and transit decisionmaking in metropolitan areas. A cross section of metropolitan areas will be surveyed as part of this study.

Intergovernmental Implications of Federal Tax Policy. ACIR will investigate the effect that future federal tax changes may have on state and local governments. The Economic Recovery Tax Act of 1981, the Tax Equity and Fiscal Responsibility Act of 1982 and the Surface Transportation Assistance Act of 1982 are three recent examples where changes in federal taxes seriously changed state and local revenue pictures. The federal level's apparent need for additional tax revenue will be placed in an intergovernmental context, accounting both for national tax policy considerations and state-local concerns such as their ability to borrow funds and levy their own taxes. Staff will report to the Commission as research progresses.

Intergovernmental Aspects of Financing Investments in Public Physical Infrastructure. Infrastructure certainly became the "word

of the year" in intergovernmental circles. Even a cursory examination of the infrastructure question reveals its complexity. The ACIR study will focus on its intergovernmental aspects, particularly two key questions:

- o What changes should be made in direct federal financing of state local public investments through grants-in-aid?
- o Should there be a major change in the indirect federal role in financing state-local investments in physical infrastructure (in the tax exempt bond mechanism, for example).

ACIR staff will attempt to examine the nature of the infrastructure financing problem; what is currently being done about it; regional differences; and the national, state, and local roles in financing investments in public capital facilities.

Political Parties. Often overlooked in discussions about American federalism are the roles of political parties. Traditionally the "brokers" of federalism, political parties have diminished in significance in recent years. ACIR will study how they are performing, particularly at the state level, and how they can be strengthened, if necessary.

Interlocal Agreements and Transfers of Functions. The ACIR has accepted a grant from the U.S. Department of Housing and Urban Development to study the current status of city and county transfers of functions to other jurisdictions and their use of interlocal

service agreements and contacts. The study will build upon research conducted in the early seventies that included a survey of some 5,900 municipalities and 3,047 counties. ACIR will again survey local governments so that patterns of interlocal transfers and agreements can be discerned. As part of the project, ACIR will also explore the legal, political and other barriers that serve to limit the wider use of these intergovernmental mechanisms.

Changes Within the Commission and Staff

During 1982 there was a complete change in the top leadership of ACIR. In June, Robert Hawkins became the sixth chairman in the history of ACIR, replacing Secretary of Interior James Watt who remained on the Commission. A private citizen member of the Commission since June 1981, Dr. Hawkins is president of the Sequoia Institute in Sacramento, California.

The ACIR also has a new Executive Director. S. Kenneth Howard replaced Wayne F. Anderson in March. Howard became the fourth person to hold the position since the Commission began in 1959. He came to Washington from Madison, Wisconsin where he was that State's Budget and Planning Director.

Retirements and career opportunities take their normal toll among the permanent staff. In 1982, however, fiscal necessities forced additional turnovers. When all of these factors were

combined, 25% of the persons on the staff at the time of last year's annual report are no longer with the Commission.

Although the Commission itself always has relatively high turnover, it was unusually high during 1982, including the retirement of the only person to serve on the Commission since its inception, Congressman L. H. Fountain of North Carolina. In short, 1982 was a year of transition for ACIR. In spite of these many changes in staff and Commission membership, a great deal was accomplished, both in terms of completing major research projects and in selecting and initiating new undertakings.

ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS
WASHINGTON, D. C. 20575

Private Citizens

Wyatt B. Durrette, Jr., Fairfax, VA (Rep.)
Eugene Eidenberg, Washington, DC (Dem.)
Robert B. Hawkins, Jr., CHAIRMAN,
Sacramento, CA (Rep.)

Members of the United States Senate

David Durenberger, Minnesota (Rep.)
William V. Roth, Delaware (Rep.)
James R. Sasser, Tennessee (Dem.)

Members of the U. S. House of Representatives

Clarence J. Brown, Jr., Ohio (Rep.)
L. H. Fountain, North Carolina (Dem.)
Barney Frank, Massachusetts (Dem.)

Officers of the Executive Branch, Federal Government

Samuel R. Pierce, Jr., Secretary of the Department
of Housing and Urban Development (Rep.)
James G. Watt, Secretary of the Department
of the Interior (Rep.)
Richard S. Williamson, Assistant to the President
for Intergovernmental Affairs (Rep.)

Governors

Lamar Alexander, VICE CHAIRMAN, Tennessee (Rep.)
Bruce E. Babbitt, Arizona (Dem.)
Forest H. James, Jr., Alabama (Dem.)
Richard A. Snelling, Vermont (Rep.)

Mayors

Margaret T. Hance, Phoenix, Arizona (Rep.)
Richard G. Hatcher, Gary, Indiana (Dem.)
James Inhofe, Tulsa, Oklahoma (Rep.)
Joseph P. Riley, Jr., Charleston, S.C. (Dem.)

State Legislators

Ross O. Doyen, President, Kansas State Senate (Rep.)
David E. Nething, Majority Leader, North Dakota
State Senate (Rep.)
Vacancy

Elected County Officials

Gilbert Barrett, Chairman of the Board,
Dougherty County, Georgia (Dem.)
William J. Murphy, County Executive,
Rensselaer County, New York (Rep.)
Peter Schabarum, Los Angeles County, California
Board of Supervisors (Rep.)
Board of Supervisors (Rep.)

Appendix B

ACIR PERMANENT STAFF AS OF DECEMBER 31, 1982

Howard, S. Kenneth (Executive Director)
Shannon, F. John (Assistant Director)
Stenberg, Carl W. (Assistant Director)
Walker, David B. (Assistant Director)

Beam, David R. (Senior Analyst)
Becker, Stephanie J. (Information Officer)
Bunn, Elizabeth A. (Secretary)
Calkins, Susannah E. (Senior Analyst)
Cline, Robert J. (Senior Resident in Public Finance)
Cohen, Neal M. (Federal Relations Associate)
Colella, Cynthia C. (Analyst)
Conlan, Timothy J. (Analyst)
David, Albert J. (Senior Analyst)
Flicklin, Kandie K. (Secretary)
Fried, Esther (Personnel Officer)
Hahn, Thomas D. (Accountant)
Jones, MacArthur C. (Duplicating Machine Operation)
Kirkwood, Karen L. (Staff Assistant)
Kock, Patricia A. (Librarian)
Lawson, Michael W. (Analyst)
McDowell, Bruce D. (Senior Analyst)
Nathan, Harolyn D. (Secretary)
Phillips, Ruthamae A. (Secretary)
Preston, Arlene (Secretary)
Richter, Albert J. (Senior Analyst)
Roberts, Jane F. (State-Local Relations Associate)
Ross, Ronald L. (Mail Room Supervisor)
Roy, Nalini B. (Secretary to Executive Director)
Schwalje, Lynn C. (Secretary)
Steinko, Franklin A. (Budget and Management Officer)
Talley, Martha A. (Secretary)

Appendix C

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 \$178,482 in fiscal 1982 in contributions, honoraria, and reimbursements.

In 1977, ACIR, on the basis of its discussions with the Office of Management and Budget and the House and Senate Appropriations Committees, finalized the reinstatement of its program of soliciting contributions for state governments. The sixth year (1982) of the resumed solicitation program generated 21 state contributions totaling \$57,512.

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 specific research projects. The Commission approves the acceptance of all such funds.

Appendix D

Salaries and Expenses Statement

<u>Object Classification</u>	<u>FY 1982 Actual</u>	<u>FY 1983 Estimated</u>
Personnel Compensation	\$ 994	\$1,173
Personnel Benefits	90	106
Benefits for Former Personnel	17	8
Travel and Transportation of Persons	34	47
Transportation of Things	8	8
Standard Level User Charges	270	271
Communications, Utilities & Other Rent	79	153
Printing and Reproduction	78	50
Other Services	125	112
Supplies and Materials	38	17
Equipment	51	---
Total Obligations	<u>\$1,784</u>	<u>\$1,945</u>

Appendix E

Publications

Reports Published in 1982

- A-80 Reducing Unemployment: Intergovernmental Dimensions of
 a National Problem
- A-88 States and Local Roles in the Federal System
- A-91 Payments in Lieu of Taxes on Federal Real Property
 Appendices
- M-133 A Catalog of Federal Grant-in-Aid Programs to State and
 Local Governments: Grants Funded FY 1981
- M-134 Tax Capacity of the Fifty States: Methodology and Estimates
- HUD-133 The States and Distressed Communities
- S-11 1982 Changing Public Attitudes on Government and Taxes

 "Staff Briefing Report on New Federalism Initiatives" and
 "Changing the Federal Aid System"
- B-6 In Brief: State and Local Roles in the Federal System

Intergovernmental Perspective Winter 1982, Volume 8, Number 1
1982: A Threshold Year for Federalism

Intergovernmental Perspective Spring 1982, Volume 8, Number 2
Perspectives on a New Day for Federalism

Intergovernmental Perspective Summer 1982, Volume 8, Number 3
For the States, A Time of Testing.

