



*We the People of the United States, in
Order to form a more perfect Union,
establish Justice, insure domestic Tran-*

*quility, provide for the common Defence, promote the
general Welfare, and secure the Blessings of Liberty
to ourselves and our Posterity, do ordain and establish
this Constitution for the United States of America.*

**ADVISORY COMMISSION
ON
INTERGOVERNMENTAL
RELATIONS**

Fourth Annual Report

January 31, 1963

Washington D.C.

ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS
(Membership during period February 1, 1962-January 31, 1963)

Private Citizens:

Frank Bane, Virginia, Chairman
Don Hummel, Arizona, Vice Chairman
Howard R. Bowen, Iowa

Members from United States Senate:

Sam J. Ervin, Jr., North Carolina
Karl E. Mundt, South Dakota
Edmund S. Muskie, Maine

Members from United States House of Representatives:

Florence P. Dwyer, New Jersey
L. H. Fountain, North Carolina
Eugene J. Keogh, New York

Executive Branch, Federal Government:

C. Douglas Dillon, New Jersey, Secretary of the Treasury
Arthur J. Goldberg, Illinois, Secretary of Labor; succeeded by
Robert C. Weaver, New York, Administrator, Housing and Home
Finance Agency
Abraham A. Ribicoff, Connecticut, Secretary of Health, Education,
and Welfare; succeeded by Anthony Celebrezze, Ohio, Secretary
of Health, Education, and Welfare

Governors:

John Anderson, Jr., Kansas
Michael V. DiSalle, Ohio*
Ernest F. Hollings, South Carolina*
Robert E. Smylie, Idaho

Mayors:

Anthony Celebrezze, Cleveland, Ohio; succeeded by Raymond R. Tucker,
St. Louis, Missouri
Neal S. Blaisdell, Honolulu, Hawaii
Leo T. Murphy, Santa Fe, New Mexico; succeeded by Arthur Naftalin,
Minneapolis, Minnesota
Richard Y. Batteredton, Denver, Colorado

Members from State Legislative Bodies:

Hal Bridenbaugh, Senator, Nebraska; succeeded by Graham S. Newell,
Senator, Vermont
Robert B. Duncan, Representative, Oregon*
John E. Powers, Senator, Massachusetts

Elected County Officers:

Edward Connor, Wayne County, Michigan
Clair Donnenwirth, Plumas County, California
Barbara Wilcox, Washington County, Oregon

*Term expired end of 1962

ADVISORY COMMISSION
ON
INTERGOVERNMENTAL
RELATIONS

FOURTH ANNUAL REPORT

JANUARY 31, 1963

WASHINGTON, D. C.

M-19

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(As of January 15, 1963)

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Elizabeth C. Green, Administrative Assistant
Virginia M. Hardy, Secretary
Francis X. Tippett, Statistical Assistant
Joan E. Lief, Librarian
Ann C. Mooers, Stenographer
Joseph O. Mott, Clerk-Typist
Dorothy K. Stackhouse, Typist
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Robert K. Kinsey, Analyst
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Sally O. Shames, Analyst
Frances D. Buckler, Secretary
Patricia T. Herbert, Stenographer
- Melvin W. Sneed, Assistant Director (Governmental Structure
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Stuart Urbach, Analyst
William P. Maxam, Analyst
Esther Fried, Secretary
Mary T. Hansell, Stenographer

CONSULTANTS

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University of Minnesota

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Frederick L. Bird, Financial Consultant, Newtown, Connecticut

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Princeton University

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Frank C. Moore, Chairman, Advisory Board of the Office for
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C. H. Morrissett, State Tax Commissioner, Commonwealth of
Virginia

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Mark Perlman, Associate Professor of Political Economy, Johns
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James K. Pollock, Murfin Professor of Political Science, University
of Michigan and former Vice Chairman

Ralph E. Rechel, Transportation Consultant, Washington, D. C.

H. Clyde Reeves, former Commissioner of Revenue, Commonwealth
of Kentucky

Carl Shoup, Professor of Economics, Columbia University

Ray W. Wilson, former City Manager, Phoenix, Arizona

Reuben A. Zubrow, Professor of Economics, University of Colorado

LETTER OF TRANSMITTAL

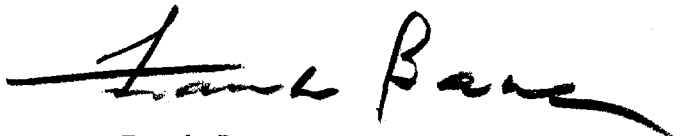
ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS
Washington 25, D. C.

January 31, 1963

Dear Mr. President:

I have the honor to submit the Fourth Annual Report of the Advisory Commission on Intergovernmental Relations, pursuant to Public Law 86-380, which requires the submission of a report on or before January 31 of each year. As provided in the statute, a copy of this report is also being transmitted to the Vice President and to the Speaker of the House of Representatives.

Respectfully submitted,

A handwritten signature in black ink, reading "Frank Bane". The signature is written in a cursive style with a long horizontal stroke at the beginning and a long horizontal stroke at the end.

Frank Bane
Chairman

The President,
The White House

THE WHITE HOUSE

WASHINGTON

February 26, 1962

Dear Mr. Chairman:

On the occasion of the reconstitution of the Advisory Commission on Intergovernmental Relations, I wish to express my appreciation to those members who have served so well during the first two-year term of the Commission's existence. I should like also to convey to those members, both old and new, who will carry forward the Commission's work my deep personal interest in the problems which will have the attention and collective experience and judgment of the Commission membership.

The relationships existing among the various levels of government in this country are more complex and more important than at any other time in our Nation's history. It is obvious that the Federal, State, and local governments will be able to discharge their responsibilities more effectively if there is fuller understanding of the proper roles that each can and should perform.

Problems resulting from the rapid growth of our metropolitan areas -- including both the central city and the surrounding suburban area -- require special attention. Studies already undertaken by the Commission on the subject contain valuable proposals identifying the proper responsibilities of each level of government and recommending the most effective use of the combined resources of our cities, States and National government. You have properly called attention to the fact that State and local leadership, as well as National leadership, is essential to meet the needs of our growing urban population.

The rising cost of government at all levels, coupled with the growing interdependence of national life, has called new attention to the strains placed on traditional governmental taxing practices. We must improve Federal, State and local coordination of tax and fiscal practices and policies to achieve equitable taxation,

increase administrative efficiency, and make it possible for our taxpayers to pay their taxes with a minimum of confusion and administrative burden. Equitable and reasonable intergovernmental tax policies will facilitate the free flow of trade among our States and will contribute to our economic growth.

I am confident the Commission will address itself to these and other important problems of intergovernmental relationships. You have my sincere wishes that your efforts will help strengthen and improve our system of cooperative federalism.

Sincerely,

A handwritten signature in black ink, appearing to read "M. H. ...", with a large, stylized flourish extending from the end of the signature.

Honorable Frank Bane
Chairman
Advisory Commission on
Intergovernmental Relations
Washington 25, D. C.

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I. INTRODUCTION

A. Statutory Provisions

Public Law 86-380, approved by the President September 24, 1959, provided for the establishment of a permanent, bipartisan body of twenty-six members, to give continuing study to the relationships among local, State and National levels of government. The Act specifies the following composition of the Commission: (a) Three officers of the Executive Branch of the National Government; (b) three members of the U. S. Senate; (c) three members of the U. S. House of Representatives; (d) four Governors; (e) four Mayors; (f) three county officials; (g) three State legislators; and (h) three private citizens.

The Act directs the Commission to: (1) Bring together representatives of the Federal, State and local governments for consideration of common problems; (2) provide a forum for discussion of the administration of Federal grant programs; (3) give critical attention to the conditions and controls involved in the administration of Federal grant programs; (4) make available technical assistance to the executive and legislative branches of the Federal Government in the review of proposed legislation to determine its overall effect on the federal system; (5) encourage discussion and study at an early stage of emerging public problems that are likely to require inter-governmental cooperation; (6) recommend, within the framework of the Constitution, the most desirable allocation of governmental functions, responsibilities, and revenues among the several levels of government; and (7) recommend methods of coordinating and simplifying tax laws and administrative practices to achieve a more orderly and less competitive fiscal relationship between the levels of government and to reduce the burden of compliance for taxpayers.

B. Accomplishments to Date

Since it exists as a continuing, rather than a temporary body the Commission is able to approach its work selectively and to consider problems in depth. It feels no compulsion to cover the whole subject of intergovernmental relations within a fixed span of time. The Commission recognizes that its own value and place in the federal system will be determined by its ability to make constructive contributions. It cannot expect continuance and support over an indefinite period unless its actions produce significant improvement in the relationships among Federal, State and local agencies of government. Therefore, the Commission considers the function of implementation just as important as the research and study function. Consequently, a significant share of the Commission's energies are devoted to stimulating and encouraging the actual implementation of its recommendations at the National, State and local levels.

Since its inception, the Commission has explored 18 separate problems of Federal-State-local relations and has published and widely distributed policy reports dealing with these problems. Each of these has involved: (a) A thorough exploration of the historical background and the current facts; (b) analysis of the existing friction points among levels of government; (c) consideration of alternative actions which might be taken by the levels of government concerned to ameliorate or resolve the problem; and (d) specific recommendations for legislative or administrative action, as appropriate at the respective levels of National, State and local government. A summary of these recommendations is set forth later in this report; in brief they have involved thirteen recommendations for legislative action by the Congress, six recommendations for administrative action by the Executive Branch of the Federal Government and twenty-one recommendations for legislative and other action by the States and by local governments.

Evidence is accumulating that the Commission's activities are beginning to have an impact on governmental affairs and public opinion in the United States: (a) Considerable attention in Congress including the enactment of two measures originated by the Commission; (b) widespread consideration of many of the proposals in various States, preparatory to the convening of the 1963 regular legislative sessions; (c) Commission proposals have received wide range endorsement from many organizations and groups; (d) the Commission's work is receiving increased attention in magazines and national journals; (e) requests for information and copies of reports from all over the country at an increasing rate; and (f) intergovernmental relations in general and the work of the Commission in particular are being considered at national meetings of governmental officials and civic groups. Progress in the implementation of specific recommendations is detailed below.

II. SOME HIGHLIGHTS IN FEDERAL-STATE-LOCAL RELATIONS IN 1962

Following is a summary of some of the more significant developments affecting relationships among Federal, State and local governments during the past year.

State Legislative Apportionment

One of the most important developments in the history of American federalism occurred during the year. This was the decision of the United States Supreme Court in Baker v. Carr, which held that the "equal protection clause" of the Fourteenth Amendment guarantees to citizens protection against "invidious discrimination" in the apportionment of State legislative bodies and that Federal as well as State courts could enforce these protections. (The recommendations of the Commission on the reapportionment question appear on pp. 8-9.)

Federal Grants-in-Aid

New grant-in-aid programs enacted by the Congress included: (a) The Manpower Development and Training Act of 1962, authorizing a three-year program of financial assistance for the re-training of unemployed workers and related purposes; (b) grants to assist State and local governments in the conduct of mass immunization programs against certain communicable diseases; (c) a Public Works Acceleration Act authorizing \$900 million to speed up local public works projects, as well as augmenting direct public works projects of the Federal Government; (d) expansion of the Federal Aid Highway Act, increasing funds available, and requiring coordination of roads projects in metropolitan areas with comprehensive transportation plans; (e) providing Federal grant assistance for programs of educational television; (f) Federal grants-in-aid for the provision of health services to migratory workers; and (g) the Public Welfare Amendments of 1962, which made a number of changes, both policy and financial, in the field of public assistance.

Department of Urban Affairs

The President's proposal for the establishment of a new Department of Urban Affairs and Housing was not approved by the Congress.

Mass Transportation

The Congress did not enact the broad mass transportation program proposed by the President, but extended the temporary Mass Transportation Loan Fund initially authorized in 1961.

Senate Subcommittee on Intergovernmental Relations

By S. Res. 359 a Subcommittee on Intergovernmental Relations of the Committee on Government Operations was established in the Senate. Members of the Subcommittee are Senator Muskie, of Maine, Chairman, Senators Ervin (N. C.), Humphrey (Minn.), Mundt (S. D.) and Curtis (Neb.). The Subcommittee is charged with an initial inquiry into the existing problems of intergovernmental relations, including an appraisal of the work done so far by the Advisory Commission and a report to the Senate early in the 88th Congress. The work of the new Subcommittee parallels that of the Intergovernmental Relations Subcommittee in the House under the Chairmanship of Congressman Fountain of North Carolina.

Municipal Manpower Commission

The Municipal Manpower Commission, established and operating under private auspices, concluded its study of the problems of urban governments in attracting and retaining qualified personnel in the face of growing demands. One of its principal conclusions was that improved

governmental structure and comprehensive planning in metropolitan areas are necessary environmental conditions for the attraction of the needed personnel.

Local Government Reorganization in Metropolitan Areas

The Colorado Supreme Court declared unconstitutional an area-wide tax levied by the Denver Metropolitan Capital Improvement District, which represented the first major instance of popular approval of a non-property tax covering an entire metropolitan area. The Court ruled that the capital improvement function was vested in the City of Denver by its home rule charter and could not be taken from it by the newly created metropolitan district.

Voters rejected a proposal to expand the functions of Metropolitan Seattle by adding mass transportation to its present responsibilities.

The voters of Missouri defeated a proposed constitutional amendment which would have consolidated all districts in St. Louis and St. Louis County except the school districts. However, the voters of Nashville and Davidson County, Tennessee, approved a consolidated city-county after a similar proposal had been defeated in 1958. On the other hand, a proposed city-county was rejected by the voters of Memphis and Shelby County, Tennessee.

Interest continued to grow in the use of voluntary metropolitan councils of local governments as a device for encouraging discussion and cooperative action among local officials in metropolitan areas. Formation of councils in Des Moines, Iowa and Ithaca, New York, raised the national number to over a dozen. The American Municipal Association and the National Association of Counties announced a joint program to encourage the formation of such bodies in additional metropolitan areas.

State Taxation of Interstate Commerce

The House Judiciary Committee moved forward in its study of this question during the year by holding a series of hearings. The Committee expects to report to the first session of the 88th Congress.

Federal-State Cooperation in Tax Administration

Legislation was passed by the Congress and approved by the President authorizing the admission of State and local tax personnel into training programs conducted by the Internal Revenue Service and further authorizing the Internal Revenue Service to perform statistical and other services for State and local tax agencies and other parties on a reimbursable basis. This legislation was initiated through the recommendations of the Commission (see pp. 19-20.).

Agreements on the coordination of tax administration between the Internal Revenue Service and State tax authorities were concluded with Iowa, Maryland, Missouri and West Virginia during the year, bringing the total of such agreements to sixteen.

III. CHANGES IN COMMISSION MEMBERSHIP AND STAFF

During the twelve months covered by this report (February 1, 1962-January 31, 1963), the following changes occurred in Commission membership.

Frank Bane, who had served as Chairman of the Commission since its inception, was reappointed and redesignated as Chairman on February 22, 1962. Simultaneously, Don Hummel, former Mayor of Tucson and one of the former Mayor members of the Commission, was appointed as a citizen member by the President and designated as Vice Chairman. Howard Bowen, President of Grinnell College, Iowa, was appointed by the President as the third citizen member.

Senators Ervin, Mundt and Muskie were reappointed by the Vice President to new terms on the Commission, representing the United States Senate. Congressman Eugene J. Keogh of New York was appointed to the place formerly occupied by Congressman Frank Ikard of Texas. Robert C. Weaver, Administrator of the Housing and Home Finance Agency, replaced Secretary of Labor, Arthur J. Goldberg, upon the latter's appointment to the Supreme Court of the United States. Mayor Anthony J. Celebrezze, a member of the Commission from its beginning, became a Federal Executive Branch member succeeding the former Secretary of Health, Education, and Welfare, Abraham A. Ribicoff, who also had been a member from the beginning of the Commission. Neal S. Blaisdell, Mayor of Honolulu, was appointed to the place on the Commission formerly occupied by Gordon S. Clinton, Mayor of Seattle, and Mayor Arthur Naftalin of Minneapolis replaced Leo T. Murphy, Mayor of Santa Fe. Graham S. Newell, State Senator from Vermont, was appointed to the place formerly occupied by Hal Bridenbaugh, State Senator from Nebraska. Mrs. Barbara Wilcox, Commissioner, Washington County, Oregon, was appointed to the place formerly occupied by Edwin Michaelian, County Executive, Westchester County, New York.

The current membership of the Commission is presented on the inside front cover.

The professional staff of the Commission was brought to full strength last year by the appointment of the following: (1) Mr. Norman Beckman as Assistant Director (Metropolitan Areas) replacing Mr. Allen D. Manvel, who returned to his former position as Head of the Governments Division at the Bureau of the Census; Mr. Beckman came to the Commission from the Bureau of the Budget where he served as a specialist on urban

affairs; (2) Melvin W. Sneed as Assistant Director (Governmental Structure and Functions) who had earlier served on the professional staff of the U. S. Senate Committee on Labor and Public Welfare, the House Education and Labor Committee, the Office of Education and the Brookings Institution; (3) Mr. Jacob M. Jaffe, Analyst, who came from the Governments Division, Bureau of the Census; (4) Mr. William Maxam, Analyst, who previously was with the Veterans Administration and the Office of Defense Mobilization; (5) Mr. Albert J. Richter, Analyst, formerly Research Director of the Citizens' League of Minneapolis; (6) Mr. Stuart Urbach, Analyst, who came to the staff from the Council of State Governments; and (7) Mr. Warren I. Cikins, a former member of the staff of the Commission, rejoined the staff from the period January 2, 1962 to June 30, 1962 after which he became Staff Director of the Subcommittee on Intergovernmental Relations of the Senate Government Operations Committee. The complete staff of the Commission, including consultants, is shown on pages ii and iii.

IV. APPROPRIATIONS AND BUDGET

For the period July 1, 1961 through June 30, 1962 the Commission operated on an appropriation of \$375,000, the amount it requested of the Congress. This amount, subject to adjustments necessitated by the Federal pay increase act of 1962, is being sought for the fiscal year ending June 30, 1964.

The breakdown, by object of expenditure, of the Commission's budget for FY 1963 is as follows:

Personnel compensation	\$217,000
Personnel benefits	15,000
Travel and transportation of persons	32,000
Transportation of things	1,000
Rent and utilities	1,000
Communications	6,000
Printing and reproduction	25,000
Other services	54,000
Services of other agencies	15,000
Supplies and materials	5,000
Equipment	<u>4,000</u>
 Total obligations	 \$375,000

Actual and estimated obligations by specific objects of expenditure for the fiscal years, 1962, 1963 and 1964 are shown in Appendix A.

V. COMMISSION REPORTS ISSUED AND RECOMMENDATIONS MADE

A. Role of the State in Improving the Real Property Tax

1. Background

The effectiveness of property taxation is and will remain the central tax problem of local governments. Its successful resolution will influence in an important degree the future course of State-local fiscal relations. This in turn depends on the leadership and assistance provided local governments by the States. Property taxes provide nearly half of all State and local tax revenues and seven-eighths of locally collected tax revenues of cities, towns, counties and school districts. Local governments will necessarily continue to depend upon the property tax for large parts of future revenues needed, and their quest for revenues is expected to continue unabated because most of the forces which have contributed to rising government costs since World War II are likely to persist into the indefinite future. In the face of these needs, property taxation policies and practices are severely limiting the fiscal powers of a great majority of local governments operating under constitutional, statutory and charter tax rate and debt limitations based on assessed value aggregates.

2. Recommendations

At its 12th meeting on December 13-14, 1962, the Commission considered a comprehensive report on this subject with final action scheduled for its next meeting in the spring of 1963. The propositions to be considered by the Commission relate to State legislation and administrative steps required to:

- a. Stabilize the role of the property tax in the overall State-local tax system;
- b. Make the property tax laws more administrable;
- c. Minimize under-assessment;
- d. Narrow the scope of tax exemptions;
- e. Provide an organization for effective assessment administration on a State-wide basis.

B. Apportionment of State Legislatures

1. Background

The apportionment of State legislatures has presented complex problems to the governing process of the nation for many years. Until

March 26, 1962 these problems, to the extent that they were resolved, were resolved almost completely by political processes. On that date, the United States Supreme Court held that the apportionment of State legislatures raises questions that must be resolved in terms of requirements set by the equal protection clause of the Fourteenth Amendment. This decision required a reevaluation of the political solutions to legislative apportionment problems. The Commission study reviews prior and possible future apportionment practices and their impact on the governing process. The Commission sets forth a series of possible grading principles designed to assist State officials and courts in meeting their new responsibilities in this matter. The study recognizes that while the Fourteenth Amendment imposes certain standards, at the moment indefinite, to a great extent, the problems of legislative apportionment will continue to require political solutions.

2. Recommendations

At its 12th meeting held on December 13-14, 1962, the Commission adopted a report on this subject, including the following conclusions and recommendations:

- a. Apportionment of seats in State legislative bodies is a basic factor of representative government in the United States and hence provisions relating thereto should be clearly specified in State constitutions.
 - (1) The apportionment formula for each body of the State legislature should be spelled out in clear and sufficient detail so that there can be no question as to the meaning of the formula. The Commission recommends that, where a legislative body is to be apportioned according to population only, the State constitution specify the extent to which legislative districts may represent different numbers of people in terms of a percent deviation, not to exceed 10 percent, from the number obtained by dividing the total population of the State by the number of representatives in the legislative body.
 - (2) The State constitution should specify the frequency of reapportionment.
 - (3) The State constitution should specify the body or officer having a responsibility for apportioning seats in the State legislature. The Commission recommends that this responsibility be vested in the State legislature itself. It further recommends that a bipartisan or nonpartisan board or commission

or other administrative officer or body be given responsibility to apportion legislative seats if the legislature fails to act within the time specified by the constitution, or when the legislature acts in a manner which is subsequently declared unconstitutional by a court of competent jurisdiction.

- b. The people should have an opportunity at any time to react at the polls to the continuance or change of the formula apportioning seats in the State legislature.
- c. The Commission recommends that State courts be constitutionally provided with appropriate jurisdiction and remedies to insure that State officials comply with their apportionment responsibilities.
- d. The actual apportionment of a State legislature, including, as it must, many elements of negotiation and accommodation that do not lend themselves to adversary proceedings, should be accomplished by the legislative or other specified nonjudicial body or officer. The Commission believes that State and Federal courts should confine their role to insuring that such nonjudicial body or officer promptly produce a reasonable apportionment meeting constitutional requirements, and urges both State and Federal courts to avoid, except in the most extreme circumstances, the prescription by judicial decree of specific apportionment formulas or the geographic composition of legislative districts.
- e. "Equal protection of the laws" would seem to presume, and considerations of political equity demand, that the apportionment of both houses in the State legislature be based strictly on population. 1/

3. Implementation

Copies of the Commission's report have been distributed widely to members of the executive and legislative branches of State government and to the State and Federal judiciary.

1/

Governor Anderson, Supervisor Donnenwirth, Governor Hollings, Mr. Hummel, Senator Newell and Governor Smylie joined in a dissenting view, and Senator Muskie, joined by Senator Mundt, Congressman Fountain and Senator Ervin also expressed views not in accord with this recommendation.

C. Intergovernmental Responsibilities for Water Supply and Sewage Disposal in Metropolitan Areas

1. Background

The Commission's study of this subject considered problems arising from a variety of conditions and developments, including: Fragmentation of responsibility for these functions among numerous local governments; the pressure within some areas of rapid population growth upon available sources of water; and the relation between these service functions and such other governmental activities as zoning and control of environmental sanitation.

2. Recommendations

At its 11th meeting held on October 10-11, 1962, the Commission adopted a report on this subject containing the following recommendations to State and local governments:

- a. Increased investment by local governments in urban water and sewer facilities, particularly for sewage treatment plants;
- b. Improvement in central city-suburban contractual and planning relationships including suburban representation on city water and sewer agencies serving suburbs under contract;
- c. Cooperation among local units of government in metropolitan areas so as to plan, develop and regulate water and sewer facilities on an area-wide basis;
- d. Enactment of State legislation vesting responsibility for overall State water resource planning and policy making in a single agency and providing for representation of urban interests on interstate water agencies;
- e. Enactment of State legislation to provide for (1) abatement and control of pollution of rivers and streams and (2) State and local regulatory authority over individual well and septic tank installations, minimizing and limiting their use to exceptional situations consistent with comprehensive land use goals;
- f. Enactment of State legislation to (1) provide State financial assistance for local sewage treatment works, supplementing existing Federal aid; (2) provide incentives for area-wide or regional development of local water and sewer utilities; (3) provide State technical assistance to local waste treatment facility planning and construction; (4) liberalize debt limits and

referenda requirements for water and sewer utility financing; and (5) permit joint action by units of local government in meeting area water and sewer needs;

- g. More vigorous enforcement of existing State pollution abatement laws.

The Commission also recommended the following legislative and administrative actions by the National Government:

- a. First, the Commission sees no present need for any new Federal grant-in-aid program for local water works comparable to Federal grants for sewage treatment construction;
- b. Amendment of the Water Pollution Control Act of 1956 to provide (1) an additional matching incentive for the development of sewage disposal facilities on a regional or area-wide basis; and (2) an increased dollar ceiling in Federal grants to larger cities for sewage treatment works;
- c. Amendment of statute governing Public Facility Loans Program of the Housing and Home Finance Agency to permit (1) communities of 50,000 or more to qualify for sewer and water loans and (2) the joining together of communities with an aggregate population of over 50,000 for purposes of such loan assistance; 2/
- d. Amendment of statutes governing the FHA mortgage insurance program and the home loan program of the Veterans Administration to (1) tighten eligibility requirements for individual well and septic tank installations 2/ and (2) include as insurable site preparation and development costs of water and sewer lines and systems;
- e. Evaluation by the Federal Executive Branch of present Federal enforcement powers and financial incentives relative to industrial pollution of rivers and streams;
- f. Consideration of urban water needs in future Federal water resources planning equal to that given water requirements for navigation, power and agriculture.

2/

Secretary Dillon abstained, pending further study by the agencies concerned.

3. Implementation

The Commission recommended that the Department of Health, Education, and Welfare and the Housing and Home Finance Agency consider including the Commission's recommendations in their legislative programs for submission to the Congress of 1963.

Due to the relative recency of this report, the recommendations have not yet been considered by State and local governments. Recommendations for an evaluation of Federal enforcement powers and financial aid relating to water pollution by industry, and for a fuller consideration of urban water needs in future Federal water resources planning, were formally transmitted to the White House, the Bureau of the Budget, and the appropriate department heads. The White House staff has agreed to explore the most appropriate means by which the leadership role of the Federal Government with respect to urban water needs can be achieved.

D. State Constitutional and Statutory Restrictions on Local Taxing Powers

1. Background

Local governments frequently operate under constitutional, statutory or charter property tax rate restrictions which are said to limit their ability to help themselves, to impair local self-determination, and to contribute to dependence on State and Federal financial aid. Restrictions upon the powers of local jurisdictions to employ non-property taxes are said to pose similar problems, although with less degree of urgency. The Commission's study of this problem was designed to ascertain the impact of these State restrictions on local government finances, and to develop for the consideration of State governments proposals for constitutional and statutory remedies.

2. Recommendations

At its 11th meeting on October 10-11, 1962, the Commission adopted a report on this subject, including the following recommendations with respect to property taxation:

As a general objective all limitations imposed by the State upon local property tax rates should be removed. Recognizing that such results cannot reasonably be expected to come about rapidly, the Commission proposes a number of guidelines for interim liberalization of property tax limits.

So long as tax rate limitations are retained,

- a. Statutory provisions are preferred to constitutional provisions;
- b. Use of full market value of taxable property as the basis is preferred to fractional assessed value;
- c. Limitations on local functions in general are preferred to singling out individual functions;
- d. Capital financing and debt service needs should be excluded;
- e. Provision should be made to enable local governing bodies to obtain relief from tax limitations either by reference to the electorate or administratively by a State agency;
- f. The electorate should always have power to initiate referenda on proposed rate increases;
- g. If governing bodies and citizens are provided with the avenues of relief specified in (e) and (f), then tax limits embracing all overlapping local taxing jurisdictions are preferred to single jurisdiction limits; and
- h. Home rule charter counties and cities should be excluded from tax rate limitations.

In granting nonproperty taxing powers to local governments, beyond provisions granting home rule to local governments, the Commission recommends to States the following basic principles:

Local governments should be enabled to use these taxes only (a) where required in the interest of the desired distribution of the combined State-local tax burden among the several bases of taxation (property, income, consumption, etc.) and (b) where needs can not be met reasonably from available property tax sources or where property already bears an inordinate share of the tax burden.

Specifically the Commission recommends that provisions relating to their use be by statute rather than frozen in constitutions, that such authorization be specific and that the electorate always have the authority to petition a vote on proposals for new nonproperty taxes.

3. Implementation

Due to the relative recency of this report the recommendations have not yet been considered by State and local governments.

E. State Constitutional and Statutory Restrictions Upon the Structural, Functional and Personnel Powers of Local Governments

1. Background

This topic has been rated as highly important by most study groups which have examined intergovernmental relations in general or State-local relations in particular. It has been viewed by many as being of key importance in strengthening local government and avoiding unnecessary centralization. In many States constitutional or statutory restrictions, or both, tend to handicap the undertaking by local government of new responsibilities brought about by changing times and circumstances. Also in many instances, the structure of local government is described in detail under general State laws with too little discretion left to the local citizens to re-adjust the form and activities of their local government in order to meet particular local needs.

2. Recommendations

At its 11th meeting on October 10-11, 1962, the Commission adopted a comprehensive report on this subject including the following recommendations:

- a. Amendment of State constitutions to grant "residual powers" to local government--namely, all powers not reserved to the State in the Constitution or pre-empted for the State by action of the legislature; 3/
- b. Modification of State and Federal grant-in-aid programs to provide incentives to small local units of government to join together in the administration of the function being given grant assistance;
- c. Authorization to county governments individually or jointly to establish service corporations or authorities, where clearly necessary and with appropriate safeguards; 3/
- d. Authorization to municipalities and counties to adopt optional forms of local government;
- e. Authorization to county governing boards to fix appointment, tenure and salaries of all county officials and personnel except those engaged in so-called "liberty

3/

Mr. Hummel did not concur in this recommendation.

and equality functions" such as elections administration and district attorney and sheriff functions;

- f. Authorization to municipalities to appoint all city officers other than the mayor and council members;
- g. Provision by the State government of technical assistance upon request of local governments with regard to personnel administration.

3. Implementation

Due to the relative recency of this report the recommendations have not yet been considered by State and local governments.

F. State Constitutional and Statutory Restrictions on Local Government Debt

1. Background

In dealing with this subject in the Commission's Third Annual Report, it was brought out that the objective of decentralization cannot be attained by a readjustment of National-State relations alone. It will be fully achieved only when carried through to the lowest levels of government, where every citizen has the opportunity to participate actively and directly. The strengthening of local governments requires that activities that can be handled by these units be allocated to them, together with the financial powers necessary for their support.

The Commission has concluded that the present maze of constitutional and statutory restrictions upon local government borrowing constitutes a serious impediment to effective local self-government in the United States, handicapping the self-reliance of local communities and impelling them toward increased financial dependence on States and the Federal Government.

2. Recommendations

At its 7th meeting held on September 14-15, 1961 the Commission adopted a report on this subject that included the following recommendations:

- a. Local governments should be granted maximum powers with respect to borrowing; State provisions regulating local borrowing should be comprehensive, uniform and explicit;
- b. Authority to incur debt should be vested in the governing bodies of local governments, subject only to a permissive

referendum, if petitioned by the voters, and resolved in such case by a simple majority vote;

- c. Constitutional and statutory provisions limiting local government debt by reference to the local property tax base should be repealed; 4/
- d. States should explore the feasibility of limiting local debt by reference to the net interest cost of prospective bond issues in relation to the prevailing yield of high quality municipal securities; 5/
- e. States should make technical assistance available to local governments in their debt issuance and should prescribe the minimum content of public announcements of local bond offerings.

3. Implementation

The Commission's report has been given wide circulation among State and local governments. Resolutions endorsing the recommendations made by the Commission have been passed by the National Association of Counties, the American Municipal Association and the U. S. Conference of Mayors. Statements urging the States to take administrative or legislative action to provide technical assistance on debt flotation to local units of government and to adopt State standards for local debt prospectuses have been incorporated into the 1963 Legislative Program of the Council of State Governments.

G. Alternative Approaches to Governmental Reorganization in Metropolitan Areas

1. Background

A number of different approaches have been advocated and used with respect to facilitating the administration of local government in metropolitan areas. The principal methods include:

- a. The "urban county" approach, whereunder local government functions which require area-wide treatment are

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Mr. Michaelian and Mr. Burton, Members of the Commission at the time, did not concur in this recommendation.

5/

Mayor Clinton, Senator Cutler and Mr. Burton, Members of the Commission at the time, did not concur in this recommendation; Secretary Dillon expressed reservations concerning it.

taken over by the county government; (This approach is considered particularly appropriate in those metropolitan areas which embrace only one county.)

- b. City-county consolidation, whereunder city and county governments in a metropolitan area are consolidated, as in San Francisco and Denver;
- c. The "federation" approach, whereunder certain functions are assumed by a new metropolitan form of government with others continuing to be handled by the individual counties and municipalities within the metropolitan areas;
- d. Voluntary and informal cooperative arrangements, whereby the local units of government within a metropolitan area band together for study and coordinated attack on common problems. This arrangement is typified by the Metropolitan Regional Council in New York, the Association of Bay Area Governments on the West Coast, the Washington Metropolitan Regional Conference in the National Capital Area and the Supervisors' Inter-County Group in the Detroit metropolitan area.

2. Recommendations

At its 10th meeting on June 28-29, 1962, the Commission adopted a report on this subject which contained the following recommendations:

- a. Enactment of State legislation giving municipalities authorization to exercise "extra-territorial" authority with regard to planning, zoning and subdivision control in unincorporated fringe areas where such regulations are not being exercised by the county government;
- b. Provision by the State government of "good offices" in resolving conflicts arising between local units of government;
- c. Encouragement for the formation of voluntary metropolitan councils as described above.

3. Implementation

A draft bill to carry out the legislative portion of the foregoing recommendations was prepared by the Commission and has been circulated to Governors, legislative leaders and legislative service agencies in the various States.

H. Local Nonproperty Taxes and the Coordinating Role of the State

1. Background

In the discussion of this subject in the Commission's Third Annual Report, it was pointed out that the development of local nonproperty taxes encounters serious restraints stemming out of the limited territorial jurisdiction of local governments. It entails some hazards for State and national economic policies over and above the aggravated tax overlapping, for it affects the competitive relationship of local business enterprises. It involves, moreover, heavy compliance burdens for taxpayers and the uneconomical use of local governments' limited tax enforcement resources.

2. Recommendations

At its 7th meeting held on September 14-15, 1961, the Commission adopted a report dealing with these nonproperty taxes and suggested the following guidelines for State Governors and legislatures:

- a. Providing cities and adjoining jurisdictions in large metropolitan areas with uniform taxing powers and authority for cooperative tax enforcement;
- b. Authorizing the addition of local tax supplements to State sales and income taxes where these taxes are used both by the State and a large number of local governments;
- c. Permitting pooled administration of similar local taxes levied by numerous local governments;
- d. Limiting local governments to the more productive taxes and discouraging the smaller jurisdictions from excessive tax diversity;
- e. Providing State technical assistance to local tax authorities, including tax information, training facilities for local personnel, access to State tax records and where appropriate, using sanctions against State taxpayers who fail to comply with local tax requirements.

3. Implementation

The Commission's recommendations on this subject have been endorsed by the National Association of Counties, the American Municipal

Association and the U. S. Conference of Mayors and a policy statement endorsing these recommendations has been included in the 1963 Legislative Program of the Council of State Governments.

I. Intergovernmental Cooperation in Tax Administration: Some Principles and Possibilities

1. Background

Administrative cooperation between Federal and State tax administrations has had Congressional and Executive endorsement in principle for more than a generation. Its application, however, has been rather limited, and has consisted mostly of the exchange of income tax information. Even within this narrow compass, it has proceeded only by fits and starts, and in most States has amounted to a one-way flow, not an exchange. The case for intergovernmental cooperation between tax administrations requires little demonstration. Tax administrations at all governmental levels--Federal, State and local--are engaged in a common task: The enforcement of laws required for financing governmental services. While our governmental system is predicated on a division of jurisdictional responsibilities among governmental levels, these levels exist only to complement one another in the common goal of serving the people's needs.

2. Recommendations

At its 6th meeting on June 15, 1961 the Commission adopted a report on this subject recommending:

- a. The enactment of State legislation authorizing the exchange of tax records and information among States and with the Federal Internal Revenue Service;
- b. Joint action by the Treasury Department, the Council of State Governments and the Commission's staff to identify State and local records and types of information potentially useful for the administration of Federal income and other taxes;
- c. Development by the States for submission to the Treasury Department and the Congress of a plan to enable the admission of State and local tax enforcement personnel into training programs conducted by the Internal Revenue Service;
- d. Favorable consideration by the Congress of legislation to authorize the Internal Revenue Service to perform statistical and related services for State tax agencies on a reimbursement basis.

3. Implementation

The Commission is pleased to report that legislation to carry out the last two of the foregoing recommendations--namely, the admission of State and local tax personnel to Internal Revenue Service training programs and the authorization for the performance of statistical and other services for State tax agencies--was developed cooperatively between the Commission and the Treasury Department and was enacted by the second session of the 87th Congress and approved by the President (PL 87-870). This marks the first clear-cut Congressional enactment in support of recommendations generated by the Advisory Commission. This legislation will greatly facilitate administrative cooperation between State and Federal governments in tax administration.

A policy statement in support of the provision of State statutory authority for the exchange of tax records and information was approved last year by the Council of State Governments and was included in the Council's Legislative Program for both 1962 and 1963.

The inventorying of State and local records potentially useful in the administration of Federal taxes is progressing satisfactorily State by State.

J. State and Local Taxation of Privately Owned Property Located on Federal Areas

1. Background

This is a relatively narrow but bothersome aspect of Federal-State tax relations. Currently, privately owned personal property located on Federally controlled areas subject to the exclusive legislative jurisdiction of the Federal Government is exempt from local property taxation. Repeated legislative proposals have been made for Congressional consent to State and local taxation of such personal property.

2. Recommendations

At its 6th meeting held on June 15, 1961 the Commission adopted a report on this subject recommending:

- a. Favorable Congressional action on pending legislation providing for the transfer to the States of exclusive legislative jurisdiction now exercised by the Federal Government over various lands and properties where the retention of exclusive jurisdiction is not required in the national interest;

- b. Following such Congressional action, prompt acceptance by the States of such jurisdiction. Such transfer of jurisdiction would carry with it the right to tax.

3. Implementation

Strong efforts were made in collaboration with the Department of Justice, the Council of State Governments and the American Municipal Association to secure favorable Congressional action on S. 154 and the companion House Bills, H. R. 4059 and H. R. 5362, in the second session of the 87th Congress. These efforts were unsuccessful. It is anticipated that early in the next Congress legislation of this type, limited at the outset to Western States where most of the problem exists, will be introduced and favorable action sought.

K. Periodic Congressional Reassessment of Federal Grants-in-Aid to State and Local Governments

1. Background

As discussed in greater detail in the Third Annual Report of the Commission, the difficulty of terminating, redirecting or otherwise modifying Federal grants-in-aid, once initiated, has been stressed by practically every group, beginning with the "First Hoover Commission," which has examined Federal-State relations.

2. Recommendations

At its 6th meeting held on June 15, 1961, the Commission adopted a report on this subject containing the following recommendations:

- a. The enactment by the Congress of a general statute, applicable to any new grants which may be enacted in the future, to provide that each new grant would be re-enacted, terminated or redirected at the end of five years, depending upon the results of a thorough re-examination of the grant by the cognizant legislative committees of the Congress; 6/
- b. Periodic review by Congressional committees and executive agencies of the status of Federal grants-in-aid now in existence.

6/

Senator Cutler, a Member of the Commission at the time, did not concur in this recommendation.

3. Implementation

Bills to carry out the first of the foregoing recommendations were introduced in the 87th Congress as follows: H. R. 7802 and companion bills by Congressman Fountain, Congresswoman Dwyer and eight other Congressmen and S. 2286 by Senators Muskie, Ervin, Mundt and Humphrey.

The Intergovernmental Relations Subcommittee of the House Committee on Government Operations completed hearings on H. R. 7802 and the companion bills. The bill was favorably reported by the Subcommittee to the full Committee, but encountered technical and other objections. A revised bill (H. R. 12565) to meet these objections was introduced by Congressman Fountain. It is expected that this measure will be reintroduced in the 88th Congress.

The Commission's recommendations as reflected in these bills have been endorsed by the Governors' Conference and the National Legislative Conference of the Council of State Governments, the American Municipal Association and the National Association of Counties.

L. Intergovernmental Responsibilities for Mass Transportation Facilities and Services in Metropolitan Areas

Background and recommendations on this subject were set forth in the Third Annual Report of the Commission. Those recommendations relating to Federal action were included as a part of the Housing Act of 1961. A draft bill providing for an organizational and policy framework for mass transportation problems at the State level was approved by the Committee on Suggested State Legislation of the Council of State Governments and is included in the Council's 1963 State Legislative Program.

In addition to inclusion in the Council's Program, the substance of the proposed State law has been endorsed by the National Legislative Conference and the Governors' Conference of the Council of State Governments, and by the American Municipal Association and the National Association of Counties.

M. Governmental Structure, Organization, and Planning in Metropolitan Areas

1. Background

At no point in the structure of the American Federal system of government are problems of intergovernmental relations so marked, varied and difficult as in the large metropolitan areas, where the activities of all three levels of government function in close proximity. Within such areas, Federal, State, county and municipal agencies, often

supplemented by a host of special purpose units of local government, function in close juxtaposition, subject to an extremely complicated framework of Federal, State and local laws and administrative regulations.

2. Recommendations

At its 5th meeting held on April 27-28, 1961 the Commission adopted a comprehensive report on this subject, including recommendations to both State and National governments. The Commission submitted a number of recommendations for consideration by State legislatures, including:

- a. Simplified statutory requirements for municipal annexation of unincorporated territory;
- b. Authorization for inter-local contracting or joint performance of urban services;
- c. Authorization for establishment of metropolitan service corporations for performance of particular governmental services that call for area-wide handling; 1/
- d. Authorization for voluntary transfer of governmental functions from cities to counties and vice versa;
- e. Authorization for the creation of metropolitan area commissions on local government structure and services; 1/
- f. Authorization for creation of metropolitan area planning bodies;
- g. Establishment of a unit of State government for continuing attention, review and assistance regarding the State's metropolitan areas;
- h. Inauguration of State programs of financial and technical assistance to metropolitan areas;
- i. Stricter State standards for new incorporations within metropolitan areas;
- j. Financial and regulatory action by the State to secure and preserve "open land" in and around metropolitan areas;

1/

Mr. Michaelian and Mr. Burton, Members of the Commission at the time, did not concur in these recommendations.

- k. Assumption by the State of an active role in the resolution of disputes among local units of government within metropolitan areas.

The Commission also recommended expanded activity by the National Government, including:

- a. Financial support on a continuing basis to metropolitan area planning agencies; 8/
- b. Expanded Federal technical assistance to State and metropolitan planning agencies;
- c. Congressional consent in advance to interstate compacts creating planning agencies in those metropolitan areas crossing State lines;
- d. Review by a metropolitan planning agency of applications for Federal grants-in-aid within the area with respect to airport, highway, public housing and hospital construction, waste treatment works and urban renewal projects.

3. Implementation

The following bills were introduced in the second session of the 87th Congress to carry out the Commission's recommendations for Federal action: (a) S. 3362 (Muskie, D., Me.); H. R. 11795 (Dwyer, R., N. J.)--amendment to section 701 of the Housing Act of 1954 to provide continuing support grants for metropolitan planning; (b) S. 3363 (Muskie, D., Me.); H. R. 11797 (Dwyer, R., N. J.)--coordinated review of State and local applications for certain Federal grants-in-aid. In the Senate, S. 3362 was referred to the Banking and Currency Committee and S. 3363 to the Government Operations Committee. In the House, both H. R. 11795 and 11797 were referred to the Banking and Currency Committee. It is expected that similar bills will be introduced and hearings held early in the first session of the 88th Congress.

Enactment of both bills was endorsed by the National Association of Counties at its 1962 Convention as well as by a number of planning organizations. The Conference of Mayors and the American Municipal Association have both formally endorsed H. R. 11795 and S. 3362.

All of the recommendations pertinent to State government listed above, except the one dealing with stricter standards for

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Governor Smylie dissented from, and Congressman Fountain reserved judgment on this recommendation.

municipal incorporations, have been included in the 1963 Program of Suggested State Legislation of the Council of State Governments. The Interlocal Cooperation Act, suggested in 2(b) above, was enacted by the Kentucky Legislature at its 1962 session. Provisions relating to interlocal co-operation and authorization of arrangements for handling area-wide service functions were included in the new proposed constitution in Michigan. Other bills to carry out recommendations under (2) above are under consideration by interim legislative committees in several States, including Oklahoma, Oregon and Missouri.

N. Modification of Federal Grants-in-Aid for Public Health Services

The background information and recommendations of the Commission on this subject were described in detail in the Commission's Third Annual Report. In essence, the Commission recommended that the Public Health Service Act be amended by authorizing States to transfer funds up to 33 1/3 percent among specific health categories and to place these grant-in-aid categories under a uniform allotment formula instead of the present different formulas.

Implementation

The following bills were introduced in the first session of the 87th Congress to carry out the Commission's recommendations: H. R. 5706 (Fountain, D., N. C.); H. R. 5707 (Dwyer, R., N. J.); and S. 1467 (Muskie, D., Me. and eight other Senators). Subsequently, in the second session, S. 3592, embodying minor technical amendments to S. 1467, was introduced by Senator Muskie for himself and the cosponsors of S. 1467, and eight additional cosponsors.

The bills were referred to the House Committee on Interstate and Foreign Commerce and the Senate Committee on Labor and Public Welfare. No hearings were held, but it is expected that similar bills will be reintroduced in the 88th Congress.

The Commission's recommendations as reflected in the bills cited above have been endorsed by: The Governors' Conference; Executive Committee of the National Conference of State Legislative Leaders; National Association of State Budget Officers; Midwestern Regional Conference of the Council of State Governments; National Association of Counties; American Municipal Association; the National Legislative Conference of the Council of State Governments; and the National Association of Attorneys General.

O. Investment of Idle Cash Balances by State and Local Governments

Background information and the recommendations of the Commission on this subject were discussed in the Commission's Third Annual Report.

Implementation

A draft bill to authorize local governments to invest idle cash has been included both in the 1962 and the 1963 State Legislative Programs of the Council of State Governments. In addition, a policy statement is contained in the Council's 1963 Legislative Program urging the States to consider authorizing and directing their appropriate officials to share their specialized knowledge in the investment of short-term public funds with the appropriate financial officials of the smaller subdivisions by: (a) Taking the leadership in explaining these investment opportunities to them; (b) acquainting them with the State's practice and experience in investing short-term funds; and (c) organizing machinery for making technical assistance available to local jurisdictions which request it on a continuing basis.

Finally, a brochure explaining the availability of short-term U. S. securities for the investment of idle funds was drafted by the Treasury Department and is being distributed by the Commission to State and local governments.

The Commission's recommendations on this subject have been endorsed by: The Governors' Conference; National Association of Counties; American Municipal Association; National Legislative Conference of the Council of State Governments; National Association of State Auditors, Comptrollers and Treasurers; and U. S. Conference of Mayors.

P. Coordination of State and Federal Inheritance, Estate and Gift Taxes

Background information on this subject was contained in the Commission's Third Annual Report.

At its 4th meeting held January 18-19, 1961 the Commission adopted a comprehensive report on this subject in which it recommended:

Amendment of the Internal Revenue Code to increase the credit against the Federal estate tax for estate taxes paid to the States, such amendment to be effective with respect to estates from any given State (a) after that State had adjusted its tax structure to insure that the benefits of the increased Federal credit will accrue to its treasury and, (b) if it now has an inheritance type tax, after it had replaced it with an estate tax.

Implementation

To carry out the Commission's recommendations with respect to estate and inheritance taxes, the following bills were introduced in the

Congress: H. R. 5153 (Dwyer, R., N. J.); H. R. 5155 (Fountain, D., N. C.); and H. R. 8600 (Ikard, D., Tex.); and S. 1344 by Senator Muskie, D., Me. and fourteen other Senators. These bills were referred to the House Ways and Means Committee and Senate Finance Committee, respectively. No hearings were held. It is expected that the bills will be reintroduced in the 88th Congress.

The Commission's recommendation that the estate tax credit be revised has been endorsed by the Governors' Conference; National Tax Association; National Association of Counties; American Municipal Association; the National Legislative Conference of the Council of State Governments; the National Association of Attorneys General; the Executive Committee of the National Conference of State Legislative Leaders; and the National Association of State Auditors, Comptrollers, and Treasurers.

VI. OTHER REPORTS

In addition to reports containing specific recommendations for legislative or administrative action designed to improve intergovernmental relations, the Commission from time to time issues "information reports" designed to provide needed information and reference material to State and local governments or otherwise to facilitate intergovernmental relations. The following informational and technical reports were issued by the Commission during the period February 1, 1962-January 1, 1963.

A. Factors Affecting Voter Reactions to Governmental Reorganization in Metropolitan Areas

From 1950 to 1961, proposals for significant change in local government structure had been subjected to popular referendum within 18 of the Nation's 212 standard metropolitan statistical areas. The Commission endeavored to ascertain the factors which tended to lead to success or failure at the polls of these reorganization efforts. The 18 reorganizations proposals were reviewed to determine the extent to which common patterns appear concerning the kinds of issues involved, the role of the various community elements, and the promotional methods used for and against the reorganization plans.

An information report was issued in May 1962 containing the findings of the inquiry and several helpful conclusions and inferences.

B. Measures of State and Local Fiscal Capacity and Tax Effort

This is widely identified as one of the most difficult but potentially most productive areas of research in intergovernmental fiscal relations. Better measures of fiscal capacity and tax effort

would help State and local officials to compare the tax load in one jurisdiction in relation to that in others. They would help to appraise the fiscal resource indicators now in use in State aids to local governments and in Federal grants to States. Federal grant-in-aid programs frequently rely on the per capita personal income of the States as a measure of fiscal capacity (in those Federal aid programs that have equalization provisions); assessed value of real property is the measure of capacity now most frequently used by States in the distribution of State aids to local governments. Questions have been raised about these measures and about the need for alternatives.

A staff report dealing with this problem was issued in November 1962.

C. Statistical Data Regarding Metropolitan Areas

Government administrators in metropolitan areas and scholars engaged in research on various aspects of metropolitan area problems have become increasingly concerned regarding the lack of adequate economic and other statistical data covering metropolitan areas and minor subdivisions thereof. While the body of such data has grown over the past two decades, its collection and processing by numerous agencies, public and private, is uncoordinated and often unpublicized.

Lack of knowledge about the availability of data indicated the need for a Directory of Federal Statistics for Metropolitan Areas, published in October 1962. All statistical series published by the Federal Government on a regularly recurring basis for metropolitan areas and their component geographic units are indexed by subject. Geographic coverage and date of origin for each series are shown, as well as the source publication in which it appears.

VII. CURRENT AND FUTURE WORK PROGRAM

Work is currently under way or planned in the immediate future with respect to the following subjects.

A. Intergovernmental Relations in the Field of Public Welfare

Section 2 (3) of the statute charges the Commission specifically with giving "critical attention to the conditions and controls involved in the administration of Federal grant programs." The Commission will be studying a number of issues in connection with the conditions and requirements associated with the Federal review and approval of State plans for public assistance activities. This project has been on the work program of the Commission for quite some time, but was held in deferred status during the past year pending the completion of Congressional action on the Welfare Amendments of 1962 to the Social Security Act.

B. Transferability of Retirement Rights of Public Employees

This study will examine Federal, State and local public employee retirement systems largely to determine to what extent they protect the employee's retirement credits on intra-state and interstate transfer of employment. Investigation will be made as to the desirability of providing for greater protection of employee retirement credits in employment transfers in order to increase the mobility of public employees. If such retirement credit protection and maintenance is found to be desirable and practicable, possible legislative and administrative measures to this end will be proposed.

C. Specific Identification of Metropolitan or Regional Functions in Contrast to Those Susceptible to Handling on a Localized Basis

The study is encompassing application of criteria to regular functions of urban government as a guide in determining whether the function is best assigned to a localized, small unit of government or to a regional, metropolitan government or agency in existence, or to be established.

It is anticipated that the results of the study will:

(1) Serve as a guide to optimum patterns of distribution, regional v. local, of specific services or functions commonly performed by governments in metropolitan areas; (2) provide a compilation of municipal government functional categories and summary review of existing information on scale of operation for optimum performance; (3) establish general criteria or standards for effective performance that could serve as a guide to government officials and citizen groups engaged in or contemplating revaluation and reorganization of municipal governments and functions in metropolitan areas; (4) suggest administrative and/or legislative action for Federal, State and local governments to permit optimum administration of specific functions or services.

D. Intergovernmental Problems Connected with Economic, Social and Racial Disparities Between Central City and Suburban Populations

This study will analyze 1960 Census data to determine the nature and extent of economic, social and racial disparities between central cities and their suburbs. Significant relationships between these disparities, national goals of social and economic welfare, and public service needs will then be drawn. Finally, the study will explore possible changes in public policy which might be considered in the light of facts and trends in this field.

This project is being conducted by Mrs. Marjorie C. Brazer under contract to the Commission.

E. Jurisdictional Disparities Between Costs and Benefits to Local Governments of Area-wide Programs in Metropolitan Areas

While most metropolitan areas in the United States are undergoing rapid overall population growth, the rate of increase is generally greater outside the central cities. Under present circumstances, however, the demand for many services, such as mass transportation, recreation and open space, and water supply and sewage treatment, is area-wide, and the benefits derived from them cannot be confined to any single jurisdiction which might provide them.

This study is addressed primarily to the problem of allocating appropriately among local governments the financial responsibility for supplying or paying for area-wide urban services.

It is expected that the primary audience for this Commission report will be local political officials and the heads of various Federal, State and local functional agencies, who could use the resulting cost-benefit methodologies as a basis for negotiating agreements among local jurisdictions for the sharing of costs of area-wide programs and services.

This project is being conducted by Benjamin Chinitz of the University of Pittsburgh, under contract to the Commission.

F. Role of Equalization of Needs and Resources in the Structure of Grants-in-Aid

The objective of the project is to appraise the extent to which differences in the respective States' fiscal capacities and program needs should receive recognition in the allocation of Federal grants among the States. It covers an analysis of the distribution of grant funds under existing programs, individually and collectively, in relation to total State-local expenditures for the individual programs as well as their collective impact on State-local finances and program levels. The distribution among the States will be examined also in terms of the fiscal ability and tax effort indexes developed in the Commission's staff study, Measures of State and Local Fiscal Capacity and Tax Effort. These analyses might possibly provide policy guidelines for the scope of equalization in grants-in-aid collectively and for different categories of programs.

G. Effect of Tax, Expenditure and Debt Practices on Location of Industry and Economic Development

Some State and local governments are engaging in competitive fiscal measures calculated to attract industry. Property tax exemption, and financing the construction of industrial plants (for lease to private

enterprise) through the sale of tax exempt municipal obligations are the more frequent devices. Some States and local governments are creating industrial development credit corporations for these purposes. The effect of these competitive practices upon the orderly development of the Nation's economy is actively debated. The study of these practices seeks to ascertain their extent and characteristics and appraise their effects on State and local finances and economic development, in the expectation that some policy guidelines for the consideration of State and local governments can be advanced.

H. Cooperative Tax Administration

This is still a productive field for improvement in inter-governmental financial relations despite marked progress already made. The Commission's studies will result in a series of reports designed to uncover new and fruitful possibilities for cooperative arrangements among Federal, State and local tax administrators. The first report in this series has already been issued by the Commission--Intergovernmental Cooperation in Tax Administration: Some Principles and Possibilities.

VIII. OTHER COMMISSION ACTIVITIES

The Commission performed a number of other activities in 1962 designed to carry out its statutory responsibilities for technical assistance in the review of proposed legislation and encouraging discussion of emerging public problems. Commission members and staff made presentations at the 1962 conventions of the major organizations of governmental officials as well as other groups concerned with intergovernmental aspects of public policy issues, taxation and finance and urban area problems.

Comments and advice were rendered to the Executive Branch and Congress on a number of pieces of proposed legislation including proposals for a mid-decade census of population, outdoor recreation grants-in-aid and emergency public works acceleration. To assist in the establishment of a program making Federal public works plans available, the uses to which periodic information on Federally assisted public works projects and the specific kinds of State and local agencies that might benefit were identified.

Assistance was provided the Atomic Energy Commission on the question of relationships with State and local jurisdictions and achieving local self-government for a new community likely to be built under Federal auspices in Nevada.

APPENDIX A

OBLIGATIONS OF THE ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS
FOR FISCAL YEARS 1962, 1963 AND 1964

Object Classification (In thousands of dollars)	FY 1962	FY 1963	FY 1964
	actual	estimate	estimate
Personnel Compensation	\$192	\$262	\$285
Personnel Benefits (retirement, health, insurance, FICA)	13	19	21
Travel and transportation of persons	20	34	23
Transportation of things		1	0
Rent, utilities and communications	4	5	5
Printing and reproduction	40	30	25
Other services	68	3	3
Services of other agencies	13	15	15
Supplies, materials	9	5	7
Equipment	16	1	1
Total Obligations	\$375	\$375	\$385

Published Reports of the Advisory Commission
on Intergovernmental Relations

Coordination of State and Federal Inheritance, Estate and Gift Taxes.

Report A-1. January 1961. 134 p., printed.

Modification of Federal Grants-in-Aid for Public Health Services.

Report A-2. January 1961. 46 p., offset.

Investment of Idle Cash Balances by State and Local Governments.

Report A-3. January 1961. 61 p., printed.

Intergovernmental Responsibilities for Mass Transportation Facilities
and Services. Report A-4. April 1961. 54 p., offset.

Governmental Structure, Organization, and Planning in Metropolitan Areas.

Report A-5. July 1961. 83 p., printed.

State and Local Taxation of Privately Owned Property Located on Federal
Areas: Proposed Amendment to the Buck Act. Report A-6. June 1961.
34 p., offset.

Intergovernmental Cooperation in Tax Administration. Report A-7.

June 1961. 20 p., offset.

Periodic Congressional Reassessment of Federal Grants-in-Aid to State
and Local Governments. Report A-8. June 1961. 67 p., offset.

Local Nonproperty Taxes and the Coordinating Role of the State.

Report A-9. September 1961. 68 p., offset.

State Constitutional and Statutory Restrictions on Local Government Debt.

Report A-10. September 1961. 97 p., printed.

Alternative Approaches to Governmental Reorganization in Metropolitan
Areas. Report A-11. June 1962. 88 p., offset.

State Constitutional and Statutory Restrictions Upon the Structural,
Functional and Personnel Powers of Local Governments. Report A-12.
October 1962. 80 p., printed.

Intergovernmental Responsibilities for Water Supply and Sewage Disposal
in Metropolitan Areas. Report A-13. October 1962. 135 p., offset.

State Constitutional and Statutory Restrictions on Local Taxing Powers.

Report A-14. October 1962. 122 p., offset.

Apportionment of State Legislatures. Report A-15. December 1962.
78 p., offset.

Tax Overlapping in the United States, 1961. Report M-11. September
1961. 100 p., printed.

Factors Affecting Voter Reactions to Governmental Reorganization in
Metropolitan Areas. Report M-15. May 1962. 80 p., offset.

Measures of State and Local Fiscal Capacity and Tax Effort. Report
M-16. October 1962. 150 p., printed.

The Advisory Commission on Intergovernmental Relations. Report M-17.
November 1962. 30 p., printed.

A Directory of Federal Statistics for Metropolitan Areas. Report M-18.
October 1962. 118 p., printed.

