

14th ANNUAL REPORT

Striking a better balance

Federalism in 1972

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ADVISORY
COMMISSION ON
INTERGOVERNMENTAL
RELATIONS

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Advisory
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Relations
WASHINGTON, D.C.



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

January 30, 1973

Dear Mr. President:

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

Respectfully submitted,


Robert E. Merriam
Chairman

The President
The White House

contents

INTRODUCTION	vi	Mushrooming Multistate Mechanisms	23
PART I. FEDERALISM in 1972	1	Modernizing State Government	24
Prologue	3	Constitutional Revision	24
Chapter 1. The Beginnings of a		Executive Reorganization	24
Balanced Fiscal System	4	Legislative Reform	25
Revenue Sharing: A Reality	5	The Substate Regional Rush	25
The Battle for Enactment	5	Legislation	25
Key Features	5	Jurisdictional Maze	26
Federal Collection of State Income Taxes	7	City-County Consolidation	27
Social Service Ceiling	7	Questions	27
Some Lingering Questions	8	Local Management Muscle	27
Potential Problems	8	Chapter 4. Intergovernmental Issues	
Welfare: The First Step Toward Federalization ..	9	in Conflict	30
The Property Tax and Public Schools	10	Criminal Justice	30
ACIR Role	10	National Activities	30
Climate for Change?	10	State-Level Efforts	31
Grant Consolidation: A Crumbling Ideal?	11	Transportation	32
Legislative Setbacks	11	Congressional Battles	32
Problems with Block Grants	12	Litigation	32
Low-Gear Grant Reform	14	State Developments	32
ICA Amendments	14	Equal Rights	32
Administrative Actions	14	Employment	33
Planned Variations Report	16	Busing	33
Remaining Issues	17	Housing	34
Chapter 2. Revenue Raising:		Rights for Women	35
Actions and Reactions	18	Environmental Control	35
The State-Local Surplus	18	Tighter Regulations	35
The Federal Deficit	19	Conflict and Court Action	36
State Actions	20	New Financing	37
Chapter 3. Governmental Forms to Match		New Areas of Concern	38
the New Fiscal Frame	22	Structural Reorganization	38
Federal Efforts	22	Balanced Growth Policies	39
		Legislative Developments	39
		Reports and Recommendations	39

State and Local Approaches	40	Housing	54
Questions	41	Building Codes	54
In Retrospect	42	Relocation	54
 		Urban Growth and Land Use	55
PART II. THE ACIR PROGRAM	43	Transportation	55
 		Public Labor-Management Relations	56
Chapter 5. Action on Commission		Chapter 6. The Work of the Year in Review	58
Recommendations	44	School Financing and Property Tax Relief	58
The Fiscal Framework	45	Background	59
New Federal Mix	45	State Responsibility	59
Revenue Sharing	45	Property Tax Relief	60
Grant Consolidation	45	Property Tax Assessment Reform	61
Categorical Reform	45	Intrastate School Equalization	61
Welfare Reform	46	Value-Added Tax	62
School Financing	46	Public Opinion and Taxes	62
The State-Local Tax System	46	Financial Emergencies of Cities	63
Encouraging State Income Taxes	47	Regionalism	64
Governmental Forms	47	Multistate	64
Strengthening the States	48	Substate	64
The Executive Branch	48	Annual Features	65
Legislative Reform	49	State-Local Finances	65
Revitalizing Local Government	49	State Action on Local Problems	65
Home Rule and New Options	50	Other Information Services	65
Boundary Protection	51	Technical Assistance	66
Interlocal Cooperation	51	 	
Regionalism	51	APPENDIXES	67
Major Issue Areas	51	A. Permanent Staff	68
Criminal Justice	51	B. Official Consultants	69
Police	51	C. Financial Support	70
Courts	52	D. Consolidated Statement	71
Prosecution and Defense Counsel	53	E. ACIR Publications	72
Corrections	53		
Coordination	54		

introduction

When I became Chairman of the Advisory Commission on Intergovernmental Relations in 1969, my predecessor, the former Governor of Florida and Adviser to President Johnson, Farris Bryant, said to me, “Bob, you are going to have an interesting time; the easy ones are over and ACIR now must ‘bite the bullet’ on some of the tough problems of intergovernmental relations.”

Nineteen seventy-two certainly proved out Governor Bryant’s statement. In his State of the Union Message on January 20, 1972, President Nixon requested us to make a study of a proposal submitted to him which, among other things, would provide massive school-oriented property tax relief for homeowners and provide for State assumption of school financing through a new Federal tax dedicated to this purpose. The intergovernmental implications of this proposal were enormous. This report summarizes our suggestions to the President.

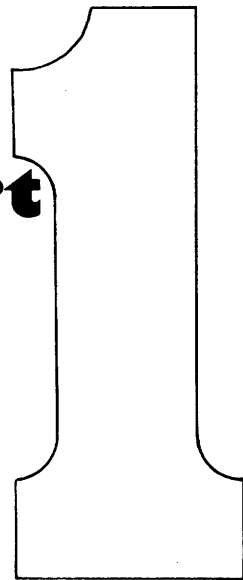
Meanwhile, two other major ACIR recommendations faced public scrutiny and congressional response—revenue sharing and welfare reform. Revenue sharing became the law of the land. Welfare reform on a broad scale was stalled but the concept we have favored, Federal assumption of costs, was partially realized through the transfer, effective January 1, 1974, of the three adult welfare categories to Federal financing. This is a significant beginning.

These critical issues, and a host of lesser, but accumulatively significant intergovernmental actions are highlighted in the Annual Report which follows.

The ACIR is a unique governmental group, composed as it is of representatives from all levels of government, and supported by them as well. It is a forum for discussion and debate, and a crucible for new ideas—all designed to strengthen our unique system of divided, but interrelated, governmental responsibilities. This Annual Report represents our best composite view of what happened to federalism in 1972. Not all Commission members agree with every observation and/or conclusions.

Robert E. Merriam
Chairman

part



FEDERALISM IN 1972

prologue

The American federal system ended 1972 significantly ahead of where it had started in January, although the record was not one of unqualified progress.

The most dramatic accomplishment was the enactment of revenue sharing—a long-sought fiscal device to strengthen State and local decision making by permitting States and localities to make decisions on how to spend substantial amounts of Federal money.

While revenue sharing at last was achieved, all efforts failed to consolidate categorical programs into block grants. The drive to reform categorical aid was moved ahead slightly by administrative action, but it stalled in Congress.

The enactment of revenue sharing, with its intergovernmental impact, focused greater attention on the structure of government—how it is organized and how it functions to deliver its services at every level.

During 1972, the States worked steadily at pulling their executive, legislative and judicial structures into the computer age, and made numerous improvements. However, Administration attempts to reorganize the Federal executive branch were not approved by the Congress, and there was little progress at the county or local level in lessening metropolitan fragmentation.

It was neither the best nor the worst of years for the great intergovernmental issues that pervade both the fiscal and structural framework of federalism and fuel the debate

over the Nation's goals—issues such as welfare reform, criminal justice, transportation, equal rights, the environment and balanced growth. There were gains in those areas, but there were setbacks as well.

The adult public assistance categories were federalized, but total welfare reform failed (child aid included). Progress was achieved in reforming State and local criminal justice mechanisms and there were limited advancements in the Federal justice system. A few States tried to balance their transportation systems, but a proposal to open up the Federal Highway Trust Fund to help pay for mass transit systems was defeated. A few signs of hope emerged in the area of equal rights amid the highly charged controversies over public housing and busing. While the environmental crusade continued, concern over its cost was reflected in political decisions at all levels. There were a few piecemeal actions at the national level toward balanced urban growth and more among the States and localities, but the issue remained shrouded in conceptual confusion.

Overriding these developments was the growing realization of greater interdependence among all levels of government. The problems of money, management and program goals at each level are no longer separable. As the year drew to a close, it was becoming more and more evident that the time had passed when major decisions at any level could be made in a vacuum.

THE BEGINNINGS OF A BALANCED FISCAL SYSTEM

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In 1972, the Nation's fiscal system began in a significant way to acquire the elements of balance and flexibility that this Commission has advocated for several years.

The most visible—and perhaps most far-reaching—step was the enactment of revenue sharing, which will transfer more than \$30 billion in Federal funds to State capitols, county courthouses and city halls over the next five years with few “strings” attached as to how the money can be spent.

This landmark legislation was signed into law by President Nixon on October 20 in Independence Hall, Philadelphia. It implemented a recommendation adopted by the ACIR in 1967 to redress a general power imbalance that worked in favor of the Federal government and against States and localities, hence against a strong decentralized form of government.

Revenue sharing represented a major victory for federalism which was tempered by the fate of efforts in other areas of fiscal reform.

However, lesser actions during the year did push forward to partial fruition three other major policy recommendations of this Commission—Federal takeover of welfare costs, streamlining of the Federal categorical aid system and State assumption of most of the school-financing burden.

- Although complete welfare reform failed, Congress took a step toward a truly national program of public assistance by enacting legislation which calls for Federal assumption of the cost of old-age assistance, aid to the blind and aid to the permanently and totally disabled.

- While no State took over all local school costs, increased litigation and pressure for property tax relief combined to strengthen the environment for such action as the year progressed.

- The Administration's special revenue

sharing proposals languished and major grant consolidation and reform efforts failed, but Presidential vetoes and a generally unfavorable climate for new programs served to curb the growth of categorical grants-in-aid. The same climate, especially after the passage of revenue sharing, was reflected in this Commission's majority recommendation in December against new Federal categorical aids for property tax relief and/or State funding of public schools.

- The existing block-grant programs revealed a number of difficulties and generated considerable controversy.

In all of these areas, there was a growing realization that the Federal-State-local fiscal system is a highly interdependent one and that the actions of one level must be assessed and evaluated in terms of their impact on the others.

Revenue Sharing: A Reality

General revenue sharing became a reality more than three years after it was proposed by President Nixon, five years after it was recommended by this Commission and nearly a decade after the concept was put forth by Economists Walter Heller and Joseph Pechman. The first "no strings" checks were mailed by the U.S. Treasury to State and local governments on December 6.

The Battle for Enactment. Despite its very considerable public exposure, revenue sharing did not have an easy road to passage. Hearings before the House Ways and Means Committee revealed divisions on the philosophy of revenue sharing, as well as on some very fundamental questions inherent in the program—including the basis for distributing Federal money among and within States, the "no strings" provision and the permanent appropriation. These divisions were overcome,

however, and the milestone State and Local Fiscal Assistance Act of 1972 cleared the Ways and Means Committee in late April. It was adopted by the full House on June 22.

As passed by the House, the legislation differed in several key respects from the Administration bill and the 1967 recommendation of this Commission. Initial Senate debate was complicated by the fact that the Finance Committee regarded reform of the welfare system as its top legislative priority. When the emphasis was shifted to revenue sharing, debate tended to focus mainly on the issue of distributing Federal money among the States, and a formula different from that of the House-passed version was adopted.

This difference in allocation formulas was a crucial issue facing the Conference Committee. It was resolved by using both methods to determine the distribution among States and applying that formula which yielded the largest total for a particular State. With the dual formula alternative, passage of the legislation was easily secured—by a vote of 281 to 86 in the House on October 12 and by a margin of 59 to 19 in the Senate on the following day. The measure was then signed by the President seven days later.

Key Features. In the most basic fiscal terms, revenue sharing is the distribution of Federal revenues to State and local government officials.

For what?—One of the major features of revenue sharing is the wide latitude it gives to State and local government officials in spending decisions. It provides the flexibility to maximize the discretion of State and local officials in setting spending priorities with a minimum of Federal regulations and red tape.

State officials are free to spend their revenue sharing allotments on virtually anything they choose. The only restriction on their spending authority—one that is also applicable to local

governments—is that revenue sharing moneys *cannot* be used, either directly or indirectly, as the State or local share required to match other Federal funds received for grant-in-aid programs.

Local governments, in addition to this specific prohibition, face a very general restriction in that revenue sharing money is to be spent only for “priority expenditures.” Such priority expenditures are quite broadly defined, however, and encompass ordinary and necessary maintenance expenditures for (a) public safety—including law enforcement, fire protection and building code enforcement; (b) environmental protection—including sewage disposal, sanitation and pollution abatement; (c) public transportation—including transit systems and streets and roads; (d) health; (e) recreation; (f) libraries; (g) social services for the poor or aged; and (h) financial administration. Priority expenditures also include ordinary and necessary capital expenditures authorized by law.

How much?—Revenue sharing calls for a total of \$30.1 billion to be turned over to State and local governments during a five-year period, one-third to State governments and two-thirds to localities. Annually, the sums are \$5.3 billion (1972), \$5.975 billion (1973), \$6.125 billion (1974), \$6.275 billion (1975), and \$6.425 billion (1976).

In the first year’s payments, the amount distributed to State governments generally ranged from 1.5 to 2.0 percent of State government expenditures—the extremes being 0.4 percent in Alaska and 2.8 percent in Mississippi. In per-capita terms, the average State government share was slightly under \$9, with most States in the range between \$7 and \$12. The per-capita share for the first year varied, however, from \$13.12 in Mississippi and \$13.07 in West Virginia to \$6.80 in Missouri and \$6.49 in Ohio.

The total local government share for the

first year averaged slightly more than \$17 per capita. Among the 100 largest cities, payments per capita generally ranged between \$12 and \$24, with Anaheim, California, receiving as little as \$6.86 per capita and New Orleans, Louisiana, as much as \$27.93 per capita. Some of these variations may be adjusted in future applications of the distribution formulas.

The revenue sharing funds are drawn from a permanent five-year appropriation, placed in a trust fund, over which the Senate and House Appropriations Committees have no control.

Although the amounts involved are scheduled to grow year by year for the five-year period, the legislation does not provide a permanent source of funds to State and local officials. Yet, because the legislation covers a five-year period and is both an authorization and appropriation act, it does provide a high degree of certainty—an essential ingredient that will undoubtedly facilitate budgetary planning by State and local governments. To place this legislation under the authority of the Appropriations Committees—an effort that was made and probably will be renewed in the future—would not *per se* destroy the idea of revenue sharing. Nonetheless, the annual appropriation procedure might seriously erode the degree of certainty provided by the present legislation.

To whom?—Federal revenues are made available to all State governments and to nearly 38,000 general-purpose units of local government, regardless of their population size. In order to distribute the funds among these governments, the U.S. Treasury first determined how the total entitlement, the \$5.3-billion total for 1972, would be allocated among the States.

The act calls for two methods of dividing the revenue sharing funds—a three-factor and a five-factor formula—with the formula yielding

the higher State-local total to be applied. The two formulas use varying combinations of State population, urbanized population, relative personal income of State residents, State income taxes and general State tax effort to distribute the funds.

After the amount to be allocated to each State area is computed, the State government receives one-third.

The remaining two-thirds, the local share, is distributed initially among county areas within the State on the basis of population, general tax effort and relative income for each county area. The local area allocation is then further distributed among local units of government. County governments share in the local area allocation on the basis of their adjusted taxes (taxes other than for education and employer and employee contributions to social insurance or retirement funds) as a proportion of adjusted taxes for the county and other local governments in that county area. If the county area includes one or more township governments, the township share is calculated in the same manner as the county government's share. The remaining money allocated to the county area is then distributed among all other general units of local government on the basis of population, tax effort and relative income.

These formulas for the division of funds among local governments are subject to certain safeguards. For example, no local government may receive more in revenue sharing money than half of its adjusted taxes plus intergovernmental aid. Moreover, in per-capita terms, no local government may receive less than 20 percent—or more than 145 percent—of the average per-capita distribution to local governments in the State. Those local governments, other than counties, that would be eligible for less than \$200 and those that waive their entitlement get nothing. Their shares are added to the entitlement of their county government.

Federal Collection of State Income Taxes.

Seemingly destined to a position of relative obscurity, Title II of the State and Local Fiscal Assistance Act of 1972 provides for Federal collection of State income taxes. This step toward tax coordination, recommended in 1965 by this Commission, constitutes yet another element in what is gradually emerging as a concern for developing an integrated fiscal system of Federal, State and local government taxation and expenditure programs.

The legislation requires that State income taxes closely conform to the Federal tax base—and in practically all cases this will necessitate changes in State income tax laws if the Federal collection process is to be activated. Moreover, these provisions do not go into effect until January 1, 1974, and then only if at least two States having in the aggregate five percent or more of the Federal individual income tax returns filed during 1972 elect to seek Federal collection of their income taxes.

Social Service Ceiling. Title III of the Conference compromise on revenue sharing placed a lid of \$2.5 billion annually on Federal contributions to the previously open-ended social service program. With the following exceptions—child care, family planning, and services to the mentally retarded, to drug addicts or alcoholics and to children under foster care—not more than 10 percent of the Federal grant can be used to provide services for individuals who are not recipients of, or applicants for, welfare aid or assistance.

These Federal funds are distributed among States on the basis of population. As a result of the ceiling, 23 States and the District of Columbia will receive less Federal aid than they had estimated they would spend in fiscal 1973 under the open-ended program. Thus, some States and cities will have to curtail their spending plans for social services and all of the

program agencies will have to account for use of the money in greater detail.

Some Lingering Questions. The State and Local Fiscal Assistance Act of 1972 is a major step forward in intergovernmental fiscal relations. It provides substantial Federal revenues for the use of State and local officials with a high degree of certainty and with very few restrictions as to how the money may be used. Because of these features, State and local officials are strengthened in both revenue-raising and decision-making. This legislation provides a very definite tilt in the balance of fiscal federalism—away from centralized bureaucratic policy making and toward a neater matching of needs and resources at the State and local levels.

Nonetheless, some unanswered questions remain—questions that are applicable both to the present and to the future of the revenue sharing program.

A precise matching of State and local needs with resources may, in fact, be the impossible dream of intergovernmental finance. While the ideal may be unattainable, the legislation makes a rough, but arbitrary stab at meshing the two. The act simply assumes a one-third State and two-thirds local division of fiscal and functional responsibilities, regardless of the existing division of these responsibilities between individual States and their local sectors.

Some imprecision also is likely to result from the fact that all States and general-purpose units of local government are eligible to share in the Federal revenue. Since there is no population cut-off, funds will be allocated to all but the very smallest governmental units—funds that otherwise might have been available for other governmental units such as the core cities, where problems are more interrelated and expensive. The use of the 20 percent minimum and 145 percent maximum bounds (of the average per capita distribution for the

State) for each local government indicates that the formula *per se* may not get the money where the biggest problems are.

Indeed, the provision of an alternative State plan further suggests the possibility that local needs and resources may not be fully meshed, but it provides a mechanism for resolution.

Consistent with the few-strings approach, revenue sharing provides no conditions regarding the modernization or consolidation of the existing governmental structure. Yet it must be recognized that revenue sharing is not a neutral instrument with regard to these objectives. Since all general units of local government are eligible to participate without regard to population size, the unwanted effect will be, at least to some extent, to freeze the existing governmental structure and to prop it up, without regard to its viability.

Potential Problems. More basic to the future of the revenue sharing program, however, are two potential difficulties.

The program as adopted gives very wide scope to the uses to which State and local governments may put the Federal funds. The ability of State and local officials to solve their own problems will determine whether this trust becomes one of the great strengths of the program, or a future weakness.

Differences of opinion over priorities are bound to cause some controversy—particularly between those seeking program enhancement and officials who plan to use the funds to reduce property taxes. Critics of revenue sharing will undoubtedly search for frivolous expenditure programs and evidence of graft and corruption to make a mockery of the priority expenditure designation. Some “horror stories” will surely emerge and too many such instances would seriously erode the element of trust that revenue sharing presently embodies. However, State and local officials are bound to be on their guard against such pos-

sibilities and the glare of unwanted publicity may be a sufficient deterrent.

Yet revenue sharing shifts more than money and power to the State-local sector; it also shifts more responsibility. Failure to make progress, to get the job done, could ultimately lead to heightened disenchantment with government and federalism in general and the State and local sector in particular.

A second basic concern for the future of revenue sharing is its relationship to the categorical grant system. In the minds of most of its supporters, including this Commission, general revenue sharing was conceived as additive to—not a total substitute for—categorical and block grants. The myriad categorical grant programs obviously have their defects, but the solution to such problems rests in reforming and consolidating the categorical grants—not in merely replacing them with revenue sharing.

Revenue sharing has, in fact, come. The program means additional Federal revenues for State-local use, along with increased State-local decision-making powers and heightened responsibilities for State and local government officials. The future of the program, and indeed of federalism itself, rests with the proponents of revenue sharing—who now become the major participants in making it work.

Welfare: The First Step Toward Federalization

Relatively unnoticed in 1972 was the Nation's first—albeit incomplete—step toward a truly national program of public assistance.

The 1972 Social Security Amendments (P.L. 92-603) were modest in comparison to the sweeping changes contemplated in the much-debated Family Assistance Program and in the 1969 recommendation of this Commission for assumption by the National government of all public assistance costs, including general assistance and Medicaid. Nevertheless, they did

chart the course toward nationalization of three categorical aid programs—old-age assistance, aid to the blind and aid to the permanently and totally disabled. The Amendments, to take effect on January 1, 1974, provide a Federal plan of assistance to such recipients, establish Federal definitions of eligibility and allow the States to supplement the national payment if they wish.

Although aid to the aged, blind and disabled has not shown the explosive growth of the Aid to Families for Dependent Children (AFDC) program, these less controversial categorical aids nonetheless are costly and marked by considerable interstate variations in benefit levels.

As of June 1972, 3.34 million individuals received assistance under these programs, at a total cost of more than \$3 billion. Benefit levels for old-age assistance ranged from \$49.83 per recipient in Tennessee to \$131.78 in Wisconsin—a ratio of well over two and one-half to one. Payments for aid to the blind also varied by more than two and one-half to one—from \$66.76 per recipient in South Carolina to \$173.01 in Alaska. The spread in benefits to the permanently and totally disabled was nearly three to one—from a low of \$55.98 in Louisiana to a high of \$166.89 in Alaska.

The 1972 Amendments establish a national system of uniform minimum monthly payments of \$130 to an individual in any of the three categories and \$195 for a couple. Contrary to the 1969 recommendation of this Commission, which called for continued State-local administration of public welfare, the federalized program will be administered by the Social Security Administration. States may enter into agreements for administration of the State supplemental benefits. Under such agreements, supplemental payments must be made to all persons eligible for Federal security income payments, though States can require a period of residency.

Although it falls short of this Commission's recommendation for Federal takeover of all welfare costs to achieve a more equitable distribution of the welfare burden among the 50 States and to free State and local resources for programs that are more appropriately State-local in character, the 1972 legislation can only be viewed as a major congressional step in the right direction.

The Property Tax and Public Schools

The local property tax, long reviled by scholars and taxpayers alike, continued its role as the most unpopular tax in the Nation.

The extent to which the public dislikes the property tax was revealed by a survey taken early in the year by this Commission with the assistance of a professional opinion research firm. (*See p. 62.*) Forty-five percent of those surveyed singled out the local property tax as "the worst . . . least fair" tax among the major revenue sources used by the three traditional levels of government.

However, public opposition to increases in other taxes and a growing feeling that new Federal programs are not the answer to State and local problems worked against a quick shift away from the local property tax as the major source of funds for public schools.

ACIR Role. This feeling was reflected in the majority action of the ACIR at its December meeting after a year-long study of property taxation, school financing and the possibility of massive property tax relief funded by a new Federal tax source. The study had been undertaken in January at the request of President Nixon.

In its major conclusions, the Commission found that (1) the property tax is not so burdensome over-all as to warrant intervention by the Federal government, (2) an area of gross

inequality in property tax use relates to low-income homeownership families and particularly the elderly, (3) the States can and should take action to shield such low-income families from undue property tax burdens, (4) property tax administration can be adequately strengthened by State action, (5) the States have the untapped capacity to put their local school districts on a more equal fiscal footing, and (6) there is therefore no need for a Federal value-added tax to finance such a program.

Then, in summing up its majority decisions to turn down four proposals for new Federal categorical aid programs in the property tax and school finance areas, decisions which drew strong dissents from some members, the Commission said:

. . . It is not necessary to buck every problem up to Washington for resolution. Strengthened by revenue sharing and with the strong prospect for shifting an increasing share of the welfare expenditure burden to the National government, the States can and should be held accountable for their traditional property tax and school finance responsibilities.

But revenue sharing and Federal takeover of welfare are not enough. If the States are to play a strong role in our Federal system, Congress must resist the constant temptation to solve problems that should be handled at the State level.

(The ACIR study is discussed in detail in Chapter 6, beginning on p. 58.)

Climate for Change? Public attitudes crystallized against proposals in four States—California, Colorado, Michigan and Oregon—to slash the property tax sharply as a source of funds for education. The precise question before the voters was slightly different in each State but the effect was the same. Voters in Colorado, Michigan and Oregon refused to adopt constitutional prohibitions against the use of the local property tax for school sup-

port. California voters refused to place constitutional limits on the use of the local property tax, but the legislature late in the year enacted a dramatic \$1.1-billion tax shift that included \$488 million in relief for homeowners and renters.

Litigation over school finance systems in California, Texas, New Jersey, New York, Minnesota, Illinois, West Virginia, Michigan and Florida spurred consideration of the property tax referenda. School support systems that depend heavily on the local property tax have come under attack as a denial of the equal protection pledge of the U.S. Constitution. The Texas case—*Rodriguez v. the San Antonio School District*—was pending before the United States Supreme Court as the year ended and a decision was expected in the spring of 1973.

The future of the property tax as a source of school finance and of local finance itself remains in doubt. The Supreme Court decision should clarify the issue with regard to public schools. But public opposition to the tax remains strong and demands for property tax relief are unlikely to abate.

In 1972, for example, Texas voters allowed the legislature to enact property tax relief for the elderly, and circuit-breaker plans were adopted in Illinois, New Mexico, Ohio and West Virginia. The New Mexico program applies to all low-income individuals and not just to those who are also elderly.

This Commission's 1969 recommendation for State assumption of most local school costs is aimed at (1) a more equitable distribution of the benefits and burdens of public education within each State and (2) reduction of the pressure on the overburdened property tax, thereby permitting cities and counties to make more effective use of this local revenue source.

Although no State took a great leap forward in 1972, as did Minnesota the previous year,

the political environment became more conducive to such State action. By the end of the year, it appeared more likely than ever that court action on school funding and citizen demands for property tax relief will combine gradually to force most States to take over most of the school-financing burden.

This Commission has expressed strongly its hope that the shift to fuller State school funding will result more from positive State legislative and executive leadership than from judicial mandating.

Grant Consolidation: A Crumbling Ideal ?

On the block grant and consolidation front, certain efforts were made in 1972, but none succeeded by the year's end. The proposed Intergovernmental Cooperation Act amendments (S. 3140) passed the Senate but failed in the House. One of these amendments would have given the President authority to merge categorical grants in functionally related areas if neither house of Congress vetoed the plan, a procedure similar to the provisions of the Executive Reorganization Act. (*See p. 14 for other provisions.*)

Legislative Setbacks. After two and one-half years of committee consideration, the Senate in early March overwhelmingly passed the omnibus Housing and Urban Development Act (S. 3248), which among other things would have consolidated nearly 50 existing programs into eight and would have authorized a new block-grant program to local governments for community development efforts. The block-grant program was presented as a compromise similar to that advanced in the Administration's special revenue sharing proposal for community development.

The House version of the measure (H. R. 16704) paralleled its Senate counterpart with

respect to consolidation and block grants, but contained other more controversial provisions, including mass transit operational subsidies and local governing body approval of specific housing projects. Because of the sweeping and complex changes called for in the omnibus measure, the lateness of the session and the political problems in achieving effective floor managership, the House Rules Committee refused to allow the bill to reach the floor for a vote, thus killing it.

None of the Administration's other five special revenue sharing plans fared any better. However, certain elements of the rural community development proposal were included in the Rural Development Act of 1972 (P.L. 92-419).

For the first time in several years, no small-scale consolidation measures were submitted for consideration by the Second Session of the 92nd Congress. This reluctance was partly due to the Administration's preferred focus on the more sweeping reorganization and special revenue sharing proposals which incorporated the spirit, if not the substance, of earlier merger efforts in such program areas as water and sewer and vocational education. It was also due in part to the failure of previous attempts at grant consolidation.

Thus, the drastic overhauling and streamlining of the bloated Federal categorical aid system which has been advocated by this Commission in order to introduce the much-needed elements of flexibility and accountability into the Federal aid structure did not come to pass in 1972.

However, 1972 was the second year in a row that there was virtually zero population growth in Federal categorical aids, largely because of Presidential vetoes (Mr. Nixon vetoed 16 bills in 1972), the enactment of revenue sharing and a generally unfavorable climate for new grant programs. This sudden halt in the proliferation

of Federal grants is noteworthy in view of the fact that the number had grown from only a handful in the early 1960s to about 500 by 1970.

Problems with Block Grants. At the same time, the only two major block-grant programs on the books, those provided by the Partnership for Health Act of 1966 (P.L. 89-749) and the Omnibus Crime Control and Safe Streets Act of 1968 (P.L. 90-351), were falling short of expectations.

LEAA—The House Government Operations Committee report on the *Block Grant Programs of the Law Enforcement Assistance Administration* (LEAA), issued in May, raised a series of fundamental questions about the operation of the program and advanced 13 recommendations for its improvement. The dissenting minority members took issue with the report's tone and thrust, and certain of its findings and recommendations. In essence, the majority position was that LEAA should adopt a much more aggressive monitoring and leadership role in administering the program, while the minority members (though conscious of certain gaps in State performance) were more willing to rely on the present system.

Neither group, it should be noted, called for abolition of the block-grant approach to Federal assistance for State-local criminal justice systems, a position that corresponds with the view of this Commission.

The June 1972 report of the Committee for Economic Development (CED) on *Reducing Crime and Assuring Justice* was much more critical than the composite of judgments that emerge from the House report, concluding that "... the record of LEAA ... does not inspire confidence in the (Justice) Department's capacity to give effective leadership to State-local law enforcement." The CED urged the replacement of LEAA with a new "Federal

authority to ensure justice—properly managed, staffed, and funded” to lead the country “toward reversal of the disastrous trends of recent years.” It also recommended that the States, “through unified departments of justice and other means” (proposed in its report) . . . “be encouraged to meet high standards in fulfillment of their constitutional obligations.”

A later report of the National Urban Coalition was equally severe in its criticisms of LEAA.

Partnership for Health—With reference to the first block grant enacted in modern times, the record of the Partnership for Health Act of 1966 has been less publicized and less probed, but no less controversial to some who have explored it. Beginning with a consolidation of 16 previously separate categorical grants, it gave significant discretion to States and their governors in developing locally relevant State plans. In 1970, drug and alcohol

abuse components were folded into the program. But three programs which could have been merged with it were preserved as separate entities and expanded by the 91st Congress: kidney disease, communicable diseases control and health assistance to migrant agricultural workers.

Meanwhile, the intended executive discretion was frequently impaired. More than half of the State Comprehensive Health Planning Agencies (CHPs) were located in independent or line agencies that were one step or more removed from the governor.

A major thrust of these agencies has been to develop counterpart organizations at the substate regional level. As of 1972, 198 area-wide comprehensive health planning agencies had been established, with only about two-thirds of these fully organized. Yet, in the 42 States having substate districting systems, fewer than 10 percent of the CHPs coincided

TABLE I
**Federal Grants-In-Aid to State and Local Governments,
 By Type—Fiscal Years 1963, 1968 and 1973 est.**
 (in billions of dollars)

Type of Grant	Fiscal Year		
	1973 est.	1968	1963
Categorical	37.7	18.6	8.6
Block	0.5	1	0
Revenue Sharing	6.8 ²	0	0
Total	45.0	18.6	8.6

¹Less than \$50 million.

²All of the revenue sharing entitlement for calendar year 1972 and a portion of the entitlement for calendar 1973 will be paid during fiscal year 1973.

Source: *Budget of the United States, Fiscal Years 1963, 1968, and 1974.*

geographically and organizationally with these substate districts. In the case of the A-95 clearinghouses established pursuant to Section 204 of the Metropolitan Development Act of 1966 (P.L. 89-754) and Title IV of the Intergovernmental Cooperation Act of 1968 (P.L. 90-577), the CHPs "piggybacked" these more generalist areawide bodies only about two-fifths of the time (as against seven times out of ten in the case of LEAA's substate regional districts).

A Mixed Record—These two block-grant case studies, the only ones really, suggest that the tendency to categorize or to recategorize is still strong after a consolidation has been achieved or a new broad functional program has been launched. They suggest that chief executives in the States, cities and counties, especially the States, have had difficulty in curbing the parochialism of their program professionals. They reveal that substate regional organizations seem to be an inevitable administrative by-product of block-grant efforts. They also indicate that the discretion a block grant is supposed to give to politically accountable officials at the other levels is not always easy to retain.

In short, the record of these two programs, a record that became more visible in 1972, can only be described as mixed and uneven in light of the basic objectives of the block-grant strategy.

Low-Gear Grant Reform

There were some solid successes in categorical-grant reform during 1972, but grant-reform efforts scored poorly in Congress and lacked the widespread and highly visible support given to the battle to secure revenue sharing.

Part of this no doubt stems from the fact that streamlining the categorical programs is tough pick-and-shovel work. Part of it relates to the view held in some quarters that the only

real reforms in this area must be drastic ones. Perhaps the largest part of the problem, however, is rooted in the continuing strength of the program specialists, their interest groups and legislative allies at all levels.

ICA Amendments. The failure of Congress to take favorable action on the Intergovernmental Cooperation Act of 1972 is symptomatic of some of the difficulties in this rock-covered field. This Administration-endorsed measure, which enjoyed full bipartisan sponsorship and which did pass the Senate unanimously, would have:

- authorized the President to simplify and unify financial reporting requirements associated with categorical programs;
- allowed increased reliance by Federal disbursing agencies on State and local audits that meet certain professional standards;
- established the statutory ground rules for permitting the packaging of grant applications by State and local governments; and
- stipulated a more comprehensive policy of congressional and executive branch review and reassessment of categorical-grant operations.

As mentioned earlier, the legislation also would have provided an effective method for combining grants in the same or related functional areas, under which the President could submit to Congress grant-consolidation plans which would become effective if not vetoed by either house within 60 days.

Enactment of the Intergovernmental Cooperation Act of 1972 would have constituted a clear signal that efforts to revamp the grant system had full congressional backing.

Administrative Actions. There were a number of administrative developments in the grant-reform area during 1972 that should be noted.

- Both civil rights and environmental impact statement procedures were added to the review process under Office of Management and Budget (OMB) Circular A-95, which requires comment by State and areawide officials on certain Federal grant applications.

- Early in the year, OMB issued a memorandum to departments and agencies which set forth the policy, guidelines and procedures governing the processing of applications and project administration for its Integrated Grant Administration Proposal (IGA). During the course of the year, the number of State, areawide and local jurisdictions that participated in this pilot joint-funding program rose from four to 27, with 20 having been funded as of mid-December.

- OMB Circular A-102, one of the most significant results of the Administration's Federal Assistance Review (FAR) program to streamline grant-in-aid administration became effective in July. This circular established uniform requirements in all Federal grant programs for such items as cash depositories, bonding and insurance, retention and custodial requirements for records, and waiver of single State agency requirements. Subsequent attachments to the circular, all of which were in effect by January 1, 1973, cover uniform program income and matching-share provisions, standard application forms for all programs, financial reporting and requisition procedures, and property management, personnel and procurement requirements.

- A report prepared under a FAR contract and issued in May cited shortcomings in the application of the review process called for under OMB Circular A-85, which is designed to give State and

local chief executives an early opportunity to comment on proposed Federal rules, regulations and procedures that will affect their governments. OMB initiated a study of agency compliance, and OMB and ACIR staff members worked throughout the remainder of the year with Federal agencies and with the associations representing State and local governments in Washington to help both parties in the review process improve their participation. ACIR serves as coordinator between the agencies and State-local representatives in the A-85 review.

- In relocation activity, the government-wide application of requirements called for in the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (P.L. 91-646) to all direct Federal and assisted programs involving the displacement of families and businesses finally began to be felt in 1972. Uniform guidelines for agencies to follow in implementing the act were issued in May in OMB Circular A-103. The ACIR-supported amendments to the act that would have extended the cutoff date for full Federal funding of relocation costs up to \$25,000 per case died in a House-Senate conference committee. The pressure for action on higher priority items such as the highway bill, the lateness of the session and the threat of possible veto combined to produce this result, which could have significant fiscal implications for the States and especially the localities in the months ahead.

- In a thrust toward interagency program collaboration, the Secretary of Agriculture was assigned a lead role in coordinating responsibilities within the executive branch for various programs under the Rural Development Act of 1972.

• Two executive branch departments took steps to further decentralize grant administration to the field-office level. HUD delegated the bulk of the decision-making for project selection and funding below its regional offices to its 39 area offices. EPA now has more than two-thirds of its staff in field offices and decisions on nine out of ten of its program dollars are made at this level.

• To implement decentralization, Justice, Labor and HUD have increased their field office personnel by 25, 45 and 22 percent, respectively.

• In February, the President by Executive Order No. 11647 expanded the role of the Federal Regional Councils (established in 1969) as coordinating bodies in the ten Federal regions. The chairmen of these councils were upgraded to the level of Presidential appointees and the councils were assigned new duties, including the development of integrated program and funding plans with governors and local chief executives, the encouragement of joint grant applications, and the planning of long-term regional interagency and intergovernmental strategies for resource allocations to better meet State and local needs.

Planned Variations Report. In the fall, HUD issued a report on the first year of its Planned Variations demonstration program. Under this experiment, launched in 1971, certain municipalities with citywide Model Cities programs were to be given supplemental funds to expand their programs' functions. The local chief executives were to be given a review and comment authority (CERC) *vis-a-vis* applications for Federal assistance affecting their communities. Federal agencies, in light of the above local variations, were to take steps to waive or minimize administrative requirements asso-

ciated with grant applications from these municipalities. Sixteen cities were designated to receive \$157.2 million over a two-year period to participate in all three variations and an additional four were selected to receive \$1.6 million to finance participation in the CERC procedure.

The report indicated, among other things, that 40 percent of the participating municipalities felt that the planned variations had freed them from some Federal constraints, that simplified HUD submission requirements had reduced the size of the average application by three-quarters (compared to previous Model Cities submissions), and that most of the cities exercised their new priority-setting authority by shifting to a greater emphasis on physical development activities rather than social programs.

It also revealed that HUD had developed a "waivers" approach to simplify its categorical programs, but only four cities (as of June 1, 1972) had participated in this program. Moreover, HUD's efforts to simplify its program books had encountered difficulties.

A third of the cities, it was found, felt that the department's effort to apply a "hands off" policy regarding the full variation program to its area and regional offices had succeeded in decreasing Federal intervention from these sources. Regarding the CERC variation, the report pointed out that it had tended to encourage the development of a central policy and program coordinating mechanism, but that various bureaucratic, structural and other hurdles had slowed up its implementation in many of these cities.

At the same time, in terms of general efforts to bolster the managerial role of the mayor or manager, six of the 20 cities had instituted significant executive branch reorganizations, three-fifths had strengthened the chief executive's role in the budgetary process, and half

had placed the planned variations under an administrator who reported directly to the chief executive.

Remaining Issues. To sum up, there were some needed, sensible, but non-sensational steps toward grant reform during 1972. Practically all of them were initiated by the Federal executive branch and most of them were geared to injecting greater simplicity, standardization, flexibility and administrative decentralization into the categorical system.

The issue remains as to how far some of these efforts can go without a statutory mandate. Efforts to bind together or to cut the categorical strings inevitably run the risk of legal problems. And quite clearly, joint funding, accounting and auditing reforms, and consolidation require firm congressional support and sanction.

In the areas of administrative decentralization and regional council activation, other more policy-oriented questions lingered.

- To what extent can decentralization be

achieved in program areas that have a regulatory dimension to them?

- What aspects of decision-making can be allocated realistically to field offices in the large formula-based grants requiring State plans?

- Can decentralization efforts succeed without confronting the question of caliber of field personnel?

- Can regional councils perform a useful interagency coordinating role when the chairmen simultaneously are Presidential appointees and the regional heads of Federal line agencies or departments?

- What should be the relationship between the Federal executive boards which include representatives of all agencies operating in the regions and the councils with their select membership of seven?

- Finally, what new means of consultation and collaboration would strengthen the regional councils' liaison with the States, the localities and the Federal-multistate commissions located in their regions?

REVENUE RAISING: ACTIONS AND REACTIONS

New and different revenue-raising signals emerged in 1972. Fiscally speaking, State and local governments in the aggregate fared rather well. Many were enjoying what appeared to be the luxury of a surplus. Their need for tax-rate increases and new tax adoptions was somewhat reduced from earlier years. Approximately 70 percent of the \$5 billion in bond issues on the ballot were approved by the electorate, with environmental control being particularly popular.

As mentioned earlier, new financial systems to support public education did not evolve in 1972 despite the spate of constitutional challenges to school support based heavily on the local property tax—an issue that was under consideration by the United States Supreme Court as the year ended.

Counterpoised to this strengthened State-local position, however, was a Federal deficit of more than \$23 billion for 1972 and prospective tightness in Federal budgets in the years ahead.

A number of factors unique to 1972 suggest that developments which favored the State-local sector and hurt the Federal government, will not continue. The more likely picture over the long run is one of fiscal stringency for all governmental levels—Federal, State and local. Even this prospect differs from that of the recent past when only the State and local governments seemed to remain in perennial deficit positions.

The State-Local Surplus

During the last several years, State and local governments have improved their budgetary posture. Surpluses for the State-local sector in the national income accounts were registered in each of the three previous years, 1969-71. State and local governments showed up particularly well in the second quarter of 1972, registering a record \$14.8-billion surplus.

While this figure promptly attracted much attention, less notice was paid to the special circumstances that led to it.

The surplus refers to all State and local government fiscal activity. The aggregate figure includes both current operations and social insurance, as well as retirement fund operations. Thus, the national income accounts figures can mask the fiscal stringency individual States and localities may encounter if current operations are considered separately.

Further, the over-all magnitude of the surplus was achieved, in part, by two non-recurring factors—a \$4.0 billion advance payment of public assistance grants and \$0.8-billion of unusually high income tax settlements in Pennsylvania. Coupled with these nonrecurring items has been the steady increase in surpluses registered for the social insurance funds and shrinking deficits in other, mainly operating, funds.

The \$14.8-billion State-local surplus is really composed of two parts—an estimated \$8.4-billion surplus in social insurance funds and an estimated \$6.4-billion surplus in all other funds. If the \$4.8 billion of nonrecurring items is subtracted from the latter figure, the surplus registered by the State-local sector as a whole, is a much more modest figure—\$1.6 billion.

Even this \$1.6-billion surplus should be viewed with caution, particularly as an indication of future developments.

In recent years, the fiscal position of State and local governments as a whole has been strengthened by the rapid growth of Federal grants-in-aid and by adoption of new and increased State and local taxes. By their own actions, State and local governments have made their tax systems more buoyant, enabling them to ride the crest of the sharp recovery in the national economy during 1972. As a result, revenues received frequently exceeded State-

local spending plans for 1972, which had been formulated well in advance of this recovery and had been influenced by more conservative revenue anticipations. Thus, the surplus may have resulted largely from special circumstances, not necessarily to be repeated in the near future.

What then of the 1972 record State-local surplus? While its magnitude is temporarily exaggerated and it serves to conceal rather than reveal the operating budget stringency of individual governmental units, it also indicates a basic strengthening of the State-local sector.

Although modest surpluses are certainly possible in the future, it is equally likely that the pace of State-local expenditures will accelerate and the spurt of automatic revenue growth accompanying economic recovery will taper off. Construction expenditures, for example, may be expected to grow as governmental liquidity positions are built up from the levels of the 1969-70 credit crunch. In addition, expenditures seem likely to increase as demands for salary adjustments and quality increases re-surface, partly spurred by the growth of public employee unions.

On the revenue side, political officials at all levels continue to give credence to the idea of an incipient taxpayer revolt. As State-local taxes increase, and their burden on individuals heightens, each additional tax action becomes that much more difficult for officials who must answer to the electorate. State-local revenues will almost certainly fail to maintain their present rate of increase if revenue sharing provides the rationale for cutting back other Federal grants and growth in Federal grants-in-aid is not maintained.

The Federal Deficit

If fiscal stringency is a possible watchword for the States and localities, it is a certainty for the National government. The current deficit

and those of the recent past are, of course, an appropriate concern for Federal policymakers. Yet, this deficit is a mechanism of economic policy—a mechanism designed to stimulate recovery of the Nation's economy. As recovery advances, the deficit will be reduced—the general target being its virtual disappearance when full employment is reached.

Reduction or elimination of the Federal deficit, however, does not in any way translate itself into a picture of fiscal ease for the Federal government. On the contrary, projected growth of existing Federal program expenditures and revenues leads to the conclusion that there is little, if any, room left in projected Federal budgets for new program initiatives. Any new moves, including those contained in this Commission's Agenda for the Seventies, will have to replace other Federal expenditures for current programs or be financed from new taxes or more intensive use of existing Federal revenues. The time of the Federal fiscal dividend clearly has passed.

State Actions

Nearly one-third of the States raised at least one tax or made an expiring tax permanent in 1972, indicating the fragile fiscal position in some States. However, major tax programs were undertaken in only a few States during the year. Among the more significant State tax actions were these:

- Connecticut and the District of Columbia increased their sales tax rates;
- Tennessee extended a temporary sales tax increase;
- New York and Virginia increased their individual income tax rates;
- Massachusetts and Michigan voters re-

jected proposals to adopt graduated rate schedules to replace flat-rate income taxes;

- Michigan extended a temporary income tax increase;
- Four States increased corporate income tax rates and two others extended temporary corporate income taxes;
- Nine States increased motor fuel tax rates;
- Seven States increased alcoholic beverage tax rates;
- Four States increased tobacco tax rates and two others adopted new tobacco product taxes.

No States were added to the ranks of those using either a broad-based general sales tax or personal income tax in 1972. The New Jersey legislature defeated Governor Cahill's proposal to replace a significant part of the school property tax with a personal income tax. In Ohio, however, voters rejected an initiative to repeal their recently adopted personal income tax.

At the end of the year, the tally was the same as when it began—40 States with a full-fledged personal income tax, 45 with a broad-based sales tax and 36 with tax systems that included both.

Despite general taxpayer resistance to tax and spending increases, bond issues met with a somewhat more favorable voter response in 1972 than in the previous year. The results suggest that the electorate is willing to assume additional tax burdens, particularly for the purpose of preserving and improving the environment. (*See p. 37.*) Less voter acceptance was accorded bond issues for more familiar purposes, especially mass transportation. (*See p. 32.*) School bond proposals fared reasonably well.

GOVERNMENTAL FORMS TO MATCH THE NEW FISCAL FRAME

22

Governmental reorganization has been a basic goal of the Nixon Administration at the national level and in recent years it has been no less prominent an objective at the State and local levels. Moreover, with the proliferation of regional mechanisms at both the multistate and substate levels over the past six years or so, there is reason to wonder whether new fourth and fifth tiers in fact have been quietly added to federalism's structural frame.

With the enactment of revenue sharing and the emergence of a general-support, block-grant, categorical system of intergovernmental fiscal transfers, questions relating to governmental structure and organization have inevitably gained fresh attention. The new fiscal system places a premium on the managerial capacity at all the traditional levels. And the regional thrusts emanating from the block-grant and categorical-grant sectors further complicate the management question.

Federal Efforts

The four major departmental reorganization proposals submitted by the President to Congress in 1971 went through the hearing process in both chambers, but only one—the proposed Department of Community Development Act (H.R. 6962)—advanced beyond hearings in 1972. In the House, the Government Operations Committee reported out the measure. Yet, due to a combination of highway and rural interests and the opposition of the chairmen of seven substantive and appropriations subcommittees, the bill was not reported out of the Rules Committee.

As the year drew to an end, there were strong indications that the second Nixon Administration would seek to achieve many of the goals embodied in the departmental reorganization proposals by less direct means—involving a combination of administrative, fiscal, and personnel management devices. (Before the New

Year was 10 days old, the President did, in fact, move to accomplish the major thrust of his reorganization plans by executive action.)

During the year, Congress and its members were exposed to a new kind of probe—markedly in contrast to that of academicians and most journalists—from Ralph Nader’s Congress Project. The Nader group, in twin volumes published in the fall, struck at the heart of one of the fundamental institutional issues confronting the federal system: Can Congress curb interest group and executive branch pressures and make its own independent contribution to the solution of the critical problems confronting the Nation?

Certain developments during 1972 indicated that Congress on occasion can do just this. Among them were its efforts in the environmental and rural development areas. Yet, its heavily fragmented power structure, the relative weakness of its leadership posts (compared to what they were at the turn of the century), and the feebleness of its consensus-building mechanisms more often than not have combined to produce a stalemate, inaction, or a quiet veto of some of the more vital issues before it.

At the heart of this dilemma lies a conflict between the two great functions that Congress is expected to assume: to represent and to govern. The representational function frequently undermines its governing activities (legislation, administrative oversight, revenue raising and taxation), especially at this point in history where, thanks to reapportionment and an expanded electorate, Congress probably represents the diversity of American society with greater accuracy than at any other time.

Given the prospect of divided government at the national level for at least two more years, considerable attention was focused on the prospects and powers of Congress as the

year drew to a close. One notable example was the Stevenson-Mathias special subcommittee hearings in early December on congressional reform.

Yet the big question remains: Can Congress develop ways and means of strengthening its capacity to govern as well as to represent, to reconstruct a role that it played with consummate skill during most of the Nineteenth Century—that of “umpire of our federal system?”

Mushrooming Multistate Mechanisms

At the multistate regional level, four more Federal-multistate commissions were created in 1972, raising the total to 17. With the official designation of the Upper Missouri River Regional Commission in February and the Pacific Northwest Regional Agency in May, seven regional action planning commissions (Title Vs), each composed of a Federal co-chairman and the governors of the affected States, had been established pursuant to the Public Works and Economic Development Act of 1965 (P.L. 89-136). The number of Federal-multistate bodies (Title IIs) launched under the Water Resources Planning Act of 1965 (P.L. 89-80) was increased to seven with the establishment of the Upper Mississippi and the Missouri River Basin Commissions in March.

All but seven States now are members of one or more Federal-multistate commissions (including the compact-based Delaware and Susquehanna River Basin Commissions).

This Commission, in its *Multistate Regionalism* report published in April, recommended that instrumentalities created pursuant to these acts be retained pending further experience and possible additional ACIR proposals in the future. This position was adopted in light of the general belief that it was too soon to reach any major final decisions or to launch drastic reforms on an across-the-board basis.

(ACIR's regionalism study is discussed in greater detail in Chapter 6, beginning on p. 64.)

Others, however, have taken the stand that neither of these two types of multistate bodies can succeed in their mission, given their present legislative mandate, level of funding and tools. A major overhaul is needed, they believe, either in light of the Federal-multistate commissions' long-run functional objectives or in terms of a national growth policy. Still others have found the record of the commissions unimpressive and have called for their abolition.

Meanwhile, the Public Works Committees of the Congress conducted hearings on the future of the Title V commissions, but no final action was taken by either committee. Senator Montoya's proposed Public Works Development Act of 1972 (S.3381), which served as a focal point in the Senate, envisaged a national system of regional development commissions with broader authority and better financing. Prospects are that a revised version of the Senate bill will be introduced in the 93rd Congress.

These various developments suggest considerable ferment over multistate regionalism—a ferment which involves mechanisms, not governments; goals, not merely ground rules; and conflict over where these commissions and their activities fit into the federal system, not simply where they fit into a planning or political scheme.

Modernizing State Government

Attempts by the States to modernize their basic charters and to revamp the structure and organization of their governmental branches are basic ingredients of the continuing drive to put more muscle on federalism's frame. With the new responsibilities that devolve upon the States with revenue sharing and block grants, not to mention the perennial job of coping with the categorical programs, these efforts assume a national significance that goes far

beyond the traditional issue of securing a more responsive and responsible system at the State level.

Constitutional Revision. The pace of constitutional revision among the States increased in 1972.

At the November 7 general election, voters in 37 States were offered constitutional proposals ranging from almost complete constitutional revision to an amendment that would ban the hunting of mourning doves. In South Dakota, voters endorsed four broad amendments drafted by the State Constitutional Revision Commission which substantially change the State's constitution. Seven amendments submitted by South Carolina's Constitutional Revision Study Commission were approved in that State. Amendments that will modify certain constitutional revision procedures were adopted in West Virginia, Florida and Nevada.

Constitutional conventions will be held in Louisiana in 1973 and in New Hampshire and Texas in 1974, as authorized by those States' electorates in November, but similar convention calls were rejected in Alaska and Ohio.

Legislative reorganization in California, Maryland, Minnesota and Utah and executive reorganization in Idaho and South Dakota will result from successful 1972 amendments.

Earlier in the year, the Montana Supreme Court upheld the ratification of a new constitution which the electorate had adopted by a narrow margin in June. The new document was drafted by a constitutional convention, as was a proposed new constitution which North Dakotans rejected in April.

Executive Reorganization. As it has been for several years, governmental reorganization was high on the list of State activities in 1972. Georgia legislators passed a comprehensive executive reorganization bill and Virginia lawmakers, acting on the recommendations of the

Governor's Management Study Inc., passed legislation which will permit the Governor to set up, in effect, a cabinet form of government with six secretaries overseeing a vastly consolidated structure. These actions and the amendments in Idaho and South Dakota will bring to 11 the number of States achieving major changes in this area during the past three years.

In terms of central management innovations, Arizona consolidated a number of small agencies into the newly created Central State Administrative Department and Central State Department of Economic Security. Kansas restructured and expanded its existing Department of Administration and created a new Department of Economic and Community Development. Maine reorganized its Departments of State and Financial Administration. Iowa legislators established the Office of Citizen's Aid (ombudsman) in the executive branch.

Three program areas have tended to dominate legislative attention in many States over the past three years, and line agency reforms during 1972 reflected this focus. Four States set up departments of transportation, bringing the total to 19. In the environmental field, at least eight States created new agencies or departments. Action during the year brought the number of States with separate consumer protection units to 44.

Legislative Reform. Seventeen States passed measures during 1972 to improve legislative operations or to remove constitutional restraints from their lawmaking bodies as legislative reform movements were increasingly active.

Proposals for annual legislative sessions were adopted in Minnesota and Wyoming, but were defeated in Alabama, New Hampshire and Louisiana. The new Montana constitution also provides for annual sessions, but a similar provision for North Dakota died with the

rejection of that State's proposed new constitution.

In April, the Citizens' Conference on State Legislatures (CCSL) issued a follow-up report to its 1970 evaluation of the 50 State legislatures. CCSL found that since its original report was published:

... the greatest amount of activity was shown in staff and services, facilities and legislative compensation, with reports from 43, 41 and 40 States respectively, indicating concern for each of those areas of legislative operation. Those figures represent 86, 82 and 80 percent of the States. Changes in bill procedure were reported by 76 percent of the States, and committee structure drew the attention of 74 percent.

Figures for the other categories are as follows: use of time, 62 percent; legislative structure and powers, 56 percent; committee procedure, 50 percent; time available, 38 percent; ethics-conflicts of interest, 40 percent; and "other legislative procedure," 34 percent.

Since the CCSL follow-up report was issued, Connecticut, Hawaii, Iowa, Kentucky, Maryland, Massachusetts, Minnesota, South Dakota, Wisconsin and Utah have taken various steps to strengthen their legislatures either by statute or constitutional amendment. In 43 of the States, lawmakers have completed action on legislative reapportionment.

(For added details on 1972 efforts to strengthen the States, see p. 48.)

The Substate Regional Rush

At the confused, complicated and increasingly busy level below the States and above the cities and counties, a wide range of developments took place in 1972. All of them, in one way or another, had organizational implications and elevated the question of metropolitan and substate regional governance to a top slot on the agenda of new business in federalism.

Legislation. In Congress, both the Federal Water Pollution Control Act Amendments of

1972 (P.L. 92-500) and the Coastal Zone Management Act of 1972 (P.L. 92-583) provided new Federal encouragement for institution-building at the substate level.

With the former, the governors are authorized to designate in urban areas a single representative organization, "including elected officials from local governments," for developing areawide waste treatment management plans. If a governor fails to take the initiative here, the chief elected local officials within an area may assume the designation function. In both cases, the designations are subject to approval by the Environmental Protection Agency (EPA). In terms of implementation, the legislation provides that a governor after consulting with the areawide planning unit shall designate one or more new or existing waste treatment management agencies and that the latter must possess adequate operational authority.

In the case of the Coastal Zone Management Act, areawide and regional agencies, specifically those designated under Section 204 of the Metropolitan Development Act of 1966, are eligible for inclusion in a coastal State's management program for the land and water resources of its coastal zone. Such agencies also may participate directly in this effort in some instances.

With the enactment of these two measures, the number of Federal programs having a substate-area thrust reached two dozen and the number with institution-building implications climbed to 19.

The Rural Development Act of 1972 gave a boost to non-metropolitan, multijurisdictional planning and development districts designated for the review and comment function under OMB's A-95 procedure. Loans and grants for individual water, waste disposal and other essential community facilities, authorized under the act, must comply with these agencies' project review and notification procedure.

Jurisdictional Maze. By 1972, there were almost 25,000 special districts of the old-style, essentially single-purpose type. All but 7,580 of these had boundaries which overlapped those of general local governments. But this was only part of the substate regional puzzle.

- The total of A-95 clearinghouses established pursuant to Section 204 of the Metropolitan Development Act of 1966 and the Intergovernmental Cooperation Act of 1968 reached 418 by the end of the year, 211 in metropolitan areas and 207 in non-metropolitan areas. Most of these were councils of governments or regional planning commissions.

- Attempts to fuse the efforts of these A-95 clearinghouses with those of districts sponsored by ten major single function-oriented Federal programs produced a pattern in 1972 where, over-all, approximately 45 percent of the latter had been piggybacked on to the A-95s in areas where both types were operating.

- With Maine's action in February, 42 States had established substate districting systems, for a total of 482 multicounty districts; approximately two-thirds of these now are organized.

- The continuing drive to achieve conformity between State-established districts and federally sponsored areawide bodies reached the point in 1972 where the boundaries of 35 percent of the Federal districts in ten key programs operating in these 42 States coincided with those of the substate districts. Significantly, under nearly all of these Federal programs, States have a role in the district designation process.

In December, the public interest groups representing the States, counties and cities in Washington, D.C., completed a report on federally sponsored multijurisdictional plan-

ning and policy development organizations and advanced a number of recommendations geared to clarifying and consolidating the role of "umbrella multijurisdictional organizations" at the substate regional level. The report prepared under a contract with the Federal Assistance Review (FAR) program, also set forth a proposed joint policy statement which the public interest groups separately will consider for adoption during 1973.

City-County Consolidation. By a two-to-one vote on November 7, the voters of Lexington and Fayette County (Kentucky) approved the merger of these jurisdictions into the "Lexington-Fayette Urban County Government." The new charter for these 175,000 citizens will go into effect on January 1, 1974. Since 1945, there have been 13 such consolidations, 11 of which took place in the period 1962-72.

Three other proposals for city-county consolidation were defeated in 1972—in Columbia-Richland County (South Carolina), Macon-Bibb County (Georgia) and Tampa-Hillsborough County (Florida). In the latter two instances, it was the third time that such a merger proposal had failed.

Voters in two States approved constitutional amendments that will make it less difficult for localities to effect such mergers. In Utah, an amendment was adopted which permits counties to choose one of three optional structural forms—including consolidation. In Washington, a new amendment allows city-county consolidation throughout the State.

Questions. These and other related developments have pushed the areawide, and especially the metropolitan, governance question to the forefront. Unlike a decade ago, the question now is not whether there will be metropolitan governance, but what form it will take. Will it be fragmented, functionalist-dominated, Federal-State instigated and plan-

ning-oriented, or more fused, generalist-controlled, locally accountable and action-oriented?

Regardless of the ultimate outcome, the Federal, State and local governments in their planning, programming, administrative and service-delivery efforts will be significantly affected by the specific patterns that emerge, especially in our more than 260 metropolitan areas.

Local Management Muscle

Counties, cities and towns have sought in various ways to strengthen their jurisdictional, organizational, structural and service-delivery systems. This drive for better management continued through 1972.

- According to 1970 Census data first made available in 1972, nearly two-thirds—63.2 percent—of the Nation's urban municipalities extended their boundaries through annexation during the decade of the Sixties; more than six million persons were added to these jurisdictions as a result. Of the 153 cities over 100,000, 26 would have lost population if they had not annexed additional territory.

- Georgia, Iowa, Kentucky, Montana, South Dakota, Pennsylvania and Wyoming adopted local government home rule provisions, either by constitutional amendment or by legislation. (*See p. 50.*) The Pennsylvania statute had perhaps the most far-reaching implications. Local governments with home rule charters may now set their tax rates; a community may opt out of a county program or service, provided the county already has adopted a home rule charter and the locality has a similar service in operation; and counties or cities selecting an optional form of government may retain the existing structure, choose one of a variety of mayor-council

plans or institute a council-manager setup.

- New Jersey, Utah and Wisconsin acted to permit optional forms of county government.

- The number of counties with appointed administrators passed the 400 mark and those with elected county executives rose to over 50.

- A 1972 report of the International City Management Association revealed that nearly half of the cities over 50,000 in population had adopted some elements of

a program, planning and budgeting system, although only a small proportion had a comprehensive system. In nearly three-quarters of these municipalities, the chief executive officer had the official responsibility for preparing the budget. However, a significant majority of the cities surveyed noted the need for improved methods of measuring output or work load, for expanded analytical staff, and for more in-service training for central management personnel.



INTERGOVERNMENTAL ISSUES IN CONFLICT

A more flexible fiscal framework, a stronger organizational and management capacity at all levels, and a resilient revenue setup for the Federal, State and local governments were three fundamental features of efforts to strengthen federalism in 1972.

But better methods, improved management and more money, in and of themselves, are the means—not the goals—of the system. The goals involve issues, programs and policies whose basic outlines are dictated by the electorate; that are debated, compromised, enacted or defeated in federalism's various policy-making arenas; that, if adopted, are administered by the governments in the system, either singly or, more typically now, jointly.

In 1972, the majority of the debate and, in some cases, action was focused on six major intergovernmental program areas: welfare reform; criminal justice, transportation, equal rights, the environment and urban growth. Developments in welfare reform were discussed in Chapter 1. (*See p. 9.*)

Criminal Justice

The Nation's non-system of criminal justice continued to receive considerable attention at all levels. Washington's involvement, however, was chiefly in the realm of reports (*see Safe Streets case study, p. 12*), rhetoric and quiet changes in LEAA, while State and local efforts were more of a direct action nature.

National Activities. Early in December, as required by Congress, the Attorney General issued the first comprehensive annual report on the law enforcement and criminal justice assistance activities of the Federal government. This massive 542-page tome contains 12 essays on the National government's various efforts, as well as reports on the programs of 37 Federal departments and agencies and an analysis of administrative and other issues involved in

the National government's far-flung criminal justice undertakings.

New rules of evidence for the Federal court system were announced late in the year by the Supreme Court. The proposed new evidence code, which would apply uniformly to the entire Federal judiciary, would give more discretion to judges to admit evidence in both civil and criminal cases, where access previously had been restricted both by statute and by court ruling. The rules proposed by the Court will become effective July 1, 1973, if not disapproved by Congress.

In corrections, a blue-ribbon committee under the auspices of the National Council on Crime and Delinquency drafted "A Model Act for the Protection of Rights of Prisoners" whose central principle is that all prisoners "shall retain all rights of an ordinary citizen, except those expressly or by necessary implication taken by law."

A proposal to create "a new type of organization, national in scope and purpose, to marshal our resources and energies for an accelerated program of modernization of our system of law and justice" was advanced during the spring of the year by Bert H. Early, Executive Director of the American Bar Association. The plan was similar to suggestions made previously by others. Shortly thereafter, Chief Justice Warren E. Burger announced his support of its basic outlines.

The new organization was to be called the National Institute of Justice and be modeled after the National Institutes of Health. In November, when the Council of the National Center for State Courts met, its members passed a resolution which stopped short of endorsing the proposal because they felt it was too indefinite. The council, composed of State supreme court judges and officials, also stressed the view that even while pumping money into the State courts, the institute should not im-

pose "Federal standards" or otherwise interfere with the independence of the judiciary.

Meanwhile, the Committee for Economic Development (CED) called for a new "Federal authority . . . properly managed, staffed and funded" to replace the Law Enforcement Assistance Administration (LEAA). (*See p. 12.*)

State-Level Efforts. An unprecedented number of States (42) took action in the criminal justice area in 1972, either through statutory change or constitutional revision.

Constitutional amendments regulating judicial tenure and retirement were adopted in eight States—Georgia, Iowa, Kansas, Massachusetts, Minnesota, South Dakota, North Carolina and Wyoming—and New Mexico's legislators enacted a new law in the same field.

Eight States passed measures to restructure their court systems. Florida's legislature implemented the new judicial article of that State's constitution. Legislative action restructured the minor courts in Iowa, revised and modernized the district court system in Maryland and reorganized and unified the lower courts in Virginia. Massachusetts also enacted major court unification legislation. In South Carolina, a constitutional amendment which provides for the unification and simplification of the State judiciary was ratified in November. The voters of Kansas and Minnesota also ratified amendments which will revise the existing judicial articles in their constitutions. North Dakota's Supreme Court was given supervision over all the courts of the State and an Office of Court Administrator was created by statute.

Eleven States also took action to modernize or reform their corrections systems, while at least five States wrote new criminal codes. (*For highlights of other State justice actions, see p. 51.*)

Transportation

Concerted attempts were made to aid urban mass transit systems in 1972. All of the major efforts at the national level failed, while State moves met with varying degrees of success.

Congressional Battles. In the United States Senate, mass transit proponents succeeded in inserting a provision in the proposed Federal Aid Highway Act of 1972 (S.3939) that authorized \$800 million for mass transit projects from the heretofore sacrosanct Highway Trust Fund, beginning in fiscal year 1974. They failed, however, in their effort to amend the House version to permit a \$700-million optional diversion from the trust fund for mass transit, and the entire highway bill died in conference.

Another measure, the omnibus housing bill (S. 3248), passed the Senate with an \$800-million authorization for operating subsidies for deficit-ridden mass transit systems. The House committee bill, which contained a similar provision, failed to clear the Rules Committee, thanks in part to the opposition of the highway lobby.

Although urban mass transit received meager new assistance in the Second Session of the 92nd Congress, there is every indication that the battle to permit diversion of highway trust funds will continue in the next session of Congress and some forecast an upset win for the mass transit forces.

Litigation. Highway activities provided excitement in still other areas in 1972. Highway programs continued to produce the largest number of environmental impact suits, and highway construction in many States was blocked due to court injunctions requiring completion of satisfactory impact statements. The extent of the situation was reflected in provisions of the unsuccessful House highway bill which sought to exempt highway projects in the Washington, D.C., and San Antonio

areas from the provisions of the National Environmental Policy Act of 1969 (P.L. 91-190).

In other actions, several States filed suits against the Federal government to force the President to release unallocated highway trust funds. The States won initial court decisions ordering Federal disbursement of the funds in at least two cases—one filed by Missouri and the other filed by South Carolina on behalf of the District of Columbia—but both decisions were on appeal as the year ended.

State Developments. Mass transit questions dominated the transportation debate in several urban States during the year.

In Massachusetts, Governor Francis W. Sargent on November 30 issued a major policy statement which endorsed full State commitment to mass transit construction in the Boston metropolitan area. This move, a result of a year-long study of Boston transit needs, came after a long and often heated discussion centering around the problems of urban highway construction. It was hailed by some in the Bay State as a major step away from reliance on the automobile.

Funds were authorized by statute in Rhode Island and Hawaii for the study of mass transit systems, while voters in Washington narrowly turned down a ballot proposition that would have provided \$50 million for public transportation. More decisively rejected by the voters in November were a \$650-million bond proposal for highways and mass transportation in New Jersey and a \$7.5-million issue for similar purposes in Rhode Island.

In other actions, California, Maine, Ohio and Tennessee joined 15 other States with departments of transportation.

Equal Rights

Throughout 1972, the struggle to apply and to maximize the constitutional guarantees of

equal protection and due process continued with a variety of legislative, administrative, judicial, political and private actions. Efforts to enhance the equal opportunity ideal of the American political tradition were also pursued. None of this was easy, however.

At this point in time, more than simple legal guarantees are involved (though these are still part of the struggle). Precepts that are central to both our system and traditions have been subjected to a closer scrutiny than ever before. The ensuing debate has centered around these problems:

- conflicting interpretations, in many instances, as to what equal treatment really involves;
- the dilemma of applying judicial decisions or legislative enactments to concrete conditions;
- the quandry of coping with the connection among equal rights questions in housing, educational and employment areas;
- the perennial tension between the ideal of "equal rights for all and special privileges for none" and the reality in all democratic systems of social differentiation and leadership groups (usually based on income and profession, not race);
- the head-on confrontation between the equal rights demands of different minorities; and
- above all, the age-old question of reconciling majority rule with minority rights at all levels.

The record in 1972 on this fundamental intergovernmental issue was complex, confusing, tension-ridden, but not wholly unproductive.

Employment. Under the Equal Employment Opportunity Act of 1972 (P.L. 92-261), signed into law in mid-March, more than 10 million public employees at the city, county and State levels were brought within the purview of the U.S. Equal Employment Opportunity Com-

mission (EEOC). The Act gave EEOC the power to seek court enforcement of its anti-discrimination decisions in both public and private employment. Localities with more than 25 employees were immediately subject to the law and those with more than 15 will be covered by 1973. Elected officials, their personal staffs, and top policy-making appointees were exempted.

Busing. The most emotional intergovernmental issue of 1972 centered around the busing of children to achieve better racial balance in public schools. Latest available Federal estimates indicated that during the 1969-70 school year, 43 percent of all public school students had been bused, two to three percent of them for school desegregation purposes.

In March, the Administration submitted its proposed Equal Educational Opportunities and Student Transportation Moratorium Acts (H.R. 13915 and 13916) to Congress. These measures would have permitted busing as a limited, last-resort remedy for segregation, would have authorized \$2.5 billion in Federal funds for compensatory educational programs in poor schools, and would have barred all new busing court orders until July 1, 1973, or until Congress passed the equal opportunity bill, whichever occurred earlier. The subsequent congressional hearings tended to highlight the divisions on the issue—between the political parties, within the parties, in Congress and in the executive branch (especially in the Justice Department), not to mention those at the State and local levels and within the body politic.

Ultimately, a compromise emerged between the more stringent House bill and the less rigid Senate version that, among other things, postponed the implementation of all Federal court transfer orders until all appeals had been exhausted or the time for them had run out. The compromise also restricted the use of Federal

busing funds to local school systems seeking them and barred Federal pressure on local school boards to bus "unless constitutionally required." This bill, the Education Amendments of 1972 (P.L. 92-318), became law on June 23, but anti-busing forces continued to push for the moratorium measure and/or a constitutional amendment banning all busing for purposes of racial balance.

A series of court cases provided the backdrop to these developments in Congress. In Richmond, the Federal District Court required busing across city and county lines to desegregate schools, but the ruling was subsequently overturned by the Fourth U.S. Circuit Court of Appeals and is now before the Supreme Court. In Detroit, a Federal District Judge found a pattern of deliberate segregation in the city's schools; he first ordered the drafting of a plan for the city and its 53 surrounding school districts and subsequently directed the State of Michigan to purchase nearly 300 buses. Both orders were appealed and the circuit court delayed their implementation pending further arguments.

Housing. A crisis in housing programs for low- and moderate-income groups during 1972 had major implications in the equal rights area. In the subsidized housing programs, HUD officials were monitoring the results of their 1970 and 1971 efforts to correct poor administration. In public housing, evidence abounded that the combination of liberalized occupancy requirements and income ceilings on residents had greatly expanded the proportion of unstable and dependent families in the units to at least one-half, according to some estimates, and had made it difficult, if not impossible, to locate new projects in stable and/or middle-income neighborhoods, regardless of race. The demise of the Pruitt Igoe project in St. Louis symbolized the frustrations of 1972 in public housing.

Meanwhile, the dilemma in housing reflected itself in Congress.

The proposed omnibus Housing and Urban Development Act of 1972 would have continued low-income housing programs without substantial reforms, even though the rest of the bill would have made sweeping changes in other programs. This was one of a number of factors contributing to the Rules Committee's failure to clear it for House action. The skeleton substitute measure that was enacted (P.L. 92-503) did include an increase of \$150 million in public-housing contract authority and a removal of the statutory maximum limitation on annual contributions contracts for public housing. In October, spokesmen from HUD and OMB promised the National Tenants' Organization that as much of this new money as necessary would go for operating subsidies to help local housing authorities meet operating deficits.

Following the lead of the "Dayton Plan," the Metropolitan Washington Council of Governments adopted the Nation's second area-wide "fair share housing" formula on January 10, 1972. This formula was designed specifically to distribute federally assisted housing units more evenly throughout the metropolitan region.

With this formula, the Washington area's local governments are speaking to HUD with one voice and seeking major influence over HUD's project selection decisions. The Washington area COG's Board of Directors has ordered that the fair-share formula be used in evaluating all federally assisted housing under the A-95 review and comment system.

In addition, a number of other regions were working on fair-share formulas on housing dispersal policies during 1972, including: San Bernardino County, California; Metro-Council (Twin Cities), Minnesota; Toledo Area COG, Ohio; Puget Sound Governmental Con-

ference (Seattle), Washington; Santa Clara County, California; Association of Bay Area Governments (San Francisco), California; Delaware Valley Regional Planning Commission (Philadelphia), Pennsylvania/New Jersey; Mid-America Regional Council (Kansas City), Missouri/Kansas; Southeast Wisconsin Regional Planning Commission (Milwaukee), Wisconsin. By year's end, at least five councils had adopted fair-share plans.

Rights For Women. There was action at both the Federal and State levels during 1972 to ban discrimination against women.

Forty-nine years after it was first introduced, an amendment to the Constitution to guarantee equal rights regardless of sex was approved by Congress. The proposed amendment, which had passed the House late in 1971, cleared the Senate in March by a margin of 84 to 8.

The Equal Rights Amendment must be ratified by the legislatures of 38 States before it can become the 27th Amendment to the Constitution of the United States, after which time States will have two years to bring their own laws into line with it.

By the end of the year, the amendment had been ratified by 22 States, but it was defeated in one house or stalled in committees in five legislatures and had passed one house in another.

In addition, six States—Colorado, Hawaii, Maryland, New Mexico, Texas and Washington—passed State Equal Rights Amendments. Three others—Illinois, Pennsylvania and Virginia—already had such enactments.

At the national level, the jurisdiction of the U.S. Civil Rights Commission was extended by congressional action (P.L. 92-496) to cover discrimination based on sex.

Environmental Control

Throughout the federal system, government responded during 1972 to the demand for im-

proved environmental quality. One result was environmental regulations that were simultaneously more stringent, more complex and more inclusive.

Government officials at all levels moved into new areas of environmental concern and faced up, albeit hesitatingly in some cases, to the fiscal dimensions of environmental quality. They made provisions for dealing with the varied legal conflicts in environmental control and, not surprisingly, they embarked upon a quest for more structurally coordinated mechanisms to handle environmental problems.

There was both conflict and cooperation in these matters. The States sought more Federal money for the environment, while the Federal government raised environmental protection standards and thus the price tag on environmental quality. States and the Federal government sought to determine their regulatory prerogatives in water pollution control. In some instances, States directed local governments to improve their record in pollution control and abatement and in preservation of the environment. To this mix was added the pressure, frequently through court action, of a variety of citizen interest groups that wanted to accelerate the pace of environmental protection.

In marked contrast to these interlevel tensions, intergovernmental cooperation was often the note of the day. Federal legislation in several areas encouraged full State direction of critical environmental programs. States initiated a number of new or expanded grant programs to assist local governments in paying their environmental bills. All three traditional levels of government, in varying degree, made citizen access simpler and more direct in environmental matters.

Tighter Regulations. In several Federal, State and local actions in 1972, environmental regulations were toughened and expanded.

The most far-reaching piece of Federal water pollution control legislation since 1965, the Water Pollution Control Amendments of 1972, required that municipal and industrial waste water treatment be raised to increasingly higher levels in a two-phase sequence, with target dates of 1977 and 1983 respectively. A goal of zero discharge was set for 1985. The Environmental Protection Agency (EPA) was authorized to issue comprehensive guidelines for the emission of numerous categories of industrial and municipal pollutants. While States were to be the prime administrators of water pollution control standards under the act, EPA was given the reserved right to revise and enforce water quality standards where the State standards are deemed deficient.

National regulation of pesticides was strengthened significantly in 1972. All pesticide manufacturers were made subject to national registration. EPA was authorized to classify pesticides for restricted or general use as well as to require that restricted-use pesticides be handled only by trained personnel.

Environmental control activity also increased at the State level. California retroactively required air pollution control devices on all 1966-1970 automobiles. Maine set air quality standards. Four States enacted phosphate detergent bans and two began programs of statewide monitoring of industrial emissions. Wisconsin passed legislation authorizing a State environmental impact statement procedure patterned after the Federal model.

Local governments also grappled with the environmental control problem. Dade County, Florida, and Erie County, New York, banned the use of phosphate detergents. New York City required that all taxicabs in the city use low-lead gasoline.

Conflict and Court Action. With all three traditional levels of government administering

old or enacting new regulatory measures, conflict was bound to occur. The controversial nature of environmental control made it the subject of considerable litigation during 1972.

In a Minnesota court case, States were denied the right to set thermal pollution standards higher than Federal ones, in effect preempting the States' right to exercise such controls.

Courts in California upheld that State's requirement of an environmental impact statement, ordered that it be used to scrutinize both public and private development, and ruled that an impact statement was required before a local government could receive State aid for waste treatment. These actions had the practical effect of increasing environmental controls at the local level in California.

With conflict came confusion as well. The requirement that discharge permits issued by the Corps of Engineers under the Refuse Act of 1899 had to be accompanied by an environmental impact statement resulted in a backlog of 20,000 applications. A court decision in Wisconsin curtailed application of a State law providing for public access to navigable streams because it resulted in the taking of private property. A California court decision invalidated a local ordinance prohibiting jet arrivals and departures between 11 p.m. and 7 a.m.

Indeed, the complexity and controversial nature of environmental regulations were two factors among many explaining the failure to enact Federal laws on power-plant siting and strip-mining control.

Nevertheless, there were increasing pressures for tighter controls. An air pollution control suit brought by the Sierra Club prevented EPA from accepting air quality plans that, while meeting Federal standards, would have resulted in deterioration of air quality. EPA came under pressure to use the environmental

impact statement when it promulgated its pollution control standards, and the General Accounting Office recommended that the timing of environmental impact statements be speeded up and that Federal agencies supplement their environmental impact procedures to see that environmental protection was fully carried out in Federal projects.

The States continued to expand citizen rights to contest actions that might be harmful to the environment. In Massachusetts, a class-action bill was signed that permits any ten citizens to bring action against any industry or municipality that impairs the environment. Two States—Massachusetts and North Carolina—added environmental bills of rights to their State constitutions. These provisions gave environmental protection an enhanced legal status and increased the likelihood of legal action in the field.

Moreover, it is expected that an environmental class action bill will be introduced in the 93rd Congress.

The increasing number of environmental legal actions has raised questions as to whether our judicial system should be reorganized to better handle these matters. Accordingly, the Water Pollution Control Act Amendments of 1972, contain a provision for the study of the feasibility of a national environmental court.

New Financing. Paying for environmental controls was a subject of deep controversy in 1972. In August, the Council on Environmental Quality in its third annual report estimated that the direct public cost of pollution controls could amount to as much as \$140 billion in this decade, and that incremental costs could be as high as \$90 billion. Meanwhile, all three levels of government began to appropriate additional monies for environmental clean-up.

The omnibus Federal water pollution control bill contained an authorization of \$18 billion for sewage treatment plant construction

through fiscal 1975, as well as an authorization of \$2.75 billion for Federal reimbursement to States and localities for sewage treatment plants constructed before its enactment.

The enormity of this commitment prompted a Presidential veto of the bill. Congress subsequently passed the bill over the President's veto, but the Administration indicated that it would release only \$5 billion of the \$11 billion in construction grants authorized through fiscal 1974, contending that the size of investment would unduly affect economic stabilization. Congressional reaction was predictable. Several key Democrats accused the President of ". . . half-hearted commitment to clean water." Meanwhile, several States have indicated that they will file suit to force release of the authorized water pollution allotments.

Despite the furor over release of funds, there were notable achievements in pollution control financing during the year. The controversial 1972 water pollution control legislation provided for the creation of an Environmental Financing Authority which was authorized to buy State and local water pollution control obligations through fiscal 1975. This enactment brought to fruition the ACIR's 1970 recommendation that such a body be created on a trial basis to provide alternative capital financing for State and local environmental projects.

At the State level, financial commitment to pollution control also increased, with several States passing major bond issues for environmental control programs.

Largest of these was a \$1.15-billion proposal approved by New York voters for a variety of environmental purposes, including \$650 million for sewage treatment plants, \$175 million for recycling of solid wastes and organization of forest preserves, and \$150 million to improve air quality. In California, a \$200-million bond issue for pollution control was accepted. Voters

in Rhode Island approved bond issues of \$1.1 million for parks, recreation and conservation and \$2 million for sewage facilities. Also passed were a \$265-million proposal in Washington and a \$240-million bond issue in Florida, both for environmental purposes.

New methods of financing environmental controls also were being instituted.

Under the Water Pollution Control Act Amendments of 1972, federally aided construction of treatment works is eventually to be financed through charges that (1) apportion treatment costs among the recipients of pollution control services and (2) require industrial users to pay their fair share of construction costs. These provisions could substantially shift the burden of financing pollution control.

In related actions, Massachusetts provided tax abatements on air pollution control devices, Maine authorized tax exemptions for pollution control facilities generally, and several communities began to experiment with differentiated sewage charges for the treatment of industrial wastes.

By all accounts, increased money will continue to be expended for environmental control and there will be increasing intergovernmental activity to ease and redirect the burden of environmental fiscal requirements.

New Areas of Concern. As the Seventies progress, intergovernmental attention has turned to hitherto unprotected portions of the environment.

For example, the 1972 Coastal Zone Management Act provided new Federal aid for States adopting coastal zone management programs which would strengthen land and water controls in these environmentally vulnerable areas. Other new environmental legislation included the Marine Protection, Research and Sanctuaries Act of 1972 (P.L. 92-532), which regulates dumping of wastes in coastal waters

and which authorizes the Federal government to establish marine preservation areas.

States also turned their attention to the protection of areas considered critical for environmental purposes. Florida passed an omnibus environmental control bill permitting the State Division of Planning to designate areas of critical environmental concern and henceforth to require local governments to adopt land development procedures protecting the area. If local regulations are deficient, direct State regulations can be adopted. Another provision of the bill authorizes the State to review development decisions that have a definable "regional impact." At least one other State, Virginia, has drafted legislation somewhat similar to Florida's. Four States adopted comprehensive power plant siting laws and New York passed a scenic rivers bill.

At the local level, several communities enacted comprehensive environmental control ordinances. Alexandria, Virginia adopted full-scale erosion controls and Urbana, Illinois, enacted a comprehensive noise control ordinance. Court actions in New York and Wisconsin upheld local zoning actions that sought to control growth and protect already overburdened local environmental control systems.

Structural Reorganization. Finally, environmental control activity exerted a continuing impact on the structure of American intergovernmental relations in 1972. The Federal water pollution control and coastal zone enactments, already noted, carry potentially far-reaching changes for the governance of our metropolitan areas. States continued to reorganize their environmental machinery, as witnessed by the creation of environmental protection agencies in at least six States. This brought the total with such agencies to 23. Moreover, all levels of government continued to provide mechanisms for greater citizen input to environmental matters.

Balanced Growth Policies

In 1972, President Nixon submitted the first Report on Urban Growth, pursuant to Title VII of the Housing and Urban Development Act of 1970 (P.L. 91-609).

The report was greeted with mixed reviews. Most observers agreed with its attempt to broaden the national *urban* growth policy thrust of Title VII to include rural areas and to stress the need for an intergovernmental growth strategy. Many found its analysis of population growth and distribution trends and associated problems to be provocative and its chronicling of State and local actions to influence growth to be illuminating. Others, however, were disappointed that the report made no attempt to chart a comprehensive national growth policy for the country or even to concede the need for such a policy. Some considered the report's assertion that "...no single policy, nor even a single coordinated set of policies, can remedy or even significantly ameliorate all of our ills" a reversal of the congressional intent underlying Title VII, if not a partial abdication of the Federal executive branch's responsibility for coordinating programs having a significant and sometimes conflicting impact on urban and rural growth.

Far from settling the matter, then, the *Report on National Growth-1972* reopened some of the fundamental philosophic, political and practical issues involved in the national growth policy debate. The 1970 legislation which called for the report was the result of years of debate over the need for a process at the national level to identify and to begin to grapple with the dynamics of achieving orderly growth and development and to hammer out the components of a coordinated national policy.

Legislative Developments. In June, the Subcommittee on Housing of the House Committee

on Banking and Currency held hearings on the need for a national growth policy in general and on the President's report in particular. Witnesses representing various public interest groups, professional societies and research organizations presented testimony on the components of and ways of carrying out such a policy.

Other legislative developments during 1972 relating to rural development and land use had growth policy implications.

The Rural Development Act of 1972 contained provisions calling for an inventory of national conservation needs every five years. According to its congressional sponsors, the inventory will facilitate planning for balanced national growth as well as for national land and water use and comprehensive rural development. A major objective of this law, in the view of the Secretary of Agriculture, was to reduce outmigration from rural areas and to encourage more balanced national growth. Under the act, the Secretary is required to establish national goals for employment, income, population, housing, and community facilities and services in rural areas, and to report annually to Congress on progress in achieving them.

On the negative side, the proposed Public Land Policy Act (S. 2450) was passed by the Senate but, after being reported out by the House Interior Committee, died in the Rules Committee. This legislation would have created a national policy covering both public and private land-use planning, and would have provided grants to assist the States in developing and implementing land-use planning programs.

Reports and Recommendations. Although the type of growth policy envisioned by Title VII was still lacking by the end of the year, the need for a national policy framework incorporating social, economic and other considerations to guide specific decisions at the Federal

level which affect the patterns of growth and development in urban and rural areas was underscored repeatedly by Federal, State and local government agencies, public interest groups, "think tanks" and citizens' organizations. This interest was demonstrated in various studies of the growth policy area and in recommendations calling for the establishment and identification of, or more research on, the components of such a policy.

In July, for example, the Commission on Population Growth and the American Future submitted its final report recommending, among other things, that "...to anticipate and guide future urban growth... comprehensive land-use and public-facility planning (be undertaken) on an over-all metropolitan and regional scale," and that "...the Federal government develop a set of national population distribution guidelines to serve as a framework for regional, State and local plans and development."

Meanwhile, the Land Use Subcommittee of the Advisory Committee to the Department of Housing and Urban Development issued a report on *Urban Growth and Land Development: The Land Conversion Process*. The report, prepared under the auspices of the National Academy of Sciences and the National Academy of Engineering, probed various assumptions of the Sixties and partially or wholly modified some of them. It identified data gaps and urged a number of research and demonstration projects for immediate Federal funding.

The subcommittee members agreed on three basic assumptions regarding future urban growth and related land development problems: (1) considerations relating to a national urban growth and land development policy should anticipate a smaller population projection than that forecast in the mid-Sixties, (2) such considerations should focus chiefly on

population growth and distribution within metropolitan areas and (3) they should zero in on the differential growth patterns now occurring between core cities and their suburbs.

The entire thrust of this report was that a better analytical base and much more empirical evidence are needed for the development of more effective urban strategies.

State and Local Approaches. The absence of a national growth policy did not deter the States from acting. A study of recent Federal and State efforts in this area prepared by the Congressional Research Service of the Library of Congress was published during the year by the Urban Land Institute. The report concluded that significant steps had been taken at all levels of government since 1970 to begin development of a coherent national growth policy and that the prospects for continued intergovernmental progress in this direction were good.

During 1972, a few States adopted zero population growth policies, while others took specific steps to deal with current problems of growth and to ensure orderly future development.

- In Florida, a new State comprehensive planning act reorganized State-level planning agencies, called for the preparation of a State comprehensive plan to provide long-range guidance for orderly social, economic and physical growth; and provided for a land-use plan to be formulated within the framework of the comprehensive plan to guide development and protect the State's natural resources.
- Hawaii adopted a State quality-growth policy, and an anti-crowding bill to limit the number of people and automobiles entering the State.
- Colorado enacted legislation to promote economic development in non-urban areas.
- Alaska formed a State land-use commis-

sion. Michigan created on an interim basis an Office of Land Use. Massachusetts, New Mexico and Virginia initiated studies of State land-use policies, programs and possible legislation.

- Maine assigned a Water and Air Environmental Improvement Commission responsibility for exercising statewide control over industrial development and location and ensuring protection of the environment from the adverse effects of industrial operations. The legislature also gave the Maine Land Use Regulation Commission authority to regulate the development of, and protect the environment in, unorganized and de-organized townships and mainland and island plantations (about 42 percent of the State's land).

At the local level, the growing concern with environmental quality, overcrowded schools and busing, and rising public service costs due to unplanned growth caused some county boards of supervisors and city councils to take action restricting growth within their boundaries. Curbing the number of sewer taps and placing moratoriums on both zoning changes and the issuance of building permits were particularly effective ways of achieving this objective. Another approach, prohibiting the use of land for residential development without a special permit, was upheld by the New York State Supreme Court in the *Ramapo* case.

Questions. Despite these actions at the Federal, State, regional and local levels, questions of desirability, feasibility and instrumentalities remained on the agenda of unresolved problems for supporters of a national growth policy. Some of the specific questions raised by these problems were presented by ACIR in its statement on the President's report for the House Subcommittee on Housing.

- Is it feasible, within the executive

branch to achieve a better coordination of direct Federal and grant-assisted efforts affecting the geographic location of people and economic activities?

- Is Congress capable of developing a genuine oversight role with regard to the various ongoing efforts of the Federal government that condition urban development?

- Can a resources allocation strategy be devised that actually differentiates between areas and communities that are likely to grow and those that are not?

- Can a broad underlying geographic strategy be developed jointly by Federal and State governments and followed in their implementation efforts?

- Do the hundreds of multicounty organizations established over the past seven years in both rural and urban America, pursuant to Federal and State initiatives, constitute a desirable kind of program and management response to urban growth by policymakers at these higher levels?

- Does the Federal government, as one of the prime movers in metropolitan areas, have any responsibility for attempting to consolidate the areawide planning requirements and the areawide districts and bodies that have been spawned as a consequence of Federal grant legislation and administrative regulations?

- Can the general governments of the federal system and their politically accountable decisionmakers actually achieve control over, and coordination of, the fractionated efforts of program specialists and technicians and their interest group and citizen allies, given the latter's drive for special and single agencies, special districts and single-purpose planning bodies at the substate and multistate levels?

in retrospect

There were more pluses for federalism in 1972 than there were for the previous year, perhaps for many a year. But the primary action was on the fiscal side, with program and structural improvements lagging far behind.

With fiscal progress came the recognition that now, more than ever before, the elements of the federal fiscal system are interdependent—if not confusingly inseparable.

Revenue sharing, the authorization for Federal collection of State income taxes, inclusion of the State-local sector in the Economic Stabilization Act—not to mention the Federal deficits and the aggregate State-local surpluses—all tended to undermine the old idea that each governmental unit could or should set its own fiscal house in order regardless of the effect on other governments.

Actions and attitude shifts during 1972 indicated that the intergovernmental fiscal system had become, or was rapidly becoming, fully “marbleized”—that the old Federal-State-local fiscal “layer cake” is truly a thing of the past. One example was the national attention focused on property tax relief and reform and on school finance, a striking departure from the traditional posture of treating these as exclusively State-local concerns.

But these developments raised questions that policymakers at all levels will have to grapple with in the years ahead.

- Is there not a need to achieve better coordination of the tax efforts of the three traditional levels of government, given overlapping interests, if not interference?
- Are existing mechanisms for resolution

of conflicts adequate to cope with the tensions that probably will arise?

- If coordination proves to be a desirable goal and conflict a by-product of this interdependent tax system, should some official group be designated to take the lead in developing a national fiscal policy that would help provide answers to these and related questions?

- Could such a role, if assumed, be discharged in a way that would enhance the decision-making discretion of State and local governments?

- And how will a more coordinated fiscal system affect the structure of governments at each level?

These basic political questions looming on the horizon of the middle and late Seventies will not be easy to answer. But they must be dealt with—along with the unfinished business on the agenda of federalism—if the system as a whole is to be responsive to the needs of our society. The system, after all, has no other purpose than promoting the commonweal.

The master architect of American federalism, James Madison, put it more aptly and much more bluntly over nine score years ago:¹

... It is too early for politicians to presume on our forgetting that the public good, the real welfare of the great body of the people, is the supreme object to be pursued; and that no form of government whatever has any value than as it may be fitted for the attainment of this object. . . .

¹ James Madison, *Federalist Paper No. 45*.

part 2

THE ACIR PROGRAM

ACTION ON COMMISSION RECOMMENDATIONS

Over its 13-year history, the Advisory Commission on Intergovernmental Relations has adopted 40 policy reports that make about 350 recommendations for improving the relationships among Federal, State and local governments.

The Commission has recognized that it cannot expect to achieve the objectives of any single report within months of its adoption. Therefore, as a permanent body created by the Congress, the ACIR devotes a significant amount of time and staff resources year after year to encouraging action on the recommendations it makes to the legislative and executive branches of government at the Federal, State and local levels.

As part of this process, the staff—working within the framework of ACIR policy positions and recommendations—develops draft bills for legislative consideration and draft administrative directives for executive use. Legislation to implement ACIR recommendations to Congress is usually introduced by United States Senators and Representatives who are members of the Commission. Throughout each session of Congress, members of the Commission and staff work closely with the appropriate congressional committees and their staffs on matters of vital interest to ACIR.

Draft bills to assist in implementation of State proposals are published by the Commission in “action packets” on high priority subjects as well as in annual volumes. In addition, the Council of State Governments includes most ACIR bills in its annual volume of *Suggested State Legislation*. State and local requests for assistance are honored as staff availability permits.

A review of progress on ACIR recommendations does not cover the gamut of Federal-State-local relations, but only the specific subject areas dealt with in the 40 policy reports issued on the basis of studies the Commission

has conducted since it was created in 1959.

Further, many factors go into the implementation of a Commission recommendation. ACIR highlights the 1972 accomplishments in this chapter to give a general picture of progress toward its goals, not to take credit for individual actions.

Many of the major developments in federalism that were discussed in detail in the earlier chapters of this report relate closely to this Commission's recommended action Agenda for the Seventies. Thus, they are listed again briefly in this chapter for reference, along with other actions on ACIR recommendations.

THE FISCAL FRAMEWORK

A strong Federal-State-local partnership depends on the individual fiscal strength of each partner. Over the years, ACIR has evolved a five-point program to redistribute financial resources and reassign fiscal responsibilities among the levels of government.

As the first point, the Commission calls for a three-part mix of Federal aid to States and localities: "no-strings" revenue sharing for greater State-local discretion; block grants for State flexibility in meeting broad national needs; and a reformed categorical aid system to focus on national priorities.

Secondly, the Federal government should assume full financial responsibility for public welfare programs, including general assistance and Medicaid, that already are largely dominated by Federal policy.

Third, State government should assume an increasing share of the costs of elementary and secondary schooling, thus fostering equality of educational opportunity and releasing the property tax for other uses.

Fourth, States should adopt high-quality, high-yield State-local tax systems that place greater reliance on income and sales taxes. They should overhaul the local property tax to

make it more equitable and productive and to provide relief for the poor and the elderly.

Fifth, to encourage fuller use of State income taxes, the Federal government should grant taxpayers a partial credit against their Federal tax liability for income taxes paid to States and local governments. Also, States should be able to enter into agreements for Federal collection of State income taxes.

New Federal Mix

ACIR called for a new Federal aid mix of revenue sharing, block grants and categorical reform in its 1967 report, *Fiscal Balance in the American Federal System*. One major goal—revenue sharing—was accomplished in 1972.

Revenue Sharing. The outstanding fiscal achievement of the year was the adoption of P.L. 92-512, the State and Local Fiscal Assistance Act of 1972, which establishes revenue sharing. (*See p. 5.*)

Grant Consolidation. The major grant consolidation legislation before the 92nd Congress was the Housing and Urban Development Act of 1972 (H.R. 16704, S. 3248), which would have replaced the individual loan programs for urban renewal, open space, and rehabilitation and the neighborhood facilities program with a block grant. A massive effort that took two years of hearings and study to develop, it was passed overwhelmingly by the Senate, but died in the House Rules Committee. (*See p. 11.*)

Categorical Reform. Remolding categorical aid into an efficient system of grants aimed at specific national priorities will require both sweeping reforms and meticulous, technical changes.

The proposed Intergovernmental Cooperation Act of 1972 (S. 3140) would have made technical improvements with far-reaching implications. Designed to build upon the Intergovernmental Cooperation Act of 1968, the bill

passed the Senate in September but the House took no action on it. (*See p. 14.*)

However, a number of administrative measures were taken during the year to help untangle some of the red tape. (*See p. 14.*)

Welfare Reform

The second major point in the ACIR program is Federal assumption of the cost of welfare programs suggested in the 1969 report, *State Aid to Local Government*. In the Social Security Amendments of 1972 (P.L. 92-603), Congress took the first step by nationalizing cash aid to the aged, blind and disabled as of January 1, 1974. The measure sets up a national minimum payment, which States may supplement. The Social Security Administration will administer the national program. (*See p. 9.*)

ACIR's 1969 report called for the Federal government to pay the full cost of all welfare programs but for the States and localities to retain administrative responsibility for them.

School Financing

In the report of its 1972 study of school financing and property tax relief, the Commission unequivocally asserts that these two functions are the responsibility of the States and localities. (*For details and background of the ACIR study, see p. 58.*) The Commission first enunciated point three of its fiscal program—gradual State takeover of most school costs—in its 1969 report on State Aid, as a corollary to Federal welfare takeover.

Despite the nationwide attention generated by court decisions challenging school-funding systems based on the local property tax and by general taxpayer unrest, there was far more talk and waiting than action during 1972 on the problem of how to pay for public elementary and secondary education.

Many State and local officials appeared to be awaiting a decision from the U.S. Supreme Court, expected early in 1973, on one of the cases before taking decisive action. Some States set up study commissions on the subject. Voters in four States defeated proposals to prohibit or limit the use of the local property tax for school support.

In New York and New Jersey, blue-ribbon panels proposed broad schemes for full State assumption of education costs, but they yielded no immediate action. The \$1.5-billion proposal of the New Jersey Tax Policy Committee was sent to the legislature, but failed to receive approval. In New York, the recommendations of the Fleischmann Commission got widespread press attention, but little serious debate.

The problem of the property tax and public schools is discussed in greater detail in Chapter 1, beginning on p. 10.)

The State-Local Tax System

Throughout its history, ACIR has stressed the need for a high-quality, high-yield State-local tax system to strengthen the State-local end of the Federal partnership. To achieve this, States should rely heavily on a personal income tax and broad-based sales tax. Local governments will continue to rely on property taxes, but the States must reform those taxes to make them more equitable and to provide relief from property tax overburden.

During 1972, no State adopted a new income tax or sales tax. However, the voters of Ohio elected to keep their new personal income tax and the people of Massachusetts and Michigan rejected proposals to replace their flat-rate income taxes with graduated income taxes. (*See p. 20.*)

Minimal property tax reform has been accomplished by the States in the 10 years since the Commission published *The Role of the States in Strengthening the Property Tax*, con-

taining 29 recommendations. (See p. 61 for 1972 ACIR action on property tax reform.)

The voters of Montana took a significant step in June 1972 when they approved a new constitution that includes provisions for state-wide property tax assessment, appraisal and equalization, effective July 1, 1973. The Alabama electorate in May approved a classification system for assessing property in three categories and set 1.5 percent of fair market value as the ceiling for *ad valorem* rates.

Shielding the poor from too large a property tax burden is high on the Commission's list of priorities. In its 1967 report on *Fiscal Balance*, the ACIR suggested a State law to aid low-income persons whose property tax exceeds a certain percentage of their income. The device was labeled a "circuit breaker" because it would function like an electrical circuit breaker in "overload" situations.

Illinois, New Mexico, Ohio and West Virginia adopted circuit-breaker laws in 1972, bringing the total to 15 States with such plans. The California legislature enacted a massive tax reform measure that includes property tax relief for homeowners and renters. (See p. 11.)

Encouraging State Income Taxes

Point five in the ACIR program would further encourage States to adopt personal income taxes by providing a Federal income tax credit against a portion of State income tax payments and by easing administration of the tax through "piggy-backing"—Federal collection of State income taxes.

For several years, the tax credit idea was proposed as a supplement and complement to revenue sharing and was included in some revenue sharing bills. However, the 1972 revenue sharing act was adopted without such a provision, although State income taxes are taken into account in the formula for allocating the

State portion of the funds. The legislation does provide for Federal collection of State income taxes under certain conditions. (See p. 7.)

GOVERNMENTAL FORMS

The new fiscal framework places a premium on efficient government administration at all levels.

ACIR recognizes this link between a balanced fiscal system and modern executive and legislative organization. The Commission's action agenda, therefore, emphasizes the streamlining of all levels of government to improve delivery of services and to make government more responsive to the people.

At the Federal level, this means rationalizing the administration of the grant-in-aid system which will involve some executive realignments. (For 1972 developments, see p. 11 and p. 14.)

At the State level, it means strengthening the authority of the governor and central administration, modernizing the legislature, and equipping both executive and legislative branches with the stability, staff and facilities, planning and management tools needed to run so complex an organization.

And at the local level, it means strengthening general units of local government, discouraging special districts and eliminating metropolitan fragmentation.

A new development in the past few years has been the proliferation of multistate and substate regional bodies, raising questions about their role in the Federal structure and their relationship to the three traditional levels of government. ACIR studied the major multistate commissions and recommended that those already established be retained, but suggested that future action along this line await further study and experience. The Commission is now investigating substate regionalism and will adopt a policy report in 1973. (See p. 64.)

Strengthening The States

Most States entered the second half of the Twentieth Century with the administrative and legislative equipment to deal with Nineteenth Century problems. This Commission has adopted numerous recommendations for modernizing the institutional framework of State government to permit the States to exercise a more positive role in the rapidly expanding sphere of domestic governmental affairs. During the past decade, the States have attempted a prodigious amount of catching up—and there have been some remarkable success stories—but many still have a long way to go.

The Executive Branch. To equip themselves administratively to deliver modern services, the States need a strong central executive. In its 1967 report on *Fiscal Balance*, the ACIR urged the States to develop a strong planning and budgeting capability in the executive branch, to allow governors to succeed themselves, to shorten the ballot and to provide the governor with reorganization power subject to legislative veto.

In 1972, the Tennessee electorate adopted a constitutional amendment to permit the governor to succeed himself and Indiana voters ratified an amendment to allow a governor to serve eight years in any 12-year period. Only seven States now limit their governors to one term.

Allied to the number of terms is the length of the governor's term, although ACIR has no specific recommendation on it. Constitutional amendments were approved during the year in Iowa, Kansas, South Dakota and Texas to provide four-year terms for governor and lieutenant governor, leaving only four States—all in New England—that will still elect their governors for two years at a time.

In recent years, a number of States have

taken steps to strengthen their administrative and management capability by reducing the number of executive agencies and pulling them together into cabinet-style administrations. Major changes of this type took place during 1972 in at least five States.

- South Dakota voters approved extensive revisions in their constitution, including an amendment that will reduce the State executive branch from about 165 agencies, boards and departments to no more than 25 major departments.

- New legislation adopted in Georgia also limits the executive branch there to 25 departments, which are specifically named in the law, and all State boards, commissions, committees, agencies, bureaus and instrumentalities are to be lodged under one of them.

- In Idaho, an estimated 250 or more State departments, agencies and boards will have to be consolidated into no more than 20 major departments under a constitutional amendment ratified in November.

- An executive reorganization act adopted in Virginia, implementing a recommendation of the 1970 Governor's Management Study, authorized the governor to appoint six secretaries—of finance, education, human affairs, commerce and resources, transportation and public safety and administration. Some of the State's boards and commissions will be consolidated under these six department heads to reduce the number of officials reporting directly to the governor.

- Late in the year, the Governor of Kentucky announced a major reorganization plan to create a new department of finance and administration, to consolidate finance and planning functions and to merge 60 State agencies into six program

cabinets under a new cabinet secretary.

In South Dakota, one of the constitutional amendments ratified in November permits the governor to reorganize the executive branch subject to veto by either house of the legislature.

A new constitution that would have limited the number of statewide elective officers to seven and the number of executive departments to 15 was rejected by the electorate in South Dakota.

Centralized administration and planning are crucial to efficient State management. Measures were enacted during the year to consolidate several administrative agencies into central departments in Arizona and Kansas. A new law in Georgia strengthened the planning and budgeting processes by requiring any State department (except the board of regents) to give the State budget officer and the legislative budget analyst 30 days' notice of its intention to apply for Federal aid.

In addition, Florida made some refinements in its 1969 reorganization plan, improving budgeting and planning administration. And several States set up commissions to study reorganization.

Legislative Reform. An updated legislature is needed in every State to complement the modernized administrative structure. In *Fiscal Balance*, the Commission recommended annual legislative sessions, realistic pay for legislators and year-round professional staff for legislative committees.

Proposals for legislative reforms of this type were rejected by the voters in a number of States during 1972, although there were some notable gains.

Annual legislative sessions were approved by the people in Minnesota and Wyoming, and in Montana as part of a new State constitution. In California, the electorate ratified an amendment permitting the legislature to

meet throughout a two-year session, rather than holding separate sessions each year. The Kentucky legislature proposed an amendment for annual sessions which goes on the ballot in November 1973.

Voters in four other States—Alabama, Louisiana, New Hampshire and North Dakota—turned down proposals for annual sessions. (The North Dakota provision was part of the rejected constitutional package.)

Pay raises for legislators met with even less success at the polls. A proposal for higher legislative salaries in North Dakota died with the defeat of that State's new constitution. In addition, the voters of Alabama, Arizona, Idaho, Nebraska and Texas denied their lawmakers higher pay. Only the electorate of Utah approved an increase—to \$25 per diem and mileage for legislators to attend interim meetings of the legislature.

However, the California and Ohio legislatures voted themselves pay raises and a joint legislative committee authorized higher legislative salaries in Wisconsin. Pennsylvania legislators also voted themselves a raise, but less than a State compensation commission had recommended.

The Utah legislature was authorized to appoint staff for committee work during the interim between sessions. (*For additional discussion of 1972 reforms in State government, see p. 24.*)

Revitalizing Local Government

ACIR has directed most of its recommendations on revitalizing local government to the States because the governing power of all political subdivisions is a delegation of authority from the parent State. Once the States have provided the localities with the authority to correct their problems, it then falls to the local governments to take up the initiative.

Recommendations for solving the problem

of metropolitan fragmentation—overlapping, under-powered, “balkanized” local governments—have been a common theme in ACIR policy reports since the early 1960s. Progress in this crucial area is summarized annually by the Commission in its report on *State Action on Local Problems*.

The Commission’s action agenda lists four broad priority areas for State action on local problems:

- States should clarify the legal powers of general units of local government, authorize localities to determine their own internal structure and to use liberalized municipal annexation procedures.
- States should discourage nonviable units of local governments by establishing rigorous standards for incorporation, by empowering boundary commissions to consolidate or dissolve nonviable units, and by revising State aid formulas to eliminate or reduce aid to nonviable local governments.
- States should permit counties to perform urban functions, foster interlocal service agreements, provide for multi-functional authorities in metropolitan areas, encourage metropolitan councils of government and metropolitan study commissions.
- States should stop the proliferation of special districts.

Home Rule and New Options. At least seven States took action during 1972 to grant home rule to local units of government and three others provided optional forms of county government.

In Pennsylvania, a new home rule law implements the local government article of the 1968 constitution. Under the act, any locality choosing home rule is granted all powers not specifically denied it, may select from three optional forms of government, and may set tax

rates although the State still determines what shall be taxed. Any home rule locality may also choose not to receive services performed by the county, if it already has provided for them.

The new “City Code of Iowa,” to become effective in two years, will provide broad powers of home rule for Iowa cities and towns and will recodify much of the present municipal law. The comprehensive act incorporates most of the provisions of ACIR’s draft bill for “State Authority Over Municipal and Special District Boundary Adjustments.” It retains previous optional forms of municipal structure and adds a new alternative. Under its provisions, Iowa cities and towns will be required to move to program-performance budgeting.

Home rule also was provided in the new constitution ratified in Montana, in constitutional revisions adopted in South Dakota and Wyoming, and in legislation enacted in Georgia and Kentucky.

Under the Montana provision for “self-government charters,” local voters will be able to design their own forms of government. The new local government article in South Dakota provides for county and city home rule. The Kentucky legislation granted home rule to Louisville and to counties, with counties receiving broad taxing authority.

The proposed constitution in North Dakota—which was rejected by the voters—would have given counties home rule.

In related actions, counties were granted optional forms of government in New Jersey, Utah and Wisconsin. They will be able to choose from among four alternatives in New Jersey and from among three in Utah. A constitutional amendment in Wisconsin repealed a requirement for county uniformity and directed the legislature to establish alternate forms.

Attempts at local initiative failed in Illinois where nine counties held referenda on pro-

posals to establish county executive government, which would have granted them home rule powers under the 1970 State constitution. The issue was defeated in every county.

Boundary Protection. The voters of North Carolina took a step at the November 7 election to limit haphazard incorporation when they amended the constitution to prohibit incorporation of a new town or city closer than one mile from a city with a population of 5,000 to 10,000; three miles from a city of 10,000 to 25,000 population; four miles from a city of 25,000 to 50,000 population and five miles from larger cities. The legislature can disregard these limits only by a three-fifths vote.

Interlocal Cooperation. The Indiana legislature adopted a general act allowing localities to contract with each other to perform services. Kansas broadened its statute along these lines to include sewage and refuse disposal. Alaska, Kentucky, Louisiana, Illinois and Wisconsin also adopted measures to permit interlocal cooperation in specific functional areas.

The Georgia electorate approved a constitutional amendment that permits counties and municipalities, singly and in combination, to perform a whole range of urban services. The new Montana constitution also permits interlocal and intercounty cooperation.

(For details on city-county consolidation in 1972, see p. 27.)

Regionalism

The Commission's 1971 report on *Multi-state Regionalism* suggested caution in haphazard establishment of multistate regional structures.

Notwithstanding that recommendation, the Federal government announced the creation of four more Federal-multistate commissions during 1972: the Upper Missouri River Regional Commission, the Pacific Northwest Re-

gional Agency, the Upper Mississippi River Basin Commission and the Missouri River Basin Commission. There are now 17 commissions of this type, to which the Federal government is a party along with specific States that may choose to join. (See p. 23.)

Concern over the growth in the number of substate regional bodies was reflected in a variety of actions throughout the country. (See p. 25.) One innovative approach was adopted by Colorado, which authorized local government service authorities to perform a variety of municipal services to preclude formation of special districts for those purposes.

MAJOR ISSUE AREAS

In addition to matters of governmental form and fiscal framework, action during 1972 on policy recommendations of the ACIR was concentrated in five major areas—criminal justice, housing and relocation, urban growth and land use, transportation and public labor-management relations.

Criminal Justice

In its 1971 report, *State-Local Relations in the Criminal Justice System*, the Commission made 44 recommendations for strengthening the justice system as a whole and for improving its individual components: police, courts, prosecution and counsel for indigent defendants, and corrections. State action during 1972 to further these goals were comprehensive and far-reaching.

Police. The report contained 15 recommendations for improving the police function at State and local levels, modernizing the office of sheriff and abolishing the offices of coroner and constable.

New legislation enacted in Missouri requires each city, town or village in St. Louis County to provide 24-hour police service or contract with the county for such service. In Washing-

ton, the legislature created a criminal identification section within the State patrol.

The Commission also called on the States to establish minimum police standards and to meet the full cost of training programs to achieve them. Toward that goal, the Illinois legislature provided new State aid for police training and the Kentucky legislature established a law enforcement foundation program to aid local law enforcement efforts. In addition, New Jersey and Washington removed residency requirements for policemen in an effort to broaden the recruiting base.

The ACIR report emphasized the importance of police-community relations programs. In North Carolina, the State human relations commission set up a program to train law enforcement officers to deal more positively with the public.

As to modernizing the office of sheriff, Kansas legislation required sheriffs to attend law enforcement training schools and established minimum qualifications for the office. The Iowa legislature directed an interim committee to study the possibilities of sheriff-police mutual aid.

The Wisconsin legislature abolished the office of coroner.

Courts. The Commission's 1971 criminal justice report made 10 recommendations for streamlining State court systems, improving selection of judges, and disciplining or removing them when necessary.

ACIR called on States to establish simplified, unified court systems—consisting of a supreme court, intermediate courts of appeal, general trial courts and special subdivisions—funded by the State and supervised by the State Supreme court, with a professional administrator. It urged the abolition or reform of the office of justice of the peace.

The Commission recommended the Missouri "merit plan" method of selecting judges,

whereby the chief executive appoints judges nominated by commissions of the judiciary, bar and public; and the judges run against their own record at the end of each term. It urged establishment of judicial qualifications commissions to investigate complaints against judges and recommend disciplinary action where warranted. ACIR also recommended that States require judges to be licensed lawyers, to devote full time to their judicial duties and to retire at age 70.

During 1972, Florida, Minnesota and South Carolina accomplished major court reform. The Florida reorganization—which implemented the Judicial Article of the 1969 constitution—included many points sought by ACIR. The measures establish a unified court with four levels: supreme court, district court of appeals, circuit court and county court. It sets up the Missouri plan for judicial selection and makes all judgeships full-time positions to be filled by lawyers. The State assumes the cost of all judicial salaries.

In South Carolina, the electorate approved a new judicial article for the constitution which unifies the court system under the supreme court, establishes a circuit court and permits the legislature to establish other courts. It also requires that judges be licensed attorneys. The chief justice is to appoint court administrators.

A constitutional amendment in Minnesota created a unified court system consisting of a supreme court, district courts and other courts to be provided by law. The amendment specifically abolished the probate court and gave its responsibilities to the district court. It directed the legislature to establish qualifications for judges and to provide for compulsory retirement for cause.

Less comprehensive court reorganization action was taken in a number of other States, including Iowa, Massachusetts and Virginia.

The New York legislature adopted several

measures aimed at speeding up trial time and expanded the power of State court administrators.

Iowa, Kansas and Nebraska abolished the office of justice of the peace.

A constitutional amendment ratified by the people of Wyoming established a modified "Missouri" plan for selection and election of judges. The amendment created a judicial supervisory commission for removal and compulsory retirement of judges, mandated that judges retire at age 70 and directed the legislature to provide for their voluntary retirement. The Nevada electorate had before it a proposal to change the method of judicial selection from direct election to gubernatorial appointment, but rejected it.

A North Carolina constitutional amendment called for mandatory retirement of judges and directed the legislature to set the age.

Several States adopted means for involuntary retirement of judges for cause. Constitutional amendments in Georgia and South Dakota established judicial qualifications commissions. The authority to retire judges was given to the supreme court in Iowa and to the supreme court nominating commission in Kansas. A constitutional amendment in North Carolina authorized the legislature to prescribe procedures for removing judges for cause.

Prosecution and Defense Counsel. In its criminal justice report, ACIR recommended increased State responsibility for prosecution and urged States to strengthen the oversight authority of their attorneys general. It also urged centralization of the prosecution function at the local level, full-time prosecutors and a minimum State contribution of 50 percent toward the cost of operating local prosecuting attorneys' offices.

In 1972, a South Carolina constitutional amendment named the attorney general as

chief prosecuting officer for the State. Legislation in Kansas required candidates for district attorney to have been members of the Kansas bar for at least five years.

The Commission saw competent defense for the indigent as a crucial ingredient in the Nation's adversary system. It called on all States to establish and finance statewide systems for defense of the indigent, making public defenders or coordinated assigned counsel readily available in every area of the State.

Four States established public defender systems in 1972. Kentucky set up a State office of public defender and authorized creation of district offices in circuit court districts. Louisiana and Missouri established the office of public defender in specific districts and Vermont set up a statewide public defender system.

Corrections. Corrections has been the stepchild of the criminal justice system. The Commission strongly urged States to give high priority to upgrading correctional institutions and rehabilitation services because poor correctional facilities lead to greater recidivism and a spiraling cycle of crime.

ACIR suggested that States establish a single agency to be responsible for the full range of corrections (except the adjudicatory functions of parole and pardons) and that States assume full financial, administrative and operational responsibility for long-term correctional institutions, parole, juvenile aftercare and adult probation. The Commission said local government should retain operation and a share of the fiscal responsibility for short-term adult institutions and jails, detention facilities, and probation of juveniles and minor offenders, but the States should establish minimum standards and monitor them.

In its 1971 recommendations, the Commission urged greater use of community-based programs. It also called for improved recruitment, compensation, training and promotion prac-

tices to attract sufficient numbers of high-quality personnel to the correction system—and for the use of adequately trained volunteers and paraprofessionals.

To facilitate State adoption of these recommendations, the ACIR staff prepared a draft "State Department of Correction Act." During 1972, Massachusetts established a new Department of Corrections, modeled closely on the ACIR draft legislation but tailored to meet the individual needs of the State. The Massachusetts law strengthens the powers of the commissioner of corrections. It establishes community-based correctional programs, work-release programs and training and employment programs outside correctional facilities. The act also sets State standards for local correctional facilities and increases the State's financial role in the correctional system.

The Kansas legislature elevated the division of corrections to department status and gave it wide authority over adult inmate programs. It adopted a strong statement of policy to emphasize rehabilitation and set up a system of halfway houses. Tennessee legislation also substantially revised the administration of the department of corrections.

Legislation in Illinois adopted a unified code of corrections which consolidates the existing State statutes related to the criminal justice system and established a classification system for substantive offices. Vermont law also revised and modernized the corrections code.

New legislation permits the State department of corrections to establish community residential centers in Kentucky and to set up work release programs for county prisoners in Tennessee.

The Indiana legislature adopted a new probation statute, increasing State aid and establishing standards. Kansas, Kentucky and New Jersey upgraded and strengthened their parole boards.

Coordination. Over-all, the Commission called for more system and greater coordination throughout the State-local criminal justice structure. New York legislation in 1972 created a division of criminal justice in the executive department to pull together three separate State government units. The new justice division combines the functions of the old division for local police, the State identification and intelligence system and the division of criminal justice in the office of planning services.

(For additional discussion of 1972 developments in criminal justice, see p. 30.)

Housing

The provision of decent housing for all the Nation's families is a relatively new governmental concern, but a task that involves all levels of government. In several reports over the years, ACIR has recommended more coordination and control over building codes and uniform treatment when government must take a person's property.

Building Codes. In 1966, ACIR adopted *Building Codes: A Program for Intergovernmental Reform*, calling on States to establish statewide building codes. During 1972, Massachusetts and Virginia enacted statewide building codes, Iowa adopted enabling legislation for a statewide code, and Michigan passed a State construction code.

Relocation. ACIR published *Relocation: Unequal Treatment of People and Businesses Displaced by Government* in 1965, citing the wide discrepancies in relocation assistance provided by governments when taking residential and business property. It called for uniform Federal relocation assistance for Federal and federally aided projects.

In 1970, Congress enacted the Uniform Relocation Assistance and Real Property Acquisitions Policies Act (P.L. 91-646), implement-

ing most of the ACIR recommendation. However, full Federal funding of relocation costs (up to \$25,000) under the law expired July 1, 1972, and Federal aid for relocation has since been determined on a formula basis.

Before the July 1 deadline, amendments were introduced in the 92nd Congress to continue full Federal funding. The Senate passed its version (S. 1819) in April 1972. The House passed its version in August and a compromise was worked out in early October to extend full funding for four years. But in the rush to adjourn the session, the final bill died just short of adoption.

In 1972, 17 States adopted enabling legislation to participate in the new Federal relocation program, which required central coordination at the State level.

(See p. 34 for other 1972 developments in housing.)

Urban Growth and Land Use

ACIR called for comprehensive, coordinated national and State growth policies in its 1968 report, *Urban and Rural America: Policies for Future Growth*.

At the national level, the Commission said, an urbanization policy should assure that Federal programs do not operate contrary to national goals. The ACIR recommendations included financial incentives for industrial location in poverty areas and rural growth centers, migration allowances to facilitate population movement, preference in awarding of Federal contracts and public facilities to designated growth areas, expansion of governmental aid for family planning and new Federal support for large-scale urban development and new communities.

To complement the national urbanization policy, ACIR recommended that States establish land development agencies to acquire, hold, site-develop and sell land in accord with

urbanization policies and to preserve open areas, and that States act to foster new community development.

Title VII of the 1970 Housing and Urban Development Act (P.L. 91-609) directed the President to submit biennial reports assessing Federal and State actions on urban growth, projecting future needs and suggesting programs to meet them. The first urban growth report was submitted in early 1972. It highlighted Federal and State actions and provided statistics on population trends and growth patterns. However, it did not make suggestions for the future.

At the State level in 1972, Florida adopted far-reaching legislation for planning and land use. A new State comprehensive planning act designates the governor as the chief planning officer for the State and elevates the bureau of planning to division status with broad authority to coordinate planning among the State agencies and with other levels of government. An environmental land and water management act directs the governor and his cabinet to designate "areas of critical State concern" and "developments of regional impact" to be controlled by land-use regulations or other guidelines.

Louisiana, Ohio and Tennessee adopted legislation to facilitate new community development. In Illinois, the Governor's Rural Development Commission recommended approaches to aid small communities. (*Balanced growth policies are discussed in detail in Chapter 4, beginning on p. 39.*)

Transportation

ACIR considered transportation primarily in two studies: a 1961 report, *Intergovernmental Responsibilities for Mass Transportation Facilities and Services*, and its 1969 report, *State Aid to Local Government*.

These reports, basically, call for flexible use

of Federal and State highway money to plan and build balanced transportation systems that include mass transit as well as a full range of primary and secondary roads. In addition, ACIR called on States to develop mass transportation plans, give technical assistance to local governments in these areas, and authorize local governments to develop areawide mass transportation facilities.

At the Federal level in 1972, a concerted effort was made to increase State flexibility in using Federal highway trust funds. One provision of the proposed Federal Aid Highway Act of 1972 (S. 3939) would have permitted State discretion to use \$800 million from the trust fund for urban rapid rail systems. But the measure died in a conference committee after the Senate and House had passed differing versions.

The States had more luck along these lines. The Florida legislature declared a transportation system a valid county purpose for which counties may collect a 1-cent gas tax. The Michigan legislature increased the gasoline tax from 7 to 9 cents a gallon and earmarked a half cent for mass transit. An initiative ratified in Massachusetts will permit the use of gas tax revenue for mass transit in 1975.

The most comprehensive and innovative action was taken in Massachusetts. Three years ago, Governor Sargent had stopped most of the highway building in the State pending an intensive study of transportation needs. Late in 1972, the Governor proposed a comprehensive transportation package that would substitute modern mass transit for several proposed highways, repair and build new roads that are needed, freeze parking within the city

of Boston but build satellite parking areas and mass transit shuttles. He presented the plan in the context not only of balanced transportation, but of the economic and social needs for the State as a whole. (*See p. 32 for other 1972 developments in transportation.*)

Public Labor- Management Relations

ACIR recommended comprehensive State public labor-management relations laws in a 1969 report, *Labor Management Policies for State and Local Government*. The Commission preferred "meet and confer" procedures to "collective negotiations" and called for prohibition of strikes by public employees.

A 1972 law in Oklahoma extended employee relations provisions under the "Firefighters' and Policemen's Arbitration Law" to all municipal employees. The Kentucky legislature created a State Board of Labor Relations, provided for collective bargaining for firefighters and prohibited strikes. In Wisconsin a new law altered the powers and duties of the State employment relations and personnel board, established fair-share agreements for State employees, set out proper subjects for collective bargaining, and provided for arbitration, mediation and fact finding.

A comprehensive collective bargaining act for State employees in Connecticut was vetoed by the Governor, as was an act to permit collective bargaining for teachers in Kentucky. Florida permitted collective bargaining for firemen and Virginia created a commission to study the rights of public employees.



THE WORK OF THE YEAR IN REVIEW

58

During 1972, the Commission and its staff were immersed in three complex and comprehensive studies. Virtually all of the ACIR's research resources were committed for the entire year to the three projects, which probed these questions:

- Should the Federal government provide direct aid to States to finance intrastate equalization of education and to relieve local property tax burdens? If so, should a Federal value-added tax be instituted to pay for the new aid programs?
- Are cities suffering a financial crisis? If so, what should be done—at which levels of government—to solve the current problems and prevent their recurrence?
- Do the governmental structures and mechanisms that are narrower than States but broader than traditional localities constitute a new level of government? If this means the emergence of a new federal pattern, what should be the role of each component?

In December, at its fourth and final meeting of the year, the Commission completed consideration of the study of school financing, property tax relief and the value-added tax, and adopted five recommendations. Reports covering various aspects of this many-faceted research project will be published by ACIR in at least five separate volumes during 1973.

Work on the other two major projects—fiscal crises of cities and substate regionalism—also is scheduled to be completed during 1973.

School Financing and Property Tax Relief

Early in 1972, the Commission set aside a project on local revenue sources to respond to the President's request that it study the appropriate Federal role in funding intrastate school equalization and residential property tax relief, and the advisability of a Federal value-added

tax to finance these initiatives. (Work will resume on the local revenue sources study early in 1973.)

One of the reasons ACIR undertook the new project was that the problems presented in it strike at the heart of federalism. Should the Federal government involve itself in two areas—property taxation and intrastate distribution of school funding—that traditionally have been the sole responsibility of the States? Is the need great enough to warrant such a major change in the federal pattern? What would be the long-range consequences to federalism?

Background. Neither financing education nor the property tax was a new subject area for ACIR. In 1963, the Commission produced a two-volume report on *The Role of the States in Strengthening the Property Tax*, making 29 recommendations for improvements in the administration of that levy. Its 1969 report on *State Aid to Local Government* urged States—as a long-range goal—to assume substantially full responsibility for paying for public elementary and secondary education. Both reports stressed the key function of the State government. Neither called for direct Federal action.

Since those reports were published, events have brought both school financing and property taxation to the forefront of national attention.

Reports of taxpayer displeasure over the property tax burden have made headlines across the country, with ominous warnings of a “taxpayers’ revolt.” A nationwide public opinion poll conducted by ACIR in March 1972 as part of its study showed the property tax to be the least popular levy. (*See p. 62.*)

In a series of court cases, beginning with the California Supreme Court’s decision in *Serrano v. Priest* in the fall of 1971, school-financing systems were held to be unconstitutional if the wealth of a child’s parents or neighbors determines the level of funding of his school district.

At the end of 1972, the U.S. Supreme Court had one of these cases—*Rodriguez v. the San Antonio (Texas) School District*—under consideration, with a decision expected sometime in early 1973.

If the States were to take over the major share of the cost of paying for public schools as ACIR recommends, the primary flaw cited in each of these cases—variations between districts in the amount of money available per pupil—could be eliminated.

State responsibility. During the 1960s, Federal involvement in more and more areas that previously had been regarded as State concerns helped to swell the number of Federal grants-in-aid from a handful to about 500. This process raised serious questions about the future of States and localities as partners in the federal system.

As its first step, therefore, the Commission devised two tests for Federal involvement in areas that traditionally have been the sole policy preserve of State government:

- Does the problem that precipitated the demand for Federal intervention stem from a head-on conflict, a serious undercutting of a major Federal program objective by policies of most States?
- Can the intergovernmental conflict be resolved only by action on the part of the Federal government?

Against these two tests, the Commission measured the proposal submitted to it by the administration for a \$12-billion program, financed by a Federal value-added tax, to underwrite State assumption of the school-funding burden in those cases where States eliminate the use of the local property tax to pay for schools.

The Commission found that this proposal passed neither test. Its first recommendation states:

...the interests of our federal system are best served when States retain primary responsibility for shaping policies dealing with general property tax relief and intrastate equalization of school finances—two areas that traditionally have been within the exclusive domain of State policymakers.

Three other proposals also were weighed against the same two tests—proposals for less extensive Federal categorical grants to States to spur property tax relief and reform and equalization of school financing. The ACIR rejected all three.

The basic thrust of the Commission's recommendations is that the States—if they are to exercise a strong role in our federal system—must take the responsibility and the initiative in areas of traditional State concern. It is not necessary to send every problem to Washington for resolution, the Commission said, and Congress should resist the temptation to solve problems that can properly be handled at the State level. (*See p. 10.*)

The need to strengthen the position of the States was clearly reflected in one finding of ACIR's 1972 poll on public opinion and taxes. When asked to name the government from which "you get the most for your money," 39 percent of the respondents selected the Federal government and 26 percent picked their local government. State government was at the bottom of the image list with 18 percent.

Property Tax Relief. After extensive study of property tax burdens across the country, the Commission found that on objective statistical standards the property tax is not as bad as most taxpayers think—at least, not burdensome enough to warrant Federal intervention.

The average American family—a couple with two children and an annual family income of \$12,000—in 1972 paid 3.4 percent of its income in property taxes. State and local personal income taxes and general sales taxes took 3.2 percent, nearly an equal share.

Furthermore, the Commission found, State and local sales and income taxes have grown at a much faster rate during the last 20 years than the property tax. In 1953, the average family—then earning \$5,000—paid 0.9 percent of its income in State and local sales and income taxes and 2.2 percent in property taxes.

The property tax does weigh heavily on a certain segment of the population—poor families, particularly those on fixed incomes. ACIR found that the property tax load carried by poor householders is an excessive burden.

In 1970, more than six million elderly homeowners paid an average of 8.1 percent of their income in property taxes. And the 1.6 million homeowners in this country with incomes of less than \$2,000 a year paid an average of 16.6 percent of their household income to the property tax collector. In the Northeast region, low-income homeowners paid more than 30 percent of their meager income in property taxes.

However, property tax rates and burdens vary so greatly from State to State and from region to region that it would be extremely difficult to design a single nationwide Federal property tax relief program that would be fair and would provide relief to the people who really need it.

There is a range of seven to one in per-capita property tax collections between Alabama, which has the lowest per-capita yield, and California, which has the highest. Residential property taxes vary from 0.3 percent of personal income in Louisiana to 3.7 percent in New Hampshire. In terms of the market value of a home, the effective rate ranges from about 0.4 percent in Louisiana to more than three percent in five States.

Another problem with a Federal property tax relief program, ACIR concluded, is that any substantial reduction in property taxes would result in windfall gains to land speculators who would benefit both from the tax re-

duction and from the increasing attractiveness of the land because of the reduction.

Further, under the proposal which Mr. Nixon asked ACIR to study, the residential property tax would no longer be used to support the schools. The Commission found that this would place severe restrictions on a very important State and local revenue source and would thus weaken State and local self-reliance, rather than strengthen the federal system. Also, nothing in the proposal would prevent local governments from keeping property tax rates at the same level but using the money for other purposes, thus negating the whole idea of property tax relief.

By the end of 1972, 15 States had adopted circuit-breaker legislation to relieve excessive property tax burdens on low-income families. (See p. 47.) Just as an electrical circuit breaker works to prevent a dangerous overload of electricity, this type of legislation provides an income tax credit or cash rebate to families whose property tax reaches a "dangerous" percentage of their income.

ACIR first called on States to shield low-income families from property tax overburden in its 1967 report on *Fiscal Balance in the American Federal System*.

The Commission, at its December meeting, considered a proposal for Federal incentive grants to encourage States to adopt circuit-breaker legislation to relieve the property tax burden on low-income homeowners and renters, especially the elderly. A majority of the Commission members rejected the proposal because they felt it did not meet the two tests for Federal involvement. They also strongly opposed the establishment of another categorical aid program and felt the States should handle the problem themselves.

Therefore, in its second recommendation, the Commission reaffirmed its 1967 position that:

...States (should shield basic family income from undue burdens imposed by the property tax.

Property Tax Assessment Reform. A collateral issue to property tax relief is reform of assessment practices in the States. There has been little State action on property tax reform since ACIR's 1963 report which recommended 29 improvements in the administration of the levy. (See p. 46 for 1972 developments.)

The Commission in December considered a proposal for a Federal grant to encourage States to reform the administration of the property tax. This was rejected by the majority for many of the same reasons as the proposal for a circuit-breaker incentive grant. In addition, members cited existing Federal grants that might be used for this purpose without setting up a new categorical program.

In its third recommendation, the Commission reaffirmed its 1963 proposals for improvements in property tax administration:

... (the ACIR calls) on the States to strengthen assessment administration and thereby make the property tax a more effective and equitable revenue instrument for local government.

The ACIR staff will issue an information report in the spring of 1973, updating the 1963 report and documenting what progress has been made in assessment reform.

Intrastate School Equalization. The Commission found that the overwhelming majority of States would not confront insurmountable fiscal burdens in equalizing education costs. With the exception of New York, Vermont and Wisconsin—whose citizens bear relatively heavy tax loads—most States have the necessary untapped tax potential to bring per-pupil expenditures to the high levels needed to comply with the "no wealth" principle enunciated in the court decisions.

Disparities are still great, the Commission found. In half the States, per-pupil spending is

at least twice as great at the 90th percentile level as at the lowest level. To raise the minimum per-pupil expenditure to the 90th percentile in every State would cost about \$6.9 billion, only 27.4 percent of the estimated untapped State-local tax capacity. And many States could lower the cost of equalizing education if they reorganize their school districts, admittedly a sometimes painful political process.

Commission members felt strongly that intrastate distribution of education funds should remain a State responsibility. States have a long history of improving financial management of education and many are striving now to reduce inequality.

The Commission, in its fourth recommendation, thus concluded that:

...the reduction of fiscal disparities among school districts within a State is a State responsibility.

In adopting the recommendation, the ACIR emphasized that it was addressing itself only to the question of equalizing school expenditures among districts within a State, not to the question of the proper Federal role in supporting public elementary and secondary education. The Commission also stressed three other points:

- Time is needed to assess the impact of revenue sharing on the school-financing problem;
- The judgment of the courts will not be final until the U. S. Supreme Court renders its decision; and
- Better State systems to measure the effectiveness of school spending are needed before the consequences of the differences in school-spending levels among districts can be evaluated.

(Four Commission members—Treasury Secretary Shultz, Senators Muskie and Percy and Governor Kneip—filed separate statements in

connection with the four majority recommendations against new Federal incentive grants to help States in school-funding equalization, property tax relief and assessment reform. They emphasized their belief that the Federal government should play a role, albeit limited, in extending property tax relief and promoting property tax reform.)

Value-Added Tax. Because it had decided against any new Federal aid program for property tax relief or financing of intrastate school equalization, the Commission concluded in its fifth recommendation that:

...there is no need to enact a Federal value-added tax to provide revenue for property tax relief and to ameliorate fiscal disparities among school districts within each State, and ... such a tax should not be enacted for this purpose.

Early in 1973, ACIR will publish an information report on the value-added tax and alternative means of strengthening the Federal tax system.

Public Opinion and Taxes

What the public thinks of current taxes and possible changes in tax structure is an important component of decision-making on tax policy. Therefore, ACIR commissioned Opinion Research Corporation of Princeton, N.J., to conduct a nationwide poll of the public's views on this subject.

The results confirmed that the property tax is easily the most unpopular tax among the people, regardless of age, sex, income level, regional background, educational attainment or occupation.

Those surveyed were asked, "Which ... is the worse tax, that is, the least fair?" Forty-five percent named the property tax, while 19 percent chose the Federal income tax and 13 percent each selected the State income tax and the State sales tax. The other 10 percent did not know.

However, the respondents were almost evenly divided over whether the Federal government should raise additional revenues to help reduce the local property tax. Forty-six percent said they would approve of some form of Federal intervention to provide property tax relief—32 percent favoring a value-added tax for that purpose and 14 percent preferring an increase in the personal income tax—but 44 percent preferring an increase in the personal income tax—44 percent preferring an increase in the personal income tax—44 percent preferring an increase in the personal income tax—44 percent preferring an increase in the personal income tax. Ten percent had no strong opinion.

As mentioned previously, the Federal government emerged with a higher rating in the eyes of the people than any other level, followed by local government. State government was viewed least favorably of the three traditional levels.

Among the major tax sources, the Federal income tax was seen as the “fairest” by 36 percent, compared with the State sales tax (33 percent), the State income tax (11 percent) and the local property tax (7 percent).

If the Federal government must raise more revenues, 40 percent of the people wanted tax reform “reducing special tax treatment for capital gains and cutting tax deduction allowances for charitable contributions, State and local taxes, medical expenses, etc.” Another 34 percent favored a value-added tax and 10 percent preferred higher individual income tax rates.

On the other hand, if States must raise more money, the people overwhelmingly favored using the State sales tax as the source (46 percent) over the State income tax (25 percent) or State property tax (14 percent).

These conclusions were based on the findings of personal interviews of a representative sample of 2,195 adults throughout the country. The survey was conducted between March 15 and April 8. ACIR published an analysis of the results in May as *Public Opinion and Taxes*.

Financial Emergencies of Cities

Late in 1970, Cleveland, Ohio—one of the Nation’s ten largest cities—laid off 1,000 employees, a reduction in work force of 22 percent, because of the city’s acute financial situation.

Weeks later, in January 1971, President Nixon warned, “. . . if we do not have (welfare reform and revenue sharing), we are going to have States, cities and counties going bankrupt over the next two or three years.”

These were strong actions and strong words. It appeared that the financial plight of the cities had reached major proportions.

This Commission had described the urban crisis on several occasions—the outdated capital facilities and worn-out equipment, the demands for increased services for minorities and the poor, the inability to increase the tax base because of tax restrictions, the constraints of State debt ceilings for municipalities, the citizen tax rebellions, the competition with other governmental units for State and local revenue sources and a general inability to make revenue resources stretch to fit the expenditures mandated by the State and demanded by the people.

For these reasons, the ACIR decided late in 1971 to take a close look at the problem of maintaining city governments as effective functioning financial organisms. Backed by a grant from the Ford Foundation, the Commission launched a study of financial emergencies of American cities.

Because “financial emergency” is a subjective term with many connotations, a broad working definition was developed. The study would:

- explore the causes and effects of situations where a city reaches the point at which it can no longer provide its existing level of services because of inability to

meet payrolls, pay current bills, pay amounts due other government agencies, or pay debt service on bonds or maturing short-term notes because it lacks either cash or appropriations authority;

- analyze the most common fiscal expedients used by cities to avoid bankruptcy;
- establish guidelines for determining when a local government is confronted with a fiscal crisis; and
- formulate recommendations for an orderly program for dealing with the problem.

The project did not deal with social needs or priorities. It focused solely on the ability of municipalities to pay their bills.

At its March 1973 meeting, the Commission will give final consideration to the report, which is the product of 1972 research that included in-depth case studies of eight cities with financial emergencies and a survey of the 30 largest cities in the country.

Regionalism

Substate Regionalism is the second half of a comprehensive ACIR study of regional mechanisms in the American federal system.

At its December 1971 meeting, the Commission adopted the report of the first part of the study, *Multistate Regionalism*, which was printed in April 1972. The substate report—which looks into variety of old and new regional approaches, will be considered in sections. The Commission will take up the first phase at its March 1973 meeting.

Multistate. In the multistate report, the ACIR examined in detail 13 Federal-multistate commissions—six economic development bodies and seven river basin units—as well as interstate compacts. They ranged widely in scope, authority, age and funding. Experience with these 13 commissions is limited. At the time of the study, the oldest body, the Dela-

ware 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 Commission also recommended that the States continue to initiate and Congress give consent to interstate compacts designed to meet government program problems. It further urged the States to develop more systematic procedures for monitoring the activities of compact-based bodies.

Substate. The substate study is a massive research effort, funded in part by grants from the Departments of Housing and Urban Development and Health, Education and Welfare.

The first stage assesses the roles and operations of selected areawide bodies, including regional planning commissions and councils of governments, special districts, State-established planning and development districts, and federally encouraged areawide districts.

In cooperation with the National Association of Regional Councils and the Office of Management and Budget (OMB) the ACIR staff surveyed regional councils to obtain a profile of these bodies and evaluated their performance of functions under OMB Circular A-95, which sets up a system of intergovernmental clearinghouses for grants-in-aid. With the aid of the city associations, the staff also surveyed city and county chief executive officers for their evaluation of regional councils.

For the second phase of the substate project, the Commission staff is focusing on more traditional mechanisms for regional governance, such as the urban county, multipurpose interlocal agreements, functional transfers, metropolitan federation, and city-county consolidation.

In addition, various background and case studies are being developed to supplement and complement the study. These include an analysis of black elected officials' attitudes regarding regional development, case studies of restructuring of local government in Canada, the experiences of several States in establishing substate districting systems, in-depth analyses of efforts in regional governance and studies of interstate metropolitan areas.

Another aspect of the substate regionalism study is looking at the problem functionally—how regional mechanisms are used to deliver a range of public services including health, education and social services.

The final substate regionalism report will probably be published in four separate volumes because of the complex and comprehensive nature of the study.

Annual Features

Each year, the Commission publishes information reports providing encyclopedic data on State and local finances and a roundup of new State actions to help solve local and areawide problems.

State-Local Finances. Continuing the pattern of the last several years, the 1973 volume of *State-Local Finances: Significant Features and Suggested Legislation* will contain expanded tables and new data developed in the course of the year's research projects.

The new information will include tables on property tax burdens and additional material on State circuit-breaker programs for property tax relief for low-income families. The annual tabular features include data on major revenue producers, sources of State and local revenue, sources of State government revenue growth, State and local revenue efforts, Federal aid to State and local governments, State aid to local governments, major expenditure programs,

State and local government debt and major State and local taxes. Data for the volume was gathered and prepared in the fall, with publication scheduled for early 1973.

State Action on Local Problems. Expanding upon the format established the year before, the Commission's volume of *State Action on Local Problems—1971*, published in April 1972, reported on new State laws, programs and constitutional amendments designed to strengthen the response of States to the needs of their local governments and citizenry. The document described State steps to strengthen local government, to assist localities in specific program areas, to help solve areawide problems, to improve State and local revenue systems and to revise outmoded constitutions.

Other Information Services

For the benefit of ACIR constituents—policymakers at all levels of government as well as public interest groups, educators and civic associations—the Commission staff gathers information on innovative solutions to State and local problems that might be helpful to other jurisdictions. The information is also vital to the Commission's own research activities.

During 1972, steps were taken to systematize these information-gathering efforts. In addition to the material obtained by various staff members from their own sources, one member of the professional staff was charged with primary responsibility for gathering and processing consistent up-to-date information from all States and with making it available to interested officials and organizations. This effort should help increase the comprehensiveness and accuracy of ACIR reporting on intergovernmental developments in the States and localities and enhance its services.

The Commission's periodic information services which analyze and report on breakthroughs in intergovernmental relations were continued

throughout the year. *Information Bulletins* were developed and distributed on such diverse topics as the Federal revenue sharing act, State constitutional revision and the court decisions on school financing. In addition, the ACIR regularly transmitted news, background material and articles of interest through its *Information Interchange Service*.

In order to improve distribution of Commission publications and other information, the ACIR mailing lists were reorganized, expanded and updated. The Commission brochure was revised and redesigned to better acquaint officials at all levels and other interested persons and organizations with the ACIR, its membership, its work program, its recommended Agenda for the Seventies and its available publications. Commission materials and publications were displayed and distributed at numerous major meetings, conferences and conventions.

66

Technical Assistance

Whenever possible within the limitations of staff resources, the Commission during 1972 provided technical aid on request to the Congress and the States on proposals relevant to the ACIR's action Agenda for the Seventies.

The Commission and its key staff members

submitted statements and testified before House and Senate committees on legislation of vital interest to federalism. As in previous years, Commission members and staff professionals were in frequent demand to participate in national, State and regional meetings of government officials and civic leaders—and did so whenever possible.

ACIR continued to serve as the administrative intermediary between Federal agencies and State-local representatives in the review process prescribed by Office of Management and Budget (OMB) Circular A-85, which provides an opportunity for State and local chief executives to review proposed Federal rules, regulations and procedures that will have an impact on their governments, and to suggest changes in them before they become effective. Additional staff resources were devoted to monitoring the A-85 process and, with OMB staff, to seeking ways to improve it.

During the year, the ACIR staff maintained liaison with various national groups representing State and local governments and with the Administration's Office of Intergovernmental Relations. The staff also provided technical information on request to the Committee on State and Local Government Cooperation, part of the President's economic stabilization framework.

appendixes



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(December 31, 1972)

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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 24 States and four cities contributed \$26,000 to ACIR in fiscal year 1972.

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.

In fiscal year 1972, the Commission received funds from other Federal agencies in connec-

tion with projects that tie in closely with ongoing Commission research. Largest of these grants was \$122,000 received from the Department of Housing and Urban Development to support the ACIR study of substate regionalism. A report of that study will be issued in 1973. The Commission received a total of \$79,000 from the Department of Health, Education and Welfare and the Domestic Council for the study of school finance, property tax relief and the value-added tax. Reports from this study will be published in 1973. The Department of Health, Education and Welfare also has provided \$45,000 to ACIR for a 1973 project to develop criteria for the delivery of services under the Allied Health Services Act.

Contract money totaling \$102,000 was received from the Ford Foundation during fiscal 1971 to support the study on financial emergencies of cities. This project continued during 1972 and the report is expected to be published in the summer of 1973.

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

APPENDIX D

consolidated statement

Object Classification	FY 1972 Actual	FY 1973 Estimated
	(thousands of dollars)	
Personnel Compensation	641	688
Personnel Benefits (retirement, health, insurance, FICA)	42	55
Travel and Transportation	40	47
Rent, Utilities and Communications	22	37
Printing and Reproduction	42	93
Other Services	179	85
Supplies, Materials	17	16
Equipment	8	5
	<u>991¹</u>	<u>1026²</u>

¹Includes \$159,000 from other Federal agencies, and \$74,000 from non-Federal sources.

²Includes \$153,000 from other Federal agencies, and \$85,000 from non-Federal sources.

acir publications

REPORTS PUBLISHED IN 1972

**Multistate Regionalism*. ACIR Report A-39. April 1972. 271 pp. \$2.00. Examines the legal base, organization and operations of the Appalachian regional program, the five commissions established under Title V of the Public Works and Economic Development Act of 1965, the five river basin commissions, and the two Federal-interstate river basin compact bodies. Recommends that these multistate regional mechanisms be retained but that any further action in this area await more experience with this type of interstate device. Also supports the use of interstate compacts.

**State Action on Local Problems—1971*. ACIR Report M-75. April 1972. 24 pp. \$.40. Information and reference report summarizing selected State constitutional and legislative actions during 1972 that were directed toward local units of government, particularly those in urban areas.

**State-Local Finances: Significant Features and Suggested Legislation, 1972 Edition*. ACIR Report M-74. 420 pp. \$3.00. ACIR's annual updated volume of information on State-local revenues and expenditures and on State tax rates. Tables illustrate growth of the State-local sector, historical changes in sources of State and local general revenue, State restrictions on local property tax and debt powers, educational finance and public assistance, and State aid to local government. Also contains model legislation to implement ACIR tax and fiscal policy recommendations.

**Federalism in 1971: The Crisis Continues*. Thirteenth Annual Report. ACIR Report M-73. February 1972. 50 pp.

**Profile of County Government*. ACIR Report M-72. December 1971. 148 pp. \$1.25. Presents an updated picture of county government structure and organizations; services and functions; involvement in zoning, subdivi-

sion and land-use control; relationships with special districts; an analysis of single-county metropolitan areas; and an assessment of progress made in county reform. Includes nine draft State laws to modernize county government.

**The New Grass Roots Government? Decentralization and Citizen Participation in Urban Areas*. ACIR Report M-71. January 1972. 21 pp. (out of print.)

PREVIOUS PUBLICATIONS

(Currently Available)

Policy Reports

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

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

**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 Aid to Local Government*. ACIR Report A-34. April 1969. 105 pp. \$1.00.

**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. \$1.50.

**Fiscal Balance in the American Federal System*. ACIR Report A-31. October 1967. Vol. I, 385 pp. \$2.50. Vol. II, *Metropolitan Fiscal Disparities*, 410 pp. \$2.25.

**State-Local Taxation and Industrial Location*. ACIR Report A-30. April 1967. 114 pp. \$.60.

**Building Codes: A Program for Intergov-*

ernmental Reform. ACIR Report A-28. January 1966. 103 pp. \$.60.

Federal-State Coordination of Personal Income Taxes. ACIR Report A-27. October 1965. 204 pp.

State-Federal Overlapping in Cigarette Taxes. ACIR Report A-24. September 1964. 62 pp.

Statutory and Administrative Controls Associated With Federal Grants for Public Assistance. ACIR Report A-21. May 1964. 108 pp.

Industrial Development Bond Financing. ACIR Report A-18. June 1963. 96 pp.

Apportionment of State Legislatures. ACIR Report A-15. December 1962. 78 pp.

Intergovernmental Responsibilities for Water Supply and Sewage Disposal in Metropolitan Areas. ACIR Report A-13. October 1962. 135 pp.

Local Nonproperty Taxes and the Coordinating Role of the State. ACIR Report A-9. September 1961. 68 pp.

Intergovernmental Cooperation in Tax Administration. ACIR Report A-7 (Summary). October 1965. 14 pp.

State and Local Taxation of Privately Owned Property Located on Federal Areas. ACIR Report A-6 (Summary). August 1965. 17 pp.

Investment of Idle Cash Balances By State and Local Governments. ACIR Report A-3 (Summary). August 1965. 23 pp.

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

Information Reports

**Special Revenue Sharing: An Analysis of the Administration's Grant Consolidation Proposals.* ACIR Report M-70. December 1971. 63 pp. \$.40.

**Who Should Pay for Public Schools?*

ACIR Report M-69. October 1971. 44 pp. \$.35.

**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. 98 pp.

**Prosecution Reform.* ACIR Report M-66. September 1971. 9 pp. \$.25.

**Police Reform.* ACIR Report M-65. August 1971. 30 pp. \$.40.

**Correctional Reform.* ACIR Report M-64. August 1971. 13 pp. \$.30.

**Court Reform.* ACIR Report M-63. July 1971. 31 pp. \$.35.

**County Reform.* ACIR Report M-61. April 1971. 31 pp. \$.40.

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

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

**Measuring the Fiscal Capacity and Effort of State and Local Areas.* ACIR Report M-58. March 1971. 209 pp. \$1.75.

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

**State Involvement in Federal-Local Grant Programs—A Case Study of the "Buying-In" Approach.* ACIR Report M-55. December 1970. 71 pp. \$.70.

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

New Proposals for 1971. ACIR State Legislative Program. ACIR Report M-53. November 1970. 45 pp.

**The Commuter and the Municipal Income Tax.* ACIR Report M-51. April 1970. 32 pp. \$.25.

***Eleventh Annual Report.* Features a 10-

year review of major developments in the American federal system. ACIR Report M-49. January 1970. 88 pp. (N.T.I.S. Order No. PB-189668.)

1970 Cumulative ACIR State Legislative Program. ACIR Report M-48. August 1969. 524 pp.

**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.

***Sources of Increased State Tax Collections: Economic Growth vs. Political Choice.* ACIR Report M-41. October 1968. 19 pp. (N.T.I.S. Order No. PB-180767.)

***State Legislative and Constitutional Action on Urban Problems in 1967.* ACIR Report M-38. May 1968. 29 pp. (N.T.I.S. Order No. PB-178982.)

***Metropolitan Councils of Government.* ACIR Report M-32. August 1966. 69 pp. (N.T.I.S. Order No. PB-178981.)

***Catalogs and Other Information Sources on Federal and State Aid Programs: A Selected Bibliography.* ACIR Report M-30. June 1967. 26 pp. (N.T.I.S. Order No. PB-178980.)

State Technical Assistance to Local Debt Management. ACIR Report M-26. January 1965. 80 pp.

Performance of Urban Functions: Local and Areawide. ACIR Report M-21. September 1963. 281 pp.

Factors Affecting Voter Reactions to Governmental Reorganization in Metropolitan Areas. ACIR Report M-15 (Summary). May 1962. 80 pp.

OTHER REPORTS AVAILABLE FROM ACIR

Public Opinion and Taxes. Survey of public attitudes toward property taxes, proposed

value-added tax, and related matters of fiscal policy. May 1972. 19 pp.

10-Year Record of the ACIR. Joint hearing before the Intergovernmental Relations Subcommittees of the House and Senate Committees on Government Operations, 92nd Congress, 1st Session. November 1971. 118 pp.

Unshackling Local Government (Revised Edition). Survey of proposals by ACIR. 24th Report by the House Committee on Government Operations, 90th Congress, 2nd Session. April 1968. 71 pp.

Five-Year Record of ACIR and Its Future Role. Joint hearings before the Subcommittees on Intergovernmental Relations of the Senate and House Committees on Government Operations, 89th Congress, 1st Session. May 1965. 257 pp.

The Final Report of the Commission on Intergovernmental Relations (Kestnbaum Report). U.S. House of Representatives, Committee on Government Operations, House Document No. 198, 84th Congress, 1st Session. June 1955. 311 pp.

Hearing Before the Advisory Commission on Intergovernmental Relations on Intergovernmental Problems in Medicaid. September 1968. 29 pp.

*Publications marked with an asterisk may be purchased directly from the Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

**To order publications marked with a double asterisk, write directly to the National Technical Information Service, Springfield, Virginia 22151, giving PB number. Paper copies \$6.00. Microfiche (4" x 6" sheets) 95 cents.

As the supply permits, single copies of most publications listed may be obtained without charge from the Advisory Commission on Intergovernmental Relations, Washington, D.C. 20575.

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¹Appointed May 11, 1972, to succeed Senator Karl E. Mundt of South Dakota.

²Appointed December 16, 1972, to succeed Robert H. Finch, Counsellor to the President.

³Appointed March 31, 1972, to succeed Governor Warren E. Hearnes of Missouri.

⁴Appointed March 31, 1972, to succeed Lawrence F. Kramer, Jr., former Mayor of Paterson, New Jersey.

what is acir?

The Advisory Commission on Intergovernmental Relations (ACIR) was created by Congress in 1959 to monitor the operation of the American federal system and to recommend improvements. ACIR is a permanent national bipartisan body representing the executive and legislative branches of Federal, State and local government and the public.

Of the 26 Commission members, nine represent the Federal government, 14 represent State and local governments and three represent the general public. Twenty members are appointed by the President. He names three private citizens and three Federal executive officials directly and selects four governors, three State legislators, four mayors and three elected county officials from slates nominated, respectively, by the National Governors' Conference, the Council of State Governments, the National League of Cities/U.S. Conference of Mayors, and the National Association of Counties. The other six are Members of Congress—three Senators appointed by the President of the Senate and three Representatives appointed by the Speaker of the House. Commission members serve two-year terms and may be reappointed. The Commission names an Executive Director who heads the small professional staff.

After selecting specific intergovernmental issues for investigation, ACIR follows a multi-step procedure that assures review and comment by representatives of all points of view, all affected levels of government, technical experts and interested groups. The Commission then debates each issue and formulates its policy positions. Commission findings and recommendations are published and draft bills and executive orders are developed to assist in implementing ACIR policies.

