

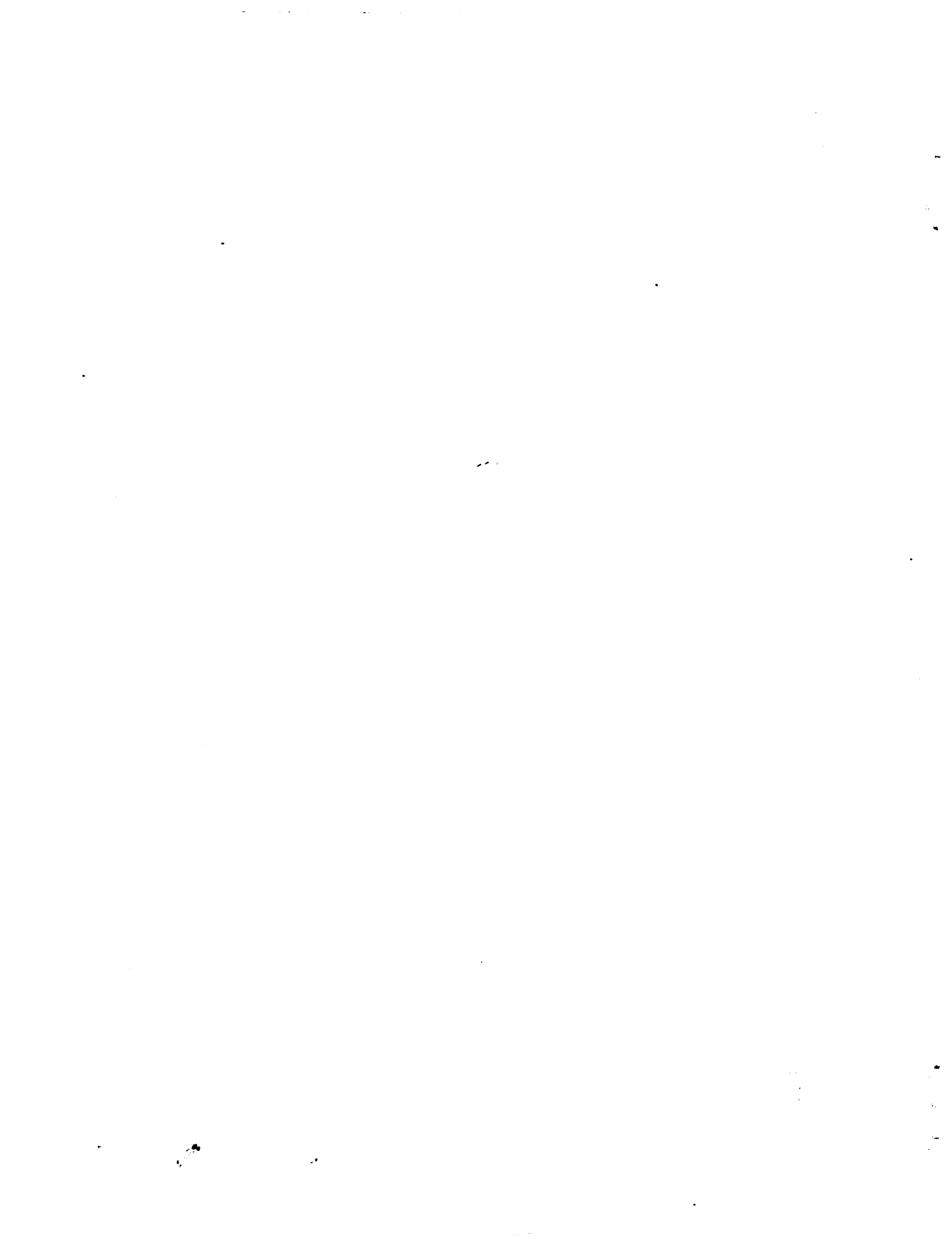
**ACIR:  
THE YEAR IN REVIEW  
29th Annual Report**

Advisory  
Commission on  
Intergovernmental  
Relations  
Washington, D.C.



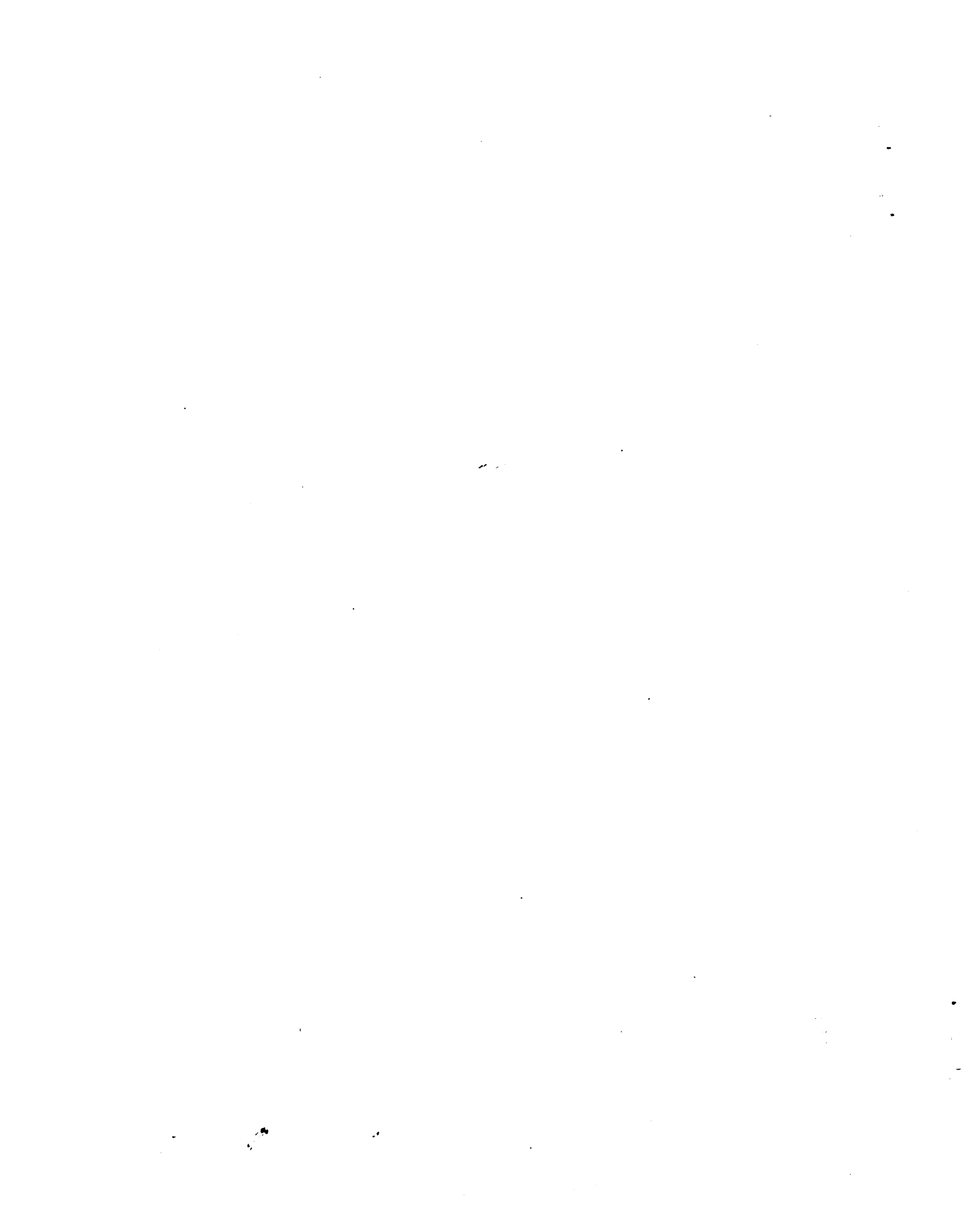


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The Advisory Commission on Intergovernmental Relations had a very productive year in 1987. Despite significantly reduced funding and staffing, 16 reports were published in calendar year 1987, along with five microcomputer diskette series and three issues of *Intergovernmental Perspective*. The reports issued in 1987 reflected Commission concerns about the constitutional integrity of American federalism, balance in the federal system, and the changing fiscal relationships between the federal government and state and local governments. The Commission held four productive meetings in 1987, highlighted by a symposium on constitutional reform held during the September meeting. A "summit meeting" of leading national organizations representing state and local governments was convened by the Commission in May to begin dialogues on issues in state-local relations arising from the many changes occurring in the federal system. The Commission also adopted a new two-to-three-year research agenda, which lays out a broad array of topics that will serve as valuable guidance for policymakers during a new era of federal-state-local relations.

## **ACIR: Purposes and Composition**

The Advisory Commission on Intergovernmental Relations (ACIR) is a permanent bipartisan commission established by the Congress in September 1959. The purposes of the ACIR, as stipulated in PL 86-380, are to:

- 1) bring together representatives of the federal, state, and local governments for the consideration of common problems;
- 2) provide a forum for discussing the administration and coordination of federal grant and other programs requiring intergovernmental cooperation;
- 3) give critical attention to the conditions and controls involved in the administration of federal grant programs;
- 4) 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;

- 5) encourage discussion and study at an early stage of emerging public problems that are likely to require intergovernmental cooperation;
- 6) recommend, within the framework of the Constitution, the most desirable allocation of governmental functions, responsibilities, and revenues among the several levels of government; and
- 7) recommend methods of coordinating and simplifying tax laws and administrative practices to achieve a more orderly and less competitive fiscal relationship between the levels of government and to reduce the burden of compliance for taxpayers.

The Commission consists of 26 members (see *Appendix A*): three private citizens, three members of the United States Senate, three members of the United States House of Representatives, three members of the executive branch of the United States government, four governors, four mayors, three state legislators, and three elected county officials. The members of the Commission serve two-year terms and may be reappointed for additional terms. The Commission ordinarily meets quarterly, but may meet more frequently or less frequently as necessary (see *Appendix B* for 1987 meetings).

## **Overview**

The principal issues of concern to the ACIR in calendar year 1987 involved the constitutional integrity of American federalism on the 200th anniversary of the drafting of the United States Constitution, the balance of power and responsibility in the federal system, and the changing fiscal relations between the federal government and state and local governments.

### **Constitutional Integrity**

The Commission continues to express concern about the consequences of the U.S. Supreme Court's 5-4 ruling in *Garcia v. San Antonio Metropolitan Transit Authority* (1985). In that decision, the Court formally stepped out of its historic role as "umpire" of the federal system and informed the states that they must look to the political process rather than the courts to protect their status in the federal system.

Two ACIR publications in 1987 reflected Commission attempts to stimulate public discussion about the constitutional status of federalism today: a report of a scholarly symposium on the *Garcia* decision and a report of a roundtable discussion on whether there is a need for constitutional reform to reinvigorate federalism. In a related vein, ACIR devoted one issue of *Intergovernmental Perspective* to the contemporary revitalization of state constitutions in the federal system.

### **Balance in the Federal System**

Over the years, the ACIR has devoted considerable attention to questions of balance in federal-state-local relations and in state-local relations. The Commission has expressed concern about the ability of both states and local communities to be reasonably self-governing entities, able to exercise the responsibilities required of them by their citizens and by the federal government.

In 1987 the Commission issued a policy report on the devolution of federally aided, non-Interstate highway programs and a follow-up survey report on state-local highway cooperation and consultation. For the first time, the Commission included questions about balance in the federal system and public perceptions of federal, state, and local governments in its annual public opinion poll. The Commission also issued a revised version of its in-brief report of the findings contained in its larger popular report on *The Transformation of American Politics*.

The Commission also issued a policy report on local governance in metropolitan areas and devoted an issue of *Intergovernmental Perspective* to the theme of "State-Local Relations: The Search for Balance." In addition, the Commission issued a summary report of welfare hearings conducted in 1986. The hearings suggested a need for greater diversification in the delivery of public assistance services, including strengthened roles for local governments.

### **Fiscal Relations**

Fiscal year 1988 marks a decade of reductions in federal grants-in-aid to state and local governments. Whereas grants amounted to \$109.7 billion (1982 constant dollars) in FY 1978, they will amount to approximately \$84.1 billion in FY 1988—a 23 percent decline. Of great importance is

the change that has occurred in the percentage of grants earmarked for payments to individuals (primarily AFDC and Medicaid). In FY 1980 such grants accounted for 31 percent of total grants; in FY 1988 they will account for about 50 percent. Thus, beyond the overall decline in grants, those grants that are spent directly by state and local governments—as opposed to being passed through to individuals—declined even further. Calculated in this manner, federal dollars spent on grants-in-aid for "governing" functions have declined by 44 percent in real terms since FY 1978.

Inevitably, state and local governments have become more self-reliant. In FY 1978, federal grants-in-aid accounted for 26 percent of spending by states and localities; in FY 1988 grants will account for about 17 percent of such spending, and state-local per capita own-source spending will have grown by over a quarter in real terms during the past decade.

Against this backdrop, state responses to federal tax reform were important federalism issues in 1987. Because states are assuming more responsibilities from their own tax sources, and because high-income taxpayers can move to lower-tax jurisdictions, intensified interstate tax competition was a major concern in the state legislatures. With the top federal income tax marginal rate now at 28 percent—down not only from 50 percent, but from 70 percent prior to 1981—the value of deducting state and local taxes from federal income taxes has been diminished by 60 percent for itemizing taxpayers (mostly higher-income).

Still, the tax competition aspect of deductibility was intertwined with two other important ramifications of the 1986 Tax Reform Act: the "windfall" issue and the outright elimination of deductibility of state sales taxes.

For 33 of the 43 states and the District of Columbia that have an income tax, federal tax reform had the potential of producing larger revenues if states did not alter their own tax codes. Given that many states conform or "couple" in some way to the federal income tax structure, the base broadening in the 1986 Tax Reform Act meant that states would be applying their marginal rates to higher adjusted gross incomes. In state legislatures, therefore, a major issue became what to do with the windfall.

Perhaps prompted by the memory of the taxpayers' revolt, and perhaps more keenly aware of heightened interstate tax competition, or both,



many states acted in 1987 to return approximately 80 percent of the windfall revenues to the taxpayers under a wide variety of turnback strategies. Of more lasting significance, however, is that a number of states took the occasion of federal tax reform to restructure their personal income tax codes. In varying degrees and combinations, they cut top rates, reduced the number of brackets, and removed low-income filers from the tax rolls. Not surprisingly, the majority of the states cutting rates and curtailing progressivity were those that share borders with lower income tax jurisdictions and/or are situated in highly competitive regions.

While innumerable local considerations contributed to tax revisions in the various states, five primary national trends stand out: (1) the "windfall" revenues from federal tax reform provided states with financial maneuverability; (2) needs for ease of administration and taxpayer convenience have obligated state lawmakers to conform the major provisions of their tax code to federal provisions; (3) perceived competition for high-income taxpayers and their investment dollars appears to have made many states reluctant to use a highly graduated rate structure to accomplish income redistribution; (4) considerations of tax fairness are leading states to grant more generous personal exemptions and standard deductions; and (5) even though states are placing less emphasis on higher tax rates for upper-income citizens, they are also placing more emphasis on protecting the poor.

In another response to federal tax reform, conventional wisdom appears to have been incorrect. Many observers had argued that elimination of the deductibility of sales taxes would cause states to reduce their reliance on sales taxes and rely more heavily on income or other taxes. However, in 1987 alone, six states increased sales taxes—either through rate increases, extending temporary rate increases, or base broadening. Indeed, since 1982, 23 states have increased sales tax rates, and the median tax rate nationwide has climbed a full percentage point, from 4 percent to 5 percent.

Several reports published by the Commission in 1987 were aimed at enhancing the debate over these new fiscal realities. After issuing estimates of the effects of tax reform on state income tax liabilities in 1986, ACIR issued a 1987 report on local revenue diversification (user charges), estimates of revenue potential from state taxation of out-of-state mail order sales, and a report on fiscal discipline mechanisms used by the states. In addition,

two annual fiscal reports were released: *Significant Features of Fiscal Federalism* and *Measuring State Fiscal Capacity*.

Other reports issued in 1987 were a catalog of federal grant-in-aid programs to state and local governments and a synopsis of a conference on tort reform and insurance liability. Microcomputer diskettes issued were: State Government Tax Revenue Data; State Tax Resources and Utilization; State-Local Government Finance Data; Government Finance Data for Individual Cities and Counties; and Federal Grants by States.

### **State ACIRs and Marketing**

As in past years, ACIR continued to support the concept of state-local relations agencies in the states. ACIR maintained its network of communications among those agencies that exist in 25 states and also held an annual meeting of the agency representatives.

FY 1987 was also the first full year in which the Commission undertook to market its publications and diskettes for the purpose of raising sales revenue. These activities were undertaken in response to a congressional directive.

### **Upcoming Research**

Most importantly, the Commission adopted a new, long-range research agenda at its June meeting. Topics for study include: federal preemption of state and local laws; state-local issues and relations in any devolution of highway programs; the question of congressional assertion of its powers over state autonomy; federal and state compliance with national mandates; interjurisdictional tax and policy competition; how local public economies work; the pros and cons of boundary review commissions; judicial federalism issues involving state law in the federal system; state and local taxation and regulation of banking; a casebook on state constitutional law; and state-local responses to international economic and political challenges. Five research conferences are also planned. The topics are: Setting New Agendas for Intergovernmental Decentralization: The International Experience; State and Local Responses to Homeless Individuals and Families; Intergovernmental Issues and Responses to Interstate Banking; Interstate Competition: Good or Bad for the Federal System?; and Residential Community Associations: Help or Hindrance to Local Self-Governance?

This progress report for 1987 explains the Commission's operating procedures, research program, publications, marketing, and other activities. *Appendix A* lists members of the Commission as of December 31, 1987. Personnel and budget data are presented in *Appendices C, D* and *E*.

## Operating Procedures

As a permanent, independent, bipartisan commission consisting of private citizens and federal, state, and local officials, the Commission is able to develop consistent, long-term analyses and recommendations that reflect the diverse views present in the federal system.

The principal work of the Commission flows through three stages: (1) staff research undertaken at the direction of the Commission, (2) policy recommendations made by the Commission, and (3) communication of those policy recommendations to relevant federal, state, and local officials.

The Commission determines its own agenda, basing its choices on (1) the members' wide-ranging experiences, observations, and contacts, (2) suggestions from public officials, citizen groups, and others, and (3) staff evaluations of current and latent issues. Once a topic is chosen for research, the staff gathers information by a variety of methods, including reviewing the literature, consulting with relevant public officials and other experts, holding hearings, conducting special surveys, and undertaking 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 the project's scope and approach. "Critics' sessions" are scheduled near the completion of a project to review closely the information and conclusions contained in the draft prepared for Commission consideration. Participants in these sessions usually include congressional staff members, representatives of appropriate government agencies, public interest groups' spokespersons, members of the academic community, specialists in the substantive area of the report, and representatives of relevant civic, labor, research, and business organizations.

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 and its recommendations are published and disseminated. The Commission also issues many information reports that do not contain or require policy recommendations.

## Publications

During 1987, the Commission published 16 reports, and three issues of its quarterly magazine, *Intergovernmental Perspective*. A chronological listing of publications can be found in *Appendix F*. Three of the reports contained policy recommendations:

***Fiscal Discipline in the Federal System: National Reform and the Experience of the States.*** To restore fiscal discipline in the federal government's budget, the Commission recommended that Congress consider a balanced budget amendment to the U.S. Constitution, as well as other fiscal mechanisms employed successfully by the states. The Commission also endorsed the concept of presidential line-item veto authority. The study reviews the experience of the states with various fiscal discipline mechanisms—such as capital budgeting, rules of germaneness, balanced budget requirements, and line-item veto provisions—to determine how they might be applicable to the federal government. The study found that such mechanisms generally result in lower spending, and lower deficits or higher surpluses. The report outlines historical trends and perspectives, reviews current reform actions and proposals, and analyzes the effects of state fiscal discipline measures.

***Devolving Selected Federal-Aid Highway Programs and Revenue Bases: A Critical Appraisal.*** The Commission proposed turning back federal responsibility and revenue for non-Interstate highways to the states. Specifically recommended were: (1) stabilizing federal highway financing as an immediate goal; (2) facilitating state-local cooperation in highway financing as an intermediate goal; and (3) turning back all non-Interstate highway programs and an adequate share of the federal excise tax on motor fuels as a long-term goal. The report examines the history and development of federally aided highways, current financing, and the turnback of specific categories of highway programs along with part of the federal tax on motor fuels.

***The Organization of Local Public Economies.*** Reflecting a major shift in thinking about the organization of local government over the last two decades, the Commission found that small units of local government can enable citizens to get the services they demand, and recommended that states place no extraordinary limits or procedural burdens on the creation of special purpose governments (such as fire, water, or sewer districts) by local citizens and officials. Such governments can be a useful and efficient complement to general purpose governments (such as counties and municipalities). The Commission also recommended that states exercise caution in establishing and using boundary review agencies. The report explores the far-reaching implications for interlocal organization and governance of distinguishing the provision of local public goods—activities expressing public preferences and raising revenues—from their production or delivery. Distinguishing provision and production allows for a more differentiated local public economy—often viewed as “fragmentation”—in which both provision and production functions are distributed among a variety of local governments and private organizations, functioning at different scales of operation.

Information reports issued during 1987 were:

***Significant Features of Fiscal Federalism, 1987.*** ACIR's best selling publication, this edition contains updated and revised information on federal, state, and local revenues, expenditures, tax rates, employment, earnings and other topics. *Section I* highlights trends and regional comparisons; *Section II* contains per capita rankings on specific state and local revenue and expenditure items; and *Section III* shows sources of revenue and distribution of expenditures for cities and counties.

***Significant Features of Fiscal Federalism, 1988*** (Volume 1). In order to provide more timely information at the beginning of state legislative sessions, *Significant Features* is now published in two volumes. Volume I, published in December, contains completely revised and up-to-date information on federal, state and local tax rates and national trends in government expenditures from 1929 through 1987. Volume II will be published in late spring and will contain the distribution of revenues and expenditures for states and localities.

***Summary of Welfare Reform Hearings, 1986.*** Ten hearings on welfare reform were con-

ducted by ACIR during 1986 as part of a major study of public assistance programs. Three hearings were held in conjunction with regular Commission meetings, with testimony from welfare experts and government officials. The other seven hearings were held through the country at the request of the Domestic Policy Council, and testimony was invited from the general public. This report summarizes those hearings.

***The Transformation in American Politics*** (Revised, In-Brief Version). By the 1980s it was clear to virtually all observers that the traditional role of American political parties had been substantially altered since the 1960s. This report examines these changes in the context of intergovernmental relations. It reviews the decline in voter identification with the parties, the proliferation of special interest groups, the rise of the independent politician, television's nationalizing influence, the revolution in campaign finance, and the growth of the national parties at the expense of state and local organizations. This “In-Brief” is a condensed version of a 1986 report, and is revised to reflect the 1986 elections and other developments since the original study.

***Federalism and the Constitution: A Symposium on Garcia.*** Can the states survive as reasonably autonomous, self-governing polities? Can the benefits of a federal system be preserved? This report explores the impact of the U.S. Supreme Court's controversial 1985 *Garcia v. SAMTA* decision on federalism and the Constitution. It is the product of a symposium of legal and political scholars convened by ACIR in 1986 to debate the causes and impacts of the decision in a broad context of constitutional law, history and politics.

***Local Perspectives on State-Local Highway Consultation and Cooperation.*** A companion to the federal-aid highway programs study noted previously, this report is a summary of a Commission survey of the directors of state associations of towns and townships, municipal leagues, county associations, and regional councils in the 50 states. The survey inquired about state-local cooperation and consultation on matters of highway planning, funding and construction, and about the possible effects on localities of a transfer of federally aided, non-Interstate highway responsibilities and revenue bases to the states. Generally, respondents reported state-local cooperation to be good to fair.

***A Catalog of Federal Grant-in-Aid Programs to State and Local Governments: Grants Funded in FY 1987.*** This catalog chronicles changes in intergovernmental aid programs since 1984, and offers insights into trends during the Reagan years. The catalog lists all categorical and block grant programs funded on January 1, 1987, highlighting the 73 new programs added since the last compilation, and the 43 aid programs not funded from 1984 to 1987.

***Estimates of Revenue Potential from State Taxation of Out-of-State Mail Order Sales.*** A companion to a 1986 report in which the Commission recommended that Congress enact legislation enabling states to collect sales taxes directly from out-of-state mail order vendors on purchases made by citizens of their state, this staff report updates the original estimates of state-by-state revenue potentials from taxation of such sales.

***Local Revenue Diversification: User Charges.*** Dramatic changes in fiscal federalism have renewed interest in charging for publicly provided goods and services. This report examines the theory and practice of user charges, the conditions under which user charges are feasible, and the advantages and disadvantages of substituting user charges for general revenue.

***Changing Government Attitudes on Governments and Taxes.*** This is the 16th annual survey conducted for ACIR by the Gallup Organization. Eleven questions were asked regarding attitudes toward various taxes, esteem for each level of government, and the power of the federal government over state and local governments.

***Is Constitutional Reform Necessary to Reinvigorate Federalism? A Roundtable Discussion.*** At the September 1987 meeting of the Commission, a roundtable discussion was held on the desirability of constitutional reforms intended to enhance state autonomy. Participants were: New Hampshire Governor and ACIR Vice Chairman John Sununu, Raoul Berger of Harvard University, Randy Hamilton of Golden Gate University, Paul Peterson of The Brookings Institution, and Stuart Eizenstat, former Assistant to President Carter for Domestic Policy. This is an edited compilation of their comments.

***Measuring State Fiscal Capacity, 1987 Edition.*** Over the years, ACIR has been concerned with improving methods of measuring state tax resources and state utilization of those resources to raise revenues. The Commission has recommended that the federal government use an index that more fully reflects the wide diversity of revenue sources utilized by the states, especially since recent evidence suggests a deterioration of per capita income as a measure. This report presents new ACIR estimates of tax capacity for 1985, calculated using the Representative Tax System and Representative Revenue System. The report also compares these figures to those obtained using other definitions of tax capacity, setting forth the strengths and weaknesses of each method.

***Governments at Risk: Liability Insurance and Tort Reform.*** During the past two years, one of the most thoroughly studied and debated issues on state legislative agendas has been the liability insurance crisis. Once primarily a concern of higher risk businesses and occupations in the private sector, the availability and affordability of liability insurance now is a major issue for the public sector as well. In April 1986, ACIR sponsored a panel session on tort reform and the liability insurance crisis as part of its annual state ACIRs conference. This staff information report presents the results of the panel presentations and discussions, and significantly, is the first joint publication activity of the national ACIR and the state counterpart agencies.

## **Microcomputer Diskette Series**

In 1987, ACIR updated two previously issued microcomputer diskettes series: State-Local Government Finance Data and Government Finance Data for Individual Cities and Counties. ACIR also issued three new series—State Government Tax Revenue Data; State Tax Resources and Utilization; and Federal Grants by States. The diskettes will operate on any IBM or compatible microcomputer, and are designed primarily for use with *Lotus 1-2-3* and *Symphony* software. Detailed documentation is included for all three series.

**State-Local Government Finance Data.** This series provides access to census finance data in a format not previously available. State-by-state data for 66 revenue and 70 expenditure classifica-

tions, population and personal income are included on each two-diskette set. Data are available for state and local governments combined, state government only, or all local governments (aggregated by state).

**Government Finance Data for Individual Cities and Counties.** The data for FY 1984 and FY 1985 are available for nearly all cities over 25,000 population, all counties over 50,000, and selected counties between 25,000 and 50,000. Diskettes contain data for population, 62 types of general revenue, 30 types of general expenditures, four categories of debt, 14 revenue and expenditure categories of locally operated government utilities, and seven categories of local retirement system finances.

**State Tax Resources and Utilization.** This series is based on the data used to produce ACIR's annual publication *Measuring State Fiscal Capacity* (also called the Representative Tax System). The disks, which contain data not published in the annual report, permit users to monitor changes in tax bases and revenues, compare and contrast states' rates, and project future revenues. The data base includes the dollar amount of the state-local tax base, state-local tax collections, statutory state tax rates, and effective tax rates. Data for selected years are presented for five other indices.

**State Government Tax Revenue Data, FY 1983-86.** This diskette makes the state tax portion of the government finance series available to the public six months earlier than the entire state-local government finance series. Four years of tax revenue data (FY 1983-86) are included on a single diskette. The revenue fields are basically the same as for the state-local series. The state government tax diskette does not contain any information on local government, nor does it contain any expenditure data.

**Federal Grants.** This series of diskettes contains federal expenditures for every federal grant program—approximately 500 grants to state and local governments as well as several hundred grants awarded to nongovernmental entities. This series is based on the Consolidated Federal Funds Report data collected by the U.S. Bureau of the Census. Data are available for FY 1986 and FY 1983 and are organized on a fiscal year basis.

## The ACIR Research Program

Based on the recommendations of a special subcommittee chaired by Commissioner Daniel J. Elazar, the Commission adopted, at its June 1987 meeting, an ambitious two-to-three-year research program. Along with other projects previously approved, the new research agenda includes:

**State Mandates** (a joint project with state ACIRs). This information report will be based on descriptions by state ACIRs of current state mandate activities, including the development of catalogues, the results of major studies, and the implementation of reimbursement programs and alternative state policies. The report will also include material about fiscal note processes.

**The Role of the National Judiciary in the Federal System.** This research examines the roles of the national judiciary in the federal system in light of the many federal court decisions during the past 50 years which have altered the position of the states in the federal system. The first phase of the research involved the establishment of a framework for studying issues of federalism and the courts. The second phase has involved an analysis of the efforts of federal courts to reform state institutions and public policy.

**Federal Preemption of State and Local Laws and Authority.** Following up on research on regulatory federalism published in 1984, this project focuses on federal preemption of state and local authority to regulate public and private sector activities, and on mandate reimbursement. A typology of preemption is being developed, and the consequences of various types of preemption for states and local governments are being examined along with alternatives to federal preemption.

**Highway Turnbacks: State-Local Issues and Relations.** This study involves an examination of state constitutional and statutory provisions that might affect a turnback of federally aided highway programs; a survey of state legislators regarding state-local cooperation on highway matters and views on turnbacks; and case studies of highway policy and state-local relations in six states.

**The Congress, the States, and Federalism.** This study examines the question of whether congressional assertions of its commerce and

spending powers have eroded the position of the states in the federal union, and whether remedial action, including possible constitutional action, is needed to restore balance to the federal system.

**Federal and State Compliance with National Mandates and Standards: Does the Federal Government Practice What It Preaches?—Access for the Handicapped.** Analyzing federal and state compliance with federal mandates regarding barrier removal and equal employment opportunities for persons with disabilities, this study will examine the extent and speed of compliance by both the federal government and state-local governments. It will endeavor to identify mechanisms, incentives, and problems in compliance.

**Interjurisdictional Tax and Policy Competition: Good or Bad for the Federal System?** This study examines the extent, effects, causes, and mechanisms of interstate tax and policy competition, particularly for jobs and economic development. The key question of the study is whether competition is healthy or destructive for the states and the federal system.

**How Local Public Economies Work: Equity, Viability, and Service Responsiveness in America's Civil Communities.** This four-part study extends previous Commission work on local self-government in the federal system. Part I is a case study of Allegheny County, Pennsylvania, a highly "fragmented" metropolitan area, building upon a previous study of St. Louis County, Missouri. Part II will be a comparative analysis of these two metropolitan areas, studying the similarities and differences in the ways two highly developed local public economies are differentiated and coordinated. In Part III, the experience of metropolitan areas with city-county and other forms of consolidation will be examined. Part IV will focus upon practical problems encountered in local public economies and how citizens and officials address those problems. The future course of local government reform will be explored.

**Boundary Review Commissions: Good or Bad for Local Self-Government?** Examining the operations of state Boundary Review Commissions, the purpose of this study will be to determine the extent to which they do or do not have veto authority or other authority over the formation of

new units of local government or the reorganization of units of local government.

**State Law in the Federal System: Shaping a New Judicial Federalism.** This study examines the place of state law in the federal system in terms of the extent to which state law has been displaced by federal law, the degree to which there are independent spheres of action for state law, and the extent to which state constitutions have come to serve as independent and adequate grounds for state action.

**State and Local Taxation and Regulation of Interlocal and Interstate Service Businesses: Fairness and Equity in a Complex Political Economy.** Many complex issues are involved in state regulation and taxation of interstate banking and telecommunications. A major purpose of this study is to develop recommendations for uniform rules of taxation and regulation by the states that will be fair to both the states and the banking and telecommunications industries.

**Casebook in State Constitutional Law.** An information report, this study will be a primary casebook in American state constitutional law. At present, there is no casebook on state constitutional law equivalent to the many casebooks available on federal constitutional law. This will be a distinctive and important contribution to an emerging dimension of contemporary federalism and intergovernmental relations.

**The Federal Union in the International System: State and Local Responses to International Economic and Political Challenges.** This study examines the range of international activities and relationships being developed by state and local governments in such fields as trade, investment, education, and culture as well as the policy interests being expressed by state and local governments and citizens in international affairs.

In addition to these research projects, the following research conferences are in the planning stage.

**Setting New Agendas for Intergovernmental Decentralization: The International Experience.** This conference will bring together scholars and officials from a number of countries, including the USA, UK, FRG, Canada, France, Italy, Spain, Japan, Australia, and Switzerland to ex-

amine the outcomes of and prospects of devolving power and authority in democratic political systems, both federal and nonfederal.

**State and Local Responses to Homeless Individuals and Families.** The purpose of this conference is to bring together researchers and practitioners to examine and evaluate innovative and successful state and local responses to homelessness and to identify relevant intergovernmental issues that might be addressed by the Commission.

**Intergovernmental Issues and Responses to Interstate Banking.** As a complement to the research project on state banking regulation, the purpose of this conference is to bring together bankers, economists, public officials, and other relevant persons to discuss and evaluate intergovernmental issues in interstate banking.

**Interstate Competition: Good or Bad for the Federal System?** A complement to the study on interjurisdictional tax competition, this conference is being cosponsored by ACIR and the Urban Institute. Planning is under way and prospective topics and participants are being identified.

**Residential Community Associations: Help or Hindrance to Local Self-Government?** This project will feature a conference on residential community associations such as homeowners associations and organized subdivisions, to explore the advantages and disadvantages of a greater reliance on this form of organization to provide local public goods and services, as well as to regulate land use. Relationships to units of local government will be highlighted.

## Marketing

Pursuant to congressional directives, ACIR sought to increase its outside income substantially in FY 1987. Although the Congress reduced the Commission's appropriation, for the first time it also allowed ACIR to keep the proceeds from earned revenues. Several techniques are used to promote sales of ACIR publications and diskettes. These include:

**Omnibus Catalogs.** Every two or three months, a catalog of all ACIR publications and microcomputer diskettes is revised and updated. These catalogs are used both for displays at meet-

ings and for mailings, including mass mailings to an in-house list or purchased lists.

**Special Brochures.** In most cases, a special brochure is developed for each ACIR publication and microcomputer diskette series. Some brochures are mailed to an in-house list, but most often they are mailed to a specialized (subject oriented) purchased list.

**Special Mailings.** Periodically, "personalized" mailings are sent to selected groups of individuals (e.g., political science professors, bond houses and financial institutions) where we believe there is a potential market for sizable purchases.

**Intergovernmental Perspective.** ACIR's quarterly magazine is sent free to approximately 20,000 individuals. Therefore, it is used as an advertising vehicle for the Commission's products. Pages are devoted to promoting various publications, as are some summary articles.

**Displays.** ACIR displays its publications and diskettes at numerous meetings of groups likely to be interested in ACIR products. Often, this takes the form of full displays of targeted publications. In addition, brochures are sent to smaller meetings and regional meetings of public interest groups for display at the registration desk.

**Press Releases.** Issuance of a publication is frequently accompanied by a press release/announcement. The release is sent to both mass media outlets, and specialized and targeted periodicals. If a report contains policy recommendations, the publication will have been previously announced in a press release concerning the Commission's action.

**Requests for Reviews.** Complimentary copies of selected ACIR publications are sent to periodicals with the request that they review it or otherwise notify readers of its availability.

**Subscriptions.** ACIR has three subscription packages: for \$1,000 a subscriber receives all microcomputer diskettes and publications; for \$200 a subscriber receives one region of the city-county diskettes, the state-local revenue and expenditure diskette, plus all publications; and for \$75 a subscriber receives publications only.

Perhaps the most important marketing accomplishment of the past year has been educating ACIR's wide audience to the fact that publications

are no longer free. In addition, the Commission's output has become more prolific, so ACIR is generating more products to sell.

## State Contributions

Although ACIR has requested contributions from the states since the early 1970s—and has been permitted to keep the proceeds in a special account—in FY 1987 the Commission began asking for considerably larger contributions. Based on state population, annual requests now range from \$5,000 to \$13,000. However, in exchange for higher contributions, states receive a "benefit package" of sets of microcomputer diskettes and publications, the number of sets being contingent upon the amount of the state's contribution. Although the number of contributing states fell in FY 1987 (to 26 from 35 in FY 1986), the total dollar amount contributed increased from \$84,750 to \$119,250. Part of the reason for the decline in the number of states contributing was undoubtedly that the Commission requested much higher contributions. Another factor, however, might have been confusion over why the Commission was asking for higher contributions. In response, materials were developed to better inform the people in the states.

## State ACIRs

Interest in state ACIRs and similar agencies grew considerably during 1987 as state and local officials searched for ways to develop and strengthen intergovernmental partnerships. Twenty-five states now have an intergovernmental advisory agency, compared with 16 states just five years ago. Additionally, ACIR staff worked with officials in 20 states where interest existed to develop an ACIR proposal or where legislation already was under consideration.

The need for and benefits which can be derived from the work of these state-local organizations was one of the major elements of the report issued by the National Conference of State Legislatures

(NCSL) State-Local Task Force in mid-1986. The NCSL task force report, which was developed in close cooperation with the national ACIR, has served as a catalyst for state ACIRs and a number of other initiatives in the states and within other national public interest groups. Building upon this high level of interest, the Commission convened the first "state-local summit" in May to review the activities of each of the organizations, identify key issues, and explore possible areas of consensus and cooperation. A follow-up meeting will be held in 1988. The ACIR staff also continues to work with the individual organizations as they further develop their own policies and programs in the area of state-local relations.

In June, ACIR sponsored the fifth in a series of national meetings of the state groups. The session was held in conjunction with the Commission's 93rd meeting in San Francisco. These gatherings provide an opportunity for the states and the national ACIR to discuss current work programs, and to exchange information and ideas. Two specific national-state ACIR projects emerged from the San Francisco conference: a report on state mandates and the development of a survey to measure the "state" of state-local relations. The mandates report, to be published in early 1988, will consist of a series of articles describing state experiences in studying, defining, cataloging and financing state mandates. A prototype of a survey of state-local relations was developed and tested in conjunction with the New York commission and the Rockefeller Institute of Government at the State University of New York in September, and will be modified for use in other states during 1988.

In addition to the national meetings and joint projects, several other activities help to develop stronger working relationships with the state panels. These activities include state visits, state ACIR thinkers' and critics' sessions, research projects, and a feature article in each issue of *Intergovernmental Perspective* highlighting the work of one of the state panels.



*Appendix A*

**Members of  
The Advisory Commission on  
Intergovernmental Relations**

*December 31, 1987*

**Private Citizens**

Robert B. Hawkins, Jr., *Chairman*, San Francisco, California (Rep.)  
James S. Dwight, Jr., Arlington, Virginia (Rep.)  
Daniel J. Elazar, Philadelphia, Pennsylvania (Rep.)

**Members of the United States Senate**

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

**Members of the U.S. House of Representatives**

Sander M. Levin, Michigan (Dem.)  
Jim Ross Lightfoot, Iowa (Rep.)  
Ted Weiss, New York (Dem.)

**Officers of the Executive Branch, Federal Government**

Gwendolyn S. King, Deputy Assistant to the President and Director of  
Intergovernmental Affairs (Rep.)  
Edwin Meese, III, Attorney General of the United States (Rep.)  
Vacancy

**Governors**

John Ashcroft, Missouri (Rep.)  
Ted Schwinden, Montana (Dem.)  
John H. Sununu, *Vice Chairman*, New Hampshire (Rep.)  
Vacancy

**Mayors**

Donald M. Fraser, Minneapolis, Minnesota (Dem.)  
William H. Hudnut, III, Indianapolis, Indiana (Rep.)  
Robert M. Isaac, Colorado Springs, Colorado (Rep.)  
Henry W. Maier, Milwaukee, Wisconsin (Dem.)

**State Legislators**

John T. Bragg, Deputy Speaker, Tennessee House of Representatives (Dem.)  
Ross O. Doyen, Kansas Senate (Rep.)  
David E. Nething, North Dakota Senate (Rep.)

**Elected County Officials**

Gilbert Barrett, Chairman of the Board, Dougherty County, Georgia (Dem.)  
Philip B. Elfstrom, Commissioner, Kane County, Illinois (Rep.)  
Sandra R. Smoley, Supervisor, Sacramento County, California (Rep.)

*Appendix B*

## **Commission Meetings: 1987**

<b>Date</b>	<b>Place</b>	<b>Attendance</b>	
		<b>Commissioners</b>	<b>Others</b>
March 20, 1987	Washington, DC	15	24
June 5, 1987	San Francisco, CA	13	16
September 11, 1987	Washington, DC	18	50
December 4, 1987	Washington, DC	16	20

*Appendix C*

## **ACIR Permanent Staff**

*December 31, 1987*

Shannon, John (Executive Director)  
Kincaid, John (Research Director)  
Gleason, Robert R., Jr. (Director, Communications and Publications)  
Calkins, Susannah E. (Senior Analyst/Executive Assistant to the Executive Director)  
Casey, Joan A. (Information Officer)  
Dominguez, Mary A. (Secretary)  
Fried, Esther (Personnel and Administrative Officer)  
Hahn, Thomas D. (Accountant)  
Jones, MacArthur C. (Publications Assistant)  
Lawson, Michael W. (Analyst)  
Lynch, Carolyn D. (Analyst)  
McPhaul, Anita J. (Secretary)  
Oakerson, Ronald J. (Assistant Director of Research/ Senior Analyst)  
O'Bier, Lori A. (Secretary)  
Phillips, Ruthamae J. (Administrative Assistant)  
Roberts, Jane F. (Assistant Director, Communications and Publications)  
Ross, Ronald L. (Mail Room Supervisor)  
Smith, Betty W. (Marketing Assistant)  
Smith, Linda M. (Receptionist)  
Steinko, Franklin A. (Budget and Management Officer)  
Thomas, Rosita M. (Research Analyst/Project Manager)

*Appendix D*

## **Salaries and Expenses**

*(in thousands)*

<b>Object Classification</b>	<b>FY 1987 Actual</b>
Personnel Compensation	<b>\$ 703</b>
Personnel Benefits	<b>127</b>
Travel and Transportation of Persons	<b>44</b>
Transportation of Things	<b>25</b>
Standard Level User Charges	<b>233</b>
Communications, Utilities & Other Rent	<b>53</b>
Printing and Reproduction	<b>32</b>
Other Services	<b>482</b>
Supplies and Materials	<b>44</b>
Equipment	<b>65</b>
<b>Total Obligations</b>	<b>\$1,808</b>

## Financial Support

Retrenchment, consolidation, technology, and efficiency have led to a substantial increase in ACIR's productivity. The prospects of a lean future have girded the Commission and its staff for cuts in its appropriation—from an appropriation of over \$2,100,000 in FY 1985 to a scheduled appropriation of just over \$1,000,000 in FY 1989. Appropriations in FY 1987 were \$1,750,000. In response to appropriation reductions, a number of steps have been taken to reduce discretionary expenditures and increase outside revenues. On the expenditure side of the equation:

- 1) All leased equipment has been purchased;
- 2) All cost-reducing equipment that was needed has been purchased (i.e., the acquisition of desk top publishing equipment has eliminated \$40,000 in annual typesetting costs);
- 3) The number of full-time employees has been cut from 27 to 19 over the last three years;
- 4) Contractors have been utilized rather than permanent staff when possible;
- 5) Leased space has been reduced from 14,600 square feet to 9,400 square feet;
- 6) The number of free copies of publications printed and mailed has been reduced sharply, from 10,000 to less than 600.

On the revenue side of the equation:

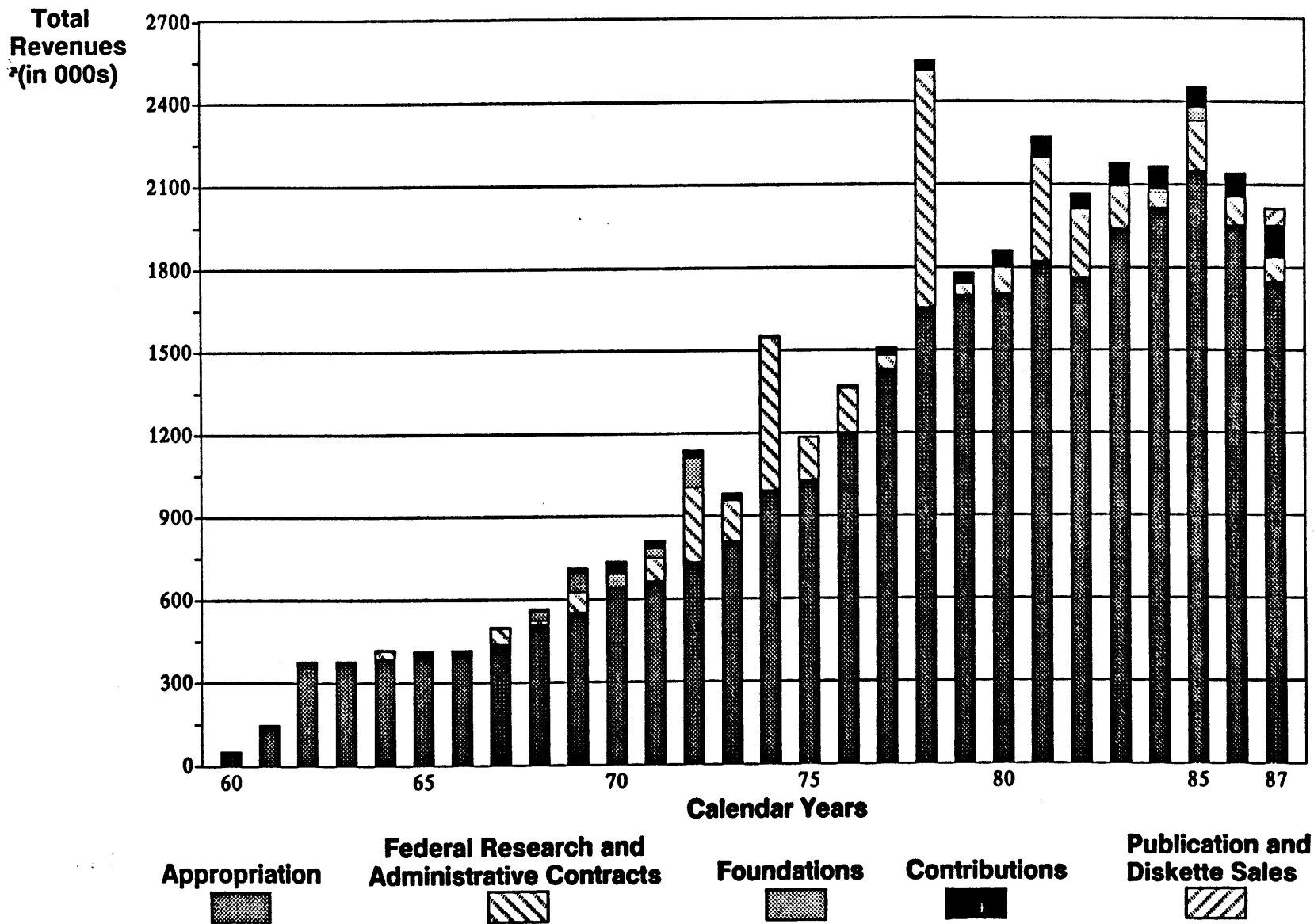
- 1) State contributions to ACIR reached \$119,250 in FY 1987, a record high dur-

ing the first year of a two-year implementation of a new contributions program. Higher than initially anticipated but lower than hoped, this amount must continue to grow through FY 1989 for ACIR to maintain a solid fiscal base.

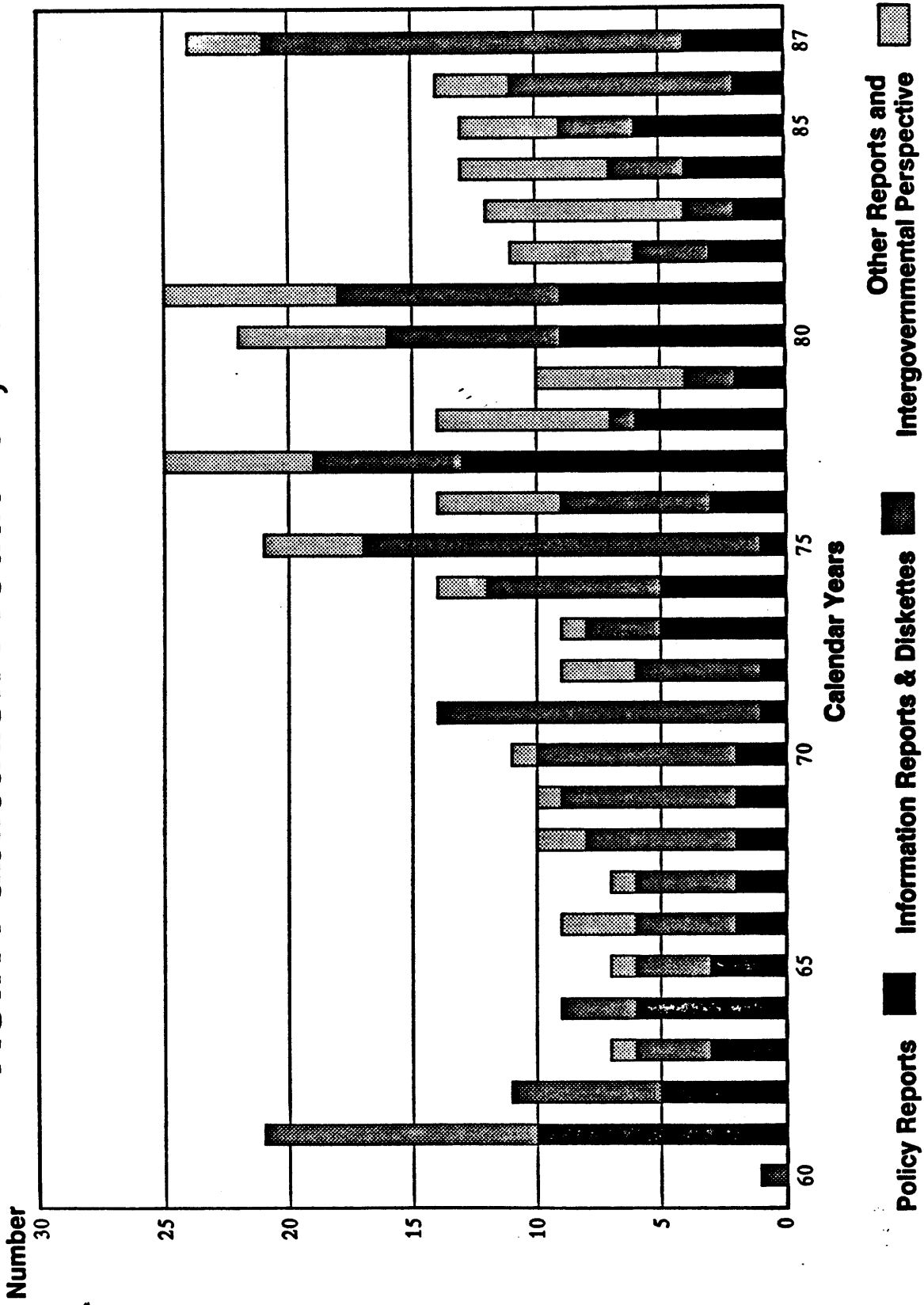
- 2) Publication and diskette sales to the general public as well as the ACIR audience generated \$61,775 during FY 1987—the first year of a concerted, congressionally approved and Commission-initiated marketing effort.
- 3) Administrative contracts for support services with the Harry S. Truman Scholarship Foundation and the President's Council on Public Works Improvement provided ACIR with \$75,000 in revenue during FY 1987. This will fall to \$15,000 in FY 1989, and the Commission will seek to find new contractual arrangements.
- 4) Honoraria for speaking engagements provided the Commission with \$3,500 in revenues during FY 1987.

While stabilizing the staff, reducing expenditures, and increasing revenues, the current productivity of ACIR is at an all-time high, in terms of total output but more dramatically with regard to output per employee—the most significant barometer of productivity. From 13 total publications released in 1984, the number of products released in 1987 was 21 (16 publications and five microcomputer diskettes). This is more than one product for every person employed by ACIR, including administrative and clerical employees.

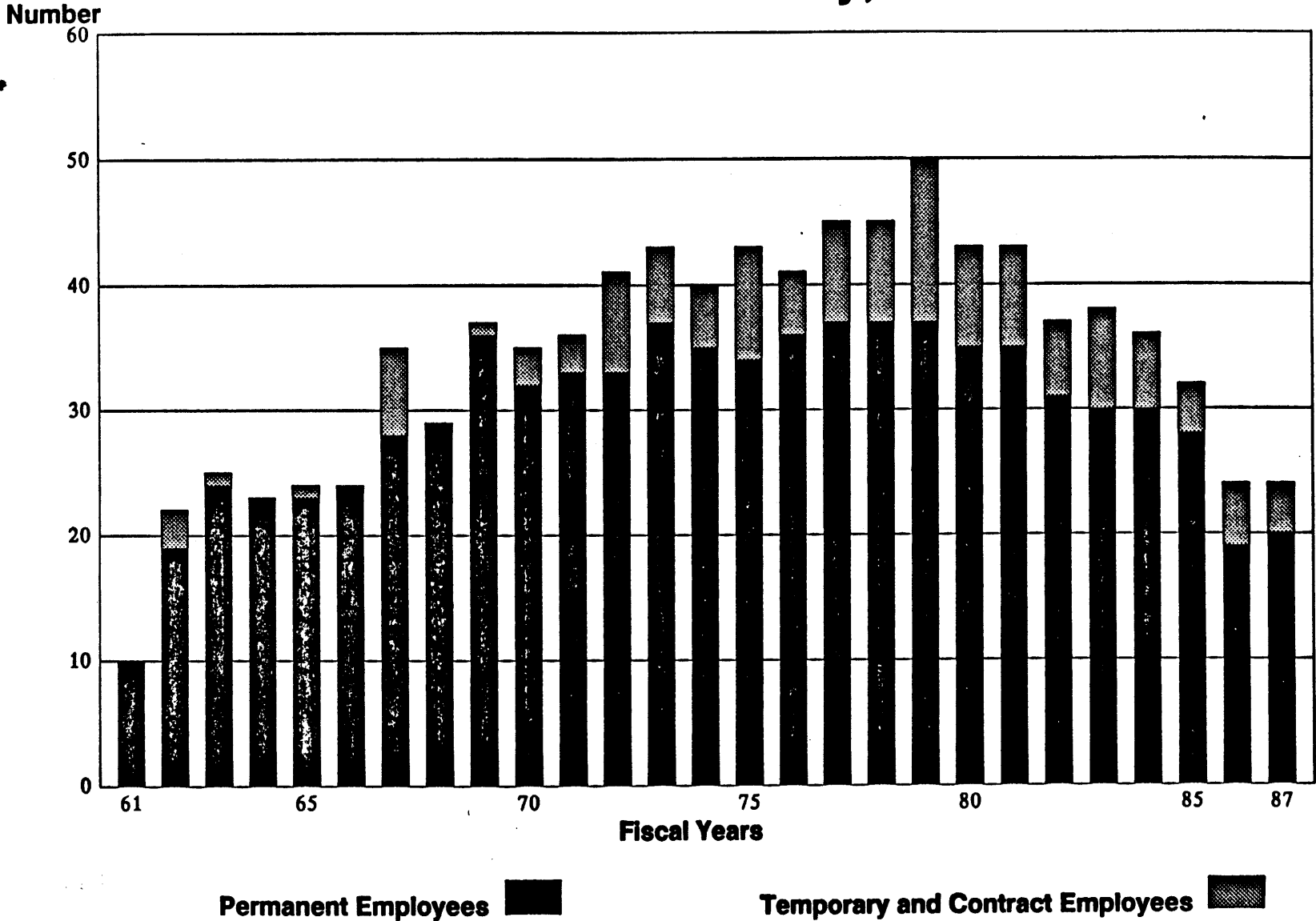
# ACIR Revenue History, 1960-87



# ACIR Publication Production, 1960-87



# ACIR Personnel History, 1961-87





*Appendix F*

**Publications Issued in 1987**

- SR-8 *Summary of Welfare Reform Hearings, 1986*
- M-151 *Significant Features of Fiscal Federalism, 1987*
- M-152 *Federalism and the Constitution: A Symposium on Garcia*
- A-107 *Fiscal Discipline in the Federal System: National Reform and the Experience of the States*
- SR-4 *Local Perspectives on State-Local Highway Consultation and Cooperation*
- M-153 *A Catalog of Federal Grant-in-Aid Programs to State and Local Governments: Grants Funded in FY 1987*
- A-108 *Devolving Selected Federal-Aid Highway Programs and Revenue Bases: A Critical Appraisal*
- SR-5 *Estimates of Revenue Potential from State Taxation of Out-of-State Mail Order Sales*
- B-9R *The Transformation in American Politics: Implications for Federalism (In-Brief, Revised)*
- SR-6 *Local Revenue Diversification: User Charges*
- S-16 *Changing Public Attitudes on Governments and Taxes*
- M-154 *Is Constitutional Reform Necessary to Reinvigorate Federalism? A Roundtable Discussion*
- M-155 *Significant Features of Fiscal Federalism, 1988 (Volume I)*
- M-156 *Measuring State Fiscal Capacity, 1987 Edition*
- A-109 *The Organization of Local Public Economies*
- SR-7 *Governments at Risk: Tort Reform and Insurance Liability*

***Intergovernmental Perspective*** themes(magazine)

- Winter 1987      ***"Federalism in 1987: Challenges & Choices"***
- Spring 1987     ***"American Constitutions: 200 Years of Federalism"***
- Summer/Fall 1987 ***"State-Local Relations: The Search for Balance"***

