AN INFORMATION REPORT

The States and Distressed Communities:

The 1980 Annual Report

ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS

Washington, D. C. 20575 • May 1981

A Report by the
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on Intergovernmental Relations
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Acknowledgements

This report is the initial volume of a four-year study conducted for the U.S. Department of Housing and Urban Development by staff of the U.S. Advisory Commission on Intergovernmental Relations (ACIR) and the National Academy of Public Administration (NAPA). The project was directed jointly by Carl Stenberg, assistant director, ACIR and Charles R. Warren, senior research associate, NAPA. Compilation and analysis of the state policy data were performed by Taru Jones and Neal Cohen, ACIR fellows. Leanne Aronson, research associate, NAPA, conducted the indicators survey and analyzed the state and local preference data deriving there from. The report was drafted by Jones, Cohen and Aronson. Nalini Roy of the ACIR staff typed the manuscript.

The information, findings and conclusions in the report are the sole responsibility of the ACIR and NAPA staff. Neither the members of the Commission nor the Academy have reviewed or approved the report. Special thanks are due, however, to the many individuals who contributed their time and expertise to the project.

Abraham D. Beame
Chairman

Wayne F. Anderson
Executive Director

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Executive Summary

Analysts of intergovernmental affairs have long suggested that states are capable of emerging as the primary architects of comprehensive development policies to alleviate urban and rural decline. States have begun to develop and implement a variety of fiscal and functional reforms directed to meeting the needs of distressed urban and rural communities—a distinct departure from their past quiescence in these fields. This report, the first of four annual reports,* is an effort to catalogue and explain state efforts to aid distressed communities.

TOWARD A STATE-LOCAL DISTRESSED COMMUNITY POLICY AGENDA

This volume reviews the progress the states are making in assisting distressed local governments in five policy areas: (1) housing; (2) economic development; (3) community development; (4) fiscal reforms; and (5) local self-help programs. Within these five areas, 20 state activities have been identified by state and local officials as significant indicators of state urban performance. As such, the indicators

*The 1979 precursor to this report, *The States and Distressed Communities: Indicators of Significant Actions* (NAPA/ACIR, Washington, DC, 1979), established the feasibility of the indicator development process. The 1979 effort is not comparable to the current publication.

should be considered priority items on the states' community assistance agenda.

The 20 indicators of state urban performance were developed by polling state and local officials. The survey findings uncovered a consensus as to the most important actions that states might take to aid distressed local units. Thus, the indicators represent the core of a state distressed community policy agenda that would prove acceptable to a wide variety of state and local officials.

The existence of a general consensus on meaningful state community aid actions, however, should not obscure significant cleavages in local opinion. Analysis of the indicator preference poll data suggest considerable divisions in local priorities regarding state actions to assist distressed local governments. Where small town officials emphasize the importance of state actions enhancing local self-help capabilities, representatives of central cities favor development activities that would be expected to spur revitalization of depressed metropolitan neighborhoods. By contrast, urban county officials support general purpose housing and development programs that might be used to good effect in either central cities or smaller towns.

These interlocal divisions suggest that state governments are likely to be hard-pressed to formulate community and policy prescriptions that are equally acceptable to county, municipal, and central city officials. The indicator preference poll findings suggest that while state urban policy preferences agreed fairly well with the preferences of all local officials, state priorities match those of smaller municipalities and distressed central cities only weakly. It should be noted, however, that disparities of interlocal preference are ever more severe than are state-local differences. The portrait that emerges is one of the state as mediator: state community aid policy preferences reflect state efforts to meld conflicting local priorities as well as the state's community aid agenda into a single local assistance strategy.

REGIONAL PATTERNS

The indicator analysis confirms earlier ACIR and NAPA findings relative to regional patterns of community assistance. The states located in the northeast quadrant of the nation have displayed the most interest in targeting functional aid programs to distressed communities, particularly in the areas of home rehabilitation and economic development. By contrast, the New England and mid-Atlantic states have been the least likely to take action to reduce local fiscal burdens. Instead, the southern, western, and midwestern states have taken the lead to broaden local taxing capabilities, and to distribute revenue sharing funds and education aid to assist needier jurisdictions.

Finally, the indicators suggest that state governments have permitted a significant devolution of authority to local governments to deal with community disttress. Forty-nine states have authorized local governments to establish redevelopment or renewal agencies, most of which exercise significant bonding, planning, and eminent domain powers. Similarly, 34 states have broadened local taxing abilities to enable the use of sales or income levies, while 11 states have expanded significantly local governing powers through the enactment of discretionary authority legislation. This expansion of local powers to permit distressed communities to more effectively address their problems is a highly significant trend in state-local relations.

The Housing Indicators

The housing indicators (see *Table 1*, items 1-4) suggest that the states are implementing programs to increase housing opportunities for low and moderate income individuals. Virtually all of the housing finance and home rehabilitation programs operated by state housing finance agencies (HFAs) are directed to households with incomes at or below the state median income. Forty-two states operate single-family programs and 31 states operate multifamily programs.

While the thrust of single and multifamily state housing finance assistance programs is toward helping needy individuals, some states have introduced elements of geographic targeting into home rehabilitation aid programs. Nineteen states have employed this approach in their home rehabilitation grant or loan programs, while 16 states have adopted targeted rehabilitation tax incentives to encourage upgrading in designated geographic areas. While these

Table 1

TARGETED STATE PROGRAMS TO AID DISTRESSED COMMUNITIES

NORTHEAST

INDICATOR	NUMBER OF STATES WITH PROGRAM	CONNECTICUT	MAINE	MASSACHUSETTS	NEW HAMPSHIRE	RHODE ISLAND	VERMONT	DELAWARE	MARYLAND	NEW JERSEY	NEW YORK	PENNSYLVANIA
HOUSING												
1. Single - family home construction	41	●	●	●	●	●	●	●	●	●		●
2. Multi - family home construction	31	●	●	●	●	●	●	●	●	●	●	●
3. Housing rehabilitation grant or loan	19	●	●	●					●	●	●	●
4. Housing rehabilitation tax incentive	16	●		●		●				●	●	●
ECONOMIC DEVELOPMENT												
5. Industrial or commercial site development	13	●								●	●	●
6. State financial aid for industrial or commercial development	12	●		●						●	●	●
7. Customized job training	42	●	●	●			●	●	●	●	●	●
8. Small business development	8	●							●	●		
9. Industrial revenue bonds	5	●		●		●				●		
COMMUNITY DEVELOPMENT												
10. Capital improvements	20	●		●						●		
11. Local neighborhood improvement efforts	14			●				●		●	●	●
FISCAL REFORM												
12. State revenue sharing	23		●	●	●						●	
13. Education finance reform	18	●										
14. Assumption of local public welfare	27	●		●		●	●	●	●			
15. Reimbursement of state-mandated programs	12					●						
16. Improving local governments' access to credit markets	16	●	●		●		●			●	●	●
ENHANCING LOCAL CAPABILITIES												
17. Local use of tax increment financing	20	●		●								
18. Local creation of redevelopment agencies	49	●	●	●	●	●	●	●	●	●	●	●
19. Local sales or income taxing authority	34							●	●	●	●	●
20. Local discretionary authority	11		●									●

NORTH CENTRAL/MIDWEST

INDICATOR	ILLINOIS	INDIANA	MICHIGAN	OHIO	WISCONSIN	IOWA	KANSAS	MINNESOTA	MISSOURI	NEBRASKA	NORTH DAKOTA	SOUTH DAKOTA
1. Single - family home construction	●	●	●		●	●		●	●	●		●
2. Multi - family home construction	●		●		●				●			●
3. Housing rehabilitation grant or loan	●		●		●	●				●		●
4. Housing rehabilitation tax incentive		●		●	●	●		●	●			
5. Industrial or commercial site development		●					●	●		●		
6. State financial aid for industrial or commercial development	●			●				●				
7. Customized job training	●	●	●	●	●	●		●	●	●	●	●
8. Small business development	●											
9. Industrial revenue bonds						●						
10. Capital improvements				●							●	●
11. Local neighborhood improvement efforts		●	●		●			●	●			
12. State revenue sharing	●		●		●			●				
13. Education finance reform	●	●	●		●	●	●		●		●	
14. Assumption of local public welfare	●		●				●		●			●
15. Reimbursement of state-mandated programs	●		●									
16. Improving local governments' access to credit markets		●		●			●	●			●	
17. Local use of tax increment financing	●			●	●	●	●	●			●	●
18. Local creation of redevelopment agencies	●	●	●	●	●	●	●	●	●	●	●	●
19. Local sales or income taxing authority	●	●	●	●		●	●	●	●	●		●
20. Local discretionary authority	●		●									

SOUTH

INDICATOR	ALABAMA	ARKANSAS	FLORIDA	GEORGIA	KENTUCKY	LOUISIANA	MISSISSIPPI	NORTH CAROLINA	SOUTH CAROLINA	TENNESSEE	VIRGINIA	WEST VIRGINIA	ARIZONA	NEW MEXICO	OKLAHOMA	TEXAS
1. Single - family home construction		●	●	●	●		●	●	●	●	●	●		●		●
2. Multi - family home construction			●		●				●	●	●	●				●
3. Housing rehabilitation grant or loan			●									●		●		
4. Housing rehabilitation tax incentive			●													
5. Industrial or commercial site development	●	●		●			●			●						
6. State financial aid for industrial or commercial development					●					●						●
7. Customized job training	●	●		●	●	●	●	●	●	●		●	●		●	●
8. Small business development			●			●										
9. Industrial revenue bonds																
10. Capital improvements		●	●	●						●	●	●	●	●		
11. Local neighborhood improvement efforts			●	●												
12. State revenue sharing		●		●		●			●	●	●		●		●	
13. Education finance reform			●						●	●			●	●		●
14. Assumption of local public welfare	●	●		●	●	●			●			●		●	●	●
15. Reimbursement of state-mandated programs				●						●	●		●			
16. Improving local governments' access to credit markets				●				●	●							
17. Local use of tax increment financing			●		●								●			●
18. Local creation of redevelopment agencies	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
19. Local sales or income taxing authority	●	●		●	●	●		●		●	●		●	●	●	●
20. Local discretionary authority						●			●		●		●			●

WEST

INDICATOR	COLORADO	IDAHO	MONTANA	UTAH	WYOMING	CALIFORNIA	NEVADA	OREGON	WASHINGTON	ALASKA	HAWAII
1. Single - family home construction	●	●	●	●	●	●	●	●		●	●
2. Multi - family home construction	●	●	●	●		●	●	●			●
3. Housing rehabilitation grant or loan	●							●			●
4. Housing rehabilitation tax incentive			●			●		●			
5. Industrial or commercial site development											
6. State financial aid for industrial or commercial development							●				
7. Customized job training	●			●	●	●	●	●	●	●	●
8. Small business development						●			●		
9. Industrial revenue bonds											
10. Capital improvements	●		●	●	●				●	●	
11. Local neighborhood improvement efforts	●					●					
12. State revenue sharing				●	●		●	●	●	●	●
13. Education finance reform	●		●			●					
14. Assumption of local public welfare		●		●				●	●	●	●
15. Reimbursement of state-mandated programs		●	●			●			●		●
16. Improving local governments' access to credit markets									●		
17. Local use of tax increment financing	●			●	●	●		●		●	
18. Local creation of redevelopment agencies	●	●	●	●	●	●	●	●	●		●
19. Local sales or income taxing authority	●			●	●	●	●		●	●	
20. Local discretionary authority						●				●	

efforts are found nationwide, they are more likely to be employed in the northeast and least likely to be found in the south.

The Economic Development Indicators

The economic development indictors (*Table 1*, items 5-9) confirm earlier findings that the states have sought to improve local economies by attempting to provide significant financial inducements for private commercial and industrial expansion. While the majority of state economic development programs are available statewide, 13 states target site development aid to distress areas, while another 11 states target financial assistance.

Relatively little targeting is found in the area of small business development. Of the 44 states with small business development programs, only eight have tied small business assistance programs to the problems of community distress and redevelopment.

Customized job training programs, which train labor pools to meet the needs of incoming industries, have been adopted by 42 states. These programs are directed at individuals rather than geographic areas. While 47 states issue industrial revenue bonds to spur local development, such programs are targeted in only five states. Targeted economic development programs are most prevalent in the northeast and least common in the west.

The Community Development Indicators

State aids for community development activities (*Table 1*, items 10-11) tend to take the form of modest grants distributed on a statewide basis in fixed ratio to local development expenditures. Twenty states offer targeted community development aid in the areas of water and sewer, street, road, public buildings as well as recreation and transit facilities improvements. The southern and western states have been the most active in this area. In many cases, the targeted effort represents a matching contribution on behalf of certain localities for additional federal aid.

Some 14 states have begun neighborhood improvement programs. The northeast and north central/midwest regions have the largest number of these programs.

The Fiscal Reform Indicators

The fiscal reform indicators (see *Table 1*, items 12-16) suggest that state efforts to equalize interlocal fiscal disparities have been mildly successful. State-local revenue sharing and/or tax sharing programs have been adopted in 49 states; in 23 states, these funds have been disbursed to reduce the gap between poorer and wealthier communities. Generally, the moderately equalizing effects of state-local revenue or tax sharing programs have been achieved through the enactment of aid formulas which distribute revenues on tthe basis of local population. Similarly, state education finance reforms in 18 states have produced limited reductions within state disparities in per-pupil expenditures.

The state record has been positive in the area of local social service cost reduction. Some 27 states have assumed 90% or more of local welfare costs. In a reform of a more recent vintage, 12 states reimburse local governments for certain costs associated with state-mandated programs. Additionally, 16 states improve local access to credit markets, principally through debt financing and bond banks.

As the fiscal indicators show, the northeast states, as a group, have done less to alleviate interlocal fiscal disparities than have states in other regions.

The Local Self-Help Program Indicators

The local self-help program indicators (*Table 1*, items 17-20) suggest that the states are enacting reforms which have enhanced local abilities to address decline problems. Twenty states authorize local use of tax increment financing, and 49 states have authorized the creation of redevelopment or renewal agencies. Local governments are permitted to levy either sales or income taxes in 34 states. Eleven states have provided significant functional and fiscal discretionary authority to their local governments.

The north central/midwest states have been most active in enhancing local self-help capabilities. They are followed closely by the southern and western states.

Introduction

Federal assistance to distressed communities has been well chronicled. The policymaker or urban affairs analyst can check off federal programs to aid local communities without hesitation: UDAG, CETA, CDBG and so on. However, community development, economic assistance, housing aid and other programs cannot be undertaken by the federal government alone. Instead, these are intergovernmental enterprises which, because of their legal, fiscal, administrative, and programmatic powers vis-a-vis local goverments, depend heavily on the states in order to be successful. Curiously, though, despite the states' long-standing role in this area, their actions have not been comprehensively catalogued, analyzed or assessed.

States have an important role to play in assisting their local jurisdictions, particularly those experiencing economic hardship, physical decay, and fiscal stress:

- They are the sole source of authority enabling local governments to tackle their structural, functional, and fiscal problems.
- They alone possess legal power to intervene and to direct localities to act in certain ways or to end interlocal impasses.
- They serve as mediators between local units and the federal government and between their local jurisdiction and other states.
- They have the opportunity to play a negative role through using their powers to obstruct, undermine, and even veto various intergovernmental programs.

Still, state-local aid efforts targeted to distressed areas remain in their formative stages. For example, an ACIR report written nearly two years ago remains pertinent today:

> State governments, for the most part, only now are entering the implementation phases relative to local (community) aid programs. To date, the states' achievements have been modest at best in terms of effecting quantifiable improvements in community conditions, but a framework for future endeavors has been established. The true test will come over the next several years, as more and more states attempt to carry out . . . newly established local aid programs. . . . [1]

Given this fact, an examination of the states' community aid role and an assessment of local aid programs appears desirable.

In 1979, the U.S. Advisory Commission on Intergovernmental Relations (ACIR) and the National Academy of Public Administration (NAPA) at the request of the Office of Community Planning and Development of the U.S. Department of Housing and Urban Development (HUD) determined that it was feasible and useful to develop a state-by-state matrix of indicators of state aid to distressed communities.[2]

While methodological differences prevent direct comparison between the 1979 and 1980 efforts, this report, the first of four annual volumes, revises and expands upon the 1979 feasibility study. The report tries to identify the key activities states can initiate to help distressed areas and the extent to which they have been undertaken. Before any final judgement can be made regarding the impact of these state policies on distressed communities, additional material from the states and more feedback from state and local officials is needed. Future volumes will attempt to evaluate how well state policies to aid distressed areas have actually worked.

FOOTNOTES

[1]U.S. Advisory Commission on Intergovernmental Relations, *State Community Assistance Initiatives: Innovations of the late 70's*, M-116, Washington, DC, U.S. Government Printing Office, May 1979, p. 8.

[2]For purposes of the 1979 and 1980 studies, distressed communities are defined as any areas (various types of general units of local government including rural, urban, and suburban places) which are declining or in need in relation to other areas of the state.

Methodology

AN OVERVIEW

To determine what kinds of programs states have made available to their distressed communities, it was first necessary to establish the significant areas of activity. This report represents a combination of three discrete tasks:

1) developing program area indicators that would most accurately reflect the most important areas of state aid to distressed communities,
2) establishing criteria to distinguish programs specifically targeted to distressed communities from those available statewide, and
3) collecting individual program area information state by state.

The information for each of these three areas was obtained from consultation with experts, survey research, and review of secondary source data during 1979 and 1980.

The general state program areas in which distressed communities were being aided are: (1) housing, (2) economic development, (3) community development, (4) fiscal and financial management assistance, (5) local self-help capability. Within these areas 20 individual indicators were chosen, such as single-family home construction or mortgage loan program (housing) or state issuance of industrial revenue bonds (economic development).

A criterion for targeted programs was given for each of the five major program areas. (See

Exhibit 1.) The matrix in *Table 1* shows those state programs targeted to distressed communities that fall within each of the 20 indicator areas. The steps involved in the choice of indicators are detailed in the following.

Developing the Indicators of State Aid to Distressed Communities

The 1980 indicators of state distressed community performance represent the culmination of a two-year process of consultation with state and local officials, academics, and other urban policy specialists. As such, the indicators are representative of the most significant actions that states might undertake to aid distressed areas, and should be viewed as activities deserving high priority on the states' agenda.

The initial list of indicators was developed pursuant to the 1979 feasibility study which provided the model for the current report. The 1979 indicator development process consisted of a three-stage effort encompassing a thinkers' session, a modified Delphi questionnaire procedure,[1] and a follow-up workshop. Some 30 practitioners and experts were consulted in the development of the 1979 indicators.

The 1980 NAPA Indicators Survey

The 1980 report reflects an attempt to refine and broaden the indicator selection procedure. In order to ensure that the listing reflected a range of state and local practitioner preferences, NAPA mailed questionnaires to some 300 state, county, and municipal officials. Particular care was taken to ensure that the sam-

Exhibit 1

TARGET CRITERIA

I. HOUSING

State program must be directed primarily to persons with low or moderate incomes, or to communities or neighborhoods with substantial concentration of low income families or substandard dwellings.

II. ECONOMIC DEVELOPMENT

State program must be directed primarily to communities with (a) substantial outmigration of population or industry, (b) above-average unemployment or underemployment, or (c) an insufficiently diverse economic base.

III. COMMUNITY DEVELOPMENT

State program must give priority (a) to communities or neighborhoods where public facilities are obsolete, lacking, declining or under-developed, (b) to areas which are experiencing rapid industrial and population growth, and (c) to areas where capital or community development needs exceed financing and maintenance capabilities.

IV. FISCAL AND FINANCIAL MANAGEMENT ASSISTANCE

State programs must seek to alleviate revenue and expenditure burdens of fiscally pressed communities where the tax base is inadequate and the per capita income is below the state average.

V. ENHANCING LOCAL SELF-HELP CAPABILITIES

State legislation/authorization must assure that substate general purpose governments are legally equipped to address the fiscal and development problems of distressed communities.

Table 2

INDIVIDUALS PARTICIPATING IN THE 1980 ACADEMY INDICATORS SURVEY[1]

Affiliation	Number	Percent[2]
State Official	52	44%
Local Official		
Urban County/County League	18	15
Municipal/Municipal League	24	20
Hardship City	25	21
Total Local Official	67	56
N=119		

SOURCE: Academy staff compilation
[1]Includes only those persons responding to the indicators questionnaire by July 7, 1980.
[2]Rounded to the nearest percent.

ple reflected a diversity of urban views. The local portion of the sample included:

- the chief executives of the 55 jurisdictions identified as "hardship cities" by Richard Nathan and Charles Adams,[2]
- the executive directors of all state municipal leagues,
- the executive directors of all state county associations, and
- the community development directors of those urban counties in which the Nathan-Adams hardship cities are located.

Similarly, the state sample was structured to reflect the views of both legislative and executive branch staff. Thus, NAPA surveyed the directors of all state departments of community affairs (DCAs), as well as the principal staff member of the legislative research agency of each state. The distribution of survey respondents by state, county, or municipal affiliation is displayed in *Table 2*.

The NAPA questionnaire (reproduced in *Appendix A*) asked respondents to select 20 activities from a list of 35 that represented "the most important indicators of state commitment to aiding distressed areas." The list included the 20 indicators selected for the 1979 study, as well as 15 activities identified during the 1979 selection process as significant state-local aid efforts. The 20 indicators receiving the most votes were included in the 1980 listing.

Survey Findings

The survey findings suggest the existence of an overall consensus as to the most salient indicators of state urban performance; each of the 20 top-ranking indicators received a majority of the votes cast. Similarly, the 35-indicator preference ranking calculated for the entire respondent group correlates highly with the preference ranking calculated for all local respondents (Kendall's tau beta = .85)[3] as well as with that calculated for all state respondents (Kendall's tau betta = .77). In addition, the 1980 survey results appear to validate the 1979 process. Of the 20 indicators selected for the 1979 report, 16 merited inclusion in the present study.

With regard to content, the 1980 preference rankings (reproduced in *Appendix C*) suggest that state and local officials are most favorably disposed toward the adoption of state aid mechanisms that will bring tangible, short-term improvements to local infrastructures. Thus, state grants or loans for local capital improvements, housing rehabilitation, and industrial development scored well across all respondent subgroups. A second category of preferred programs included state efforts to reduce local fiscal distress, as evidenced by the strong support for state-local mandates reimbursement and revenue sharing programs. A final theme is the endorsement of state actions which strengthen local self-help capabilities. Both state and local officials endorsed state enactment of statutes giving local units significant discretionary powers and authorizing the creation of local redevelopment agencies.

DIVISION OF LOCAL OPINION

The consensus detailed above, however, should not obscure significant cleavages in local opinion. Rank order correlations computed for the indicator preference rankings of the county, muicipal, and hardship city subgroups suggest considerable divisions in local priorities regarding the states' distressed community policy agenda. The most pronounced division is found between the preference rankings of municipal and hardship city officials (tau beta = .25). While both groups reacted favorably to certain indicators of state urban performance (notably state-local revenue sharing, home rehabilitation, and capital improvement programs) municipal officials favored enactment of state actions strengthening local powers. By contrast, hardship city officials emphasized development activities that would be expected to spur central city revitalization (neighborhood aid, small business development and preferential siting efforts).

Similarly, the preferences of county officials correlated only modestly with those of municipal officials (tau beta = .39) and hardship city respondents (tau beta= .48). A comparison of preference rankings for all three groups suggests that urban county officials favor enactment of state aid activities that might be utilized both in large cities and small towns. Hence, county officials support general purpose housing and development programs, rather than state aid efforts that might be construed as favoring either central cities or less urbanized jurisdictions.

STATE-LOCAL CONSENSUS AND DISSENT

The cleavages discussed above suggest that state governments are likely to be hard-pressed to formulate urban policy prescriptions that are equally acceptable to county, municipal, and central city officials. Previous NAPA and ACIR studies have suggested that the states have confronted this difficulty by attempting to enact broad-based programs that appeal to a variety of local interests. Rank order correlations calculated from the 1980 preference rankings confirm this view. While state policy preferences correlated fairly well with those of all local officials (tau beta= .60), the correlations were more modest when state preferences were compared with those of each of the local subgroups. The rank order correlation between state and municipal preferences was approximately .48, while that between state and hardship city preferences was approximately .39. The correlation between urban county and state preferences was slightly stronger (tau beta= .52).

The data indicate, then, that state urban program priorities match those of smaller municipalities and distressed central cities only weakly. Still, it should be noted that disparities of interlocal preference are even more severe than are state-local differences. The portrait that emerges is one of the state as mediator: state distressed community policy preferences reflect state efforts to meld conflicting local priorities as well as the state's urban agenda into a single local assistance strategy.

Developing the Target Need Criteria

Exhibit 1 lists the target criteria employed to determine whether the state urban assistance activities are directed toward distressed communities. A separate criterion has been developed for each of the five categories of urban aid discussed in the report: housing, economic development, community development, fiscal reform, and enhancement of local self-help capabilities. The criteria were developed by NAPA and ACIR staff on the basis of comments supplied by respondents to the NAPA indicators survey.

It should be noted that the need criteria have been drafted to conform with recent national policy objectives in the area of urban affairs. Thus, the criteria endorse the view that distress is best alleviated by aid programs targeted explicitly to communities in need. Comments received on draft target criteria, however, indicate that this belief is challenged by a substantial minority of state and local officials. These officials subscribe to the alternative view that aid programs are best directed to regions and individuals that will put the assistance to the most productive use, thereby producing a "spillover" or "trickle-down" effect that will ultimately benefit needy communities and population groups. Officials endorsing this approach, then, favor home ownership programs benefiting middle to moderate income families, or community and economic development efforts directed to regions believed to have high growth potential.

A comparison of the merits of targeted and trickle-down assistance approaches, however, is beyond the scope of the current report. Rather, the study is premised on the acceptance of targeting as an effective response to community distress. The criteria adopted for the study represent an effort to recognize the validity of a variety of targeting approaches: to distressed communities, neighborhoods, or, in some cases, individuals, although the primary emphasis is on distressed communities.

Obtaining State Program Information

Questionnaires requesting information concerning state aid to distressed communities for each of the 20 indicators were mailed to community affairs and legislative research agencies in all of the 50 states. (The survey form is reproduced in *Appendix D*). Returns were obtained from a total of 42 states during 1979 and 1980. Survey information was supplemented by secondary materials (see *Bibliography*). Additionally, ACIR has begun to compile legislation and information from the states describing relevant programs. This information can be provided upon request.

Scope of Analysis

Except in the areas of housing and customized job training, the list of indicators focuses primarily on those activities directed towards helping distressed communities. The report does not address activities directed at individuals such as income maintenance, health and social services, and other human service programs initiated by states or funded by the federal government and passed through state agencies.[4] Such research is beyond the scope of this volume. The state policies listed in this analysis will, of course, in the long run help people in distress through improvements in the capacity and resources of local governments.

Also excluded from the list were state administrative and discretionary actions which governors, other state officials, and courts can take to help target programs. While these actions could conceivably have a major impact on distressed areas, time constraints and the limited availability of reliable information required that the list be focused on direct, conscious policy actions on the part of state legislatures.

CONCLUSION

The authors have tried to err on the side of caution in their analyses of the data and hope their readers will do likewise, The area covered in this report is vast and varied. Although at this point the research should be regarded as exploratory rather than definitive, it is our hope that investigations over the next three years, and feedback from readers of this report, will yield a clearer picture of the nature and the results of state actions in behalf of distressed communities.

FOOTNOTES

[1]The Delphi technique is a method whereby individuals considered expert in a field can debate issues anonymously. The study is conducted by mail through several rounds of questionnaires; generally, the Delphi promotes convergence of opinions, although it may highlight the basis for disagreement.

[2]See Richard P. Nathan and Charles Adams, "Understanding Central City Hardship," *Political Science Quarterly*, Vol. 91, No. 1, Spring 1976, pp. 47-62. The variables used in constructing the Nathan-Adams hardship index are: (1) unemployment (percent of the civilian labor force unemployed); (2) dependency (persons less than 18 or over 64 years of age as a percent of total population); (3) education (percent of persons 25 years of age or more with less than a twelfth-grade education; (4) income level (per capita income); (5) crowded housing (percent of occupied housing units with more than one person per room); and (6) poverty (percent of all families below 125% of low-income level).

[3]All tau beta coefficients cited in the text have been rounded to the nearest percent. See *Appendix B* for precise coefficient values.

[4]While the emphasis of this report is primarily on state programs, it should be recognized that it is often impossible to distinguish whether federal funding might be a part of a state program. For a discussion of the pass-through issue see ACIR, *Recent Trends in Federal and State Aid to Local Governments*, M-118, Washington, DC, U.S. Government Printing Office, July 1980.

State Actions

Five of the most important policy areas in which states can aid their distressed communities are housing, economic development, community development, fiscal assistance, and the enhancement of local self-help capabilities. This section examines 20 specific program indicators within these categories ranging from single-family home construction to local government discretionary authority. The matrix in *Table 1* should be consulted for a state-by-state overview for all program indicators.

I. HOUSING INDICATORS

Housing production and improvement are a vital part of distressed community development. According to the majority of state and local officials surveyed, targeted housing programs should be directed at persons with low or moderate incomes, or at communities or neighborhoods with substantial concentrations of low income families or substandard dwellings.

While few housing programs are geographically targeted, a majority of the states offer assistance to low or moderate income families.[1] All 38 members of the Council of State Housing Agencies (CSHA) provide some form of aid to this group. According to ACIR estimates, an additional six states can be said to target housing assistance to needy persons.[2]

State housing programs have grown, and financing increased, despite declining federal support. 1977 and 1978 figures show an improvement in state production records. Between September 30, 1977, and December 31, 1978, CSHA members financed over 160,000 units. During the same period, the median number of units financed by a state HFA increased from 5,750 to 8,075.[3]

In addition to the CSHA figures, a 1979 ACIR staff compilation shows 42 states to have established state housing finance agencies with two more (Washington and Florida) permitting their departments of community affairs to administer federal Section 8 Rental Assistance efforts to low and moderate income families. Both Alabama and Louisiana passed legislation in 1980 authorizing a state housing finance agency.[4]

Ohio and Oklahoma have been omitted from the targeted housing programs listed in *Table 6*

Table 3

STATE HOUSING FINANCE AGENCIES

	Council of State Housing Agencies Membership 1978/1979 (38 States)	1979 ACIR Staff Compilation of State Housing Finance Agencies (44 States)	1980 Legislation Authorizing State Housing Finance Agencies (2 States)
Northeast			
Connecticut	X	X	
Maine	X	X	
Massachusetts	X	X	
New Hampshire	X	X	
Rhode Island	X	X	
Vermont	X	X	
Delaware	X	X	
District of Columbia			
Maryland	X	X	
New Jersey	X	X	
New York	X	X	
Pennsylvania	X	X	
North Central/Midwest			
Illinois	X	X	
Indiana		X	
Michigan	X	X	
Ohio	X	X	
Wisconsin	X	X	
Iowa	X	X	
Kansas			
Minnesota	X	X	
Missouri	X	X	
Nebraska		X	
North Dakota			
South Dakota	X	X	

SOURCE: ACIR staff compilation.

as have Alabama, Arizona, Kansas, Louisiana, and North Dakota. Oklahoma has authorized a number of home finance programs, but has not implemented any of them. The Ohio Housing Development Board has been enjoined from undertaking direct home construction and rehabilitation finance activities, pursuant to a 1976 ruling of the Ohio Supreme Court. A proposed state constitutional amendment to permit the use of state bonding authority for home finance activities was subsequently defeated in a 1977 referendum, thus restricting the housing development board to issuing seed money loans to nonprofit developers. The Alabama and Louisiana programs have yet to be implemented while Arizona, Kansas, and North Dakota do not have housing finance agencies or programs comparable to those in other states. Most of the housing finance programs can be found in the northeastern and western states.

Table 3 (cont.)

STATE HOUSING FINANCE AGENCIES

	Council of State Housing Agencies Membership 1978/1979 (38 States)	1979 ACIR Staff Compilation of State Housing Finance Agencies (44 States)	1980 legislation Authorizing State Housing Finance Agencies
South			
Alabama			X
Arkansas	X	X	
Florida		X	
Georgia	X	X	
Kentucky	X	X	
Louisiana			X
Mississippi			
North Carolina	X	X	
South Carolina	X	X	
Tennessee	X	X	
Virginia	X	X	
West Virginia	X	X	
Oklahoma		X	
Texas		X	
West			
Arizona			
New Mexico	X	X	
Colorado	X	X	
Idaho	X	X	
Montana	X	X	
Utah	X	X	
Wyoming	X	X	
California	X	X	
Nevada	X	X	
Oregon	X	X	
Washington		X	
Alaska	X	X	
Hawaii	X	X	

Table 4

UNITS FINANCED BY STATE HOUSING FINANCE AGENCIES, CUMULATIVE DATA BY STATE, 1978 and 1977[1]

State	Units Financed As of 12/31/78	Units Financed As of 9/30/77
New York	218,242[2]	195,116[2]
New Jersey	44,969[3]	24,200[3]
Massachusetts	40,345	37,700
Minnesota	40,244	37,628
Michigan	29,000	27,600
Virginia	24,897	18,909
Illinois	19,284	18,415
Rhode Island	18,900	8,300
Kentucky	17,371	11,000
Missouri	17,000	N/A
West Virginia	15,926	11,645
Connecticut	14,332	13,400
California	13,473	5,780
Pennsylvania	12,955	10,600
Wisconsin	12,000	9,170
Tennessee	11,204	9,100
Vermont	9,706[4]	7,050[4]
South Dakota	8,498	4,503
Maryland	8,075	7,374[5]
Colorado	7,379	5,750
Maine	7,300	3,000
Oregon	7,200	3,000
Utah	7,137	N/A
Alaska	7,000	5,000
Georgia	6,800	2,070
Hawaii	6,400	5,312
Iowa	4,700	1,200
New Hampshire	4,682	2,000
Delaware	4,240	1,200
Idaho	2,620	1,215
Wyoming	2,500	—0—
Nevada	2,345	1,650
North Carolina	1,950	1,950
Montana	1,901	1,500
New Mexico	1,800	1,800
South Carolina	1,603	958
Ohio	—0—[6]	—0—[6]
Total Units Financed	659,198	495,095
Median Number of Units Financed	8,075	5,750
	N = 37	N = 35

[1]Includes only those units financed by members of the Council of State Housing Agencies. Forty-one states had created state HFAs by the close of 1978; the HFAs of 37 states were council members.

[2]Includes units financed by the New York State Housing Finance Agency under the supervision of the New York State Division of Housing and Community Renewal, the New York State Urban Development Corporation, and the New York City Housing Development Corporation.

[3]Includes units financed by the New Jersey Housing Finance Agency and the New Jersey Mortgage Finance Agency. The 1977 CSHA data has been amended to include an estimated 800 units financed under the Mortgage Finance Agency's Neighborhood Loan Program.

[4]The data include units insured under the state mortgage insurance program for single-family housing. Five thousand units were insured as of September 30, 1977; 6,500 units were insured as of December 31, 1978.

[5]1977 data have been amended in accordance with a 1,356 unit reduction in a subsequent estimate of multifamily units financed by the Maryland HFA.

[6]Agency operations curtailed because HFA enabling statute ruled invalid by the courts.

SOURCE: ACIR staff compilation based on data provided by Council of State Housing Agencies, *1977 Annual Report*, Washington, DC, 1978 and *1978 Annual Report*. All CSHA figures are approximate; the above figures should be read with this knowledge.

Table 5

SINGLE-FAMILY HOUSING FINANCE ACTIVITY BY STATE HFAs BETWEEN SEPTEMBER 30, 1977 AND DECEMBER 31, 1978[1]

State	Units Financed between 9/30/77 and 12/31/78	Single Family Units Financed Between 9/30/77 and 12/31/78	Percent Single Family Units
New York	23,126	0	0%
New Jersey	20,769	17,800	85.70
Massachusetts	2,645	0	0
Minnesota	2,616	2,616	100.00
Michigan	1,400	1,400	100.00
Virginia	5,988	3,876	77.38
Illinois	869	0	0
Rhode Island	10,600	8,500	80.19
Kentucky	6,371	5,100	80.05
Missouri	N/A	N/A	N/A
West Virginia	4,281	3,390	79.19
Connecticut	932	434	46.57
Pennsylvania	2,335	0	0
Wisconsin	2,830	0	0
Tennessee	2,104	1,461	69.44
Vermont	2,656[2]	2,482[2]	93.45
South Dakota	3,995	3,430	85.86
Maryland	701[3]	362[3]	51.64
Colorado	1,629	918	56.35
Maine	4,300	2,900	67.44
Oregon	4,200	4,000	95.24
Utah	N/A	N/A	N/A
Alaska	2,000	2,000	100.00
Georgia	4,730	2,200	46.31
Hawaii	N/A	N/A	N/A
Iowa	3,500	3,500	100.00
New Hampshire	2,682	2,500	93.21
Delaware	3,040	1,767	58.13
Idaho	1,405	1,162	82.70
Wyoming	2,500	2,500	100.00
Nevada	695	485	69.78
North Carolina	0	0	0
Montana	401	267	66.58
New Mexico	0	0	0
South Carolina	645	0	0
Ohio	0	0	0
Total N=34	133,658	76,835	57.49

[1]Includes only those units financed by members of the Council of State Housing Agencies. Forty-one states had created state HFAs by the close of 1978; the HFAs of 37 states were council members.
[2]Includes 6,500 units insured under Vermont's mortgage insurance program for single-family housing.
[3]Includes single-family units rehabilitated under the state's home rehabilitation finance program.
SOURCE: ACIR staff compilation, based on data provided by Council of State Housing Agencies, 1977 *Annual Report*, Washington, DC, 1978 and *1978 Annual Report*. All CSHA figures are approximate; the above figures should be read with this knowledge.

Table 6

TARGETED HOUSING PROGRAMS

State and Region	Single Family Housing	Multifamily Housing	Rehabilitation Finance	Rehabilitation Tax Incentive
United States	41	31	19	16
Northeast				
Connecticut	X	X	X	X
Maine	X	X	X	
Massachusetts	X	X	X	X
New Hampshire	X	X		
Rhode Island	X	X		X
Vermont	X	X		
Delaware	X	X		
Dist. of Columbia				
Maryland	X	X	X	
New Jersey	X	X	X	X
New York		X	X	X
Pennsylvania	X	X	X	X
North Central/Midwest				
Illinois	X	X	X	
Indiana	X			X
Michigan	X	X	X	
Ohio				X
Wisconsin	X	X	X	X
Iowa	X		X	X
Kansas				
Minnesota	X			X
Missouri	X	X		X
Nebraska	X		X	
North Dakota				
South Dakota	X	X	X	

South				
Alabama				
Arkansas	X			
Florida	X	X	X	X
Georgia	X			
Kentucky	X	X		
Louisiana				
Mississippi	X			
North Carolina	X			
South Carolina	X	X		
Tennessee	X	X		
Virginia	X	X		
West Virginia	X	X	X	
Oklahoma				
Texas	X	X		
West				
Arizona				
New Mexico	X		X	
Colorado	X	X	X	
Idaho	X	X		
Montana	X	X		X
Utah	X	X		
Wyoming	X			
California	X	X		X
Nevada	X	X		
Oregon	X	X	X	X
Washington				
Alaska	X			
Hawaii	X	X	X	

SOURCE: ACIR staff compilation.

Single Family Home Construction or Mortgage Loan Program: 41 States

The state and local officials surveyed indicated a distinction should be made between the provision of single and multifamily home construction or mortgage loan programs. Single family programs are more prevalent. In fact, the improvement of the HFA finance record can be largely attributed to an increased emhasis on the financing of limited-risk, single family units, a trend which has enabled these agencies to more effectively tap the tax exempt bond market for housing capital. According to the Urban Institute, almost two-thirds of all HFA financing was used for single-family housing during 1978.[5]

- Twenty-three states have a single-family mortgage purchase program (Alaska, Arkansas, California, Connecticut, Georgia, Idaho, Iowa, Kentucky, Maine, Minnesota, Montana, Nevada, New Hampshire, New Jersey, New Mexico, North Carolina, Oregon, Rhode Island, South Dakota, Utah, Vermont, Virginia and Wisconsin).
- Colorado, Delaware, Kentucky, Nevada, Oregon, Vermont, Virginia and West Virginia have single-family loans-to-lenders programs.
- Direct single-family construction and loan programs are available in Hawaii, Maryland, Missouri, South Dakota, Virginia, West Virginia, and Wisconsin.
- Other types of loans and financing are provided by Florida, Massachusetts, Michigan, Minnesota, South Carolina, Tennessee, Texas, and Wyoming.[6] Illinois, Indiana, and Mississippi also offer mortgage financing. New issues for single family mortgages were made available by Delaware and Iowa. Vermont has a mortgage insurance program.

Multifamily Home Construction or Mortage Loan Program: 31 States

To date, state governments have been less likely to subsidize multifamily units than single family homes for low and moderate income families. The rapid escalation in rental housing costs has proved the primary obstacle to subsidizing multifamily development projects. Successful efforts often require additional subsidies to ensure that rent levels remain within the means of target households.[7] To date:

- Twenty-three states have established loan programs for multifamily rental development (California, Colorado, Connecticut, Hawaii, Idaho, Illinois, Kentucky, Maryland, Massachusetts, Michigan, Missouri, Montana, Nevada, New Jersey, New York, Oregon, Rhode Island, Tennessee, Utah, Vermont, Virginia, West Virginia, and Wisconsin).
- Many of the same states assist in multifamily housing construction and development (California, Colorado, Connecticut, Hawaii, Maryland, Massachusetts, Nevada, New Hampshire, New York, and South Dakota.
- Multifamily mortgage purchase programs are administered by Kentucky, Maine, Utah, and Wisconsin.
- Florida, South Dakota, and Utah have multifamily housing bonds; Delaware allows low interest mortgages; New Hampshire and Pennsylvania provide loans and grants; and South Carolina offers subsidized rentals.

Housing Rehabilitation Grants or Loans: 19 States

Housing rehabilitation activities are more prevalent in the northeast and midwest than in the south or west. Targeted and nontargeted alike, these programs are of recent vintage, and have achieved only modest production records. An exception has been the Minnesota Housing Finance Agency rehabilitation finance program which operates on a statewide basis. By the end of 1978 the program funded the rehabilitation of over 20,000 units. The Minnesota rehabilitation finance effort, like those of Vermont, Virginia, and North Carolina, is a statewide effort, designed primarily to improve the energy efficiency of dwellings upgraded under the program.

Of the targeted programs, the 19 state efforts tend to be limited in scope. A number of them involve some federal funding.

- The targeted home rehabilitation initiatives mounted by Colorado, Illinois, and Maine represent federally funded pilot programs for rural areas.
- Florida's use of state funding for home rehabilitation is limited to small grants for localities participating in the neighborhood housing services program launched by the Neighborhood Reinvestment Corporation, a nonprofit organization.

Some state programs are primarily directed at major urban areas.

- New Mexico's home rehabilitation program is restricted to Albuquerque, while Oregon's effort is limited to Portland. New York State's program is largely directed at New York City although the state also has small grants used to defray the expenses of community groups which provide housing rehabilitation services in depressed neighborhoods. Similarly, New Jersey provides rehabilitation funding both for inner city areas and other localities.

In other rehabilitation efforts:

- Pennsylvania and Massachusetts offer state-executed home rehabilitation programs; Pennsylvania's initiative is restricted to five communities, while Massachusetts' Neighborhood Improvement Program has been limited to six target neighborhoods.
- Iowa, Nebraska and Wisconsin provide housing rehabilitation loans. West Virginia's loan program is directed at coal mining and energy short areas.
- Connecticut gives grants to municipalities for the financing and acquisition of blighted structures. The Maryland Housing Fund provides for single and multifamily housing rehabilitation. Oregon constructs and rehabilitates homes for low income elderly. South Dakota established a new housing improvement program during 1980. Hawaii and Michigan have active rehabilitation programs.

Housing Rehabilitation Tax Incentive: 16 States

Sixteen states have enacted tax incentives to spur statewide home rehabilitation. These measures include tax credits, abatements, exemptions and deferrals.[8]

- Florida, Rhode Island, and Wisconsin offer rehabilitation tax credits.
- California has enacted tax deferrals for rehabilitated properties in urban conservation areas. Connecticut offers tax deferments and reimbursement incentives. Minnesota has a deferment program.
- Indiana, Missouri, Montana, Ohio, and Pennsylvania provide tax abatements.
- Tax exemptions for residential improvements in blighted areas are available in Iowa, Massachussetts, New Jersey, New York (primarily New York City), and Oregon.

In Connecticut, Indiana, Mssissippi, New Jersey, Ohio, Oregon, Pennsylvania, Rhode Island, and Wisconsin eligibility for home rehabilitation tax relief is contingent upon adoption by the local governing body.

II. ECONOMIC DEVELOPMENT INDICATORS

State efforts to attract industry and commerce are numerous and varied. Inducements include financial assistance and tax incentives or services like job training and technical assistance. State policies range from targeted and controlled growth to indiscriminate "smokestack chasing."

Opinions vary concerning the utility or optimal content of state economic development measures. Some economists have questioned the value of publicly provided financial incentives, targeted and nontargeted alike. In their view, these programs have very little impact on the locational decisions of firms, particularly on an interstate basis. On the other hand, intrastate development patterns are thought to be affected by targeted inducements.[9]

States, nonetheless, perceive economic development incentives to be quite beneficial,

Table 7

TARGETED ECONOMIC DEVELOPMENT PROGRAMS

State and Region	Site development	Financial Aid	Job training	Small Business	Industrial Revenue Bonds
United States	13	12	42	8	5
Northeast					
Connecticut	X	X	X	X	X
Maine			X		
Massachusetts		X	X		X
New Hampshire					
Rhode Island					X
Vermont			X		
Delaware			X		
District of Columbia					
Maryland			X	X	
New Jersey	X	X	X	X	X
New York	X	X	X		
Pennsylvania	X	X	X		
North Central/Midwest					
Illinois		X	X	X	
Indiana	X		X		
Michigan			X		
Ohio		X	X		
Wisconsin			X		
Iowa			X		X
Kansas	X				
Minnesota	X	X	X		
Missouri			X		
Nebraska	X		X		
North Dakota			X		
South Dakota			X		

South				
Alabama	X		X	
Arkansas	X		X	
Florida				X
Georgia	X		X	
Kentucky		X	X	
Louisiana			X	X
Mississippi	X		X	
North Carolina			X	
South Carolina			X	
Tennessee	X	X	X	
Virginia				
West Virginia			X	
Oklahoma			X	
Texas		X	X	
West				
Arizona			X	
New Mexico				
Colorado			X	
Idaho				
Montana				
Utah			X	
Wyoming			X	
California			X	X
Nevada		X	X	
Oregon			X	
Washington			X	X
Alaska			X	
Hawaii			X	

SOURCE: ACIR staff compilation.

with 32 states having established a state-sponsored industrial development authority.[10] While relatively few state programs are targeted to distressed communities, the current recession and worsened local plight has resulted in states becoming more conscious of the concept of targeting.[11]

To ease the worsening plight of communities suffering from outmigration of population and industry, unemployment and a narrow economic base, states have instituted different kinds of targeted programs. In response to the NAPA indicators survey, state and local officials identified the following economic development program areas to be the most effective: site development and state financial aid for industry and commerce, customized job training, small business development, as well as state issuance of industrial revenue bonds. Tax incentives were considered less helpful.

In general, state-targeted economic development programs appear more prevalent in the northeast, south, and north central/midwest states than in the west.

Industrial and Commercial Site Development Efforts: 13 States

Technical assistance, direct state development and state designation of industrial sites are considered to be some of the more important features of targeted state industrial and commerical development programs by state and local officials. In the 13 states which have established site development assistance for distressed communities, most of the programs are limited and directed to particular urban areas or for technical assistance.

- Alabama, Arkansas, Georgia, Kansas, New York, and Tennessee provide limited technical assistance to eligible communities. These state programs are relatively limited in finance and duration.
- The programs offered by Minnesota, Mississippi, and Nebraska offer small grants for certain urban site development projects.
- Alabama, Indiana, New Jersey, and Pennsylvania have limited site development programs. In the case of New Jersey, small matching grants are given to local development groups in distressed areas.
- In 1978, Connecticut began to target grants for mini-industrial parks to distressed commumities. In 1979, the New York-New Jersey, Port Authority chose six possible industrial park sites in blighted urban areas in the two states in a ten-year $1 billion program. Eight other states are listed as having state-owned industrial park sites: Alabama, Hawaii, Mississippi, New Hampshire, New Jersey, Oklahoma, Rhode Island, and Tennessee.[12] Maryland has also indicated activity in industrial park development.
- Conway Publications lists 17 states as having an incentive program to establish industrial plants in areas of high unemployment. These are California, Connecticut, Maryland, Massachusetts, Minnesota, Missouri, Nevada, New Jersey, New York, North Dakota, Ohio, Oregon, Pennsylvania, Tennessee, Vermont, Washington, and West Virginia.[13]

Targeted industrial and commercial site development programs are distributed among the northeast, midwest and southern states. The western states have not been as involved in such efforts.

State Financial Aid for Industrial or Commercial Development: 12 States

Twelve states provide targeted financial aid for industrial or commercial development in the form of state loans, loan guarantees, interest subsidies, and grants. The northeastern states predominate in this area:

- The Illinois Industrial Development Authority, created by the legislature in 1961, is empowered to make development loans to industrial firms relocating to, or expanding within Illinois. The loans are targeted primarily to high unemployment areas.
- Massachusetts has concentrated its facilities development funding programs in areas experiencing economic stagnation and underemployment. The Community Development Finance Corporation provides venture and equity capital to local development corporations (LDC); a state network was recently established to rend-

er further technical assistance to LDC staff. The Massachusetts Industrial Mortgage Insurance Agency provides loan guarantees to expanding industries, targeting its activities to high unemployment areas.

- Minnesota, like Massachusetts, provides venture capital to community development corporations active in poverty areas. The Minnesota effort, the first such program in the nation, extended its operations to 17 communities during 1978.
- Ohio, Pennsylvania, and Texas provide industrial facilities loans to local development agencies active in distressed communities. The Pennsylvania program is targeted to high unemployment areas, while the Texas effort is directed to rural areas experiencing population stagnation or outmigration.
- Similarly, Tennessee provides loan guarantees on industrial machinery and equipment for firms located in areas of the state suffering from inadequate economic growth, generally small towns and rural areas.

In three states, general industrial development assistance programs are accompanied by targeted facilities development:

- The Kentucky effort is a relatively modest grant-in-aid venture which returns coal severance tax revenues to certain coal mining communities in the form of funds for industrial development.
- New York and New Jersey jointly authorized a $400 million industrial facilities target effort during 1978. Administered by the Port Authority of New York and New Jersey, it is intended to generate some $600 million in additional private investment over a ten-year period for central city areas.

Two other states provide assistance for industrial and commercial facilities development:

- Connecticut offers matching grants for industrial improvement in business areas receiving federal renewal assistance.
- Nevada has instituted a $5 million loan fund to promote industrial and commercial expansion in economically depressed areas.

Customized Job Training: 42 States

An ideal situation for a distressed community would be one where industrial development proceeds in tandem with customized job training. The supply of a trained labor pool to meet the particular needs of incoming industry would encourage industrial relocation as well as ensure placement for participating individuals.

This approach has its drawbacks, unfortunately. As a recent Council of State Planning Agencies' study points out,

> . . . one reason enterprises which are operating in depressed areas often do not hire solely from the local labor pool, or from those most in need of work, is that these applicants have less education, fewer skills, and insufficient work experience. Hiring them may mean higher unit labor costs. In that case, requiring local residents to be hired can impose such added costs on an enterprise that it will no longer be sufficently profitable. Thus a program designed to make capital available to underfinanced but competitive ventures may find itself with no investment opportunities if it requires these hiring practices.[14]

For this reason, although many states provide training programs to attract industry, they are generally focused on the needs of employers rather than on the requirements of distressed communities. Targeted state job training programs are directed at individuals rather than geographic locations in the 42 states which have enacted programs to encourage training of the hard-core unemployed.[15]

In addition to the lack of targeting to distressed communities, other problems connected with job training programs are the absence of state program planning and limited private industry involvement.[16] Suggested remedies include better coordination, and offering firms financial incentives for hiring employees with particular employment or income characteristics. The Massachusetts Occupational Information Coordinating Committee and the South Carolina Technical and Comprehensive Education program are two of the few efforts aimed at better coordination.[17]

Small Business Development: 8 States

It is generally recognized that small businesses can be helpful to the economy of an area in that they create the most new jobs and bring the profits back into the community. Also, according to the Council of State Planning Agencies, it has made political sense to support small business. To quote a Council of State Planning Agencies' publication,

> Indeed almost all elected officials and candidates for office routinely extol the virtues of the small entrepreneur who turns an innovative idea into a thriving business. Politicians also criticize government for making it too difficult to start a new business today.[18]

Unfortunately, it is difficult to provide effective assistance to small businesses because of their diverse character and location as well as high failure rate. These may be some of the reasons why only eight states have been able to develop policies actually fostering small business development in distressed communities even though all states but Delaware, Idaho, Nevada, South Carolina, South Dakota, and Wyoming offer some general assistance to small businesses.[19] Of the targeting states:

- California encourages loans to firms creating employment opportunities in distressed areas.
- Connecticut's Urban Jobs Program provides working capital loans to small businesses in distressed municipalities.
- Florida provides interest free loans for businesses in designated blighted areas.
- Illinois has targeted its preferential procurement program for small businesses primarily to firms located in high unemployment areas.
- The Louisiana Small Business Development Fund is directed to alleviate economic hardship in blighted areas.
- Maryland's Small Business Financing Development Authority assists firms in areas needing economic stimulus.
- New Jersey offers loan credit to firms located in economically underdeveloped areas.
- Washington's effort lies in the area of research: the state's Small Business Office is conducting studies on the utilization of small businesses in revitalizing economically depressed areas.

Industrial Revenue Bonds: 5 States

Most states issue some kinds of tax exempt bonds on behalf of private industry to stimulate economic growth. The sites or facilities purchased by means of state bonds are sold or leased to the private party at lower cost than offered commercially. The returns from the sale or lease are used to pay for the amortization and interest of the bonds. Certain financial and time limits apply to these bonds.

Both industrial revenue and development bonds are financed by the revenues from the private industry in question. Industrial development bonds, unlike revenue bonds, are guaranteed by the issuing governmental entity, however. Although the terms "development bond" and "revenue bond" are often used interchangeably, clearly the latter kind pose more risks unless the borrowing firm is quite stable.[20]

Forty-six states are active in offering industrial revenue bonds. They are not made available in California, Idaho, or Washington. Hawaii permits their issuance but has not used them. Presently, the only states actually targeting the use of industrial revenue bonds to their distressed areas are Connecticut, Iowa, Massachusetts, New Jersey, and Rhode Island. The uses of these targeted bonds tend to be rather restricted in that they might only be permitted for nonmanufacturing uses or the distress criteria might be quite stringent.[21]

III. COMMUNITY DEVELOPMENT

Community development is a complex, interrelated process. Housing improvement may result from increased employment brought about by industrial development. In order to attract industry, however, a community must provide an adequate infrastructure—repaired streets, working water and sewer facilities—as well as decent and safe neighborhoods with adequate housing.

To date, state aids for community development activities tend to take the form of modest grants distributed on a statewide basis in fixed ratio to local development expenditures. Nationwide, state-local community development assistance represents a small percentage of state intergovernmental aids. According to ACIR calculations, state community development grants and loans exceed 3% of total state-local expenditures in this area in only eight states. The data tend to support the inference that the provision of intergovernmental community development assistance remains largely a federal responsibility, principally through the HUD Community Development Block Grant program.

The southern states have the least number of programs in the area of community development while those in the northeast, north central, midwestern, and western states are evenly distributed. The programs reported here are those where states give priority to communities or neighborhoods where public facilities are obsolete, lacking, declining, or underdeveloped; to areas experiencing rapid industrial and population growth; as well as to areas where capital or community development needs exceed financing and maintenance capabilities.

Capital Improvements: 20 States

Included in this targeted state activity are grants, loans, and interest subsidies to build or maintain water and sewer facilities, streets, roads, transit and recreation facilities, and public buildings. In most of the 20 states which target community development aid, efforts addressed to distressed communities are fragmentary, often representing a matching contribution on behalf of certain localities for additional federal assistance.

- Water and sewer facilities construction seems to predominate in the area of capital improvements. Such programs are found in Alaska, Arkansas, Florida, Colorado, Georgia, Massachusetts, New Mexico, Tennessee, Virginia, Washington, and West Virginia.
- Mineral severance tax revenue and other funds are made available in Colorado, Montana, Utah, Wyoming, North and South Dakota to communities experiencing unprecedented infrastructure development needs as a result of too-rapid economic expansion.
- Transportation related assistance such as mass transit facilities improvement or street construction is provided in Connecticut, Massachusetts, Montana, New Jersey, Ohio, and Washington.
- Arizona, Connecticut, Massachusetts, and Washington offer development programs for recerational areas such as parks.

Local Neighborhood Improvement: 14 States

State involvement in neighborhood improvement has evolved over the last decade. A HUD-financed report for the Pennsylvania Department of Community Affairs and the Council of State Community Affairs Agencies (COSCAA) traces neighborhood policy to the Office of Economic Opportunity's (OEO) community action programs during the 1960s. With the termination of OEO, neighborhood organizations readjusted to a new political climate and began to request state assistance. The report explains that:

> [as] a result [of the changing political climate] neighborhoods have [become a state policy concern] even though the states [have had] little time for strategy, direction, and overall preparation. To say the least, many state government agencies are not prepared to work in neighborhood settings, nor are they certain about the actual role state institutions and their staffs will be able to play.[22]

Presently, 14 states have neighborhood improvement policies. The programs range from aid and assistance to neighborhood community development corporations (CDCs) in Massachusetts and Minnesota to tax credit incentive programs for neighborhood development in Missouri, Indiana, and Delaware. To date, state neighborhood improvement programs have been concentrated within the northeast and north central/midwest region.

Table 8

TARGETED COMMUNITY DEVELOPMENT PROGRAMS

State and Region	Capital Improvements	Neighborhood Improvement
United States	20	14
Northeast		
Connecticut	X	
Maine		
Massachusetts	X	X
New Hampshire		
Rhode Island		
Vermont		
Delaware		X
District of Columbia		
Maryland		
New Jersey	X	X
New York		X
Pennsylvania		X
North Central/Midwest		
Illinois		
Indiana		X
Michigan		X
Ohio	X	
Wisconsin		X
Iowa		
Kansas		
Minnesota		X
Missouri		X
Nebraska		
North Dakota	X	
South Dakota	X	
South		
Alabama		
Arkansas	X	
Florida	X	X
Georgia	X	X
Kentucky		
Louisiana		
Mississippi		
North Carolina		
South Carolina		
Tennessee	X	
Virginia	X	
West Virginia	X	
Oklahoma		
Texas		
West		
Arizona	X	
New Mexico	X	
Colorado	X	X
Idaho		
Montana	X	
Utah	X	
Wyoming	X	
California		X
Nevada		
Oregon		
Washington	X	
Alaska	X	
Hawaii		

SOURCE: ACIR staff compilation.

IV. FISCAL AND FINANCIAL MANAGEMENT ASSISTANCE

State fiscal reform measures equalize interlocal fiscal disparities thus benefiting distressed communities. By enacting equalizing measures in revenue sharing, education finance, and public welfare expenditures, states can relieve local governments' financial burden. Energy prices, housing costs, an uncertain national economy, and high inflation and unemployment together have reduced municipal spending power and increased local governments' programmatic and fiscal load. The task of financial reform is an essential one. And yet, as *Table 9* indicates, less than half of the states have reformed their fiscal systems in aid of distressed communities.

State programs were considered targeted to distressed communities when the programs sought to alleviate revenue and expenditure burdens of fiscally pressed communities, specifically those communities with an inadequate tax base and a below average per capita income. The criterion recognizes that most fiscal and financial management assistance programs are statewide. For that reason, criteria were developed for each indicator to reflect specific equalizing reforms. For example, state revenue sharing programs must distribute 50% or more of the total revenue according to equalizing factors consisting of population, per capita rates, and funds distributed in inverse proportion to tax capacity effort. Education finance reforms must reduce interlocal disparities in per pupil expenditures. For the public welfare category, the state must assume 90% or more of the local government's costs. Additionally, any state with a functioning mandates reimbursement program or local credit market policy is recognized. Both programs improve the local municipalities' ability to manage and allocate their money more efficiently.

Most fiscal reform actions have taken place in the western and the north central/midwest states. The northeast states, as a group, have done less to alleviate interlocal fiscal disparities than have the other regions.

Revenue Sharing: 23 States

State-local revenue sharing can be defined as money given to localities, primarily counties, townships, cities, and villages, to be spent on purposes determined by the localities themselves with few strings.[23] Using this broad definition, the Census Bureau reports that in 1978, 49 states shared over $6.8 billion with localities. This amount represents over 10% of total state aid and is the third largest type of state aid after assistance for education and public welfare. When the federal pass-through is not counted, state-local revenue sharing is the second in size next to education aids.

Of the 49 states that have revenue sharing policies, 23 states have enacted equalizing programs (see *Table 10*). The northeast and north central/midwest have the least number of states with equalizing revenue sharing programs and the western region has the greatest number.[24]

Each state's distribution of revenue sharing funds per capita of equalizing aid is listed in *Table 11*. It should be noted that states like Oklahoma, Utah, Virginia, and Georgia distribute 50% or more according to equalizing criteria but have low per capita equalizing distribution.

The degree to which states "target" their revenue sharing program to distressed communities varies. Some states, most notably, Wisconsin, Minnesota, and Michigan provide support to all local governments but also target relatively more aid to communities with the greatest need, as evidenced by high expenditures and/or low property valuations. High taxes and low valuations are thought not only to be indicators of financial need but also as being symptomatic of the socioeconomic problems and disadvantages some localities face.

A second approach to sharing can be found in some of the western and Great Plains states. These states, which are less urbanized and more governmentally and socially homogeneous, do not attempt both sharing and targeting due to the limited number of communities which need targeting. In these states, emphasis is placed on sharing.

Finally, states like New Jersey and Connecticut represent the reverse of the situation existing in the Great Plains and the west. Both states are highly urbanized and socially heterogenous with a high statewide level of personal income. However, in several cases the central cities of

Table 9

STATE ACTIONS TO PROVIDE FISCAL RELIEF TO DISTRESSED COMMUNITIES

State and Region	State-Local Revenue Sharing	Education Finance Reform	Welfare Cost Assumption	Mandates Reimbursement	Credit Market Access
United States	23	18	27	12	16
Northeast					
Connecticut		X	X		X
Maine	X				X
Massachusetts	X		X		
New Hampshire	X				X
Rhode Island			X	X	
Vermont			X		X
Delaware			X		
Dist. of Columbia					
Maryland			X		
New Jersey					X
New York	X				X
Pennsylvania					X
North Central/Midwest					
Illinois	X	X	X	X	
Indiana		X			X
Michigan	X	X	X	X	
Ohio					X
Wisconsin	X	X			
Iowa		X			
Kansas		X	X		X
Minnesota	X				X
Missouri		X	X		
Nebraska					
North Dakota		X			X
South Dakota			X		

South					
Alabama			X		
Arkansas	X		X		
Florida		X		X	
Georgia	X		X		X
Kentucky			X		
Louisiana	X		X		
Mississippi					
North Carolina					X
South Carolina	X	X	X		X
Tennessee	X	X		X	
Virginia	X			X	
West Virginia			X		
Oklahoma	X		X		
Texas		X	X		
West					
Arizona	X	X		X	
New Mexico		X	X		
Colorado		X			
Idaho			X	X	
Montana		X		X	
Utah	X		X		
Wyoming	X				
California		X		X	
Nevada	X				
Oregon	X		X		
Washington	X		X	X	
Alaska	X		X		X
Hawaii	X		X	X	

SOURCE: ACIR staff compilation.

Table 10

STATE-LOCAL TAX REVENUE SHARING PROGRAM CHARACTERIZED BY ABILITY TO EQUALIZE INTERLOCAL FISCAL DISPARITIES, BY STATE[1]

State	Percent Program Revenues Distributed According to Equalizing Factor(s)	Major Distribution Factor(s)
Alabama	31.00	Local origin
Alaska	50.50	Per capita tax rates
Arizona	52.26	Population
Arkansas	67.74	Population
California	33.90	Property tax reimbursement
Colorado	0	Not specified
Connecticut	28.17	Local origin; property tax reimbursement
Florida	.09	Local origin; other
Georgia	83.86	Various need measures
Hawaii	100.00	Tax capacity: inverse distribution
Idaho	18.08	Property tax reimbursement
Illinois	100.00	Population
Indiana	11.14	Property tax reimbursement
Iowa	13.18	Property tax reimbursement
Kansas	39.59	Property tax reimbursement
Kentucky	0	Property tax reimbursement
Louisiana	71.41	Tax capacity: inverse distribution, other need measures
Maine	77.40	Tax capacity: inverse distribution
Maryland	21.94	Local origin: property tax reimbursement; other
Massachusetts	58.52	Tax capacity: inverse distribution
Michigan	65.22	Population; tax capacity: inverse distribution
Minnesota	82.59	Tax capacity: inverse distribution
Mississippi	.90	Local origin
Missouri	0	Local origin

Montana	0	Local origin
Nebraska	14.26	Property tax reimbursement
Nevada	86.10	Population
New Hampshire	—[2]	Property tax reimbursement
New Jersey	10.62	Property tax reimbursement
New Mexico	0	Local origin
New York	70.00	Various need measures
North Carolina	15.10	Local origin
North Dakota	18.74	Local origin; property tax reimbursement; other
Ohio	0	Local origin; property tax reimbursement; other
Oklahoma	83.68	Population
Oregon	61.41	Population
Pennsylvania	0	Local origin
Rhode Island	30.59	Property tax reimbursement
South Carolina	77.86	Population
South Dakota	47.50	Other nonequalizing factors
Tennessee	67.02	Population
Texas	0	Local origin
Utah	100.00	Population
Vermont	0	Local origin
Virginia	98.50	Population
Washington	65.18	Population
West Virginia	0	Local origin
Wisconsin	72.80	Population; tax capacity: inverse distribution; local origin
Wyoming	86.39	Population

[1]Some states do not have a formally titled revenue sharing plan. However, several states are included as having state revenue sharing plans if state revenues are collected and distributed to local governments. For example, Nevada and Washington are included because both collect selected sales taxes and distribute the revenues to municipalities.

[2]In 1979, New Hampshire changed its state-local revenue sharing formula from property tax reimbursement to a tax effort and population formula making the distribution more equalizing. Specific percentages are not available.

SOURCE: ACIR staff compilation based on state legislative data derived from U.S. Bureau of the Census. *1977 Census of Governments: State Payments to Local Governments*, Vol. 6, No. 3, Washington, DC, U.S. Government Printing Office, 1978.

Table 11

STATE REVENUE SHARING PROGRAMS: DOLLARS PER CAPITA EQUALIZING

State	Dollars Per Capita Equalizing	State	Dollars Per Capita Equalizing
Alabama	1.7	**Missouri**	NI
Alaska	41.1	**Nebraska**	7.4
Arizona	33.7	**Nevada**	19.9
Arkansas	7.9	**New Hampshire**	6.4
California	16.7	**New Jersey**	3.4
Colorado	Not Specified	**New Mexico**	NI
Connecticut	6.9	**New York**	40.5
Delaware	No Program	**North Carolina**	2.2
District of Columbia	—	**North Dakota**	4.3
Florida	2.4	**Ohio**	NI
Georgia	2.7	**Oklahoma**	2.2
Hawaii	24.3	**Oregon**	9.0
Idaho	5.5	**Pennsylvania**	NI
Illinois	13.3	**Rhode Island**	.2
Indiana	6.5	**South Carolina**	14.6
Iowa	9.1	**South Dakota**	3.3
Kansas	4.4	**Tennessee**	9.4
Kentucky	NI	**Texas**	NI
Louisiana	8.0	**Utah**	0.1
Maine	9.1	**Vermont**	NI
Maryland	4.8	**Virginia**	4.0
Massachusetts	7.2	**Washington**	7.2
Michigan	35.0	**West Virginia**	NI
Minnesota	42.7	**Wisconsin**	102.0
Mississippi	0.3	**Wyoming**	59.4

NI = No information available on equalizing factors.
SOURCE: ACIR compilation derived from: U.S. Bureau of the Census, *Census of Government, 1977,* Vol. 6, No. 3, *State Payments to Local Governments,* Washington, DC, U.S. Government Printing Office, 1979; and Wisconsin Department of Revenue (for Wisconsin data).

these two states do not share the relative affluence of their respective states. It is generally agreed that Newark, Jersey City, Paterson, Trenton, and Camden face more severe financial, economic and social problems than do the suburban and rural areas in New Jersey. Similarly, Hartford, New Haven, Bridgeport, and Waterbury are acknowledged to have a disproportionate share of the problems facing local government in Connecticut.

In response to the special conditions in New Jersey and Connecticut, the state governments have, in the last ten years, experimented with various aid programs and formulas to target general aid only to the more hard-pressed localities. In Connecticut the principal local government aid program is targeted but it has been supplemented in some years with property tax relief aid distributed on a per capita basis. New Jersey has a per capita aid program which has been supplemented with one or more highly targeted programs. Neither New Jersey nor Connecticut is listed among the 22 states with equalizing revenue sharing programs because they do not meet the 50% or more criterion.

Education Finance: 18 States

State and local governments have a significant impact on education finance policy. The National Center for Education Statistics (NCES) reports that "more than 91% of total [school finance] revenue is provided by state and local governments. In one half of the states, the largest proportion of total revenue came from state governments, while in the remaining half, the largest share was provided by local sources."[25] As a result of court challenges to the constitutionality of school finance plans, the distribution of education funds has become a major state policy issue.

Between the period 1970-77, 25 states enacted school equalization finance plans. In 18 of the reform states within-state disparities in per pupil expenditures declined. In six of the reform states interlocal disparities actually increased (Maine, Minnesota, Ohio, South Dakota, Utah, and Washington), while the New Mexico reform plan had virtually no effect on disparities in per pupil expenditures.[26] The northeast has the fewest states with education finance reform plans which reduce expenditure disparities; reforms in this area are most likely to be found in the north central/midwest region.

The school finance listing in *Table 9* includes those states which have enacted school finance education plans and experienced a reduction in within-state disparities in per pupil expenditures during the period 1970-77. As *Table 9* suggests, these reforms are least commonly found in the northeast. *Table 12* offers a broader perspective on state and local activity in school finance policy by listing education receipts and percentage distribution of receipts delineated by states and regions.

In their analysis of state education finance policy, NCES reports that generally, "expenditure per pupil was highly correlated with personal income per capita. . . . "

> Those states with higher personal income per capita generally spent more per pupil than states with lower per capita personal income. But even within this general rule, a substantial amount of diversity existed. For example, Illinois, Connecticut, and New Jersey had almost identical per capita personal incomes, yet they exhibited a great deal of variation in their . . . expenditure per pupil [for expenses excluding food service and transportation cost]. Conversely, Alabama, South Carolina, and Idaho had unequal personal income per capita but nearly identical expenditures per pupil.[27]

Other notable features of state school finance reforms are not contained in the summary *Tables 9* and *12*. For example, 22 states utilize criteria relating to student economic or educational disadvantage in determining funding for local school districts. These states are listed in *Table 13*. Several states provide additional funding to school districts with concentrations of poverty students, including Minnesota, Illinois, Ohio, and Pennsylvania.[28]

Sparsity and density factors represent another means by which state education finance programs can assist needy communities. At present, states distribute a portion of local education finance aid in accordance with either sparsity or density criteria. Generally, these factors are used to channel aid to sparsely settled school districts which typically incur relatively high per pupil outlays. In Maryland, Nevada, and Pennsylvania, however, density factors are used to channel additional aid to urban school districts. A complete listing of the states which provide local school money on the basis of sparsity or density factors is provided in *Table 13*.

Public Welfare: 27 States

State governments are beginning to undertake increasing responsibility for funding the nonfederal costs of public welfare programs. The major reason for heightened state involvement in this field is the surge in local welfare costs. According to ACIR, total state-local welfare expenditures increased by $31.4 billion or $142 per capita between 1942 and 1976. This increase can be largely attributed to four factors: the liberalization of eligibility standards, higher participation rates, increased benefit levels, and inflation.[29] As local governments

Table 12

ESTIMATED REVENUE RECEIPTS FOR ELEMENTARY AND SECONDARY SCHOOLS, BY GOVERNMENTAL SOURCE, BY STATE: 1979-80

	Revenue Receipts by Source (in millions)				Percentage Distribution of Receipts— Total			Percentage Distribution of Receipts— Excluding Federal	
State and Region	Total	Federal[1]	State	Local and Other[2]	Federal	State	Local and Other	State	Local and Other
United States	$93,707	$8,735	$45,109	$39,863	9.3	48.1	42.5	53.1	46.9
New England	5,702	374	1,983	3,345	6.6	34.8	58.7	37.2	62.8
Connecticut	1,450	87	462	901	6.0	31.8	62.2	33.9	66.1
Maine	439	41	216	182	9.3	49.2	41.5	54.3	45.7
Massachusetts	2,970	192	1,080	1,698	6.5	36.3	57.2	38.9	61.1
New Hampshire	277	17	26	234	6.3	9.4	84.4	10.0	90.0
Rhode Island	359	23	143	192	6.5	39.9	53.6	42.7	67.3
Vermont	207	13	57	137	6.3	27.5	66.2	29.3	70.7
Mideast	20,325	1,221	8,433	10,670	6.0	41.5	52.5	44.1	55.9
Delaware	298	36	196	66	12.1	65.8	22.1	74.9	25.1
District of Columbia	286	46	—	240	16.0	—	84.0	—	100.0
Maryland	2,017	142	800	1,075	7.0	39.7	53.3	42.7	57.3
New Jersey	3,686	150	1,490	2,046	4.1	40.4	55.5	42.1	57.9
New York	8,790	370	3,570	4,850	4.2	40.6	55.2	42.4	57.6
Pennsylvania	5,248	478	2,377	2,393	9.1	45.3	45.6	49.8	50.2
Great Lakes	17,921	1,512	7,509	8,900	8.4	41.9	49.7	45.8	54.2
Illinois	5,238	650	2,089	2,499	12.4	39.9	47.7	45.5	54.5
Indiana	2,075	115	1,160	800	5.5	55.9	38.6	59.2	40.8
Michigan	4,572	365	1,760	2,447	8.0	38.5	53.5	41.8	58.2
Ohio	3,880	250	1,705	1,926	6.4	43.9	49.6	47.0	53.0
Wisconsin	2,155	132	796	1,228	6.1	36.9	57.0	39.3	60.7
Plains	7,337	536	3,076	3,725	7.3	411.9	50.8	45.2	54.8
Iowa	1,318	81	531	706	6.2	40.3	53.5	43.0	57.0
Kansas	968	65	447	456	6.7	46.2	47.1	49.5	50.5
Minnesota	2,154	124	1,180	850	5.8	54.8	39.4	58.1	41.9
Missouri	1,719	163	640	916	9.5	37.2	53.3	41.1	58.9
Nebraska	658	49	108	502	7.4	16.3	76.3	17.6	82.4
North Dakota	248	20	115	113	8.1	46.4	45.6	50.4	49.6
South Dakota	272	34	55	183	12.3	20.4	67.3	23.2	76.8

Southeast	17,444	29,299	9,681	5,463	13.2	55.5	31.3	63.9	36.1
Alabama	1,148	153	750	245	13.3	65.3	21.3	75.4	24.6
Arkansas	729	112	390	228	15.3	53.5	31.2	63.1	36.9
Florida	3,100	285	1,750	1,065	9.2	56.5	34.4	62.2	37.8
Georgia	1,670	230	830	610	13.8	49.7	36.5	57.6	42.4
Kentucky	1,190	135	845	210	11.3	71.0	17.6	80.1	19.9
Louisiana	1,425	230	795	400	16.1	55.8	28.1	66.5	33.5
Mississippi	779	190	406	183	24.4	52.1	23.5	69.0	31.0
North Carolina	2,194	312	1,422	460	14.2	64.8	21.0	75.6	24.4
South Carolina	1,057	150	587	320	14.2	55.5	30.3	64.7	35.3
Tennessee	1,332	221	594	517	16.6	44.6	38.8	53.5	46.5
Virginia	2,082	197	870	1,015	9.5	41.8	48.7	46.2	53.8
West Virginia	736	84	441	211	11.4	59.9	28.6	67.7	32.3
Southwest	8,736	924	4,513	3,299	10.6	51.7	37.8	57.8	42.2
Arizona	1,074	125	468	481	11.6	43.6	44.8	49.3	50.7
New Mexico	598	85	394	119	14.3	65.8	19.9	76.8	23.2
Oklahoma	1,190	130	670	390	10.9	56.3	32.8	63.2	36.8
Texas[3]	5,874	584	2,981	2,308	9.9	50.8	39.3	56.4	43.6
Rocky Mountain	2,804	184	1,279	1,340	6.6	45.6	47.8	48.8	51.2
Colorado	1,127	45	522	650	3.7	42.9	53.4	44.5	55.5
Idaho	335	42	157	136	12.5	46.9	40.6	53.6	46.4
Montana	379	32	187	160	8.4	49.3	42.2	53.9	46.1
Utah	619	49	341	229	7.9	55.1	37.0	59.8	40.2
Wyoming	254	16	72	165	6.5	28.4	65.1	30.4	69.6
Far West[4]	12,689	1,578	8,074	3,036	12.4	63.6	23.9	72.7	27.3
Alaska	429	56	301	72	13.0	70.2	16.9	80.6	19.4
California	9,400	1,300	6,300	1,800	13.8	67.0	19.1	77.8	22.2
Hawaii	322	51	259	12	15.8	80.4	3.7	95.6	4.4
Nevada	286	14	98	174	4.9	34.3	60.8	36.0	64.0
Oregon	1,200	110	400	690	9.2	33.3	57.5	36.7	63.3
Washington	1,803	154	1,276	372	8.5	70.8	20.6	77.4	22.6

[1]Includes federal grant programs to state and local school systems, including the *Elementary and Secondary Education Act, Economic Opportunity Act, National Defense Education Act, Manpower Development and Training Act, Educational Professional Development Act,* aid to federally impacted area, vocational education, etc. Funds received from the School Lunch and Milk Program are included, but reporting on the money value of commodities received is incomplete. Funds from the states' share of federal general revenue sharing are included.

[2]Includes funds from local and intermediate sources, gifts, and tuition and fees from patrons.

[3]Includes expenditures of regular school districts but does not include expenditure data of state school and other districts without taxing authority.

[4]Excluding Alaska and Hawaii.

SOURCE: ACIR, *Significant Features of Fiscal Federal, 1979-80 Edition,* M-123, Washington, DC, U.S. Government Printing Office, October 1980, Table 25.

Table 13

STATES WHICH HAVE ENACTED EDUCATION FINANCE ELEMENTS WHICH CAN ASSIST DISTRESSED COMMUNITIES

States Awarding Compensatory Funds for Economically or Educationally Disadvantaged Students	States Awarding Funds According to Sparsity/Density Factors
California	Alaska
Connecticut	Arizona
Florida	Arkansas
Georgia	California
Hawaii	Colorado
Illinois	Connecticut
Indiana	Georgia
Maryland	Idaho
Massachusetts	Iowa
Michigan	Kansas
Minnesota	Kentucky
Missouri	Louisiana
Nebraska	Maine
New Jersey	Maryland
New York	Minnesota
Ohio	Montana
Pennsylvania	Nebraska
Rhode Island	Nevada
Texas	New Mexico
Utah	North Carolina
Washington	North Dakota
Wisconsin	Ohio
	Oklahoma
	Oregon
	Pennsylvania
	Rhode Island
	South Dakota
	Texas
	Utah
	Washington
	Wyoming
TOTAL: 22	**TOTAL:** 31

SOURCE: ACIR staff compilation derived from Education Commission of the States, *School Finance at a Fifth Glance*, Denver, CO, 1980.

are unable to pay their share of welfare costs, the state must increase its contribution. *Table 14* delineates by state and region the amount and percent of state-local financed public welfare.

Twenty-seven states have assumed 90% or more of local public welfare expenditures. The four state regions rank fairly evenly in the welfare expenditure category. Two-thirds of the southern states assume 90% of local welfare expenditures, while a majority of the northeast and western states assume the 90% level. Two-fifths of the north central/midwest states contribute 90% or more of the state-local welfare share.

State involvement in the provision of local social services can be particularly beneficial for fiscally pressed jurisdictions, especially those experiencing relatively high levels of socioeconomic need. In one 1978 reform, New York State assumed all nonfederal Supplemental Security Income (SSI) expenditures for local social service districts. According to January 1978 figures, New York City alone will save $75.8 million.

As welfare costs continue to rise, however, the state expenditures have meant a significant fiscal burden. *Table 15* lists those states where public welfare expenditure is in excess of 83% (median state experience) of the personal income of the state. These states, particularly New York, California, and Pennsylvania, are commonly described as exceeding the public welfare expenditure "overload" level. *Table 16* illustrates the percent of total welfare expenditures which the states have assumed. Not surprisingly, as welfare budgets increase, some states have expressed dissatisfaction with their costly role. For example, a recent ACIR report on public assistance reports that "increasingly, state and local spokespersons appear to be willing to give up this now unwanted hegemony over . . . welfare recipients.[30]

State Mandate Reimbursement: 12 States

A state-initiated mandate can be defined to include any constitutional, statutory, or administrative action that either limits or places requirements on governments. These mandates are frequently used to achieve uniform service levels and more professional standards for employees. A 1978 ACIR survey of state mandates found they were most prevalent in four areas: 46 states mandated solid waste disposal standards; 45 states mandated special education programs; 42 states set standards for workmen's compensation for certain local personnel; and at least 35 states had imposed requirements relative to local retirement systems.[31]

Generally, state mandates tend to impose state priorities on local governments. While they sometimes create a benefit for local governments, mandates more often impose additional costs, especially when they are not accompanied by adequate state financial assistance. The financial stress now being felt at all levels of government has prompted many local officials to call for state reimbursement of local governments for expenditures mandated by the state.

Twelve states have enacted programs to reimburse local governments for mandated activities.[32] Mandate reimbursement policies are most commonly found in the western states, while the northeastern states have been least active in this area.

California's statutes are the most comprehensive of the existing state laws which require the reimbursement of localities for state-imposed activities. California's commitment to reimburse local jurisdictions extends to local costs that result from state-mandated programs, increased service levels and costs previously incurred at local option that have been subsequently mandated by the state. State administrative or executive orders mandating local costs are also reimbursed under California law.

Local Credit Market Access: 16 States

Fiscal interdependence between states and localities demands sophisticated credit and budget analysis. Often municipalities require the assistance of state governments to attain access to credit markets and to facilitate debt issuances at a low cost.

> The best known form of state financial intermediation is the bond bank,

Table 14

STATE AND LOCAL EXPENDITURE FOR PUBLIC WELFARE, FROM OWN REVENUE SOURCES: AMOUNT, AND PERCENT STATE FINANCED, BY STATE: SELECTED YEARS 1942-78

(States Are Assuming An Increasingly Larger Share Of State-Local Public Welfare Costs)

	Amount					Percent State Financed				
	1978	1975	1966	1957	1942	1978	1975	1966	1957	1942
State and Region	(millions)									
United States	$18,746.6[1]	$13,792.9	$3,169.7	$1,940.0	$865.4	80.1%	78.2%	75.7%	71.8%	61.4%
New England	1,373.4	1,253.1	270.9	168.7	75.8	94.3	95.2	83.4	65.9	52.2
Maine	74.7	62.8	14.4	10.0	5.3	88.6	93.2	77.8	76.0	77.4
New Hampshire	62.0	47.6	13.4	7.7	4.1	56.1	49.2	38.8	46.8	26.8
Vermont	25.7	31.0	7.5	4.4	1.8	98.4	99.0	62.7	70.5	55.6
Massachusetts	836.8	852.8	153.0	100.7	48.0	96.8	97.7	84.2	53.3	52.5
Rhode Island	114.1	88.9	25.6	13.2	4.1	98.9	100.0	98.0	93.2	73.2
Connecticut	260.1	170.0	57.0	32.7	12.5	94.7	92.9	89.5	94.5	41.6
Mideast	5,316.8	3,819.2	808.8	419.4	269.8	65.9	70.4	73.2	56.0	52.1
New York	2,559.4	1,934.8	496.8	242.0	168.8	45.7	56.6	75.7	52.9	37.0
New Jersey	663.0	538.9	85.4	39.0	17.9	70.8	88.4	53.7	46.2	55.3
Pennsylvania	1,608.1	942.0	165.8	111.9	73.5	88.5	92.7	80.5	69.3	86.1
Delaware	42.4	35.3	7.4	3.5	1.0	97.2	99.7	67.6	77.1	70.0
Maryland	273.2	226.9	32.8	15.9	6.3	100.0	91.8	95.7	57.2	69.8
District of Columbia	170.7	141.3	20.6	7.1	2.3	—	—	—	—	—
Great Lakes	3,772.3	2,879.4	565.1	390.3	204.0	89.8	94.1	75.3	73.1	68.1
Michigan	1,013.3	932.4	101.2	78.4	41.1	96.6	92.4	97.6	75.8	57.9
Ohio	868.5	621.5	155.0	112.6	45.2	76.7	75.1	74.3	78.2	92.0
Indiana	209.6	198.0	40.2	31.5	24.1	59.1	63.2	37.1	24.8	35.3
Illinois	1,221.6	783.6	187.7	120.2	72.9	100.0	100.0	80.3	92.5	77.8
Wisconsin	459.3	343.9	81.0	47.6	20.7	85.1	81.7	56.7	39.5	40.1
Plains	1,137.1	828.6	243.5	181.2	84.1	76.8	69.2	61.1	62.4	64.8
Minnesota	447.5	278.6	72.9	45.3	20.9	62.7	37.0	30.3	16.1	56.9
Iowa	236.0	158.9	49.0	34.7	17.0	78.1	83.6	52.7	64.9	58.8
Missouri	173.2	192.6	58.8	53.7	19.8	99.7	95.4	91.8	95.0	90.4
North Dakota	28.9	13.4	9.4	7.4	3.5	79.6	41.8	70.2	73.0	54.3
South Dakota	27.5	23.6	9.1	4.6	3.8	90.2	90.3	78.0	63.0	68.4
Nebraska	79.3	66.1	15.5	10.1	6.9	61.0	61.7	78.7	87.1	78.8
Kansas	144.7	95.4	28.8	25.4	12.2	96.8	89.9	72.6	60.6	40.2

Southeast	1,498.5	1,354.6	378.1	248.4	72.1	89.2	83.9	76.6	84.8	78.1
Virginia	258.2	205.8	32.3	11.6	4.8	78.4	82.3	51.8	55.2	50.0
West Virginia	75.0	43.6	21.2	13.1	9.0	98.7	97.7	90.1	85.5	87.8
Kentucky	204.9	144.0	40.5	17.0	6.5	96.0	95.0	89.4	79.4	64.6
Tennessee	175.1	112.5	26.7	16.2	7.1	89.2	85.7	70.4	72.8	63.4
North Carolina	[1]	128.9	32.0	15.1	5.9	[1]	45.5	29.4	41.1	40.7
South Carolina	110.6	46.2	14.2	8.8	2.7	94.6	86.6	74.4	87.5	85.2
Georgia	[1]	161.2	34.0	29.0	6.9	[1]	90.1	78.2	85.5	66.7
Florida	232.1	207.8	44.5	26.6	6.9	81.8	80.7	76.6	77.4	79.7
Alabama	105.5	88.9	33.1	25.0	4.9	91.8	87.2	93.7	97.2	61.2
Mississippi	101.0	58.9	21.8	12.7	2.9	85.4	88.3	95.2	93.7	72.4
Louisiana	148.8	111.4	61.0	61.9	11.5	97.2	94.9	99.0	99.2	95.7
Arkansas	87.3	45.4	16.8	11.4	3.0	96.8	97.8	95.8	94.7	93.3
Southwest	543.5	429.4	162.8	119.0	36.1	94.2	91.4	99.8	93.5	87.3
Oklahoma	118.2	92.0	60.1	53.2	15.3	95.8	97.1	97.1	97.4	88.0
Texas	351.3	255.8	73.1	50.1	15.4	96.2	91.1	85.6	88.6	83.1
New Mexico	[1]	23.8	13.0	7.3	1.5	[1]	91.2	99.2	98.6	98.0
Arizona	74.0	57.8	16.6	8.4	3.9	82.4	83.9	83.7	97.6	94.9
Rocky Mountain	313.5	189.1	90.5	70.9	29.5	78.6	85.4	73.8	90.3	79.7
Montana	33.8	18.3	11.0	8.0	5.0	52.1	31.1	38.2	65.0	42.0
Idaho	41.5	20.9	9.6	5.3	3.2	91.3	83.7	74.0	83.0	71.9
Wyoming	12.0	9.8	4.9	3.2	1.2	65.8	60.2	49.0	65.6	75.0
Colorado	171.3	111.8	51.1	45.4	14.3	76.1	95.3	78.5	96.5	88.1
Utah	54.9	28.3	13.9	9.0	5.8	95.6	90.8	93.5	94.4	96.6
Far West[2]	4,629.3	2,938.2	634.3	334.5	93.9	79.7	62.1	76.9	76.4	53.0
Washington	301.5	185.4	53.2	62.2	19.3	100.0	100.0	100.0	100.0	100.0
Oregon	191.8	129.5	31.7	25.7	7.0	97.1	95.9	71.6	75.9	61.4
Nevada	31.8	25.7	5.4	2.4	0.9	47.8	55.3	72.2	66.7	33.3
California	4,104.2	2,597.6	544.0	244.2	66.7	77.4	57.6	74.9	67.5	37.9
Alaska	54.2	22.2	4.5	2.7	n.a.	99.8	98.6	100.0	99.0	n.a.
Hawaii	108.7	79.0	11.7	4.9	n.a.	98.9	99.7	100.0	83.7	n.a.

n.a. = Data not available.

[1]Public welfare expenditures for Georgia, New Mexico, and North Carolina are included with health and hospital expenditures. Data necessary for separation by function, by source of financing, are not readily available for FY 1978.

[2]Excluding Alaska and Hawaii.

SOURCE: ACIR, *Significant Features of Fiscal Federalism, 1979-80 Edition,* M-123, Washington, DC, U.S. Government Printing Office, October 1980, Table 31.

Table 15

PUBLIC WELFARE EXPENDITURE "OVERLOAD"[1]
(state public welfare expenditure from own funds, excluding federal aid in 1978)

State and Region	"Overload"
United States	$7,381.7
New England	608.0
Maine	20.4
New Hampshire	112.1
Vermont	0.1
Massachusetts	474.2
Rhode Island	58.9
Connecticut	41.6
Mideast	2,562.7
New York	1,398.7
New Jersey	155.0
Pennsylvania	888.2
Delaware	3.3
Maryland	—
District of Columbia	117.5
Great Lakes	1,218.2
Michigan	401.5
Ohio	202.9
Indiana	—
Illinois	431.3
Wisconsin	182.5
Plains	256.2
Minnesota	198.8
Iowa	57.4
Missouri	—
North Dakota	—
South Dakota	—
Nebraska	—
Kansas	—
Southeast	23.3
Virginia	—
West Virginia	—
Kentucky	23.3
Tennessee	—
North Carolina	—
South Carolina	—
Georgia	—
Florida	—
Alabama	—
Mississippi	—
Louisiana	—
Arkansas	—
Southwest	—
Oklahoma	—
Texas	—
New Mexico	—
Arizona	—
Rocky Mountain	3.1
Montana	—
Idaho	—
Wyoming	—
Colorado	3.1
Utah	—
Far West[2]	2,642.6
Washington	52.9
Oregon	38.3
Nevada	—
California	2,551.4
Alaska	17.9
Hawaii	49.7

[1]Public welfare "overload" is estimated as that portion of a state's public welfare expenditure (from state-local funds) that is in excess of 0.83% (median state experience) of the personal income of the state.
[2]Excluding Alaska and Hawaii.
SOURCE: ACIR, *Significant Features of Fiscal Federalism, 1979-80 Edition,* M-123, Washington, DC, U.S. Government Printing Office, October 1980, Table 32.

Table 16

STATE AND LOCAL EXPENDITURE FOR PUBLIC WELFARE,[1] BY GOVERNMENTAL SOURCE OF FINANCING, BY STATE: 1977-78

State and Region	Total (millions)	Per Capita	Percent Financed From: Federal Aid	State Funds	Local Funds
United States	$37,980.8[2]	$184	50.6%	39.5%	9.8%
New England	2,720.3	193	55.1	39.5	5.4
Connecticut	513.5	166	49.4	48.0	2.7
Maine	209.9	188	64.4	31.5	4.0
Massachusetts	1,553.1	249	46.1	52.2	1.7
New Hampshire	119.4	137	48.1	29.1	22.8
Rhode Island	236.8	248	51.8	47.6	0.5
Vermont	87.6	172	70.7	28.9	0.5
Mideast	10,722.3	238	48.8	33.3	17.9
Delaware	82.9	141	48.9	49.7	1.4
District of Columbia	285.1	419	40.1	—	59.9
Maryland	602.3	145	54.6	45.4	—
New Jersey	1,348.5	181	50.8	34.8	14.3
New York	5,486.8	296	53.4	21.3	25.3
Pennsylvania	2,916.7	243	44.9	48.8	6.3
Great Lakes	7,461.9	176	51.4	41.1	7.5
Illinois	2,197.0	195	44.4	55.6	—
Indiana	516.0	96	59.4	24.0	16.6
Michigan	2,136.5	226	52.6	45.8	1.6
Ohio	1,595.8	148	45.6	41.7	112.7
Wisconsin	1,016.6	213	54.8	38.5	6.7
Plains	2,421.9	132	55.2	35.8	9.0
Iowa	415.3	141	43.2	44.4	12.4
Kansas	299.8	128	51.7	46.7	1.5
Minnesota	890.1	222	49.7	31.5	18.8
Missouri	499.3	103	65.3	34.6	0.1
Nebraska	169.1	108	53.1	28.6	18.3
North Dakota	67.5	103	57.2	34.0	8.7
South Dakota	80.8	117	66.0	30.7	3.3

Southeast	3,994.0[2]	110	63.2	33.3	3.5
Alabama	383.0	102	72.5	25.3	2.2
Arkansas	275.6	126	68.3	30.7	1.0
Florida	529.1	62	56.1	35.9	8.0
Georgia	[2]	[2]	[2]	[2]	[2]
Kentucky	470.7	135	56.5	41.8	1.7
Louisiana	483.3	122	69.2	29.9	0.8
Mississippi	296.1	123	65.9	29.1	5.0
North Carolina	[2]	[2]	[2]	[2]	[2]
South Carolina	283.1	97	60.9	36.9	2.1
Tennessee	484.5	111	63.9	32.2	3.9
Virginia	584.0	113	55.8	34.7	9.5
West Virginia	204.6	110	63.3	36.2	0.5
Southwest	1,724.8[2]	95	60.5	35.2	4.3
Arizona	123.7	52	40.2	49.3	10.5
New Mexico	[2]	[2]	[2]	[2]	[2]
Oklahoma	402.9	140	70.7	28.1	1.2
Texas	1,198.2	92	70.7	28.2	1.1
Rocky Mountain	734.6	108	58.8	31.5	9.7
Colorado	368.7	138	53.5	35.4	11.1
Idaho	88.5	101	53.2	42.8	4.1
Montana	89.9	113	62.4	19.6	18.0
Utah	157.4	120	65.1	33.4	1.5
Wyoming	30.1	70	60.0	26.3	13.7
Far West[3]	7,913.4	172	49.0	41.0	10.0
California	6,829.7	267	39.9	46.5	13.6
Nevada	66.1	96	53.0	23.0	25.1
Oregon	432.9	177	55.7	43.0	1.3
Washington	584.7	149	48.4	51.6	—
Alaska	72.9	180	25.7	74.2	0.1
Hawaii	214.6	235	49.4	50.1	0.6

NOTE: Regional per capitas and percentages are unweighted averages.

[1]Includes medicaid (public assistance under medical payments). Federal Medicaid payments were $10.7 billion in 1978.

[2]Public welfare expenditures for Georgia, New Mexico, and North Carolina are included with health and hospital expenditures (see *Table 37*). Data necessary for separation by function, by source of financing, are not readily available for FY 1978.

[3]Excluding Alaska and Hawaii.

SOURCE: ACIR, *Significant Features of Fiscal Federalism, 1979-80 Edition,* M-123, Washington, DC, U.S. Government Printing Office, October 1980, Table 30.

> but there are various other forms of assistance in existence, including issuance of mini-bonds, state guarantees, debt substitute programs and a second type of state financial intermediation in which the state builds local facilities and leases them to local governments with an option to buy.[33]

Sixteen states provide significant local access or assistance to credit markets. Municipal bond banks have been created in Alaska, Maine, North Dakota, and Vermont. Additionally, bond banks have been set up in Virginia for educational funding assistance and in Oregon to finance local government pollution control projects. Bond banks allow states to purchase the bonds of local governments and to issue their own bonds in larger amounts when a sufficient number of local government bonds have been aggregated. Bond banks are particularly helpful to local municipalities by eliminating duplicative efforts and providing expertise to local issues where needed.

Other states with credit assistance policies range from North Carolina which issues all local debt for municipalities to Michigan, New Hampshire, and New Jersey which have various forms of state evaluation and written guarantee programs.

The northeast states are the most likely to provide credit and debt assistance.

V. ENHANCING LOCAL SELF-HELP CAPABILITIES

Structural reforms enhance the ability of local governments to address fiscal and physical decline problems. By authorizing local redevelopment agencies; allowing local sales, income, or incremental taxing authority; or granting discretionary authority (residual powers) to their local jurisdictions, the states can provide local governments with a greater opportunity to improve their fiscal and social conditions.

Targeted state programs must assure that local governments are legally equipped to address the fiscal and development problems of distressed communities.

The north central/midwest states have been the most active in enhancing local self-help capabilities, while the northeast has been the least active.

Tax Increment Financing: 20 States

Tax increment financing (TIF) is a method for financing urban and redevelopment activities.

> The basic tenet of tax increment financing is that major urban redevelopment activity usually creates higher property values in the developed area and, thus, increases the municipal property tax revenues from that area. Tax increment financing programs are designed to use the increased property tax revenues generated by an urban development (the tax increment) to pay for the public costs of that development.[34]

Twenty states have enacted programs authorizing tax increment financing. Cities in California, Minnesota, and Wisconsin have been particularly active in authorizing tax increment financed community development projects. The north central/midwest and the western states authorize the greatest use of tax increment financing.

Significant policy issues are raised by tax increment financing. Costs, legal obstacles, and the desirable extent of citizen input are important considerations before implementation. Additionally, a Council of State Governments' analysis reports that:

> . . . although the TIF program is essentially local, state statutes are required before the programs can be initiated. The necessity of state involvement is not limited to enabling localities to use TIF. State legislation could also limit TIF to applicable communities, prescribe the structural options cities will have, prevent possible abuses of the system, and enunciate any state policies which guarantee or insure payment of the TIF bond.[35]

Authorization for Local Redevelopment Agencies: 49 States

Forty-nine states have enabled their local jurisdictions to create local redevelopment or renewal agencies. Except for Alaska, each state authorizes the local creation of a redevelopment or urban renewal agency.

In most jurisdictions, these local bodies are accorded broad bonding, planning, and eminent domain powers. The authorities are also permitted to accept intergovernmental grants and loans from the state and federal agencies. It is apparent that the primary responsibility for community redevelopment activities rests with such local authorities, rather than with the states. Accordingly, intergovernmental renewal and redevelopment assistance has been characterized by a pattern of direct federal-local aid that largely bypasses the state level.

Local Taxing Authority: 34 States

Thirty-four states now permit their local jurisdictions to levy either sales taxes or income taxes, a reform which can significantly reduce local reliance on property tax levies (see *Table 18*). The north central/midwest states have authorized local sales or income taxing authority most frequently.

The sales tax is more frequently employed on the local level. Twenty-six states have enabled their local governments to enact sales taxes; generally, the tax is available to all units of general purpose government throughout the state. There are two states, however, in which the sales tax levy is available only on a restricted basis: New Jersey's sole use of the local sales tax occurs in Atlantic City where a luxury tax has been imposed on certain goods, while Kentucky has permitted the sales tax to be levied by transit districts only.

At present ten states permit local governments to levy income taxes (see *Exhibit 2*). Generally, the use of such authority has been restricted to cities and counties with populations of 50,000 or more. A notable exception is Pennsylvania, where some 3,850 local units levy income taxes, including over 1,000 school districts. Similarly, at least 397 Ohio cities and villages with populations of less than 50,000 have imposed local income tax levies.

It should be noted that virtually all local income taxes could serve as commuter taxes. Washington, DC, a handful of Pennsylvania municipalities and school districts are the only local jurisdictions unable to tax incomes earned within their boundaries by nonresidents. Accordingly, the local income tax would appear to be a significant mechanism by which central cities might expand their revenue bases. *Table 19* displays the portion of local revenues generated by the income tax for selected cities with populations over 50,000.

Local Discretionary Authority (Residual Powers):[36] 11 States

Through constitutional or statutory action, each state has accorded its subdivisions with discretionary authority to govern themselves.[37] The type of discretionary authority granted by the state to local governments may be placed within four distinctive categories—structural, functional, personnel, and fiscal. Typically, the broadest discretionary powers are applicable to local government structures and the narrowest are applicable to finance. Within the third category, the amount of discretionary authority varies considerably from function to function.

Despite the formal existence of local discretionary authority, the degree of governing capability varies from state to state. Georgia's constitutional provision grants powers only to counties, while the cities and counties in New Mexico, although granted certain discretionary powers by the state constitution, must submit their budgets for approval to the state-local government division.

To determine those states which do authorize significant local discretionary authority, perceptual surveys conducted for a forthcoming ACIR report on local discretionary authority are used (supplemented by legal research on constitutional and statutory provisions and court decisions). The survey was sent to officials in towns, cities, counties, boroughs, villages, and townships to determine the perceptions of respondents relative to the freedom of action possessed by each type of local unit.

Table 17

ENHANCING LOCAL SELF-HELP CAPABILITIES

State and Region	Tax Increment Financing	Redevelopment Agencies	Local Taxing Authority	Discretionary Authority
United States	20	49	34	11
Northeast				
Connecticut	X	X		
Maine		X		X
Massachusetts	X	X		
New Hampshire		X		
Rhode Island		X		
Vermont		X		
Delaware		X	X	
District of Columbia				
Maryland		X	X	
New Jersey		X	X	
New York		X	X	
Pennsylvania		X	X	X
North Central/Midwest				
Illinois	X	X	X	X
Indiana		X	X	
Michigan		X	X	X
Ohio	X	X	X	
Wisconsin	X	X		
Iowa	X	X	X	
Kansas	X	X	X	
Minnesota	X	X	X	
Missouri		X	X	
Nebraska		X	X	
North Dakota	X	X		
South Dakota	X	X	X	

South				
Alabama		X	X	
Arkansas		X	X	
Florida	X	X		
Georgia		X	X	
Kentucky	X	X	X	
Louisiana		X	X	X
Mississippi		X		
North Carolina		X	X	
South Carolina		X		X
Tennessee		X	X	
Virginia		X	X	X
West Virginia		X		
Oklahoma		X	X	
Texas	X	X	X	X
West				
Arizona	X	X	X	X
New Mexico		X	X	
Colorado	X	X	X	
Idaho		X		
Montana		X		
Utah	X	X	X	
Wyoming	X	X	X	
California	X	X	X	X
Nevada		X	X	
Oregon	X	X		
Washington		X	X	
Alaska	X		X	X
Hawaii		X		

SOURCE: ACIR staff compilation.

Table 18

NUMBER OF LOCAL GOVERNMENTS WITH INCOME AND GENERAL SALES TAXES OCTOBER 1, 1979, AND JULY 1, 1976

	October 1, 1979			July 1, 1976		
State and Region	Income	General Sales	Total	Income	General Sales	Total
United States	4,456	5,464	9,920	4,050	4,896	8,946
New England	(—)	(—)	(—)	(—)	(—)	(—)
Connecticut	—	—	—	—	—	—
Maine	—	—	—	—	—	—
Massachusetts	—	—	—	—	—	—
New Hampshire	—	—	—	—	—	—
Rhode Island	—	—	—	—	—	—
Vermont	—	—	—	—	—	—
Mideast	(3,891)	(70)	(3,961)	(3,541)	(68)	(3,609)
Delaware	1	—	1	1	—	1
District of Columbia	—	—	—	—	—	—
Maryland	24	—	24	24	—	24
New Jersey	—	—	—	—	—	—
New York	1	70	71	1	68	69
Pennsylvania	3,865(A)	—	3,865	3,515(A)	—	3,515
Great Lakes	(470)	(1,410)	(1,880)	(439)	(1,375)	(1,814)
Illinois	—	1,359	1,359	—	1,342	1,342
Indiana	37	—	37	38	—	38
Michigan	16	—	16	16	—	16
Ohio	417	51	468	385	33	418
Wisconsin	—	—	—	—	—	—
Plains	(23)	(289)	(312)	(5)	(181)	(186)
Iowa	21	—	21	3	—	3
Kansas	—	20	20	—	7	7
Minnesota	—	1	1	—	1	1
Missouri	2	218	220	2	152	154
Nebraska	—	4	4	—	3	3
North Dakota	—	—	—	—	—	—
South Dakota	—	46	46	—	18	18

Southeast	(72)	(955)	(1,027)	(65)	(809)	(874)
Alabama	5	301	306	6	265	271
Arkansas	—	1	1	—	1	1
Florida	—	—	—	—	—	—
Georgia	—	84	84	—	16	16
Kentucky	67	—	67	59	—	59
Louisiana	—	217	217	—	183	183
Mississippi	—	—	—	—	—	—
North Carolina	—	99	99	—	96	96
South Carolina	—	—	—	—	—	—
Tennessee	—	117	117	—	115	115
Virginia	—	136	136	—	133	133
West Virginia	—	—	—	—	—	—
Southwest	(—)	(1,482)	(1,482)	(—)	(1,280)	(1,280)
Arizona	—	39	39	—	38	38
New Mexico	—	99	99	—	32	32
Oklahoma	—	398	398	—	356	356
Texas	—	946	946	—	854	854
Rocky Mountain	(—)	(408)	(408)	(—)	(330)	(330)
Colorado	—	165	165	—	121	121
Idaho	—	—	—	—	—	—
Montana	—	—	—	—	—	—
Utah	—	230	230	—	204	204
Wyoming	—	13	13	—	5	5
Far West	(—)	(850)	(850)	(—)	(853)	(853)
Alaska	—	93	93	—	86	86
California	—	442	442	—	455	455
Hawaii	—	—	—	—	—	—
Nevada	—	13	13	—	12	12
Oregon	—	—	—	—	—	—
Washington	—	302	302	—	300	300

(A) Approximately.
SOURCE: ACIR, *Significant Features of Fiscal Federalism, 1979-80 Edition,* M-123, Washington, DC, U.S. Government Printing Office, October 1980, Table 8.

Table 20 lists only those cities, counties, and towns where freedom of state control is greatest in the fiscal and functional areas. Additionally, *Table 17* lists only those states where *at least one of the three* main types of local governments has discretionary authority in *both* the functional and fiscal areas.

Eleven states have at least a county, town, or city with both significant fiscal and functional authority. More states offer their counties, towns, and cities discretionary authority in either fiscal or functional areas. For example, 36 states provide their cities with discretionary authority in functional areas, while 13 states provide their cities with fiscal authority. Eight states provide their counties with discretionary authority in functional areas, while five states provide their counties with fiscal authority. Additionally, 20 states provide their towns with discretionary authority in functional areas, while seven states provide their towns with fiscal authority. In general, the southern states offer the most discretionary authority to their local governments (five states). The other three regions have two states each that provide significant local discretionary authority.

FOOTNOTES

[1]Lawrence Litvak and Belden Daniels, *Innovations in Development Finance*, Washington, DC, Council of State Planning Agencies, 1979, pp. 136, 138, 149.

[2]*1978/1979 Annual Report*, Washington, DC, Council of State Housing Agencies, see also *Table 3*.

[3]*Ibid.*, p. 9. See also *Tables 4* and *5*.

[4]See *Table 3*.

[5]George S. Peterson with Brian Cooper, *Tax Exempt Financing of Housing Investment*, Washington, DC, The Urban Institute, 1979, pp. xii-xiii.

[6]This information was obtained from the Council of State Housing Agencies and ACIR 1979 and 1980 survey data.

[7]Litvak and Daniels, *op. cit.*, p. 127, 151.

[8]Data for this indicator were taken largely from International Association of Assessing Officers, *Urban Property Tax Incentives: State Laws*, Chicago, IL, August 1978. Program information is based on survey material and secondary sources.

[9]Roger J. Vaughan, *State Taxation and Economic Development*, Council of State Planning Agencies, Washington, DC, 1979, p. 28. For an extensive discussion of state development strategies see the entire Council of State Planning

Exhibit 2

STATES WHOSE LOCAL GOVERNMENTS HAVE ENACTED INCOME TAX LEVIES[1] 1978-79

Alabama
Delaware
Indiana
Iowa
Kentucky
Maryland
Michigan
Missouri
New York
Ohio
Pennsylvania

[1]Excludes Washington, DC, which has a graduated net income tax that is more closely akin to a state tax than to the municipal income taxes. Also excludes the Denver Employee Occupational Privilege Tax of $2 per employee per month, which applies only to employees earning at least $250 per month; the Newark 1/2 of 1% payroll tax imposed on employers, profit and nonprofit, having a payroll over $2,500 per calendar quarter; the San Francisco 1.1% payroll expense tax; the 6/10 of 1% quarterly payroll tax on employers imposed in the Tri-County Metropolitan Transit District (encompassing all of Washington, Clackamus and Multnomah Counties, OR); the 0.54% payroll tax imposed on employers in the Lane County Oregon Mass Transit District; and the Portland business tax of 2.2% of net income. Additionally, Iowa has 21 school districts who can levy local income surtaxes at a specified rate.

SOURCE: ACIR staff compilation drawn from ACIR, *Significant Features of Fiscal Federalism*, 1979-80 Edition, M-123, Washington, DC, U.S. Government Printing Office, October 1980, Table 80.

Table 19

LOCAL RELIANCE ON THE INCOME TAX: SELECTED LOCALITIES WITH POPULATIONS OF 50,000 OR OVER, BY STATE: 1976-77

State and Local Government	Income Tax Revenues As a Percent of Total Municipal Tax Collections—1976-77
Alabama	
Birmingham	29.1%
Delaware	
Wilmington	36.3
Kentucky	
Lexington-Fayette Urban County	63.3
Louisville	61.8
Maryland	
Baltimore City	17.5
Michigan	
Detroit	37.7
Flint	61.5
Saginaw	49.3
Missouri	
Kansas City	31.6
St. Louis	27.9
New York	
New York City	22.2
Ohio	
Akron	67.7
Cincinnati	65.8
Cleveland	55.8
Youngstown	74.0
Pennsylvania	
Harrisburg	20.0
Philadelphia	64.3
Pittsburgh	15.8

SOURCE: ACIR, *Significant Features of Fiscal Federalism, 1979-80 Edition,* M-123, Washington, DC, U.S. Government Printing Office, 1980 Table 88.

Table 20

DISCRETIONARY AUTHORITY BY STATES: 1979

States	Index of Cities Functional Areas (36)	Index of Cities Finance (13)	Index of Counties Functional Areas (8)	Index of Counties Finance (5)	Index of Towns Functional Areas (20)	Index of Towns Finance (7)
Alabama						
Alaska	X	X	X	X		
Arizona		X	X	X	X	
Arkansas						
California	X	X			X	X
Colorado						
Connecticut	X		**	**	X	
Delaware	X				X	
Florida	X					
Georgia	X					
Hawaii	*	*				
Idaho	X					
Illinois	X	X			X	X
Indiana						
Iowa	X					
Kansas	X					
Kentucky						
Louisiana	X	X	X	X	X	X
Maine	X	X			X	X
Maryland	X				X	
Massachusetts	X				X	
Michigan	X	X				
Minnesota	X		X			

Mississippi	X		X		X	
Missouri	X					
Montana	X		X		X	
Nebraska	X					
Nevada						
New Hampshire	X				X	
New Jersey	X				X	
New Mexico						
New York					X	
North Carolina	X		X		X	
North Dakota	X					
Ohio	X					
Oklahoma	X				X	
Oregon		X				
Pennsylvania	X	X	X	X		
Rhode Island	X		**	**	X	
South Carolina	X	X		X	X	X
South Dakota	X				X	
Tennessee		X				X
Texas	X	X				X
Utah	X				X	
Vermont	X					
Virginia	X	X				
Washington						
West Virginia	X					
Wisconsin	X					
Wyoming						

*There are only four local governments in Hawaii, *ie.*, County of Hawaii, County of Kauai, County of Maui, and City and County of Honolulu.

**There are no organized county governments in Connecticut and Rhode Island.

Agencies series *Studies in State Development Policy*, Michael Barker, ed., 1979.

[10]"The Fifty Legislative Climates, 14th Annual Report," *Industrial Development*, January/February 1980, Conway Publications, p. 4.

[11]*Ibid.*, p. 2.

[12]*Ibid.*, p. 6.

[13]*Ibid.*, p. 4. While the unemployment factor suggests some targeting, these states are not included in *Table 7* since they do not all fit the criteria established in the ACIR/NAPA study.

[14]Litvak and Daniels, *op. cit.*, p. 154.

[15]Conway Publications, *op. cit.*, p. 6 supplemented with 1979 and 1980 ACIR Survey data and National Association of State Development Agencies unpublished *1979 Manpower Development Study*, Washington, DC, 1979.

[16]Neal R. Peirce, et. al., *Economic Development*, Washington, DC, Council of State Planning Agencies, 1979, pp. 44-50.

[17]Litvak and Daniels, *ibid.*, p. 154.

[18]Peirce, *ibid.*, p. 43.

[19]*Ibid.*, p. 37; U.S. Small Business Administration, *Directory of State Small Business Programs*, 1980 edition, Washington, DC, U.S. Government Printing Office, 1980, pp. 3-4.

[20]Lawrence P. Malone of the Council of Urban Economic Development was helpful in explaining this vehicle for state economic development. See also Peirce, *op. cit.*, p. 39.

[21]The Tax Analysis Division of the Congressional Budget Office was very helpful in providing information on Industrial Revenue Bonds.

[22]Rick Cohen and Associates, "Issues in Neighborhood Preservation: Opportunities for the States," prepared for Pennsylvania Department of Community Affairs under a cooperative agreement from HUD's Office of Neighborhood Development, 1979, p. 2.

[23]For readers interested in state-local revenue sharing, see the excellent discussion in the ACIR publication: *The State of State-Local Revenue Sharing*, M-121, Washington, DC, U.S. Government Printing Office, 1980.

[24]Because of data limitations, state-local revenue sharing programs that return funds to the localities have been classified as "nonequalizing." Programs that return funds on the basis of population, tax base or effort, or other indicators of need have been classified as "equalizing." In reality an equalizing program is one that reduces differences in revenue raising ability relative to the expenditure need. Therefore, an origin-based revenue sharing program may still be equalizing if it reduces the disparities between rich and poor communities.

[25]Nancy Dearman and Valena Plisko: *The Condition of Education*, 1980 edition, Washington, DC, U.S. Department of Health, Education and Welfare, Chapter 7, p. 278.

[26]There was no data on disparity from Montana. Hawaii has only one school district and is included as a state with low per-pupil expenditure disparity.

[27]Dearman, Plisko, *op. cit.*, p. 279.

[28]School Finance at a Fifth Glance, Denver, CO, Education Commission of the States, 1980.

[29]ACIR, *Intergovernmental Perspective:* "A Fiscal Note," Washington, DC, U.S. Government Printing Office, Fall 1977, p. 20.

[30]ACIR, *Public Assistance: The Growth of a Federal Function*, A-79, Washington, DC, U.S. Government Printing Office, July 1980, p. 114.

[31]ACIR, *State Mandating of Local Expenditures*, A-67, Washington, DC, U.S. Government Printing Office, 1978, pp. 89, 90, 97, 101.

[32]Staff compilation from ACIR state survey data.

[33]The information in this section is principally from *The Oregon Bond Advisor*, Salem, OR, Municipal Debt Advisory Commission, July and August, 1980.

[34]Report of the Council of State Governments, *Tax Increment Financing of Community Redevelopment*, Lexington, KY, March 1977, p. 1.

[35]*Ibid.*, pp. 1, 2.

[36]Residual powers (the term used in the 1979 and 1980 ACIR state surveys) refers to a specific type of discretionary authority statute. As such, the more general term of discretionary authority is being used for this report.

[37]The material of this section is from a forthcoming 1980 ACIR report on Local Discretionary Authority.

Conclusion

This report has surveyed state-local assistance in five policy areas: housing, community development, economic development, fiscal reform, and enhancing local self-help capabilities. The 20 state-local programs identified as significant aids for distressed communities by no means exhaust the variety of ways that state governments can assist their local jurisdictions. In addition, there are significant regional differences in the adoption and application of the 20 programs. Such differences are to be expected; in fact, one of the primary virtues of our federal system is the capacity of states to respond to local needs in diverse ways.

In our judgment, however, the programs identified in this report address the most significant needs of communities. Overall, their presence or absence in a particular state constitutes a reliable indicator of that state's performance in aid of distressed local units. Few states have made extensive use of the full range of powers and tools at their disposal. Thirty-four of the states provide nine or fewer of these programs on a targeted basis. Twelve states have enacted ten to 12 of the programs. Only four states have initiated more than 13 of the 20 activities in a targeted fashion.

More extensive and varied involvement of the states in local assistance is critical if we are to achieve national urban and rural policy objectives and attain better balance among our communities. Some actions needed to relieve distress can only be taken by state government.

Only the states, for example, can reform local fiscal systems or grant broader local authority. The federal government is limited in its capacity to respond to local need and to adequately tailor its programs.

This report demonstrates that while the potential role of the states is great, it remains largely unfulfilled. The problems facing most communities are systemic. They are not limited solely to inadequate housing or a declining economy or a low tax base, but are more often a combination of these factors. State strategies which span the five policy areas identified above are needed nationwide. Yet, only a handful of states have ventured to develop broad and comprehensive strategies which can bring state assistance to bear on community problems in a coordinated fashion. Massachusetts, Michigan, and Connecticut are the most notable examples of states which have implemented community strategies that seek to alleviate local distress.[1]

By contrast, many states find it politically inexpedient to set aside funding targeted explicitly to distressed communities. Instead, these states concentrate on balanced growth strategies, on the premise that statewide development will also benefit less prosperous areas. This may not necessarily be the case. Capital improvement programs available on a statewide basis, for example, could assist already wealthy suburbs at the expense of distressed urban and rural areas.

Currently, there is considerable debate as to the effectiveness of state targeting efforts relative to those of the federal government.[2] While recent publications have been useful in determining the parameters of the topic, it seems too early to make any definitive statements about the relative strength of federal or state efforts on behalf of distressed localities. This report suggests that both levels of governments have an important role to play.

If this report demonstrates that the states have far to go in implementing activities on behalf of distressed localities, it also shows that there is substantial opportunity for aggressive state action. It is hoped that this compilation of data on notable state actions will encourage Governors and legislators to review their array of local aid programs and adopt further assistance efforts. Future annual reports on state assistance to distressed communities will attempt to judge the impact of these programs and to chart the progress that states are making in aiding their localities.

FOOTNOTES

[1]Charles R. Warren, *The States and Urban Strategies*, Washington, DC, National Academy of Public Administration, 1980.

[2]For a discussion of state targeting see: "Bypassing the States-Wrong Turn for Urban Aid," Research Note 4, Center for Policy Research, National Governors' Association, Washington, DC, November 1979, and Robert M. Stein, "The Allocation of State-Local Aid: An Examination of Between State Variance," Paper at Conference on State Resource Targeting for Urban Areas, University of Maryland, College Park, MD, May 15, 1980.

Organizations

In order to complete the matrix of 20 items for 50 states, the following organizations were contacted:

- U.S. Bureau of the Census
- Congressional Budget Office
- Council of State Community Affairs Agencies
- Council of State Governments
- Council of State Planning Agencies
- Education Commission of the States
- International Association of Assessing Officers
- International City Management Association
- Municipal Finance Officers Association
- National Association of Housing and Redevelopment Officials
- National Association of State Development Agencies
- National Center for Education Studies
- National Conference of State Legislatures
- National Council for Urban Economic Development
- National Governors' Association
- National League of Cities
- Office of Neighborhoods, U.S. Department of Housing and Urban Development

Appendix A

Name ________________________ Code ____________

SURVEY OF STATE/LOCAL OFFICIALS' VIEWS OF INDICATORS OF STATE AID TO DISTRESSED AREAS

A. We are interested in determining those state activities, which *if provided at an adequately targeted level* would serve as an indication of state action to aid distressed areas. Please read the need criterion for each of the five function areas listed below; if you do not agree with the criterion, explain how it should be changed.

I. *Housing*

Criterion: State program must be directed primarily to persons with incomes below the state median income.

Suggested Changes ________________________

____

II. *Economic Development*

Criterion: State program must be directed primarily to assist communities with concentrations of low income persons, with chronically underemployed persons, or to designated labor surplus/high unemployment areas.

Suggested Changes ________________________

____

III. *Community Development*

Criterion: State program must give priority to communities in which infrastructures are obsolete, lacking, declining, underdeveloped, or where the tax base is inadequate and/or tax effort is high.

Suggested Changes ________________________

____

IV. *Fiscal and Financial Management Activities*

Criterion: State program must seek to alleviate revenue and expenditure burdens of communities where tax effort is above the state's mean.

Suggested Changes ________________________

____

V. *Structure*

Criterion: State legislation/authorization must assure that areas in need benefit from annexation, regional decision making, or use of residual powers.

Suggested Changes ________________________

____

B. Of the following 35 activities, listed in five areas, please *check the 20* which you believe are the *most important* indicators of state commitment to aiding distressed areas.

I. *Housing*

- ☐ 1. Single family home construction or mortgage loan program.
- ☐ 2. Multifamily home construction or mortgage loan program.
- ☐ 3. Housing rehabilitation grant or loan program.
- ☐ 4. Housing rehabilitation tax incentive (including abatements, deferrals, exemptions, credits).
- ☐ 5. State action to eliminate discrimination in metropolitan housing markets (fair housing statute, fair share housing plan and/or antiredlining regulations or legislation).
- ☐ 6. State-financed homesteading program.
- ☐ 7. State-assisted public housing.

II. *Economic Development*

- ☐ 1. Industrial and commercial site development program (e.g., provision of technical assistance to local governments in site development; direct state development of industrial sites; state designation of sites suitable for industrial development).
- ☐ 2. State loans, loan guarantees, interest subsidies, and grants for industrial and commercial development and redevelopment.
- ☐ 3. Job training, retraining, and placement program with particular attention to needed skills in short supply (customized job training).
- ☐ 4. Small business development program (e.g., venture capital grants; loans and grants for operating expenses or for the acquisition of equipment).
- ☐ 5. Tax credit, abatement, deferral or reduction for industrial or commercial real estate, plants, or equipment.
- ☐ 6. Tax credits for job creation for unemployed persons.
- ☐ 7. State guarantee of local industrial revenue bonds, or state floating of industrial revenue bonds.
- ☐ 8. Preferential procurement (state procurement of goods and services from suppliers located in communities experiencing high unemployment/labor surplus/high concentration of low income persons).
- ☐ 9. State provides secondary market for Economic Development Corporation debt.

III. *Community Development*

- ☐ 1. State authorization for tax increment financing of urban redevelopment.
- ☐ 2. State authorization for local governments to create redevelopment agencies and carry our renewal programs.
- ☐ 3. Capital improvements: State grants or loans for water and sewer facilities, for roads, harbors, airports, or for street lights, street repairs, park and recreation facilities.
- ☐ 4. Preferential siting and leasing (siting and leasing of state facilities in communities according to designated need criteria).
- ☐ 5. State programs to provide technical assistance, or tax credit for business or individual contributions to neighborhood improvement efforts.
- ☐ 6. State zoning ordinances and building codes for communities or unincorporated areas in which local ordinances have not been acted.

IV. *Fiscal and Financial Management Activities*

- ☐ 1. State revenue sharing program with formula emphasizing local fiscal and socio-economic need.
- ☐ 2. State has revised educational finance formula and reduced disparities in per pupil expenditures.
- ☐ 3. Enacted state authorization for tax base sharing among localities.
- ☐ 4. State assumption of local public welfare costs (90% or more).
- ☐ 5. State reimbursement for local costs of state-mandated programs.
- ☐ 6. State authorization of local sales or income taxing authority.
- ☐ 7. Standardized budgeting, accounting, and auditing requirements for local governments.
- ☐ 8. Improving local governments' access to credit markets (e.g., state operated municipal bond bank, state guarantee of local bonds).

V. *Structure*

- ☐ 1. State authorization for creation within designated regions of single or multipurpose regional authorities with regionwide financing.
- ☐ 2. Constitutional or statutory provisions granting local governments the authority to exercixe all powers not specifically denied them.
- ☐ 3. State statute enabling local governments of a certain size to annex surrounding unincorporated lands.
- ☐ 4. State statute facilitating city/county or local government consolidation.
- ☐ 5. State boundary commission or other state control over the formation of new governments.

Appendix B

THE STATE URBAN POLICY AGENDA: DO STATE AND LOCAL OFFICIALS SHARE THE SAME PRIORITIES?

Correlations Among State and Local Preference Rankings of 35 Indicators of State Urban Performance[1]

	All Respondents	State Officials	All Local Officials	County Officials	Municipal Officials	Hardship City Officials
All Respondents	1.0000					
State Officials	.7689	1.0000				
All Local Officials	.8447	.6017	1.0000			
County Officials	.6651	.5162	.6714	1.0000		
Municipal Officials	.5830	.4786	.5800	.3901	1.0000	
Hardship City Officials	.5728	.3881	.6551	.4792	.2569	1.0000

[1]Preference correlations are represented by the Kendall tau beta coefficient, calculated on the basis of indicator preference rankings for each respondent subgroup. Preference rankings were constructed on the basis of indicator vote totals within the state, county, municipal, and hardship city respondent subgroups. The local officials' preference ranking represents a summation of indicator vote totals for the latter three subgroups. State and local vote totals were summed to construct the preference ranking for all respondents. All preference rankings have been reproduced in *Appendix C*.

SOURCE: Academy staff compilation, based on responses to the 1980 academy indicators survey.

Appendix C

PREFERENCE RANKINGS OF STATE AID TO DISTRESSED COMMUNITIES

Indicator	Rank Assigned By: Sample	State	County	Municipal	Hardship City
*Capital Improvement Grants, Loans	1	2	1	3	1
*Housing Rehabilitation Grants, Loans	2	3	4	2	1
*Local Redevelopment Agency Authorization	3	1	17	11	10
*Mandates Reimbursements to Local Units	3	15	2	1	5
*Financial Aid for Industrial/Commercial Redevelopment	5	7	12	14	1
*Housing Rehabilitation Tax Incentive	6	5	4	10	18
*Revenue Sharing Program Emphasizing Need	6	17	4	5	1
*Multifamily Home Finance	8	3	9	14	18
*Authorization of Local Residual Powers	9	10	12	4	14
*Small Business Development Program	10	5	9	25	6
*Customized Job Training Program	10	7	12	14	7
*Education Finance Reform	12	9	12	20	7
*Neighborhood Improvement Program	13	14	2	23	10
*Industrial/Commercial Site Development	14	16	20	6	10
*Authorization for Tax Increment Financing	15	10	17	6	23
*Single Family Home Finance	16	10	7	12	26
*Program to Improve Local Credit Market Access	17	18	7	19	26
*Industrial Revenue Bond Program	17	24	9	20	14
*Assumption of 90%+ Local Welfare Costs	19	25	17	14	18
*Authorization of Local Sales/Income Taxes	20	18	26	6	26
Tax Credits for Job Creation for Unemployed	21	22	17	27	13
Authorization for Regional Authorities	22	10	24	25	31
Authorization for City/County, Local Consolidation	22	18	20	12	29
Authorization of Local Annexation	24	22	34	6	24
Standardized Local Finance Requirements	25	18	24	14	32
State-Assisted Public Housing	26	27	23	27	14
Tax Incentives for Industrial Development	26	31	12	20	14
Preferential Siting, Leasing of Facilities	28	28	26	27	7
Fair Housing/Fair Share Housing/Antiredlining	29	26	29	32	18
Authorization of Local Tax Base Sharing	30	29	31	27	24
Preferential procurement program	31	32	31	35	18
State Commission on Local Boundaries	32	30	33	23	34
State-Financed Homesteading Program	33	32	29	33	32
State Secondary Market for Economic Development Corporation Debt	34	35	26	34	29
State Zoning Ordinance, Building Code for Areas Without Such Statutes	35	34	34	27	34

*1980 indicator of state performance in aiding distressed communities.

Appendix D

ACIR/NAPA SURVEY ON STATE AID TO DISTRESSED COMMUNITIES

STATE OF: ______________________________

Questionnaire completed by: ______________________________

Position: ______________________________

Agency: ______________________________

Address: ______________________________ **Telephone:** ______________

Date: ______________________________

PLEASE RETURN THE COMPLETED QUESTIONNAIRE BY July 31, 1980

To: Advisory Commission on Intergovernmental Relations
1111 20th Street, NW
Washington, DC 20575

Attention: Taru Jones (202) 653-5538
Return envelope enclosed.

* * *

State and local officials have identified the following program areas as the most important in state activity aimed at assisting distressed communities.

We would like to know what state programs exist in these 20 areas. We have already partially filled out the charts based on information from previous questionnaire and secondary sources. Please let us know:

a) whether any new programs have been developed *since our last check in 1979,*

b) if our information is adequate and accurate.

THE FOCUS OF THE STUDY IS ON EFFORTS DELIBERATELY TARGETED TO DISTRESSED AREAS AS WELL AS ON NONTARGETED OR STATEWIDE PROGRAMS THAT ASSIST BOTH DISTRESSED AREAS AND OTHER COMMUNITIES.

SPECIFIC CRITERIA FOR TARGETED PROGRAMS ARE GIVEN BELOW.

Please fill out the following five charts. Use the enclosed blank form or the back of the page for additional comments.

Thank you.

I. HOUSING

Criterion for targeted programs: State program must be directed primarily to persons with low or moderate incomes, or to communities or neighhoods with substantial concentrations of low income families or substandard dwellings.

PROGRAM INFORMATION

Program Area	Program Targeted YES	Program Targeted NO	Program Title and Citation	Program Funded and Implemented YES	Program Funded and Implemented NO	Program Description: Purpose, Funding Level, Administering Agency, Types of Persons and
Single family home construction or mortgage loan program						
Multifamily home construction or mortgage loan program						
Housing rehabilitation grant or loan program						
Housing rehabilitation tax incentive (including abatements, deferrals, exemptions, credits)						

II. ECONOMIC DEVELOPMENT

Criterion for targeted programs: State program must be directed primarily to communities with (a) substantial out-migration of population or industry, (b) above-average unemployment or underemployment, or (c) an insufficiently diverse economic base.

PROGRAM INFORMATION

Program Area	Program Targeted YES	Program Targeted NO	Program Title and Citation	Program Funded and Implemented YES	Program Funded and Implemented NO	Program Description: Purpose, Funding Level, Administering Agency, Types of Persons and Jurisdictions Served, Etc.
Industrial or commercial site development program (technical assistance, direct state development, state designation of sites)						
State financial aid for industrial or commercial development (state loans, loan guarantees, interest subsidies and grants)						
Customized job training program (job training, retraining and placement in new or existing jobs)						
Small business development program (venture capital grants, loans and grants for operating expenses or for the acquisition of equipment)						
State issuance of industrial revenue bonds, or guarantee of local industrial revenue bonds						

III. COMMUNITY DEVELOPMENT

Criterion for targeted programs: State program must give priority (a) to communities or neighborhoods where public facilities are obsolete, lacking, declining or underdeveloped, (b) to areas which are experiencing rapid industrial and population growth, and (c) to areas where capital or community development needs exceed financing and maintenance capabilities.

PROGRAM INFORMATION

Program Area	Program Targeted YES	Program Targeted NO	Program Title and Citation	Program Funded and Implemented YES	Program Funded and Implemented NO	Program Description: Purpose, Funding Level, Administering Agency, Types of Persons and Jurisdictions Served, Etc.
Capital improvements program (state grants, loans or interest subsidies to build or maintain water and sewer facilities, streets, transit facilities, public buildings, parks, etc.)						
State program to assist local neighborhood improvement efforts (technical assistance, tax credit)						

IV. FISCAL AND FINANCIAL MANAGEMENT ASSISTANCE

Criterion for targeted programs: State program must seek to alleviate revenue and expenditure burdens of fiscally pressed communities where the tax base is inadequate and the per capita income is below the state average.

PROGRAM INFORMATION

Program Area	Program Targeted YES	Program Targeted NO	Program Title and Citation	Program Funded and Implemented YES	Program Funded and Implemented NO	Program Description: Purpose, Funding Level, Administering Agency, Types of Persons and Jurisdictions Served, Etc.
State revenue sharing program emphasizing local fiscal and socio-economic need						
Education finance reform to reduce interlocal disparities in per pupil expenditures						
Assumption of 90% or more of local public welfare costs						
State reimbursement of local costs for state-mandated programs						
Improving local governments' access to credit markets (e.g. state operated municipal bond bank, state guarantee of local bonds)						

V. ENHANCING LOCAL SELF-HELP CAPABILITIES

Criterion for targeted programs: State legislation/authorization must assure that substate general purpose governments are legally equipped to address the fiscal and development problems of distressed communities.

PROGRAM INFORMATION

Program Area	**Program Targeted** YES	NO	**Program Title and Citation**	**Program Funded and Implemented** YES	NO	**Program Description: Purpose, Funding Level, Administering Agency, Types of Persons and Jurisdictions Served, Etc.**
State authorization for local use of tax increment financing						
State authorization for local creation of redevelopment agencies						
State authorization of local sales or income taxing authority						
Residual powers statute or constitutional amendment						

STATE HAS FORMAL DESIGNATED GROWTH AND DEVELOPMENT STRATEGY: YES ______ NO ______

COMMENTS: ____

____

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