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federalism in 1971:



THE CRISIS CONTINUES

**ADVISORY COMMISSION ON
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**FEDERALISM IN 1971:
THE CRISIS CONTINUES**

**Advisory Commission on
Intergovernmental Relations**

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Chapter 1

**FEDERALISM IN 1971:
THE CRISIS
CONTINUES**

Nineteen-hundred-seventy-one was a lean year for American federalism. All of the inter-governmental topics that were on the National Government's agenda of unfinished business in January were still there in December—including revenue sharing, welfare reform, grant consolidation, departmental and procedural reorganization and final determination of a national growth policy.

Nevertheless, significant individual State actions and some signs of possible action in Washington provided hope for future solutions.

Few years in this century have witnessed as much political, popular and academic discussion of American federalism as 1971. But despite the heavy volume of speeches, debates, messages, bills, resolutions and research relating to intergovernmental questions, the crisis in federalism continues unabated. Fiscal imbalance, institutional and procedural roadblocks, the consequences of unplanned growth and the tangle of overlapping local political units and competing functional bureaucracies all pose a growing threat to the entire system.

Only time will tell whether the year was merely a period of protracted haggling and slo-

ganeering among partisans, public interest groups and lobbyists, or a seedtime for national solutions. In any event, the art of compromise and reconciliation, which is the great test of American statesmanship, achieved few notable victories in 1971. The year's activities did demonstrate that the partners in the federal system can act and innovate independently and that when they do the entire system is strengthened.

THE CYCLE OF EVENTS

Thanks to the President's State of the Union and Budget Messages and certain congressionally initiated measures, the year began with high promise. National attention was focused on basic intergovernmental issues: general revenue sharing, special revenue sharing, administrative reorganization, welfare reform, land-use and environmental policy and a cluster of lesser yet significant bills and proposals relating to improvement of Federal grant administration, consolidation and oversight. At the State level, governor after governor and then legislature after legislature grappled with the fiscal squeeze they found themselves in, without ignoring environmental, consumer protection, criminal justice system and governmental reorganization questions.

By mid-year, however, the sluggish state of the economy—reflected in continuing inflation, comparatively high unemployment, strikes and the estimated \$23.2-billion Federal deficit for Fiscal Year 1971—pushed the economic issue to the top of our domestic priorities. There it remained as a source of major national concern throughout the rest of the year; intergovernmental issues were further submerged as President Nixon applied wage and price controls in an effort to stabilize the economy. Foreign policy initiatives and problems also loomed large during the latter half of 1971. The President's upcoming trip to the People's Republic of China, the election and the continued winding down of American involvement in South Vietnam, the balance of payments and the international position of the dollar all served to thrust international issues again to the fore. So did numerous more limited problems such as the war in the Indian subcontinent and the plight of Ulster, both of which, in part, constituted fail-

ures abroad to come up with a viable federal formula.

Inevitably, Congress and the Chief Executive played out their scenarios on both domestic and foreign issues against the backdrop of a coming Presidential election.

As the year closed, there were signs that intergovernmental concerns were beginning to reassert themselves. Three developments are worthy of note in this connection:

- Representative Wilbur Mills' introduction of an omnibus intergovernmental fiscal measure that among other things would provide aid with "few strings" to localities and incentive grants to States that make more effective use of their income taxes;
- Indications that the Administration was drafting a measure that would seek to blend property tax relief and aid to education by providing grants to States that assume a greater proportion of the educational fiscal burden; and
- The Senate Finance Committee's indication that it would move soon on the House-passed welfare bill.

The Mills bill will certainly be a major item on Congress' intergovernmental fiscal agenda in 1972 and, if the reported Presidential proposal materializes, it too will inevitably become a major topic on the same agenda. Action on the welfare measure would help curb the high tension generated by this most emotional of all contemporary intergovernmental issues.

THE GAPS GROW WIDER

But where did American federalism, and the pluralistic social and governmental systems which it embodies, stand at the end of 1971? The gaps between and among governmental jurisdictions, program efforts, fiscal resources and people that this Commission has identified in various earlier reports are still there and in many instances they are wider now than they were a decade ago. Findings of the 1970 census and other studies released in 1971 reveal that:

- The dispersion of power and responsibility in all but a handful of our metropolitan areas (SMSAs) is greater today than it was a decade ago, thanks to the growth in the number of special districts (more than 8,000 SMSAs compared with some some 6,100 in

1962) and to the disparate Federal-State substate regional efforts in the law enforcement, health planning, manpower, poverty and air pollution areas—and despite the growing need for accountable areawide vehicles that can plan, program and administer functions requiring multi-jurisdictional handling.

- In a majority of the 114 single-county metropolitan areas, the county has not assumed, or been empowered to assume, the role of an active areawide government performing various municipal-type services on a regional basis.

- In most of the jurisdictionally fragmented metropolitan areas, the core cities have continued to lose ground to their suburbs in terms of population and economic growth rates as compared with a decade ago; witness the over-all net suburban population gain of 30 percent between 1960 and 1970 compared to two percent in the central cities. Where certain Southern and Western cities held their own or gained somewhat, annexation or consolidation were the primary explanations.

- Among the 267 metropolitan areas, the larger continued to attract the bulk of the population growth in the sixties. The dozen with over 1,000,000 population gained 12 percent, while the 32 in the 500,000-to-1,000,000 category grew by 18 percent.

- Contrary to the claims of some, smaller cities and towns outside of metropolitan areas had much slower rates of growth than their urban counterparts and frequently were bypassed by the main stream of economic development.

- The black exodus from the South during the sixties produced a net out-migration of 1.4 million; by 1970, the black proportion of the population in metropolitan areas had risen to 12 percent and within central cities to 28 percent.

- The white flight to the suburbs continued during the past decade, with cities like Detroit, St. Louis, and Newark losing 29, 30, and 37 percent, respectively, of their white population; only four of the larger central cities showed larger white proportions in 1970 than in 1960 and only five of

the major suburban complexes had below a 90-percent white population.

- America's rural population fell to 26 percent of the total in 1970, down from 30 percent in 1960, and the number on farms dropped from 15 to 10.3 million.

- Comparisons between metropolitan and non-metropolitan areas continue to show rural America far behind in population growth, educational and health facilities, housing and income levels.

- Within metropolitan areas, central cities still face greater public service problems than most of their suburbs. The more obvious reasons include higher crime rates (only one suburban area had a higher crime level than its central city in 1970), more obsolescent housing, larger dependent populations and more entrenched and organized bureaucracies. In expenditure terms, this meant that in 1970 non-educational outlays for central cities generally accounted for 70 percent of their budgets, compared to less than 50 percent for their suburbs.

- Taxes as a percentage of personal income were generally higher in central cities than in their suburbs throughout the sixties; central cities averaged well over six percent in 1970, the suburbs 4.5 percent. Between 1964 and 1970, average central city per-capita taxes rose more than \$30 over the comparable suburban figure.

- A majority of the States have not used their legal, program, administrative and fiscal powers to alleviate city agonies, to reduce city-suburban disparities, to simplify the meandering jurisdictional map of most metropolitan areas, to strengthen rural counties or to curb anarchic land-use practices.

- State tax collections increased by more than 165 percent between 1959 and 1969; 450 new taxes or higher rates were enacted; and State aid to localities nearly tripled during the sixties. But only half of the States are making high or even moderate use of a personal income tax; central cities generally have received a disproportionately smaller share of State aid than have suburbs and rural areas; and a majority of States still do not involve themselves fis-

cally or administratively in urban development programs.

- One major Federal response to the urban crisis during the past decade was a near explosion in the grant-in-aid system with the monies increasing fourfold, the number by at least 340 new programs and the urban sector funds by 258 percent. Yet other trends accompanying this extraordinary development—the varying administrative requirements and formulas in the grants, their duplication, numerous eligible recipients, their heavy reliance on the project approach and their expansion of middle management discretion and influence—resulted in problems of program coordination and top management control at nearly all levels.

- The Federal Government has sought to strengthen the multijurisdictional focus of its grant-aided efforts with procedures requiring review and comment by State and areawide officials on certain applications. These procedures, contained in Office of Management and Budget Circular A-95, stem from Section 204 of the Metropolitan Development Act of 1966 (P.L. 89-754) and the Intergovernmental Cooperation Act of 1968 (P.L. 90-577). They cover over 100 Federal grants, the 701 planning assistance program, economic development districts and at least 11 areawide planning requirements. Nevertheless, the Department of Agriculture, Bureau of Public Roads, Federal Housing Administration, Defense Department, and National Aeronautics and Space Administration have not always considered the economic, migrational, and locational implications of their operations; and the substate regional efforts of the Partnership for Health, Safe Streets, manpower, air pollution and certain other programs have actually added to the pattern of proliferation at the metropolitan and multicounty levels.

- Finally, estimates of future population growth—while down from earlier projections—still suggest a national increase of up to 75 million by the year 1990. Practically all of this growth will be urban and much of it will be in the fastest growing

metropolitan areas, especially those in the South, Southwest and West.

The basic causes of cleavage in our social and governmental system can be found in metropolitan areas that are fragmented in all but a handful of instances; in growing fiscal, social and racial disparities among the local jurisdictions in these areas; in widening population, economic and opportunity gaps between urban and rural America; in growing but uneven State involvement in local and substate regional affairs despite an increasing need for more direct State leadership and fiscal commitment to a range of local and areawide jurisdictional and servicing goals; in a multiplication of Federal assistance programs with a parallel proliferation of management difficulties; in the continuing ambivalence of the Federal Government on the question of what its real role is in our nation's metropolitan areas; and in the prospect of a future population growth that is mostly slated for existing metropolitan areas. These are the real challenges to statesmanship at all levels and these are the critical conditions upon whose amelioration the fate of American federalism depends.

THE FINANCIAL CRUNCH

Federalism's financial crisis continued unabated in 1971. Uncertainties in the economy, declining Federal receipts and continuing conflict over what corrective actions should be taken only compounded the existing difficulties in the nation's fiscal system.

In July, August and September (the first three months of Fiscal Year 1972), the estimated Federal deficit was \$7.8 billion, or \$100 million more than during the same period the previous year, while Federal individual income tax receipts amounted to \$22.6 billion, down \$400 million from the comparable months a year earlier.

Although the Federal Government was collecting about 90 percent of all personal income taxes and two-thirds of all taxes, State and local governments still accounted for 70 percent of the outlays for all domestic programs.

However, there were strong signs that the issue of restoring fiscal balance to the federal system is alive—if not entirely well—across

the land. Despite the absence of legislative breakthroughs in welfare reform and Federal revenue sharing, there was sufficient activity in the area of federalism throughout 1971—both at the national and State levels—to support this hopeful view.

STATE ACTIONS

In all parts of the country, State governments were bending under the burden of this fiscal imbalance; at least three-fifths of them raised tax rates in 1971. Among the most significant State fiscal moves of the year were these:

- Early in 1971, Rhode Island placed its temporary personal income tax on a permanent basis and became the fourth State to tie its personal income tax directly to the Federal tax.

- Pennsylvania, in a "Perils of Pauline" drama, enacted a moderate income tax in August after an earlier one had been declared unconstitutional by the State Supreme Court in June.

- Wisconsin's legislature in November adopted a tax-increase package which shifted the State's massive tax-sharing system from an origin basis to a revenue-equalization basis. Instead of returning a pro-rata portion of its revenues to the localities from which they were collected, the State will now share its income and other taxes with local units of general government on a per-capita basis adjusted by a property tax overburden factor.

- Ohio, after a lengthy legislative battle, enacted a graduated personal income tax and a corporate income levy in December.

- Florida voters approved a corporate income tax, and Maine's electorate turned back an attempt to repeal the income tax there.

On the other hand, South Dakota's legislature turned down a three-percent personal income tax; Connecticut's legislature repealed the income tax package enacted earlier and raised its sales tax instead; and Montana's voters rejected a broad-based sales tax and, in effect, favored heavier use of the personal income tax.

By the year's end, 40 States had a full-fledged income tax; 45 had a broad-based sales tax; and 36 had a dual sales-income tax structure. (*For related 1971 actions, see page 28.*)

THE MINNESOTA MIRACLE

A cluster of highly innovative 1971 Minnesota actions acombined to produce the outstanding fiscal case study of the year. The Minnesota legislature and the governor joined to rewrite the book on State fiscal policy toward local government.

While the legislature took over a more direct responsibility for levying taxes of all kinds from the State's political subdivisions, including school districts, it committed the State to return more revenues than ever before to local governments. State and local fiscal fortunes now are tied together in unprecedented fashion and new roles for the legislature and for local governments have been carved out. The job of setting the aggregate level of taxation and the relative mix of different taxes will rest chiefly with the State legislature not, as in the past, on the uncoordinated actions of State and local policymakers. Local governments in future years will devote less time and energy to raising revenue and will shift their focus increasingly to how best to use the revenue which the legislature makes available to them.

Schools now will receive 65 percent of their operating funds from the State, instead of the present 43 percent. The funds will be distributed under a school aid formula that was thoroughly revised to assure equality for students in keeping with the governor's fiscal platform and a Federal district court equalization mandate (see page 8). The legislature also provided for a substantial infusion of State non-property revenues to cities, counties and other non-school units of local government.

In order to place spending constraints on the local governmental units receiving the increased aid, the lawmakers limited permissible budget increases to six percent a year. Each dollar spent in excess of that limit will result in a percentage reduction in State per-capita aid. By combining the State's increased commitment to schools, cities and counties with local spending restrictions, the legislature sought to achieve property tax cuts averaging 15-20 percent for each property owner.

To finance this reordering of fiscal responsibilities in Minnesota, the lawmakers made a host of changes in taxes that will increase revenues initially by 23 percent. They raised the rate applicable to each taxable income bracket

of the State personal income tax. They raised the sales tax rate from three percent to four percent and broadened the sales tax base. Cigarette, beer and alcoholic beverage tax rates were raised and the corporate income tax was increased by eliminating the Federal tax deduction on the State corporate income tax return. Revenue-increasing changes were made in some taxes that impact initially on business, but the business personal property taxes will be eliminated after 1973. Income tax credits for property taxes paid on returns of renters and low-income elderly were liberalized significantly, while credits allowed individuals were increased for each of the next two income years.

Other major actions taken by the 1971 legislature in changing its fiscal policy toward local government included:

- A prohibition against further sales or income taxes being levied by any local government; only the legislature will have power to levy such taxes;
- A limited pledge of the State's full faith and credit behind general obligation bonds of local units of government, designed to improve the credit rating and reduce interest costs for certain localities with a small property tax base;
- Sharing of 40 percent of the future growth in the commercial-industrial property tax base among all units of government in the seven-county Twin Cities area (see page 19);
- A partial shift in financing county highways from the property tax to a wheelage tax, accompanied by authority for the Metropolitan Transit Commission to levy a limited property tax;
- An upgraded local government fiscal information system under the Commissioner of Taxation, working with a new Intergovernmental Information Services Advisory Council, designed to assure a complete, computerized, up-to-date record of local government receipts and expenditures;
- A joint executive-legislative Tax Study Commission assigned, in part, to review causes and effects of intercommunity disparities, alternative sources of tax revenue for local government and levy limits;
- A State Board of Assessors charged with

establishing qualifications and certifying assessors throughout the State; and

- Partial reform of the State's system of property tax classification, which will include (a) determining assessed value of property at realistic market value, rather than one-third as in the past, (b) exempting all business inventories and equipment and (c) gradually eliminating the low-rate property tax classifications which oil refineries and certain parking ramps have had in the past.

The Minnesota lawmakers and governor may well claim the outstanding fiscal performance award of 1971 for their effort to provide a rational State-local fiscal system.

By assuming a dominant role in State-local fiscal policymaking, they intended to reduce the fiscal disparities among school districts, strengthen the general fiscal position of cities and counties and ease the burden of property taxes on home owners and business firms. In the process, they made Minnesota a model for other States to follow.

THE AGONY OF AID

In Fiscal Year 1971, Federal aid accounted for a little over 20 percent of State and local expenditures. But it still was disbursed largely through approximately 530 categorical grants and, despite some efforts to achieve administrative simplification, their number, varying administrative requirements, diverse eligibility provisions and differing matching formulas caused management headaches for public officials at all levels.

In virtually every metropolitan area in the country, the central city labors under a much more difficult financial burden than its suburbs. Yet the aid—especially State aid—does not always go where the need is greatest, as shown by these 1970 ACIR findings for 72 of the largest SMSAs: Although 67 of the central cities did receive more direct Federal aid per capita than their suburbs, 38 received less State aid per capita than their neighboring jurisdictions.

To surmount the State-local fiscal crisis, this Commission and others have called for Federal revenue sharing, tax credits, Federal takeover of welfare costs, State assumption of most of the local educational fiscal load and property tax reform. Action is needed on all these fronts

—obviously not all at once and not at the sacrifice of fiscal stability. But all are complementary features of a grand design to get us off dead center, and each corrects different deficiencies in the fiscal system.

REVENUE SHARING

By giving State and local governments large blocks of “no strings” Federal aid to spend as they see fit, revenue sharing would inject some much-needed flexibility into the existing pattern of intergovernmental fiscal transfers. Equally significant, it could—if used properly—give elected policymakers and their central management associates a much-needed boost in influence. This group, after all, has lost out in the surge of categorical aids over which they have had little or no control.

The year began with major attention focused on this vital intergovernmental topic.

President Nixon highlighted revenue sharing in his January 22, State of the Union Message. He cited the strengthening of State and local government as a major goal of his Administration and proposed a \$5-billion general revenue sharing program “to be used as the States and localities see fit.” In the same message, he proposed another \$11 billion in special revenue sharing to be provided “by allocating \$1 billion of new funds and converting one-third of the money going into the present narrow-purpose aid programs into Federal revenue sharing funds for six broad purposes—for urban development, rural development, education, transportation, job training and law enforcement—but with the States and localities making their own decisions on how it would be spent within each category.”

The President’s general revenue sharing measure (S. 680) was introduced by Senator Baker in early February after being hammered out in close consultation between the Administration and representatives of State and local governments. Also introduced in the early months of 1971 were Senator Muskie’s general revenue sharing bill (S. 1770) and the related Humphrey-Reuss proposal for modernization of State government (S. 241). Significant supportive activity by public interest groups and others accompanied this initial drive in the 92nd Congress for revenue sharing. Hearings on these measures were held by the Senate Subcommittee on In-

tergovernmental Relations and the House Ways and Means Committee beginning in June.

Despite the differences among the bills, the hearings revealed fairly broad agreement among the various sponsors on certain basic aspects of the contemporary intergovernmental fiscal crisis. Also highlighted, however, were the contrasting positions of the tax credit, welfare reform and grant-in-aid advocates. Questions of fiscal equity, uneven State tax efforts and differing local jurisdictional needs received considerable committee attention. The stated opposition of Ways and Means Chairman Mills and Representative Byrnes to revenue sharing as such, along with the reported hostility of certain Senate Finance Committee members, put the legislation under a cloud of uncertainty by the August recess.

Rumors of a Ways and Means Committee response to the troubled testimony received from State and local officials persisted throughout the fall and, at the end of November. Chairman Mills introduced the proposed Intergovernmental Fiscal Coordination Act of 1971 (H.R. 11950). This measure provides for broad grants to local governments for certain “high priority activities” based on a formula that considers need as well as population. It authorizes payments to States as an incentive to make use or better use of the individual income tax and permits Federal collection of such State taxes. (*For highlights of revenue sharing bills, see page 23.*)

At the State level, a little over 90 percent of State aid to localities was disbursed through categorical grants in 1969. But more States are moving more of their aid into the non-conditional sector; for example, Maine, Michigan, Wisconsin and, in effect, Minnesota adopted or expanded their own State revenue sharing plans in 1971. In the case of Maine, this program was influential in helping to defeat the income tax repeal referendum.

Finally, as the year ended, 19 States had taken favorable action on resolutions calling for the convening of a Constitutional Convention on revenue sharing.

TAX CREDITS

This Commission, along with such sponsors of implementing legislation as Senator Hartke, Representative Byrnes and Representative Ull-

man, finds merit in giving taxpayers a credit against their Federal personal income tax liability for State and local income tax payments they have made. Such a device would facilitate greater State reliance on this productive revenue source and would undercut the claims that some States are passing the buck when they seek Federal revenue sharing. Certain witnesses championed the tax credit idea during the revenue sharing hearings. Administration spokesmen, however, disapproved of the idea largely on grounds that it meant a direct Federal interference in State revenue policies and failed to provide the kind of broad State as well as local assistance that revenue sharing could.

Senator Muskie's omnibus bill included a provision that would give each State a bonus amounting to 10 percent of its income tax collections and Chairman Mills' new bill, as was pointed out, contains a somewhat similar incentive grant proposal. Neither embodies the general tax credit formula (in the latter case out of deference to gubernatorial sensitivities), but both would tend to achieve a similar purpose.

WELFARE REFORM

But where does welfare reform fit into all this? Some cite it as an alternative to revenue sharing and tax credits. Yet the unique problems associated with this intensely emotional issue suggest that it should be treated in its own context.

Myriad factors have combined to make welfare the chaotic program that it is—including fragmented program categories; varying payment levels; sizeable local sharing of the non-Federal matching funds load in two-fifths of the States; a public assistance population of over 13 million—almost 70 percent more than it was five years ago, though down somewhat from the 1970 high; costs rising to about \$15 billion annually (a nearly \$2.5-billion increase in Fiscal Year 1970 alone), half of which is borne by States and localities; a welfare bureaucracy of about 85,000 caught in the middle, with a high turnover and sagging morale; and courts and legislatures, in effect, battling this year over residency requirements. These are some of the factors making welfare one of the most supercharged subjects of policy debate at all levels.

Reform seems inevitable, but deep divisions arise when a specific course is suggested. This Commission has urged Federal takeover of all welfare costs with standardization of payments adjusted for regional cost-of-living differences. The President proposed the Family Assistance Plan to the 91st Congress which would have made standards more uniform and provided a somewhat higher level of Federal support. The House passed an amended version of the bill in 1970 but the Senate blocked its passage. On June 22, 1971, the House on a 288-132 roll-call vote passed a more comprehensive welfare-social security bill (H.R. 1). The bill calls for a major revision of the welfare system, a guaranteed annual income of \$2,400 for a poor family of four, a five-percent rise in Social Security benefits, and a liberalization of Medicare, Medicaid and the assistance programs for needy blind, aged and disabled. The measure would relieve especially the lower-income States of a substantial portion of the welfare financing problem. The Senate Finance Committee had not taken action by the December adjournment but promised hearings early in 1972.

FINANCING EDUCATION

Fiscal turmoil has become a constant factor in educational finance. In large part, this is due to the fact that the nation's schools have been closely tied, in all States except Hawaii, to the property tax for their fiscal resources. At the root of the fiscal dilemma is the fragmentation of the local tax base. While this country is undoubtedly the richest nation the world has ever known, it is plagued by a classic mismatch of resources versus needs. This distribution problem, long recognized in the field of education finance, received spotlight attention late in 1971 in three separate court decisions that promise widespread impact on State-local fiscal relations.

First, the California Supreme Court in August ruled, in effect, that reliance on local property taxes produced unequal educational opportunities and therefore was in violation of the equal protection clause of the Fourteenth Amendment. The California Court, in *Serrano v. Priest*, overturned the State's school financing system, under which Beverly Hills could produce \$1,500 for the education of each of its children with taxes of \$2.60 per \$100 of assessed valuation

while less-affluent West Covina could produce only \$700 per pupil with a 65-percent higher tax rate. Such a system discriminates against the poor, the court said.

Later, in a Minnesota case, a U.S. District Court judge reinforced the Serrano decision, holding that the Fourteenth Amendment protects children from having their educational opportunity affected by variations in the taxable wealth of their school district or their parents. "The level of spending for a child's education may not be a function of wealth other than the wealth of the State as a whole," the judge wrote. (*The Minnesota legislature later revised the State's school aid formula as part of a fundamental restructuring of State-local fiscal responsibilities. See page 5.*)

The third decision on the same basic point came just before Christmas. A Federal court panel rejected the public school financing system in Texas on much the same grounds, although only 20 percent of the school funds in Texas come from the property tax. Even this amount, the panel said, makes "education a function" of the tax and has "adverse effects" on the quality of education in poor areas. The panel also criticized the way State aid is distributed in Texas. They noted that combined State-local funds in San Antonio ranged from \$231 per pupil in one poor district to \$543 per pupil in a more wealthy district. Contending the entire system "tends to subsidize the rich at the expense of the poor," the judges gave the State two years to work out an equitable school financing system.

The U.S. Commissioner of Education, Sidney P. Marland, Jr., also recognized the weaknesses in the present system of financing education when he addressed a convention of members of State boards of education in October. Marland denounced the reliance on property taxes to finance public schools as "regressive, anachronistic and resting upon inequity."

Given this kind of a system to work with, it is small wonder that school boards and administrators, particularly in urban centers, must resort to real and potential threats to close their schools for extended periods, and other short-term solutions to their financial crises. These are among the leading examples:

- Chicago needed \$23 million and avoided a school shutdown for the month of De-

ember only by borrowing from the next year's budget.

- Detroit pared school services last spring but did not erase a \$20-million deficit.
- Philadelphia's severe cutbacks included the elimination of high school football. A last-minute contribution by the Philadelphia Eagles professional football team kept the sport alive, but the 600 teaching jobs eliminated were not restored and the deficit still stood at \$30 million by the end of the year.

The mismatch of needs and resources can be seen in the metropolitan areas of the nation which account for at least three-quarters of the country's bank accounts, Federal personal income tax collections and the value added by manufacture. These resources cannot be applied to the education of many of the young people whose needs are greatest—nor for that matter to police or fire protection, or to redeveloping blighted neighborhoods—because much of the taxable wealth is in the suburbs and the worst problems are concentrated in the central city.

To keep up with demands for services, property taxes have been increased to the point where they are overly burdensome in many areas, particularly for low-income citizens.

Recognizing this problem in his address to the White House Conference on Aging early in December, President Nixon called for "a complete overhaul of all property taxes and of our whole system for financing public education." Mr. Nixon said he was preparing specific proposals to ease the property tax burden.

SCHOOL OUTLAY

State Intergovernmental Expenditures and Local Direct Expenditures: Fiscal Years 1966-1970 (in millions)

Fiscal Year	State Intergovernmental	Percent Change	Local Direct	Percent Change
1969-1970	\$17,085	15.0	\$38,938	11.5
1968-1969	14,858	11.5	34,934	15.7
1967-1968	13,321	12.5	30,200	4.7
1966-1967	11,845	16.4	28,849	12.2
1965-1966	10,177	21.9	25,715	12.8

Source: U.S. Bureau of the Census, *Governmental Finances* series.

Over the years, education has claimed a much greater share of property tax revenues. Although State financial support for local schools has risen more rapidly in recent years than local direct school expenditures (see table), one basic implication of the three recent decisions is that State involvement in local school financing—particularly regarding the property tax—must become much greater than it presently is.

This Commission has recommended State assumption of nearly all public school costs to remove that major drag on the property tax and to equalize educational opportunity throughout the State. The idea has received considerable publicity. The Education Commission of the States has been pushing it; Michigan's governor has fought for it; Minnesota's governor has called for it; Maryland has been studying it; and the new Illinois Constitution opens the way for it in that State.

THE PROPERTY TAX PROBLEM

Even if Serrano and other developments were to remove the educational burden from the back of the property tax, it still would need major overhauling, as the Commission urged in its 1963 report, *The Role of the States in Strengthening the Property Tax*. To be equitable, and to keep pace with growing property values, the property tax requires a degree of administrative and financial commitment that most States and localities have been unwilling to give. Its administration in most jurisdictions is still left to officials whose principal qualification is political skill at the polls or political contacts—not a knowledge of the techniques of the appraisal profession. The fragmentation of the property tax's jurisdictional base does not help matters.

Some States have begun to recognize that equitable and efficient administration of this levy directly affects their own revenue situation and expenditure decisions. New York and Maine, for example, in 1971 required State certification of local assessors. Recent census surveys do indicate that most assessing areas have developed more uniformity in their assessment of residences, but a marked divergence in the assessment levels among various types of realty still plagues most parts of the nation.

Closing the gap between assessment law and practice is another related hurdle to surmount. All statistical evidence and most actual experience suggests that more realistic property valuations produce a higher degree of assessment uniformity. Yet, only a handful of States have experienced significant increases in their assessment levels. In short, there is a long way to go to make this tax a better instrument for governmental financing.

Not to be overlooked in this connection is the June 29, 1971, decision of the U.S. District Court for the Middle District of Alabama, Northern Division, which ruled unconstitutional a 1969 State statute providing for taxable property assessment at no more than 30 percent of its fair and reasonable market value. The Court held that a State does not have the right to assess property in the same class at different ratios and ordered the revenue commissioner to equalize the assessment of all like taxable property in the State within a year. In the case, a taxpayer alleged that he had been deprived of his property without due process of law by the revenue commissioner's failure to perform his assigned duties and the resulting disparity and inequality in the assessment and taxation of real property. The Court cited a 1969 study by the Alabama department of revenue which showed that the median assessment ratio among individual counties ranged from 6.7 to 26.8 percent of fair market value. This disparity, it declared, served no legitimate State goal and resulted in the arbitrary classification of taxable property, hence a violation of the due process and equal protection provisions of the Fourteenth Amendment.

Yet a State's responsibility for property tax reform would not be met fully even if it did produce an assessment uniformity at full value level. Such a development, after all, would work a special hardship on low-income property owners. Eleven States have moved to ease this condition—Colorado, Maine, Oregon and Pennsylvania in 1971—by permitting the low-income elderly to claim a rebate or State income tax credit for a portion of their property tax payments. Five, including two of the 1971 innovators, have extended this relief to elderly renters. In this way, the property tax can be converted into a less regressive levy at a comparatively modest cost to the State.

THE CONTINUING SEARCH

Improved management remains a major theme in efforts to achieve an effectively functioning federal system. One facet of this concern relates to streamlining the categorical grant systems. Another deals with attempts to curb the growing strength of specialists in the system and to make them more responsive—whether they are located in the bureaucracies of general governmental jurisdictions or are running single-purpose districts and authorities. Another seeks to enhance the administrative position and power of the elected policymaker—in both the executive and legislative branches. Still another focuses on the proliferation and fragmentation of governmental units—both general and special—in urban and other areas. All of these efforts, in effect, are part of an over-all design to make governments in the system more responsible and responsive and to make administrative and program relations between and among the levels more effective and more rational.

FEDERAL EFFORTS

At the national level, there was a flurry of activity in 1971, but no major accomplishment. The President's four major departmental reorganization proposals were submitted to Congress, but no final action occurred on any of them by the year's end. The Department of Housing and Urban Development experienced its second basic reorganization in anticipation of congressional enactment of the urban community development special revenue sharing measure.

Federal field office reorganization was beginning to come to grips with the tough realities of interagency coordination and decentralization of decision-making. In at least one of the Federal Regional Councils, efforts to establish a tiny, permanent Council secretariat were thwarted by Washington procedures. More than a few departmental regional directors wanted to know the extent of their real authority over their own line agency people. And while HUD went about as far as any Federal department in delegating project-approval authority to the field, the total effort generally did not move with much dispatch in 1971. This was due in no small part to the growing realiza-

tion that not all Federal aid programs—especially those in the formula-based category—lend themselves to such handling, and that better staffing of Regional Councils is a prerequisite in any case.

On Capitol Hill, Congress began implementing the Legislative Reorganization Act of 1970 (P.L. 91-510); as a result, the House of Representatives witnessed a marked increase in roll-call votes and the Library of Congress began staffing up to carry out its expanded mandate.

The intergovernmental ramifications of Federal wage and price controls also had to be reckoned with. Washington representatives of the governors, mayors and county officials requested a separate board to handle State-local pay and price matters in the Economic Stabilization Program. Instead, President Nixon in November created a Committee on State and Local Government Cooperation—composed of State and local officials and employee representatives—to advise the Pay Board, Price Commission and Cost of Living Council. After some initial uncertainty as to whether it had been given a serious mission, the committee began to make its influence felt in the development of wage and price control policies affecting State and local governments and their employees.

INTERGOVERNMENTAL PROCEDURES

With reference to Federal-State-local procedural and information links, the Office of Management and Budget (OMB) Circular A-95 procedure, geared to implementing the Intergovernmental Cooperation Act of 1968 (P.L. 90-577) and Section 204 of the Demonstration Cities and Metropolitan Development Act of 1966, (P.L. 89-754), was subjected to extensive examination by a number of groups. Studies by both the Council of State Governments and the International City Management Association indicated the strengths, weaknesses and future potential of A-95. A careful reading of these surveys, however, indicates that all levels of government have a long way to go before the legislatively stated purposes of this joint undertaking are approximated. The potential effectiveness of A-95 procedures was strengthened early in the year by a U.S. District Court decision in Austin, Texas, which nullified a Federally-assisted purchase of a proposed park site

by the State of Texas because among other things, the review requirements of A-95 had not been satisfied prior to the purchase.

In related actions, the revisions of OMB Circular A-85 were finally issued in January 1971. This procedure is geared to giving State and local chief executives an early opportunity to comment on major proposed Federal rules, regulations, and procedures relating to grant programs and administrative changes having an intergovernmental impact. The revised circular, among other things, gives OMB a monitoring role and any agency that rejects major modifications proposed by a public interest group now is required to give written notice of this decision to the recommending State or local association. Under the new circular, the ACIR continues to serve as the two-way transmission belt in the process.

In a different context but still in the intergovernmental procedural area, HUD through a July, White House announcement launched its "planned-variation" program. Under it, 20 selected cities are to take part in planned variations from the guidelines of the model cities program, thus giving them greater flexibility and more money to build up the planning and management capacity of their mayors. Sixteen will get extra funds to permit neighborhood efforts to be spread city-wide and all will be given greater discretion than the 127 other municipalities involved in the comprehensive community improvement program.

SPECIAL REVENUE SHARING

On the special revenue sharing front, which also is geared to achieving greater discretion in State and local decision-making and somewhat more money, as well as the consolidation of some 129 categorical grants into six broad programs, the story is different.

Special revenue sharing emerged as part of the broader revenue sharing goal stressed in President Nixon's 1971 State of the Union Message. Ostensibly geared to complementing the proposed reorganization of the executive branch as well as general revenue sharing, the six special revenue sharing measures provide automatic distribution of most of the funds, minimal administrative strings, no matching and no maintenance of effort requirement, adherence to Federal civil rights and labor stand-

ards, a discretionary fund for each of the Federal administrators, and "hold harmless" provisions to insure that no jurisdiction receives less under the new program than it did under the previous ones during a stipulated base period. Despite these common features, the proposals differed from one another in certain respects with many of the distinctive features reflecting the special problems of each program area.

By year's end, only three of the special revenue sharing measures—education, manpower, and urban development—had been exposed to Senate hearings by the pertinent subcommittees. In the House, hearings had been held on only one—urban development.

Among the reasons for this slow pace are the comparatively late introduction of some of the Administration's special revenue sharing bills, the novelty of all of them, the absence of any real prior consultation with public interest groups and the relevant congressional committees, the heavy committee schedules in some instances, concern over the fate of programs slated for consolidation or abolition (particularly with the rural development proposal), and earlier congressional action to the contrary as in the case of the 1970 Safe Streets amendments. Neutral observers were ready to give last rites to two or three of these measures. *(ACIR issued a special report on the proposals; see page 37.)*

THE FORGOTTEN AMENDMENTS

Less dramatic, but nonetheless significant efforts to modernize grant administration met with the same fate. The Joint Funding Simplification Act, which would facilitate the packaging of grant applications by State and local governments, was again introduced in the House, where it had passed in the 91st Congress. Hearings on the bill (H.R. 6532) were not held during 1971, and no such measure was even put before the Senate.

The Intergovernmental Cooperation Act of 1971 (H.R. 30 and identical bills) was introduced with more than half a hundred co-sponsors but no action was taken. Again, Senate introduction was not forthcoming. This measure is geared to streamlining grant management and to enhancing the administrative position of top policymakers at all levels by (1) establish-

ing a more collaborative framework for intergovernmental fiscal control activities, (2) giving the President authority to consolidate functionally related categorical grants under procedures comparable to the Executive Reorganization Act of 1949, (3) expanding the congressional review of grants provision of the 1968 Act, (4) providing new means of strengthening executive branch grant oversight and (5) stipulating a clear statutory base for a single catalog of grant assistance for use by State and local officials.

Grant consolidation, which is at the heart of the proposed Intergovernmental Cooperation Act, had encountered stiff opposition in hearings during the 91st Congress. The fate of this legislation and of the special revenue sharing proposals in the first session of the 92nd Congress—and the failure to achieve any other significant consolidations—have considerably diminished the prospects for any effective regrouping and melding in the near future of those many categorical grants that overlap, duplicate and sometimes conflict.

Panoramic proposals seem doomed to defeat at this point in time. Less ambitious approaches, one of which is reflected in the proposed amendments to the Intergovernmental Cooperation Act, have not received the attention or the support necessary to make for an even legislative battle. Yet, without some major legislative breakthrough in this area of categorical fragmentation, the grant system—which is still the prime source of Federal assistance to States and localities—must settle for administrative expedients that, at best, simplify some of the administrative problems for some recipient jurisdictions and, at the worst, run the risk in some cases of General Accounting Office reports citing illegalities.

STATE REFORMS

The past year, like 1970, saw more States grappling with governmental reorganization questions. The legislatures of Arkansas, North Carolina, Maine and Montana voted major overhauls of their respective executive branches, bringing to seven the number of States achieving major changes in this area during the past two years. Gubernatorial authority to reorganize the executive branch was granted in Georgia and Illinois and was upheld by an

opinion of the attorney general in Missouri, bringing to at least 12 the number of governors with this key management tool.

In Virginia, the Governor's Management Study Inc., a group of businessmen, filed its report. In Connecticut, a massive 260-page reorganization report with 821 detailed recommendations was submitted in the fall to the governor by the Commission on Services and Expenditures. In terms of central management innovations, Missouri consolidated three units into an Office of Administration and Wyoming fused six agencies into a Department of Administration and Financial Control. Regarding line departments, three States set up Departments of Transportation, bringing the total to 15. In the environmental field, Connecticut established a Department of Environmental Protection; Missouri set up a Board of Environmental Control; New Hampshire formed an Air Pollution Control Commission; and Arkansas revamped its Pollution Control Coordinating Board. Action this year brought the number of States with separate consumer protection units to 43.

On the personnel front, merit system extension scored in Indiana and Missouri. Kansas adopted a "meet and confer" public employee relations act; South Dakota passed an arbitration amendment to its "meet and confer statute;" and Minneapolis approved a wholly revamped public employee bargaining act.

Provisions for holding annual legislative sessions were adopted by the legislatures in Alabama, Minnesota and Wyoming, subject to voter approval in the 1972 elections.

The Citizens Conference on State Legislatures (CCSL) issued a landmark Report on an Evaluation of the 50 State Legislatures. Acting in the belief that "State legislatures stand high on the list of institutions that need reform" and occupy "a central role in the American system," the CCSL probed each legislature to determine whether it is functional, accountable, informed, independent and representative. The States were ranked according to how their legislative bodies stood up in the light of the analysis. The results constitute a major guidepost as to what additional legislative reforms are needed in each of the States.

In 29 States, lawmakers completed action on new legislative reapportionment plans during the year. Of the 22 plans which were chal-

lenged in court, one was upheld, decisions were pending in 14, four were redrawn by the court and three were sent back to the States (one of which appealed) with orders to come up with satisfactory plans. Sixteen other State legislatures were slated to take final reapportionment action in 1972, two in 1973 and one in 1974. One State still faced a court order to act and a 1972 constitutional convention was scheduled to complete the job in another. This record clearly suggests that reconciling the politics of redistricting with the sometimes conflicting dicta of court reapportionment decisions is still no easy matter.

In the criminal justice field, at least ten States instituted significant judicial reforms, with Wyoming adopting a "Missouri plan" approach to selecting its judges and North Dakota and Delaware focusing on centralized court administration. Alabama, in a cluster of legislative acts, strengthened the Supreme Court's rule-making power, established a department of court management and a commission on judicial discipline and authorized counties to move against justice of the peace courts. Tradition-breaking "State of the Courts" addresses were delivered by the chief justices of the Colorado and Michigan Supreme Courts to their respective legislatures. Corrections reforms were enacted in at least five States and the aftermath of the Attica prison tragedy in New York gave greater emphasis to such efforts. (*For details of other State reforms, see Chapter 2.*)

CONSTITUTIONAL CHANGES

Both the Federal and State governments experienced constitutional innovations in 1971. At the national level, the 26th Amendment lowering the voting age to 18 in Federal, State and local elections was quickly passed by Congress and just as rapidly ratified by the requisite number of legislatures. The total time for State ratification set an all-time record—only three months and seven days, or nearly half the time of the previous record set in 1804 with the 12th Amendment.

What its ultimate impact will be has been subject to considerable speculation. But one undisputed fact stands out: all the political arenas of our multi-centered systems have been opened up formally to an age group that in part has felt excluded. From a practical angle, the

amendment eliminates the numerous administrative difficulties raised by the Supreme Court's opinion of December 1970 that sanctioned the congressional lowering of the voting age to 18 for Federal elections, but knocked down its extension to State and local contests.

Among the States, Montana authorized a constitutional convention commission, North Dakota's constitutional convention convened and Alabama's constitutional commission filed its first report with the governor and the legislature. Alaska's successful convention call, however, was voided by the State Supreme Court on procedural grounds, Rhode Island voters rejected such a call and several constitutional changes approved in 1970 by the Delaware legislature were invalidated by its Supreme Court because the secretary of state had failed to publish the amendments in the time required before the election. Meanwhile, the legislatures in Colorado, Illinois and Virginia were involved in implementing various of the constitutional provisions voted the previous year. The voters of Pennsylvania and Texas faced significant constitutional amendment decisions during the year and the legislatures of four States enacted major amendments relating to State governmental structure that will be considered by their electorates next year. All told, the pace of State constitutional change was fairly steady in 1971, despite major activity during the previous three years.

BALANCED GROWTH

The necessity for governments to develop conscious policies for guiding future growth and development gained somewhat greater recognition in 1971, and the need to better our environment was even more widely understood. At various points, these two major policy goals joined during the year and the result, at least at the State level, was an apparently happy marriage.

GROPING IN WASHINGTON

Balanced growth received scattered visible attention at the national level. The situation should be somewhat better in 1972, since the first of the President's biennial Growth Reports—the object of months of intensive work—will

be issued in February. In diverse ways and in essentially unrelated actions, the executive and legislative branches of the National Government grappled with differing but largely rural and State planning pieces of the balanced urban growth puzzle in 1971.

- Pursuant to the Agriculture Act of 1970 (P.L. 91-524), the President on March 1 submitted the first report on Federal efforts to provide rural development assistance. The report chronicled the ways that the Administration's new package of domestic legislation would aid rural America.

- As required under this Act, the Secretaries of Agriculture and Housing and Urban Development (HUD) identified the assistance provided non-metropolitan planning districts. Their report showed that 38 States had delineated substate planning and development districts, \$3.6 million in HUD comprehensive planning assistance grants had been disbursed to 155 non-metropolitan districts during Fiscal Year 1971 and about three times this amount had been received under other Federal programs.

- In his second manpower message to Congress, the President on April 7 set forth a number of policy recommendations to surmount rural manpower dilemmas including: relocation, income maintenance, expanding rural job opportunities and improving the functioning of the rural labor market.

- Early in the year, a new Subcommittee on Rural Development was established within the Senate Committee on Agriculture and Forestry. It saw active service during the remaining months as numerous rural development bills were exposed to hearings.

- The Farm Credit Act of 1971 (P.L. 92-181), passed by Congress and signed by the President late in the year, provides for an updating and moderate expansion of the cooperative farm credit system.

- The Comprehensive Health Manpower Training Act of 1971 (P.L. 92-157) includes incentives directed toward improving the availability of health personnel in rural and ghetto areas.

- The Economic Opportunity Amendments of 1971 (S.-2007), as vetoed by the Presi-

dent in early December, containing the controversial child care program. In addition, they would have combined special impact and rural loan programs into an innovative community economic development program.

- The President's National Land-Use Policy bill (S. 992) and Senator Jackson's proposed National Land and Water Resources Act (S. 632) were subjected to Senate hearings and a combined measure is scheduled to come out of the Interior Committee early next year. Both would assist States in taking the initiative in comprehensive planning, encourage or require State land-use control to implement planning decisions and stipulate Federal review of State planning endeavors as a condition to further planning grants.

- Draft regulations relating to the new Community Development Corporation, set up by the 1970 Housing and Urban Development Act (P.L. 91-609), were issued in July and six new community projects had received Federal pledges of assistance by the end of the year.

- As a step to improve the housing supply, the Department of Housing and Urban Development launched a campaign to upgrade and modernize building codes which, in many jurisdictions, prohibit the use of new building materials and factory-build housing and thus limit new approaches to meet housing needs. By the end of December, 20 States had enacted statewide codes for industrialized housing which supersede local codes. HUD set an end-of-year deadline for code improvement in certain cities, some of which had been told that they faced the loss of urban renewal grants for noncompliance.

- All of the three major bills relating to existing central city renewal and metropolitan development were probed in House and Senate Banking and Currency Committee hearings, but no final action was taken in either body.

- Senate hearings were held on the proposed National Coastal and Estuarine Zone Management measure in July, but Senate floor action is not expected until 1972.

- The Appalachia and Title V regional de-

velopment commission programs were renewed for four and two years, respectively. The measure included a small, accelerated public works program.

These and several lesser actions suggest the variety as well as the confusion facing policy-makers in Washington seeking to devise a national urban growth strategy on other than a piecemeal and "hit the pressure points" basis.

STATE AND LOCAL GAINS

At the state and local levels, a number of developments indicated that urban growth was gaining greater attention. Conventional concepts of growth and expansion were being questioned and the environmental thrust and budgetary deficits resulting from growth were combining to force a new look at an old problem.

- The Governor of Oregon called for zero growth in his State. Both seriously and jokingly, he asked visitors not to take up residence in Oregon, and he put a stop to all construction along the State's Pacific Coast which might damage estuaries.

- Emerging evidence in both Florida and California showed service demands outpacing revenues produced by new local revenue sources. Some rapidly growing counties are facing financial disaster.

- Hawaii's Commission on Population was in the process of drafting a report for submission to the legislature in 1972 that will deal with population growth, distribution and stabilization.

- Florida's legislature abolished the entire million-dollar budget of the State's commerce department, and a statewide water resource conference urged the Governor to halt the "boom-time philosophy that unlimited growth is good."

- The Texas legislature enacted a broad resolution which establishes an official policy position on urban growth and development. Environmental quality, community development, individual opportunity and strengthened local government all figure in this guide for State action on urban problems. State agencies are required to report to the Governor by January 1973 on policy implementation progress.

- California adopted the preliminary plan

of the Tahoe Regional Planning Agency, a plan that seeks to set a population limit of 220,000 for the California-Nevada Lake Tahoe region.

- North Carolina's legislature authorized a land-use study.

- Delaware enacted a controversial coastal zoning law that prohibits all heavy industry within two miles of the sea coast.

- Early in the year, a South Carolina locality forced cancellation of a plan to build a \$200-million German-controlled petrochemical complex near Hilton Head Island.

- In Colorado, the Governor publicly opposed further State promotion of development east of the Rockies and urged the channeling of industry to less developed regions. The Colorado legislature passed a land-use act which calls for the establishment of county planning commissions by July 1972 and provides that regulations for all land within the unincorporated areas of a county be adopted and enforced by the same date. If such regulations are not promulgated, a State commission will have the power to develop and impose them.

- At least three States moved to curb oil spills and to protect their shorelines in 1971; at least nine instituted noise controls; four moved against unchecked strip-mining; and at least four banned use of certain phosphates in detergents.

Straws in the wind, isolated happenings or a real shift in policy—what do these State and local actions add up to? One interpretation is that the environmental surge is forcing States to confront the implications of their abandonment of land-use powers. Another is that the diseconomies of unplanned growth are becoming apparent in a number of counties and cities and in some States.

THE MEANDERING LOCAL MAP

The jurisdictional jungle in most urban and some rural areas has choked off action at the "grassroots," especially on those many matters requiring authoritative areawide handling. The implications of this issue—in terms of programs, fiscal disparities, urban growth and

basic democratic theory—cannot safely be ignored if a real future for federalism is to be assured. The States have a key role here, since they have the legal authority to change this balkanized situation. But the Federal Government cannot ignore its own role, and the question is: Should Washington remain neutral and thus sanction the status quo, or foster effective areawide mechanisms or continue encouraging single-purpose bodies that add to the fragmentation at the metropolitan and multicounty levels?

STATE EFFORTS

Starting in the late 1950's, States began to establish administrative machinery within State government to deal with local and urban problems. At present, over 30 have set up formal departments or offices of urban affairs; Texas and Utah joined the ranks in 1971 with full-fledged units. State housing finance agencies are another administrative and fiscal response to the local challenge. At least 17 such agencies now have been established; Alaska and Oregon added them in 1971. Texas also created the Texas Advisory Commission on Intergovernmental Relations, an Advisory Council on Community Affairs and a Washington-based Office of Federal-State Relations.

In terms of State fiscal involvement in local or Federal-local program areas, some States—despite the fiscal squeeze—expanded their commitment. A 1969 ACIR survey, it should be noted, found that 36 States “bought into” 12 Federal-local grant programs to the extent of \$230 million. No comparable data is available for later years. But, in 1971, Texas voters approved a \$100-million bonding referendum for local sewage projects; the Georgia and South Dakota legislatures voted State aid to supplement the non-Federal matching in local pollution control projects; Minnesota lawmakers authorized State financial support of up to 25 percent of the cost of local sewage treatment systems and New Jersey increased its over-all State aid by four times.

These and other developments indicate an expansion of State aid. The over-all figure jumped from \$21.9 billion in 1968 to an estimated \$32.3 billion in 1971, almost a 48-percent increase. But these figures do not reveal the amount of Federal aid funds concealed within

them and they do not highlight the disproportionately greater amounts, cited earlier, that in some cases are earmarked for suburbs and rural areas.

COUNTIES

The year presented a less favorable picture than 1970 of attempts to strengthen county government. Voters in Lee County, Florida, rejected, two to one, the adoption of a home rule charter as did voters in Collier County, Florida. Proposals for establishment of a county charter-manager form of government were defeated in Jefferson County, New York; Lake County, Ohio; and Cowlitz County, Washington. Similarly, city-county consolidation proposals were rejected by voters in Charlotte and Mecklenburg County, North Carolina; Memphis and Shelby County, Tennessee; Bristol and Washington County, Virginia; and Anchorage and Greater Anchorage Borough, Alaska.

Despite these defeats, the record was not wholly bleak. At least 75 other cities and counties were in the process of examining the question of consolidation, and the Nebraska legislature made provision for consolidation of county offices by joint action of the county boards. In Colorado, the legislature began implementing the 1970 amendment to the State constitution allowing counties structural home rule to develop a governmental structure best suited to their needs and passed a measure requiring the creation of county planning commissions and county adoption and enforcement of subdivision regulations for all unincorporated areas by July 1, 1972. Illinois' new constitutional provision authorizing home rule for counties having elected chief executives went into effect July 1st. Utah's legislature passed both a constitutional amendment resolution and a bill providing implementing legislation for optional forms of county government, including three structural and three internal management options (see page 26). The proposed amendment will be on the November 1972 ballot. In Kansas, at least two counties—Pratt and Rooks—acted under a new State law that provides a uniform procedure for county commissioners to initiate consolidation of townships in county unit road system counties. New legislation was passed in Indiana to allow county commissioners to appoint a county administra-

tor, and a new charter-county bill and county reorganization bills have been introduced in the Michigan legislature. In Connecticut, a bill which would have reinstated county governments as regional units was defeated.

More progress was evident in functional than in organizational consolidation for counties during 1971. Monroe County, New York, now has over 17 program areas in which functional consolidation with other jurisdictions is in effect. Wilmington and New Castle County, Delaware, are exploring eight different services for which consolidation might take place. In Cowlitz County, Washington, voters approved resolutions calling for joint sewer and law enforcement facilities for the county and the cities of Longview and Kelso. The Charleston County, South Carolina, planning board consolidated its staff and operations with those of the Berkeley-Charleston Regional Planning Commission. And, other counties across the country continued to cooperate through regional associations such as councils of governments.

METROPOLITAN, MULTICOUNTY ACTIONS

The unfolding of events in individual metropolitan areas showed only a few really significant innovations, some minor gains and some major defeats in 1971. On the consolidation front, two notable rebuffs occurred.

The effort to merge the government of Charlotte with surrounding Mecklenberg County, North Carolina, was defeated March 22, 1971, by a vote of more than two to one. The proposed charter called for a mayor and an 18 man governing board, 12 elected from districts and six at large, and a chief administrative officer appointed by the mayor with council approval. Two service districts—one representing Charlotte and the other all the remaining area of Mecklenberg County—were included in the proposed charter.

In Memphis and Shelby County, Tennessee, suburban resistance and voter apathy combined to defeat city-county consolidation. The issue was put to the voters on June 22, 1971, and won by a narrow margin inside the city but was defeated by almost three to one elsewhere. It was the second such defeat within a decade; a

unitary charter proposal had been overwhelmingly defeated in 1962. More significantly, while the electorate which defeated the 1971 effort was much larger, the total vote cast was 41,000 lower than the 1962 tally.

In a more auspicious development, a 1971 Georgia law established a new planning and development commission with fairly substantial powers for the five-county Atlanta metropolitan area. The new law abolished all of the previously separate areawide agencies and substituted a single commission, composed of a combination 23 elected officials and private citizens. The commission is charged with preparing comprehensive guides for planning and developing highways, transit lines, parks, sewers and the location of certain community facilities. It also is empowered to review all "area" plans of municipalities, counties, public boards and utilities and to suspend them for 60 days, during which time their consistency with guidelines can be confirmed. Some see the beginnings of a "Twin Cities story" with this merger for metropolitan Atlanta.

In Texas, the State financial support of individual councils of governments was increased to a minimum of \$15,000 each per year, with the State bearing two-thirds of the approved costs. These councils of government were also charged with broadened review and comment functions on State grant-in-aid and local projects.

A major shift in the Dade County, Florida, metropolitan form of government was recommended June 1, 1971, by the Metropolitan Dade County Charter Study Committee. As an answer to the criticism that the 14-year-old Dade County metropolitan government has lacked effective political leadership, the charter commission recommended a strong mayor-council form to replace the present council-manager plan. Expansion of council size, a balance between the number of council members elected at large (all are at present) and those elected from districts, and the establishment of an office of ombudsman were among other commission recommendations. For the outlying regions, the commission recommended a two-tier system and the establishment of service districts to be governed by a board of county commissioners advised by elected district boards. The proposed revised structure is ex-

pected to be put to the referendum test in March 1972.

Perhaps the most ingenious and promising way to deal with the bedrock problem of fiscal disparities in metropolitan areas was advanced by 1971 action of the Minnesota legislature for the Twin Cities area. This "share the growth" plan, provides a way to share on a metropolitan areawide basis the growth in nonresidential property taxes. The act provides that 40 percent of the growth after 1971 in commercial and industrial property values will be used to form a new metropolitan tax base in which all municipalities, including school districts, have a share. The amount each district receives will be based on the local unit's assessed valuation per capita—those with the lowest per-capita valuation will receive proportionately the largest amount of money. This pioneering effort should help to break down the barriers between central city and suburbs, and between suburbs and rural areas. It reduces the incentives for fiscal zoning and the flight of industry and large commercial ventures to lower-taxed suburbs—two of the most stubborn obstacles to an orderly urban growth policy. It admittedly is a modest beginning—one which partially shares the tax base through a method that is partially on an equalizing basis—but it is a first step accomplished without creating either a new tax or a new agency.

The cause of planning for orderly areawide growth and development in urban and non-urban areas was advanced when Kansas Governor Robert Docking designated 11 official State development regions. Each region is to provide definite planning and development districts which will facilitate improved coordination of both planning and functional activities at the local level, and a closer relationship with pertinent Federal and State plans and projects.

In the largest metropolitan area in the United States, an interstate compact establishing a revamped comprehensive planning agency to serve New York City and its suburbs was ratified by the Connecticut, New Jersey and New York legislatures. The compact builds on the ten-year experience of the Tri-State Transportation Commission, but it changes the name of this organization to the Tri-State Regional Planning Commission and adds land use, housing

and public facility planning to the transportation planning function. The new Commission may also conduct experimental projects. One such project is the operation of an express bus lane permitting 33,000 commuters to reach downtown Manhattan 15 minutes earlier. New Jersey's Governor William Cahill, in another development affecting transportation and a New York area compact agency, blocked the plans of the Port of New York Authority to build a \$38-million hotel as part of the World Trade Center. The Governor wants the Authority to develop more mass transit projects and reportedly took the veto action to insure that the bi-State compact agency could meet its transportation and other responsibilities.

Efforts to establish a unique California metropolitan regional agency with broad powers in the environmental and development fields died near the end of the legislative process. Earlier in the fall, the California Assembly passed a compromise bill to create a Conservation and Development Agency for the nine-county San Francisco Bay area. The bill, which included a referendum test after three years of agency operation, was referred back to the Senate but failed to be reported out of committee before adjournment. The proposed agency would have been empowered not only to develop a comprehensive areawide plan for conservation, transportation, air and water quality, solid waste, regional parks and open space, but also to enact ordinances on these matters and to enforce them with cease and desist orders when violations occurred.

FEDERAL AMBIVALENCE

The Federal Government's role toward metropolitan and areawide developments continued to be ambivalent in 1971. One attitude seems to be that Washington has no business influencing the evolution of instrumentalities and programs at the substate regional level. Another view is that the Federal Government, through a variety of efforts, already is a major molder of institutional development at this level and the only question is whether its conflicting undertakings are to be made consistent or remain fragmented and functionally oriented. There is still another view that combined Federal-State action will be needed to confront the areawide challenge.

General revenue sharing and the special revenue sharing proposals for urban community development and education did not deal with this issue. The special revenue sharing measures for transportation, rural community development and law enforcement, however, did contain a substate regional thrust, though each reflected the differing needs of their respective program areas. Moreover, one of the omnibus housing bills under consideration by the Banking and Currency Committees proposes establishment of metropolitan housing authorities.

Meanwhile, the march of areawide mechanisms continues.

- Forty-one States now have 129 regional comprehensive health planning agencies under the Partnership for Health Act (P.L. 89-749).

- Forty-five States have set up some 452 regional law enforcement districts under the Safe Streets Act (P.L. 90-351) and in 12 of these the regions are new.

- In 50 States, there are 957 single-county and multicounty Community Action Agencies.

- In 50 States, there are Comprehensive Areawide Manpower Programs (CAMPS) committees organized on a substate area basis under the Department of Labor program.

- Perhaps most significantly, each State has a State clearinghouse under Office of Management and Budget Circular A-95 and the 50 have a total of 381 substate clearinghouses for the purposes of the circular, the Intergovernmental Cooperation Act of 1968 (P.L. 90-577) and Section 204 of the Metropolitan Development Act of 1966 (P.L. 89-754). These subdivide into 211 metropolitan clearinghouses, roughly half of which are councils of government, and 170 nonmetropolitan clearinghouses, nearly three-quarters of which are multicounty development districts.

We do not know at the present time the extent to which one, two or a half-dozen agencies are performing these various federally encour-

aged areawide activities. But random reports from the field suggest that proliferation is winning out in many metropolitan areas.

IN RETROSPECT

How fared federalism in 1971? Given the extensive publicity many of its critical problems received, it fared poorly. As has been noted, a number of significant actions on the judicial and State legislative fronts gave the year a certain redeeming character, however.

In one respect then, the year highlighted one of the great virtues of a federal system—a virtue rarely appreciated of late: the capacity of the individual parts to act and innovate independently in various crucial policy areas and thus to strengthen the system as a whole.

Despite the significance of such constituent unit actions, contemporary Federal-State-local relations inevitably underscore the system's interdependence. Whether the issue is legal, fiscal, programmatic or political, if it is important it assumes an intergovernmental cast. This, in practice, means that all of the members have a role to play, ideally a partnership role.

Not so long ago, many feared excessive Federal direction and ascendancy within the system and others worried about State inaction and insensitivity. The year just past should quiet at least some of these anxieties.

The events of the year dramatized the dilemma of all when the National Government seeks to redefine its position and reshape its relations with the other partners. Such undertakings inevitably generate questions, create uncertainties and raise doubts. They also take time, require sustained efforts at consensus-building and sometimes necessitate timely, strategic accommodations. Moreover, if the fraternal sentiments of trust and mutual respect—the emotional taproots of a functioning federalism—are not strengthened in the process, no amount of institutional, fiscal or procedural reforms will ameliorate our condition.

American federalism, after all, is as much a matter of spirit as it is a form of government. And this should never be lost sight of in our perennial quest “for a more perfect Union.”

Chapter 2

**ACTION ON
COMMISSION
RECOMMENDATIONS**



Studies by the Advisory Commission on Intergovernmental Relations (ACIR) over its 12-year life span have resulted in 39 policy reports containing more than 340 recommendations for improvements in Federal, State and local governments and the relationships among them.

The Commission has realized that the adoption of recommendations is only the first step. For ACIR to be an effective force in fostering intergovernmental cooperation, its proposals must lead to action. One of the unique features of the Commission is its permanence. Unlike temporary commissions, ACIR is there in subsequent years to prod the relevant governments into implementing its recommendations. And, because ACIR recommendations are in the forefront of practical thinking on intergovernmental problems, the Commission has learned that it takes several years to accomplish individual goals.

To facilitate action, the Commission staff translates policy positions and recommendations into draft bills for legislative consideration and draft administrative directives for executive use. ACIR recommendations to Congress usually are introduced by U.S. Senators and Representatives who are members of the Commission. ACIR then follows up by working closely with the relevant congressional committees. Draft bills to assist in implementation of State proposals are published as an annual feature (see page 25). State and local requests for assistance are honored insofar as staff limitations permit.

NATIONAL GOVERNMENT

In mid-June 1971, a Commission staff summary of ACIR recommendations pending before Congress noted: "It is six months into the first session of the 92nd Congress and a number of bills have been introduced to implement recommendations of the Advisory Commission on Intergovernmental Relations. Hearings are scheduled on a few of them but the prognosis for passage this session generally is grim."

The forecast proved accurate. In fact, with only minor updating, the June summary was valid at the conclusion of the session. No ACIR legislation was adopted in 1971.

In one of the few new developments during

the latter part of the year, House Ways and Means Committee Chairman Wilbur Mills introduced the Committee's version of revenue sharing. Other measures before Congress during the year that would implement ACIR recommendations included tax credits, intergovernmental cooperation, joint funding, land use, relocation, building codes, taxation of multi-state business and the mid-decade census.

REVENUE SHARING

The Mills bill, the proposed Intergovernmental Fiscal Coordination Act (H.R. 11950), was introduced at the end of November. It would provide \$5.3 billion annually through specific appropriations to two trust funds, with one-third going to States and two-thirds to localities. This is a departure from the usual revenue sharing pattern of allocating all money to States with a "pass through" to localities. The State allocation—\$1.8 billion—would be distributed according to State personal income tax collections as an incentive to more intensive use of this revenue source. The local \$3.5 billion, to be allocated according to population and incidence of poor families, would be restricted to broad "urban functions" and not be completely "no strings" money in the classic concept of revenue sharing.

Early in the year, Senator Baker, Senator Muskie and others introduced a variety of revenue sharing bills. Beginning in June, the House Ways and Means Committee held hearings on those bills. At about the same time, Senator Muskie's Intergovernmental Relations Subcommittee—which does not have original jurisdiction over revenue bills—held information hearings on the Muskie bill and the related Humphrey-Reuss measure.

Senator Baker's bill (S. 680), which would implement Administration proposals, would start at \$5 billion, distribute funds to States according to population and total general revenues, and pass through amounts to general purpose local government based on the general revenue ratio for each eligible local government.

The Muskie bill (S. 1770) would start at \$6 billion, distribute \$5 billion to States according to population and tax effort and \$1 billion as a bonus of ten percent of State personal income collections, with a pass-through formula for localities based generally on size of govern-

ment, poverty and population factors. It would have a 25,000 population cutoff and permit citizens' suits for civil rights violations.

The Humphrey-Reuss bill (S. 241) would start at \$3 billion and go up to \$9 billion in fiscal 1975; it would distribute funds to States based on population and revenue effort, but the pass through to localities could depend on State law. Its major departure would tie the money to modernization of State and local government.

In addition, Senator Buckley introduced a bill (S. 1577), which would mandate Federal collection of 5.64 percent of the Federal basic tax for return to the State from which it was collected.

(For further discussion of revenue sharing, see page 7.)

TAX CREDITS

For a number of years, the Commission has favored a combination of revenue sharing and tax credits—a credit against Federal personal income tax liability for a substantial portion of State income tax payments. Several bills were before Congress during 1971. No action of any kind was taken. Here are three examples:

- H.R. 2564, introduced by Representative Ullman, would allow taxpayers using the standard deduction a Federal credit not to exceed 40 percent of State income tax payments. The bill makes this credit optional for taxpayers who itemize their deductions. It also authorizes Federal collection of State personal income taxes.

- H.R. 8193, introduced by Representative Byrnes, ranking minority member of the House Ways and Means Committee, would allow all taxpayers to credit 20 percent of their State and local income taxes paid against their Federal liability. This credit would be in addition to the present standard and itemized deductions for State and local income taxes. It would also liberalize and restructure the Federal death tax credit for State inheritance and estate taxes and calls for a study of the feasibility of Federal collection of State and local income taxes.

- S. 1162, introduced by Senator Hartke, would allow a standard credit of 50 percent of combined State and local income taxes, not to exceed 19 percent of the Federal

liability, and would authorize Federal collection of State income taxes. In addition, it would federalize welfare costs.

INTERGOVERNMENTAL COOPERATION

The proposed Intergovernmental Cooperation Act received very little attention in 1971 (see page 6). It was not even introduced in the Senate. No hearings were held on the House bill (H.R. 30), introduced early in the session by Representative Fountain. The measure incorporates the substance of three bills that have been before Congress for several years: the Intergovernmental Cooperation Act of 1969, the Grant Consolidation Act of 1969 and the Program Information Act.

The bill would simplify and standardize financial reporting requirements for grant-in-aid programs. To the extent possible, it would rely on accounting and auditing performed by recipient State and local governments.

The measure would also authorize the President to submit grant consolidation plans to Congress which would go into effect if neither house vetoed them. It would protect congressional prerogatives and program objectives, however, by restricting consolidation plans to programs in the same functional area, by forbidding the inclusion of new recipients in the consolidated program or the exclusion of existing recipients and by mandating congressional oversight procedures.

In addition, the proposed Intergovernmental Cooperation Act would require evaluation reports to Congress on grant program administration and would require the President to submit to Congress an annual catalogue of Federal domestic assistance programs with quarterly revisions.

JOINT FUNDING

The Joint Funding Simplification Act (H.R. 6532) would provide procedures for simplifying the packaging of related applications for grants from two or more aid programs. Introduced first in 1967, it was passed once by the House. In 1971, it was introduced by Representative Holifield and co-sponsored by Representative Dwyer but no hearings were held. It was not even introduced in the Senate.

LAND-USE PLANNING

A bill to establish a Federal aid program for State land-use planning was expected to clear the Senate Interior Committee for full Senate consideration early in 1972. During the 1971 session, the Interior Committee held hearings on two bills, the Administration bill (S. 992), introduced by Committee Chairman Jackson, and Senator Jackson's own bill (S. 632). Some combination of the two bills was expected.

RELOCATION

An amendment to bring the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (P.L. 91-646) into greater conformity with ACIR recommendations was still pending—with no hearings in sight—at the end of the session. Late in 1970, after six years of congressional consideration, the Uniform Relocation Act was adopted. By mandating the development of a uniform relocation policy, the Act, in principle, implemented Commission recommendations. However, the Act provided for full Federal funding of minimum relocation payments only to July 1, 1972. After that date, the cost is to be shared with States and localities on a project formula basis. S. 1819, the proposed amendment introduced by Senators Brock and Baker, would remove the cutoff date.

BUILDING CODES

A bill is pending to establish a National Institute of Building Sciences to develop and maintain a "rational relationship between building codes and related regulatory requirements and building technology in the United States, and to facilitate urgently needed cost-saving innovations in the building industry." The House Subcommittee on Housing held one day of hearings on the measure (H.R. 9058) and is expected to consider incorporating it into general housing legislation during the 1972 session. The companion bill in the Senate is S. 1859.

TAXATION OF MULTISTATE BUSINESS

Senators Magnuson and Allott reintroduced the proposed Interstate Taxation Act (S. 1883), drafted by ACIR and the Council of State Governments to stimulate State-initiated consis-

tency in taxation of multistate business. The measure would grant congressional consent to the Multistate Tax Compact and—for those States that do not join the compact—mandate an alternative for apportioning income for State tax purposes. The measure is designed to obviate what was considered to be the need for congressional requirements for tax consistency. No action was taken in 1971.

MID-DECADE CENSUS

The Commission staff testified at 1971 hearings before the Census and Statistics Subcommittee of the House Committee on Post Office and Civil Service on the desirability of establishing a mid-decade Federal census of population and housing. Nearly a decade earlier, the Commission endorsed such a census as essential to provide up-to-date information on which to base Federal, State and local programs. Several Congresses have debated the proposal; it has never passed.

STATE GOVERNMENT

Since its creation in 1959, ACIR has directed 195 specific recommendations to State government. They have been translated into draft bills and proposed constitutional amendments and constitute ACIR's "State Legislative Program." These proposals are made available in separate "slip bill" form and are brought to the attention of key legislative and executive officials of all the States, as well as local government officials and other interested groups and individuals. In 1971, *New Proposals for 1972: ACIR State Legislative Program* was published to supplement the 1970 *Cumulative ACIR State Legislative Program*, published in 1969, and *New Proposals for 1971*, published in 1970. In addition, in 1971, ACIR launched a new program of "action packets," gathering together bills related to a single topic in individual booklets (see page 40).

Representative actions by the States on those recommendations are summarized here. (For additional discussion of State reforms, see Chapter 1.)

UNSHACKLING LOCAL GOVERNMENT

The Arkansas, Colorado and Wyoming legislatures adopted procedures for granting home rule to all municipalities. Utah lawmakers approved a constitutional amendment that will allow alternate forms of local government if the voters approve. Under the Utah plan, voters could select an urban form of county government which would provide city-type services for unincorporated areas or a community council form of county government in which the county would be divided into communities, each having an elected council and a representative on the county governing body. Some services would be provided at the local level and others provided on an areawide basis by the county. Colorado provided procedures for the adoption of county structural home rule that permits citizens of each county to modernize and restructure their government.

A new Oregon act established procedures for consolidation of a county with cities in the county by petition of voters or by resolution of the governing body of the county or most populous city. The act also provides other merger or consolidation procedures for independent cities and counties. Missouri legislators approved a constitutional proposal for the November 1972 ballot that would confer home rule on cities over 5,000 population. Maryland and South Carolina enacted legislation allowing local governments to establish regional councils of governments.

In following up new constitutional amendments approved by voters in 1970, the Colorado and Texas legislatures authorized a broad range of intergovernmental contracting powers to local governments for almost any purpose. Provision is made in the acts for contracts with local governments of adjoining States.

STRENGTHENING THE STATEHOUSE

At the next general election, Arkansas voters will decide on constitutional amendments to provide four-year terms and salary increases for the governor, lieutenant governor, attorney general, secretary of state, treasurer, auditor and commissioner of State lands, to allow legislators to set their salaries by law if approved in two consecutive sessions and to permit the leg-

islators to call a special session upon a three-fifths vote. The proposed amendments also would allow for single-member legislative districts. No authority would be given for the governor to succeed himself, however.

Broad action on executive branch reorganization was taken in three States, consolidating innumerable agencies, boards and commissions into 12 major State departments in Maine, 19 in Montana and 19 in North Carolina. Governors in Illinois and Georgia were granted authority to reorganize the executive branch, subject to legislative veto. The budget office in South Dakota was placed under the governor's authority and Vermont combined its departments of administration and taxation into one super agency. Missouri authorized the governor to appoint a commissioner of the newly created Office of Administration which in 1973 will absorb the divisions of budget and comptroller, procurement, and planning and construction.

The Texas and Utah legislatures established new Departments of Community Affairs. Texas also created an Advisory Commission on Intergovernmental Relations, a permanent body composed of State, local and Federal officials which will offer research and evaluation services.

The legislatures of Kansas, North Carolina and Wyoming took steps to strengthen their oversight responsibilities. A new Legislative Coordinating Council in Kansas replaces the Legislative Council and post-audit functions were transferred from the state auditor to the Legislative Post Audit Department. North Carolina established a new Fiscal and Research Division under the Legislative Services Commission to review State expenditures. Wyoming reactivated its Legislative Council to staff legislative interim committees and assigned the Council authority to perform post-audit functions.

Previously approved provisions for annual legislative sessions became effective in a number of States—including Illinois, Wisconsin and Indiana during 1971—and lawmakers in Alabama, Minnesota and Wyoming acted to put annual sessions proposals on the 1972 ballot in their States.

RETIREMENT CREDIT TRANSFER

A concurrent resolution directed the major

Texas retirement systems (State, county and city employees and teachers) to prepare and present to the legislature a plan for allowing transfer of retirement credits from system to system by public employees.

LABOR-MANAGEMENT RELATIONS

A comprehensive public labor-management relations law for local government employees was enacted in Kansas. Minnesota enacted legislation establishing bargaining rights for all State and local public employees. Grievance procedures for State and local employees were established by South Carolina lawmakers. Florida, Idaho and Montana passed measures to permit teachers to bargain collectively with school boards. Bargaining rights with contract arbitration for police and firefighters were enacted by Georgia, Oklahoma and South Dakota. A State Department of Labor and Management Relations with a five-member tri-partite board was also established in South Dakota to replace the Industrial Commission. Maryland added grievance arbitration to its existing teacher bargaining law and the Nevada legislature gave the governor authority under certain circumstances to make the recommendation of a fact-finder final and binding on the parties.

CRIMINAL JUSTICE

In its report on *State-Local Relations in the Criminal Justice System*, the Commission made 44 recommendations dealing with basic State-local problems in criminal justice (see page 31). Problems in the criminal justice field appeared to be the predominant activity of both the legislative and executive branches of many States.

Virtually every State created at least one study commission to make recommendations on some aspect of the criminal justice system. In at least six States, task groups were given a broad mandate to study the criminal justice structure in their jurisdictions. New criminal codes were enacted in at least six States, including Colorado, Connecticut, Idaho, Illinois, Oregon and Wyoming, and at least nine States established study commissions to make recommendations for updating such statutes.

Arkansas, Delaware and Minnesota enacted legislation to reform the lower court system.

Groups were established to study the court systems in Georgia, Indiana, North Carolina, Oregon and Wisconsin. North Dakota and Oregon instituted a central court administrator system. Statewide public defender services were created in Maryland and Vermont.

Colorado and Washington lawmakers enacted legislation establishing a work release program for prison inmates. Laws reforming the Illinois and Indiana corrections systems were adopted and study task forces were created in five States to deal with this subject. Three States—Maryland, Oregon and Texas—took steps toward a system of regional corrections facilities.

Legislation to improve State-local cooperation in the selection and training of local police officers was passed in New Hampshire, North Carolina, Oregon and Texas.

HOUSING

At least five States took action to provide aid for low-income housing. Alaska and Oregon established housing agencies which were authorized to provide seed money loans. Minnesota set up a Housing Finance Agency, modeled after those of West Virginia, New York, New Jersey and Michigan, and authorized it to issue up to \$150 million in bonds for seed money, construction money and permanent mortgage financing for nonprofit and limited-dividend sponsors of low and moderate income housing. Oregon legislators created a new housing agency to provide seed money loans and Maryland authorized State guarantee of mortgages for low and moderate income housing. State pension fund administrators in Texas are now directed to invest funds, to the extent legally possible, in government-backed housing securities.

A statewide uniform building code was adopted in Minnesota. Maryland lawmakers authorized the State to issue a model performance building code and enacted a code for industrialized housing and mobile homes. Texas also took action on mobile homes and, in addition, established a State materials and systems testing laboratory to measure performance of materials. The testing program is expected to encourage local governments to move toward uniform performance codes and away from

rigid specifications codes. Minnesota passed legislation permitting local governments to establish regional and countywide housing authorities. North Carolina strengthened its statewide code by making it applicable to all dwellings.

UNIFORM RELOCATION

Several States took action to establish statewide uniform relocation assistance policies for persons displaced by government activities. Most of them were in response to the Federal act that requires such uniform policies in federally-assisted programs, but a new Minnesota act applies irrespective of any Federal financial participation.

BALANCED GROWTH

The Texas legislature passed a concurrent resolution which takes the first step toward establishing a policy position on urban development. The resolution sets out official State policy on environmental quality, improving individual opportunities, enhancing community development and strengthening local government. State agencies are required to report by 1973 on their progress toward meeting the policy directives. (*For related State gains, see page 16*).

TAXATION AND FINANCE

Ohio, Pennsylvania and Rhode Island adopted broad-based personal income taxes, bringing to 40 the number of States with such taxes. Connecticut—which first adopted a personal income tax and then repealed it during a hectic legislative session—enacted a tax on income from dividends and capital gains, as well as a sales tax increase. Georgia, Massachusetts, Oklahoma and Virginia conformed their personal income taxes to the Federal income tax base; the new Ohio and Rhode Island taxes also conform. With these additions, 29 of the 40 States with broad-based personal income taxes now conform to the Federal base.

Legislation providing special property tax relief to low income property taxpayers was enacted in Colorado, Maine, Oregon and Pennsylvania. With these four additions in 1971, there are now 11 States that provide such “circuit breaker” property tax relief. Oregon transferred responsibility for supervising property tax assessment from the county equalization boards to the State Department of Revenue. Maryland enacted legislation requiring the assessment of all exempt real estate except that belonging to the U.S. Government.

Minnesota established a State Board of Assessors charged with establishing qualifications for and certifying local assessors. The State’s lawmakers enacted legislation that would enable all local jurisdictions in the seven-county Minneapolis-St. Paul metropolitan area to share 40 percent of the growth in the property tax base that results from new industrial development, regardless of its location in the metropolitan area (*see page 19*). Minnesota also completely revamped its State-local fiscal system and in the process increased sharply its State aid to local school districts as well as to cities, counties and townships (*see page 5*).

Wisconsin and Michigan also changed their tax-sharing formulas to reflect interlocal differences in tax burdens and fiscal need. Maine enacted a new revenue sharing program, distributing to its municipalities the equivalent of four percent of its sales and income tax revenue in proportion to population and relative property tax burdens.

OTHER ACTIONS

A new mass transit law in Connecticut allows the state commissioner of transportation to use up to ten percent of the \$42-million public service tax fund for mass transit aid. Maryland’s General Assembly acted to provide for State assumption of school construction costs; the State will now take over all local governments’ pre-1967 school bonds.

Chapter 3

**THE WORK
OF THE YEAR
IN REVIEW**



During 1971, the Advisory Commission on Intergovernmental Relations studied broad problem areas in intergovernmental relations as well as specific points of conflict and tension, while continuing to expand its information and technical services to all levels of government. It adopted two major policy reports, issued information documents on several current and emerging topics, launched a new action service, continued to provide technical advice on request and sponsored a national conference on financing public schools.

The Commission met four times throughout the year: three times in Washington, D.C., and once at White Plains, N.Y.

POLICY DEVELOPMENT

NEW REPORTS

Policy reports on criminal justice and multi-state regionalism were approved during 1971. The criminal justice report was released in late summer; publication of the regionalism report—adopted at the December meeting—was scheduled for spring of 1972.

CRIMINAL JUSTICE

The Commission's 18-month in-depth probe of criminal justice documented that—in order to combat rising crime rates and to build more justice into their criminal justice systems—States and localities must not only improve their police, courts, prosecution, counsel for indigent defendants and corrections programs; they must also carefully tie these components together into a coherent criminal justice system.

The 308-page volume, *State-Local Relations in the Criminal Justice System*, is a companion to the 1970 report, *Making the Safe Streets Act Work: An Intergovernmental Challenge*, which explored the Federal dimension. In the *State-Local Relations* report, the Commission made 44 recommendations for stimulating coordination as well as strengthening the individual facets of criminal justice.

The criminal justice system too often is a loose collection of institutions and procedures, operating autonomously and frequently in isolation. The Commission urged the States and regional planning agencies to strengthen inter-

functional linkages among the police, the judges, the prosecution and the corrections officials. At the local level, it called for the establishment of criminal justice coordinating councils.

The Commission found that while each component of criminal justice has its own special problems, some common threads run through all. Among these are the need to improve and upgrade the professionalism of personnel at all levels, to reorganize and consolidate the administration of each phase of the criminal justice process and to define clearly the scope and authority of each sector. The ultimate responsibility for remedying these situations rests with the States. The Commission called on them to exercise their leadership role to set personnel standards and upgrade recruiting and training, to abolish the fee system and assure that all officials are salaried, to revise districts to assure full-time personnel and minimum services in every area of the State—and to increase the State financial contribution to criminal justice.

The Commission also considered the needs of each component of the criminal justice system.

Police. The modern police department is called upon to demonstrate the skills of lawyer, psychologist, sociologist, medic and athlete. But the average police department is undermanned and overworked; its personnel are recruited by outdated methods and inadequately trained. Where a highly professional service now is needed, a politically-oriented system rooted in the Middle Ages frequently is offered. In a society where people and crime are highly mobile, the police too often are tied to small, inefficient jurisdictions. The Commission made 15 recommendations to improve the police functions.

To upgrade personnel, ACIR called on States to establish Councils on Police Standards, to pay the full cost of local training programs that meet State standards, to encourage higher education programs for police and to modify restrictive civil service requirements.

To assure that both the police and the citizens know the extent of police discretion, ACIR urged States to clarify their criminal codes, to define the scope of police power and to provide comprehensive government or liability insurance for the police in order to protect

both them and the public from misuse of police discretionary powers.

To professionalize all police functions, the Commission recommended the abolition of the offices of constable and coroner—offices which have outlived their usefulness—and the modernization or abolition of the sheriff's office. The Commission concluded that the constable is a total anachronism. It suggested that the medical duties of the coroner be exercised by an appointed local medical examiner and his judicial functions by the local prosecuting attorney. As for the sheriff, the Commission suggested that the State give metropolitan counties the option of creating a modern, independent county police force, responsible to the central county executive. If this is infeasible, the sheriff should be assigned countywide police authority, compensated solely by salary and provided civil service tenure.

Perhaps the most basic problem of the police today is fragmentation born out of a deep-seated fear of a "national police." There are at least 30,000 police forces in the country—90 percent of them with fewer than ten full-time personnel. In most of the metropolitan areas, each locality has its own police force. A burglar fleeing in his getaway car might go through a dozen jurisdictions before anyone was aware of his theft. And organized crime can pick the least zealous jurisdiction as a haven from which to operate throughout the entire area. Seven Commission recommendations were directed to closing these gaps. They asked the State or county to assure minimum police services to all areas through interlocal cooperation, if necessary, and to perform supportive services. States should establish specialized police task forces to deal with extralocal and organized crime and should provide carefully circumscribed extraterritorial police powers for "hot pursuit" of felons. Other recommendations called for strengthening police in rural areas.

Finally, the Commission stressed the need for opening up lines of communication between the police and the citizenry, calling police-community relations a high priority item for all localities.

Courts. The courts are designed to guarantee the rights of the individual and protect those of society by striking a balance between fairness and effectiveness. But overwhelming

case loads in one jurisdiction and part-time judges in another nearby, overlapping jurisdictions, widely varying procedures for trying similar types of offenses and wide disparities in the quality of judicial personnel all pose a severe threat to the independence, reputation and functioning of the judiciary.

Most of the country's judicial business is conducted in State and local courts—about three million cases. Of these, 90 percent are disposed of in the lower courts, where most of the problems lie. In nearly two-thirds of the States, lower courts are autonomous "little kingdoms" with scant supervision from the higher tribunals. Their justice varies considerably from district to district, depending on the judge, the court docket and the local budget. The only justice many citizens encounter is the justice of the peace who often must depend on fines for his livelihood.

To provide one system of justice for all, the Commission recommended that each State establish a simplified and unified court system and assume full financial responsibility for it. ACIR called for the abolition of the justice of the peace court. It urged that all courts be subject to administrative supervision and direction by the State supreme court, that uniform rules of practice and procedure be promulgated, that flexible assignment of judges be permitted to meet docket needs and that modern management practices be adopted and a professional administrator be appointed.

The Commission is also concerned with the quality of judges. It urged States to require that all judges be licensed to practice law in the State, that all judges devote full time to their judicial duties and that they retire at age 70. The Commission endorsed the "Merit Plan" for selecting judges, whereby commissions representing the bar, the judiciary and the public screen and nominate qualified candidates for appointment by the chief executive. It also recommended a judicial qualifications commission to investigate complaints against judges and either dismiss the charges or recommend disciplinary action to the State supreme court.

Finally, the Commission called on State and Federal courts to initiate and support the development of State-Federal Judicial Councils, composed of chief judges of State and appropriate Federal courts to work together to better intergovernmental relations.

Prosecution and Defense Counsel. In order to achieve justice, the American advocacy system assumes a vigorous court fight between competent, well-prepared prosecution and defense counsel. But all too often in the cities a politically beholden prosecutor is more interested in the next election than in the case at hand, while in rural areas a part-time prosecutor may be more involved in his private practice than the public's business. Facing this type of prosecution, an indigent defendant may be represented by an overworked, poorly paid public defender with no time to learn the details of the case or by an inexperienced or begrudging lawyer assigned at random.

ACIR made six recommendations to upgrade both sides of the courtroom struggle. States should require that prosecuting attorneys be full-time officials. Where prosecutorial districts are too small to support a full-time prosecutor, boundaries should be redrawn to provide enough work and a sufficient financial base to support one. The local prosecution function should be centralized in a single office responsible for all criminal prosecutions. At present, the function is often divided between corporation counsel and prosecutor. The States should pay at least half the cost of investigations by local prosecuting attorneys' offices. Most important, the States should strengthen the authority of the attorney general to oversee the work of local prosecutors.

The Commission also looked at grand juries. It suggested that prosecutors be given the discretion either to use a grand jury or to bring indictments through information procedures. Grand juries should be empaneled often enough to prevent unnecessary court delay. However, ACIR stressed that it does not propose to limit the traditional investigative powers of the grand juries.

To assure a fair trial to indigent defendants, the Commission called on every State to establish a Statewide system of counsel. Considerable flexibility can be built into such a system, with public defenders in urban communities and either a coordinated assigned counsel service or "circuit rider" public defenders for rural areas.

Corrections. If the other phases of criminal justice suffer neglect, corrections is the real stepchild of the criminal justice system. Fragmented internally and isolated both physically

and administratively from the rest of the system, corrections tends to be forgotten by government and the public alike. Its isolation contributes to a particularly vicious spiral of crime, incarceration, worse crime and thus the nation's rising crime rates.

Commission recommendations would integrate corrections into the criminal justice system and change from a custodial and punitive approach toward emphasis on rehabilitation. First, the Commission called for massive efforts to raise the priority of corrections by arousing greater public attention, substantially increasing funding and shifting policy focus to bring about fundamental reforms in approach.

To reorient the system toward rehabilitation, ACIR urged the strengthening of community-based treatment programs—including probation, work release, youth service areas, halfway houses, parole and aftercare—which can be more effective than institutional care and are also much cheaper. The Commission further recommended that States and localities authorize work-release programs and use regional or community institutions for prisoners who would benefit from such programs. And it suggested expanding and improving academic and vocational training for inmates of adult and juvenile institutions.

To integrate corrections into the mainstream of criminal justice, the Commission urged administrative overhaul of the system. It suggested that States assume full responsibility for juvenile and long-term adult correctional institutions, parole, juvenile aftercare and adult probation. Local governments should retain operation and a portion of the funding of short-term adult institutions, adult and juvenile detention and misdemeanor and juvenile probation, but the States should establish and monitor minimum standards for all these functions. The Commission recommended that States consolidate all their responsibilities for correctional activities, excluding the judicatory functions of parole and pardon, in one department that reports directly to the governor.

To ease the critical problem of commingling untried persons with convicted offenders and to expedite trial, ACIR urged major improvements in detention services and facilities. It called for the use of regional correctional facilities as joint ventures of localities that can't support adequate programs on their own. Short-

term penal institutions should be administered by appropriately trained correctional personnel.

Like the other facets of criminal justice, corrections suffers from lack of adequate personnel. The Commission recommended improvements in recruitment, compensation, training and promotion to attract high quality personnel to the field. States should establish minimum qualifications standards to that end. However, the Commission also realized that qualified corrections personnel are not available in sufficient number to meet needs. It therefore suggested the use of paraprofessional and volunteer aids, including ex-offenders other than former policemen. It called on States to make training and educational opportunities available to candidates for these positions.

Because of the complexity of the report, the Commission staff attempted to simplify and popularize the different aspects of it and explain its thrust to the public through short summaries and "action packets" including draft State legislation (see page 40).

(For highlights of State improvements in criminal justice during 1971, see page 27).

Multistate Regionalism

Never before in the nation's history has so much attention been focused on regional mechanisms as a solution to problems that individual governments cannot tackle alone. But opinions as to the scope, authority, structure and direction regional institutions should take vary as greatly as the groups interested in it. Some would phase out the existing regional entities. Others would consolidate the States into regional republics. Proposals include blanketing the country with networks of multipurpose commissions or with single-function bodies, expanding existing commissions and establishing new units for individual purposes.

The growing number of regional bodies and the multitude of proposals for additional ones raise some fears of administrative fragmentation. However, another body of opinion sees no cause for alarm.

Because of the confusion on all sides of the issue, ACIR undertook a study of regionalism in two parts—multistate and substate. It looked first at multistate regionalism, and adopted a report, *Multistate Regionalism and the Federal System*, at the December meeting with publi-

cation scheduled for spring of 1972. By the end of the year, the ACIR staff had begun a preliminary draft of the substate report for Commission consideration late in 1972 (see below).

The Commission examined 13 Federal-multistate commissions in detail—six economic development bodies and seven river basin units—as well as interstate compacts.

They range widely in scope, authority, age and funding. The Appalachian Regional Commission with specific legal authority, a direct line to the White House and substantial funding has been operating large programs for a number of years. The companion economic development bodies set up under Title V of the 1965 Economic Development Act (P.L. 89-136) are smaller in scope, lack clear-cut lines of authority, have been financed at a minimum level and thus have had less impact. The Delaware River Basin Commission has specific regulatory authority while the Commissions set up under Title II of the 1965 Water Resources Planning Act (P.L. 89-80) serve primarily as forums for discussion and persuasion.

Experience with these 13 Federal-multistate commissions is limited. At the time of the study, the oldest body, the Delaware River Basin Commission, was barely ten years old while the newest, the Susquehanna River Basin Commission, had been in operation less than one year.

That was one of the major reasons why ACIR recommended retention of the multistate commissions as they now stand, pending further experience and its own future studies.

The history of interstate compacts goes back before the Union. However, until recently, most compacts were merely to settle boundary disputes. Within the last decade or so the compact device has been used for subjects as broad as mental health and as specific as driver licenses. The Commission recommended that the States continue to initiate and Congress give consent to interstate compacts designed to meet government program problems.

WORK IN PROGRESS

Substate Regionalism

The number of substate regional bodies is accelerating, spurred on by Federal directives and incentives—as well as the felt need of

urbanization and suburbanization, the desire to achieve economies of scale and to minimize fiscal disparities in metropolitan areas and the myriad problems of rural decline. The phenomenon of substate regions is recent; most of them are less than five years old. The Federal Government has mandated substate regions for planning and administering grant programs; States have created units for planning and coordinating their own programs and localities have joined together to establish other bodies for interlocal purposes. Rarely is any over-all framework evident in this hectic activity.

By the end of the year, the Commission staff had prepared a preliminary outline of the substate regionalism study, for which it identified an ascending order of substate coordination:

- the “isolationist” approach, the most common situation, in which units are set up for individual purposes without regard to function, authority, scope or boundaries of the substate bodies in the area;
- the “ecumenical” approach, in which bodies are established through voluntary cooperation of the various governmental units in an area;
- the “two-tier” approach, whereby the individual local governments retain certain of their functions while an umbrella regional government is granted a range of coordinated functions and authority; and
- the “one-government” approach, the consolidation of all units of a county into a city-county government.

During the initial phase of the study, the Commission will focus on substate regionalism in metropolitan areas, particularly the “isolationist” and “ecumenical” approaches. In subsequent phases, the Commission will look at non-metropolitan regionalism, interstate regional areas, and the “two-tier” and “one-government” approaches.

Local Revenue Sources

Over the years, the Commission has urged a major realignment of intergovernmental fiscal relations as the only long-term solution to the chronic financial troubles of local governments. But it realizes that full achievement of its ambitious program of reform—revenue sharing, Federal take over of welfare costs, State assumption of education costs—is still on the

horizon. Therefore, the Commission has embarked upon a study to identify means for local governments to hold their own until the long-term solutions are implemented.

The ACIR staff has begun to look into the availability and utilization of local revenue sources. The study is giving non-property taxes the same close scrutiny as the Commission gave the property tax several years ago.

Included in the survey are local sales and income taxes, user charges, cigarette, liquor and value-added taxes plus other sources of revenue such as lotteries and off-track betting. Among elements examined will be the suitability for use by local governments, State restrictions, size of tax base, equity and regressivity. In addition, the study will look at new aspects of the property tax, such as in-lieu payments and the “share the growth” plan of spreading a percentage of property tax revenues throughout a metropolitan area.

Financial Distress of Cities

Despite all the talk about the threat of “municipal bankruptcy,” nobody has really defined it. Few, if any, cities actually have gone bankrupt under the provisions of the Federal Bankruptcy Act—yet many cities are in serious financial trouble. These cities vary widely in region, size, tax base and State-local relations, but they exhibit many of the same symptoms.

Some symptoms of financial distress are apparent for the city as a whole: loss of population; little or no increase in assessed value, department store sales and employment; but greatly increased tax delinquency, property abandonment and tax foreclosure sales. Other symptoms show distress in the city government; extraordinary tax effort but inadequate levels of service; services provided at the expense of reserves or surpluses or through short-term borrowing; massive layoffs of city employees and delays in bill payments. These symptoms also tend to compound each other. A decline in investment in a city leads to a reduction in city revenues and curtailment of city services makes a city less attractive to investors.

In a study funded by \$102,000 Ford Foundation grant, the Commission is looking for objective measurements of type and degree of financial trouble that would be applicable to the full range of localities. It seeks a politically understandable and acceptable method of diagnosing

acute financial distress, and alternative procedures—including outside assistance—for coping with it.

INFORMATION SERVICES

The Commission provided a wide range of information services in 1971. It issued major in-depth information reports, background papers and analyses of current and emerging problems; built up the previous year's program of expanded services and published new editions of annual ACIR features; and launched a new type of action publication. The Conference on State Financing of Public Schools resulted in a report distributed widely.

INFORMATION REPORTS

The two major 1971 information reports dealt with Canada's experience in solving four intergovernmental imbalances—general revenue, education, public assistance and metropolitan disparities—and with the Nixon Administration's grant consolidation proposals contained in the special revenue sharing bills.

Canada's Search for Balance

Canada has much more in common with the United States than several thousand miles of border. With a somewhat similar federal structure, our neighbor to the north has faced problems of fiscal and program imbalance much like those of the United States—where State and local governments struggle to cope with an endless stream of fiscal and program crises while the National Government dominates the domestic scene with its superior revenue system.

The Commission focused on Canadian efforts to:

- equalize the general revenue imbalance through a taxsharing program;
- equalize education through provincial takeover of elementary and secondary education financing;
- share the public assistance burden; and
- match up the needs and resources in metropolitan areas.

As an information report, *In Search of Balance: Canada's Intergovernmental Experience* made no recommendations but provided background information that may yield valuable

insights to policymakers in the United States.

General Revenue. Canada has gone a long way toward restoring fiscal balance with a pronged "tax sharing" program of national tax abatements or credits, federal collection of provincial income taxes and no-strings equalization payments.

The tax-abatement program enables a Canadian citizen to credit the provincial income tax he has paid against the national personal income taxes he owes—up to 28 percent of his national tax liability. All provinces have levied income taxes that equal at least 28 percent of the national tax—and six provinces have higher rates.

Instead of filing separate national and provincial tax returns, most Canadians compute their provincial tax on two lines of their national tax form and send one check to Ottawa.

Because the tax-abatement program—like any straight tax-credit program—favors the wealthier provinces, the central government provides no-strings equalization payments to the poorer provinces. For fiscal 1971, Ottawa turned over \$900 million in equalization aid to the seven poorer provinces.

In analyzing Canada's tax-sharing program, the Commission concluded:

- Tax sharing has gone a long way toward redressing the general revenue imbalance.
- The tax-credit approach avoids national expenditure strings while maintaining "fiscal responsibility;" it transfers tax power rather than dollars.
- Equalizing grants supplement tax sharing, putting all provinces on an even fiscal footing.
- National collection of the provincial income tax has resulted in a high degree of national-provincial tax coordination but the price is structural rigidity.
- Evolution of the tax-sharing program was accompanied by strong intergovernmental tensions.

Equalizing Education. In both the United States and Canada, the quality of a child's education frequently depends on the accident of geography and the wealth of his neighbors. Local property taxes generally provide most of the money to pay for local schools and differences in tax base can mean wide variations in tax rates for school support as well as the

amount of money available per student. During 1971, court decisions in California, Minnesota and Texas declared this situation unconstitutional and more such decisions are expected.

Since 1969, ACIR has urged States to take over substantially all responsibility for financing education to equalize school funding and to free the local property tax for services that are truly local.

One Canadian province has the nearest thing to a working prototype of State takeover. The New Brunswick Equal Opportunity Program was enacted in 1967 in a massive provincial government reorganization in which the province assumed full financial responsibility for elementary and secondary education as well as health, welfare and justice. The property tax became a provincial responsibility and revenue source, but the emphasis was shifted to sales and income taxes.

Equal Opportunity reduced the number of school districts from 422 to 33 and reorganized the system of school boards. The province had always been responsible for determining curriculum. In 1967, it also assumed the job of determining salary schedules, although local school boards still hire and fire teachers. The province sets the budget after negotiations with local school boards, but local boards may supplement the provincial allocation under certain conditions.

After three years in operation, the New Brunswick program is still controversial. It indisputably has raised the educational level of the poorest sections of the province, but it has cost far more than what was estimated. Some cities contend it has stifled innovation.

The ACIR Conference on State Financing of Public Schools featured New Brunswick officials involved in the Equal Opportunity Program (see page 41).

Public Assistance. In Canada, the central government shares welfare costs with the provinces on a flat 50-50 basis. This system works well in Canada where welfare rolls are smaller than in the United States, where tax sharing and equalization give the provinces a stronger fiscal base, where welfare migration is low and affluence in general is less prevalent.

Metropolitan Fiscal Disparities. It is in the central cities that the urban problems come into sharpest focus. That is where school fi-

ancing needs are greatest and welfare recipients are concentrated while the middle and upper income people flee to the suburbs. This problem is not as bad in Canada as in the U.S.; people of all social and economic levels still live within the Canadian cities and help keep the cities viable.

To reduce metropolitan disparities, several Canadian cities have developed effective regional government over the years. In 1954, Toronto went metropolitan, and Ontario has since extended this local regional government concept to other urban centers. In 1960, Winnipeg followed Toronto's lead. Since 1967, the Province of British Columbia has established regional bodies in several of its population centers. These regional governments are broad-based operating units. They are not the highly specialized districts that cover the U.S. map, nor are they voluntary councils of governments which must depend primarily on discussion and persuasion.

The Commission recognized that some major differences exist between Canada and the United States—and some of them account for Canada's success in searching for balance. Canada's international commitment is much less than that of the U.S.; its parliamentary system works toward powerful provincial government; and it has only ten provinces; most of which encompass broad regions of the country. Nevertheless, the Canadian experience deserves serious consideration and study for the light it can shed on similar problems in this country.

Special Revenue Sharing

President Nixon has proposed six "special revenue sharing" programs to attack administrative and fiscal complexity in the current Federal grant-in-aid system (see page 12). The programs would be a totally new instrument of intergovernmental relations—different from the proposed general revenue sharing and from the present categorical aids, and different also from block grants which they most resemble.

Because of some rather widespread misunderstanding about the nature and objectives of the six special revenue sharing proposals, ACIR described them in detail and discussed their implications in an information report, *Special Revenue Sharing: An Analysis of the*

Administration's Grant Consolidation Proposals.

Special revenue sharing, in essence, would consolidate some 129 existing categorical grants into six broad-purpose packages to help States and localities finance education, law enforcement, manpower training, rural community development, transportation and urban community development. It would provide \$11 billion with few strings and no required matching funds. Special revenue sharing differs from general revenue sharing in its program orientation and in its requirement for a new appropriation each year, whereas general revenue sharing would be linked continuously to revenue sources. It is similar to previous grant consolidation efforts which usually have been aimed at updating grant programs and greater flexibility in administration. In some respects it would go further. For example, once the special revenue sharing funds were allocated among eligible recipients, they would be paid automatically with no need for States to file detailed applications.

The six special revenue sharing proposals appear to be attempting to strike a very delicate balance between the "no strings" tenet of this new approach and the more directive role typically played by Federal agencies administering categorical programs. Attaining a workable balance will be quite difficult, the Commission concluded.

BACKGROUND PAPERS, ANALYSES

The Commission has directed the staff to publish background papers and staff analyses on current and emerging problems. Published in 1971 were a survey of Federal and State action on the environment and a monograph on neighboring subunits of government. The staff also completed work on a survey of county government to be published in early 1972.

Environmental Quality

The public demand for a cleaner and better environment has triggered a positive response by government. Federal and State executives and legislative bodies have acted to halt pollution, to make more effective use of the land and to organize for a broad approach, an ACIR staff survey showed.

The survey, *The Quest for Environmental*

Quality, included Federal and State action taken in 1969 and 1970 and a comprehensive annotated bibliography, developed at the request of the Commission.

At the Federal level, the survey showed, efforts have been made to establish a national environmental policy, create a comprehensive environmental policymaking agency and consolidate many operating agencies.

At the State level, significant steps have been taken to reorganize and consolidate the myriad units governing pollution (*see page 13*), as well as innovations in financing pollution control and strengthening regulation of water quality. A few States have begun to take a long-range view of the environment, with moves toward land-use planning and efforts at environmental education (*see page 16*).

Decentralization

To keep local government close to the people, county seats historically were located not more than one day's journey on horseback from any part of the county. Technology has made it possible physically to reach the seat of local government in minutes, but the alienation and isolation that marks the "urban crisis" has increased the psychological distance many-fold.

In its 1967 report, *Fiscal Balance in the American Federal System*, ACIR called for State legislation to permit metropolitan cities and counties to create neighborhood subunits with limited powers of taxation and local government administration. The subunit might be authorized to levy up to \$5 from each resident and perform such functions as community action, urban renewal, planning and zoning, relocation, public housing and self-help projects. The city or county should be able to dissolve the subunit at any time. The Commission reiterated its strong stand against fragmentation of local government and stressed that these bodies be subunits of existing local governments, not new local governments themselves.

In the four intervening years, little has been done to establish actual neighborhood subunits. But many mayors and county officials around the country have taken at least preliminary steps toward some form of decentralization.

To get a picture of the over-all extent of decentralization, the ACIR staff surveyed the 928 cities and 1,204 counties over 25,000 population.

The responses, from more than half the cities and about one-fifth of the counties, were well distributed as to size, region and local government structure. The National League of Cities, U.S. Conference of Mayors, National Association of Counties and International City Management Association cooperated in the survey. ICMA planned to publish the results in its 1972 *Municipal Year Book*. ACIR published them as a separate booklet, *A New Grass Roots Government?*

The survey asked about the full range of decentralization moves—from the holding of neighborhood meetings by the chief executive and city council to special city hall complaint centers, the establishment of branch offices, neighborhood corporations and community councils.

Three categories of progressively greater decentralization become clear. They involve steps:

- to bring city services physically closer to the people and to provide channels for them to register complaints;
- to grant administrative authority to branch offices and neighborhood councils; and
- to pass some political decision-making responsibility on to a subunit or to authorize community control of certain functions.

As a general rule, the larger the jurisdiction, the greater the decentralization. However, although most attention on decentralization has been focused in large cities, three-quarters of the jurisdictions between 50,000 and 250,000 population have taken at least one step mentioned in the survey.

About two-thirds of the city officials said they had taken some form of action to increase citizen participation. Nearly three-quarters of the officials who had taken some action said they thought decentralization efforts, although difficult, were worthwhile. Fewer than one in four could not see an appreciable improvement in city-hall neighborhood relations because of decentralization.

County results followed the city pattern.

County Profile

County government is a study of extremes. Counties are one of the oldest democratic institutions, yet they are bound to figure promi-

nently in emerging areawide structures to perform urban functions.

Over the past three decades, half the counties have lost population—41 percent of the nation's counties now have a population of less than 25,000. But suburbanization has caused tremendous gains in others—32 counties in ten States exceed one million in population and the majority of the counties in several States have greater than 100,000 population.

The Advisory Commission on Intergovernmental Relations has long been on record for strong, modern county government to meet the challenges of areawide urban problems. Yet most counties are still shackled with outmoded structures; many are prohibited by the State from performing needed services; and they are bypassed by a proliferation of narrow-focus special districts.

In 1971, ACIR surveyed all counties to obtain a profile of county government. The National Association of Counties and the International City Management Association co-sponsored the study. The survey asked for information on county structure, its relationship with special districts, the functions it performs, the extent of city-county consolidation and the fiscal powers exercised by the county. Questionnaires were sent to the 3,049 organized counties. More than one-third responded. The ACIR staff analyzed the data and prepared *A Profile of County Government* for publication in early 1972.

ANNUAL FEATURES

The Commission published new editions of its annual features on State and local finances, State legislative and constitutional action on local problems and the State legislative program. The State legislative program, *New Proposals for 1972*, offers 11 new bills and three revisions. It is described in Chapter 2 (see page 25).

State and Local Finances

The 1972 volume of *State-Local Finances* is again more comprehensive than the previous edition. Several tables were consolidated and new tables on sources of State and local revenue were added.

The bulk of the document is devoted to more than 100 comparative tables covering revenue,

expenditure and debt policies of State and local government. These tables have made this report a major reference work for State and local tax administrators and fiscal committees of the State legislatures as well as policy advisors to governors and mayors—and the media commentators on government operations.

State Action on Local Problems

State Action on Local Problems—1970 describes legislative action in 42 States and constitutional changes adopted in 34 States during 1970. It deals with State activities to strengthen local governments; to assist in specific program areas such as housing, health and welfare, education, transportation, law enforcement and criminal justice administration; and to solve urgent local and areawide problems. Because much of what the States can do to help localities requires a well-organized State government with a sound, equitable revenue system, the report also dealt with developments in these areas.

State Action showed that more States in 1970 were facing up to their responsibility to help solve the urban crisis. Four-fifths of them had removed “apron strings” that block localities from working together on a voluntary basis to deal with areawide problems. Some States moved to strengthen county government as a logical way of handling areawide needs. And a few States were even addressing the politically hazardous issue of local viability—whether some local jurisdictions are inadequate to the task of government and should be annexed, consolidated or dissolved.

In this controversial area, *State Action on Local Problems* highlighted the Michigan measure that gave the State Boundary Commission final authority over annexations to home rule cities and the Georgia move to aid localities in planning annexation. To deal with areawide problems, seven States in 1970 authorized greater home rule and five States moved to expand opportunities for interlocal cooperation.

A NEW SERVICE, PLUS THE OLD

The Commission launched a new action service in 1971 to further its 1970 decision to concentrate more intensively on implementation

of Commission recommendations. Informally called “action packets,” the new publications gather together in one booklet a brief description of Commission findings and recommendations on a specific topic, draft State legislation to meet the problem and an analysis of the legislation. Action packets were published in 1971 on *County Reform*, *Court Reform*, *Police Reform*, *Corrections Reform* and *Prosecution Reform*. They were distributed to State legislatures and to action groups interested in county and law enforcement problems and were made available at conferences and meetings of relevant organizations.

In order to get its message to a much broader potential audience than can effectively be reached by the full reports and draft legislation, ACIR in 1970 devised the “four pagers.” Written in laymen’s language, these four-page summaries of major Commission findings and recommendations are printed in quantity for wide distribution to those on ACIR mailing lists, members of organizations and associations and others upon request. They also are made available for distribution at meetings and conferences. The 1971 four-pagers include: “A Circuit-Breaker on Property Tax Overload,” “Making the Safe Streets Act Work: An Intergovernmental Challenge,” “Court Reform: Key to a Balanced Criminal Justice System,” “Modernizing the Police—the Men in the Middle,” “Corrections: Stepchild of Criminal Justice,” “Better Prosecution and Defense Vital to Justice,” “In Search of Balance—Canada’s Intergovernmental Experience.”

The other periodical information services were continued during 1971, although priority was given to action packets and four-pagers.

Information Bulletins were developed on “ACIR Recommendations Passed by the 91st Congress,” “ACIR Recommendations Before the 92nd Congress” and “Neighborhood Subunits: Toward Government by More of the People.” Four issues of the ACIR Information Interchange Service were published, transmitting information on subjects as varied as Federal aid, the California school funding decision, the “share the growth” property tax plan in Minnesota, neighborhood subunits, rules for industrial development bodies, the Vermont Municipal Bond Bank, collective bargaining for teachers and areawide performance of government service.

CONFERENCE, OTHER ACTIVITIES

Rising property taxes and the widening gap between education in the suburbs and the inner city have brought the crisis in public school financing home to the general public.

Two years ago, the Commission looked at the problem and recommended substantial State assumption of the responsibility for relieving the burden on local property taxes. By early 1971, no State had enacted the ACIR program, but several governors had shown interest. Then, in its study of Canada's search for inter-governmental balance, the Commission investigated the provincial takeover of the public school funding burden in New Brunswick (see page 36).

The law that established ACIR directed it to "encourage discussion and study at an early stage of emerging public problems that are likely to require intergovernmental cooperation." With the help of a Ford Foundation grant, the Commission brought together Federal, State and local officials and representatives of education, business, labor and other professional and civic organizations and interest groups from all parts of the country to discuss school-funding problems with the officials who initiated and now have to live with the program in New Brunswick.

The Conference on State Financing of Public Schools was held in Washington on May 20. Members of the New Brunswick parliament that instituted the Equal Opportunity Program in 1967 and current officials who must now administer it (the government changed parties since 1967) described its advantages and disadvantages, problems and controversies.

The Governors of Michigan and Minnesota have proposed similar programs. The designers of those proposals discussed them with the group. And Governor Russell Peterson of Delaware—a State that provides a high percentage of school money—spoke at the conference luncheon.

In the months following the meeting, court decisions in California, Minnesota and Texas overturned the traditional method of paying for public schools (see page 8). Reliance on the local property tax for school funds is an

unconstitutional link of a child's educational opportunity to the neighborhood in which he lives, the courts held.

Because of the increased currency of the topic, in October the Commission issued *Who Should Pay for Public Schools?*, a popularly written report of the candid exchange of views at the May meeting with an epilogue describing the California decision and its potential impact.

In an allied project, done on contract for the President's Commission on School Finance, the ACIR staff probed the need for Federal incentives to make State funding of schools possible. That report was turned over to the President's Commission in mid-November and was to be published by that body in March 1972.

In addition, the Commission provided technical service to the Committee on State and Local Government Cooperation, an advisory body to the Cost of Living Council, Pay Board and Price Commission (see page 11). ACIR also advised and assisted the President's Domestic Council in preparing the first Urban Growth Plan, a Commission recommendation in its 1968 study on *Urban and Rural America*.

Finally, the Commission staff provided on request technical aid to Congress and the States on proposals relevant to the Commission's action agenda for the seventies.

FINANCIAL SUPPORT

From its inception, the Commission has relied primarily on congressional appropriations for its financial support. Until 1966, in fact, the Commission was not empowered to receive funds from non-Federal sources. However, in that year, following joint hearings by the House and Senate Subcommittees on Intergovernmental Relations which reviewed the Commission's activities and accomplishments during its first five years of operation, Public Law 89-733 was enacted. Among other things, it authorized the Commission to accept contributions from State and local governments and organizations thereof, and from nonprofit organizations including private foundations.

Accordingly, starting in fiscal year 1968, the Commission invited State governments to make

annual token contributions to ACIR. A year later, a limited number of large cities were also invited to contribute. A total of 29 States and three cities contributed \$30,500 to ACIR in fiscal year 1971.

The Commission receives about \$5,000 a year from miscellaneous nonprofit organizations. For the most part, this money represents contributions in lieu of honoraria to ACIR staff members who address or participate in conferences sponsored by these organizations.

Over the past year, the Commission has received a total of \$120,000 in grants from the Ford Foundation. Of this amount, \$18,000 was for the national Conference on State Financing of Public Schools and the subsequent conference report. The remaining \$102,000 received from the Ford Foundation was for the study to develop improved criteria for measuring the financial condition of local governments and to explore methods of dealing with distress situations (see page 35). A report of that study will be issued in late 1972. The Commission also received a \$10,000 grant from the McKinsey

Foundation to explore the feasibility of a comprehensive review of American federalism in conjunction with Bicentennial observances. The ACIR portion of this project was completed in September 1971.

Occasionally the Commission receives funds from other Federal agencies in connection with projects that tie in closely with ongoing Commission research. In March, the Commission received a \$10,000 grant from the Law Enforcement Assistance Administration to print additional copies of the ACIR report, *State-Local Relations in the Criminal Justice System*. In May, the President's Commission on School Finance provided \$75,000 for ACIR to study possible Federal incentives to State school funding.

As a matter of Commission policy, State, local and miscellaneous contributions are used to supplement and strengthen ACIR services to State and local government. Grant funds are used for consultants and temporary personnel to carry out the specific research projects for which the funds are granted.

Appendix A

**THE ADVISORY COMMISSION
ON INTERGOVERNMENTAL RELATIONS**

(Permanent Staff)

(December 31, 1971)

MacDougall, Wm. R., Executive Director
Walker, David B., Assistant Director
Shannon, F. John, Assistant Director

Bivens, Wm. E., Research Assistant
Clarke, Lavinia B., Secretary
Davis, Marinda T., Secretary
Doyle, Rita T., Intern
Elkins, Eugene R., Senior Analyst
Evans, Bernard C., Duplicating Machine Operator
Flournoy, Gloria D., Secretary
Fried, Esther, Administrative Officer
Gabler, L. Richard, Senior Analyst
Jaffe, Jacob M., Senior Analyst
Jensen, Dwight E., State-Local Services Director
Koch, Patricia A., Assistant Librarian
Lane, Rodney P., Senior Analyst
Lincoln, Roy, Accountant
Minnis, Helen L., Secretary
Monical, Carol J., Librarian
Myers, Will S., Senior Analyst
Parker, Linda M., Secretary
Phillips, Ruthamae A., Secretary
Pickford, James H., Senior Analyst
Ross, Ronald L., Mail Room Supervisor
Ryburn, Mary E., Secretary to the Executive Director
Slade, Barbara G., Secretary
Stanfield, Rochelle L., Information Officer
Steinko, Franklin A., Assistant to the Executive Director
Stenberg, Carl W., Senior Analyst
Tippett, Francis X., Statistical Assistant
Van de Water, Paul N., Intern
Washington, Charles W., Intern
Waugh, Betty L., Secretary

Appendix B

**CONSOLIDATED STATEMENT OF
OBLIGATIONS
ADVISORY COMMISSION ON
INTERGOVERNMENTAL RELATIONS**

(Fiscal Years 1971 and 1972)

Object Classification	FY 1971 Actual (Thousands of Dollars)	FY 1972 Estimated
Personnel Compensation	551	670
Personnel Benefits (retirement, health, insurance, FICA)	44	50
Travel and Transportation	39	40
Rent, Utilities and Communications	23	30
Printing and Reproduction	42	48
Other Services	73	15
Supplies, Materials	10	15
Equipment	2	6
	<u>784¹</u>	<u>874²</u>

¹Total includes \$78,000 from non-Federal sources and \$44,000 from Federal sources (\$5,000 from a Law Enforcement Assistance Administration grant and \$39,000 from the President's Commission on School Finance)

²Total includes \$115,000 from non-Federal sources and \$41,000 from Federal sources (\$5,000 from a Law Enforcement Assistance Administration grant and \$36,000 from the President's Commission on School Finance)

Appendix C

ACIR PUBLICATIONS

Reports Published in 1971

**State-Local Relations in the Criminal Justice System*. ACIR Report A-38, August 1971. 308 pp. \$2.25.

**Prosecution Reform*. ACIR Report M-66, September 1971. 9 pp. 25 cents.

**Police Reform*. ACIR Report M-65, August 1971. 30 pp. 40 cents.

**Correctional Reform*. ACIR Report M-64, August 1971. 12 pp. 30 cents.

**Court Reform*. ACIR Report M-63, July 1971. 31 pp. 35 cents.

**Special Revenue Sharing: An Analysis of the Administration's Grant Consolidation Proposals*. ACIR Report M-70, December 1971. 64 pp. 40 cents.

**Who Should Pay for Public Schools?* Report of the Conference on State Financing of Public Schools. ACIR Report M-69, October 1971. 44 pp. 35 cents.

**In Search of Balance—Canada's Intergovernmental Experience*. ACIR Report M-68, September 1971. 123 pp. \$1.25.

New Proposals for 1972: ACIR State Legislative Program. ACIR Report M-67, August 1971.

**The Quest for Environmental Quality: Federal and State Action, 1969-70*. ACIR Report M-62, April 1971. 63 pp. 35 cents.

**County Reform*. ACIR Report M-61, April 1971. 31 pp. 40 cents.

**State Action on Local Problems—1970*. ACIR Report M-60, April 1971. 14 pp. 35 cents.

Federalism in 1970. Twelfth Annual Report. ACIR Report M-59. January 1971. 25 pp.

Available Reports Published in Previous Years

**Federal Approaches to Aid State and Local Capital Financing*. ACIR Report A-37, September 1970. 71 pp. 75 cents.

**Making the Safe Streets Act Work: An Intergovernmental Challenge*. ACIR Report A-36, September 1970. 78 pp. \$1.00.

**Labor-Management Policies for State and Local Government*. ACIR Report A-35, September 1969. 263 pp. \$2.00.

**State-Local Finances and Suggested Legislation, 1971 Edition*. ACIR Report M-57, December 1970. 329 pp. \$2.50.

**A State Response to Urban Problems: Recent Experience Under the "Buying In" Approach*. ACIR Report M-56, December 1970. 20 pp. 35 cents.

**Revenue Sharing—An Idea Whose Time Has Come*. ACIR Report M-54, December 1970. 29 pp. 30 cents.

**The Commuter and the Municipal Income Tax*. ACIR Report M-51, April 1970. 30 pp. 25 cents.

**State Involvement in Federal-Local Grant Program: A Case Study of the "Buying In" Approach*. ACIR Report M-55, December 1970. 71 pp. 70 cents.

**1970 Cumulative ACIR State Legislative Program*. ACIR Report M-48, August 1969.

**Urban America and the Federal System*. ACIR Report M-47, October 1969. 140 pp. \$1.25.

**Federalism and the Academic Community: A Brief Survey*. ACIR Report M-44, March 1969. 55 pp. 60 cents.

**Intergovernmental Problems in Medicaid*. ACIR Report A-33, September 1968. 122 pp. \$1.25.

**Urban and Rural America: Policies for Future Growth*. ACIR Report A-32, April 1968. 186 pp. \$1.25.

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Coordination of State and Federal Inheritance, Estate, and Gift Taxes. ACIR Report A-1, January 1961. 134 pp.

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Nine of the 26 Commission members represent the Federal Government, 14 represent State and local government, and three the public-at-large. Six are Members of Congress—three Senators appointed by the President of the Senate and three Representatives appointed by the Speaker of the House. The President appoints 20: three private citizens, three Federal executive officials, four governors, three State legislators, four mayors and three elected county officials. State and local mem-

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