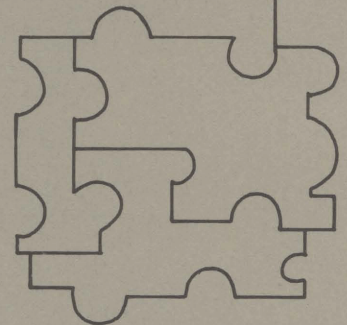


Federalism in 1974:  
**THE TENSION  
OF  
INTERDEPENDENCE**

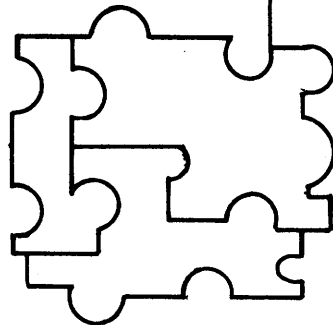


Advisory Commission on Intergovernmental Relations  
WASHINGTON, D.C. 20575 • FEBRUARY 1975

M-89



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# Preface

**T**he first resignation by a President of the United States after only the second impeachment investigation of a President by the House of Representatives in our country's history, must sadly rank at the top of any review of intergovernmental relations in 1974. The struggle during this incredible chain of events affected, and affects, every aspect of public life at every level of governance. Like an earthquake itself, the after-tremors still are being felt.

In a sense, though, the miraculous and hopeful aspect of these tragic events is that our constitutional system did function effectively, power was transferred peacefully, and the institutions of our federal system remain intact and indeed strengthened. This, the ACIR as the only official monitor of the workings of our federal system must, and does, note.

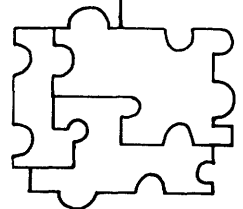
As the country begins to sort out the puzzling aftermath of these events, under the leadership of the first non-elected President and Vice President in our history, it slowly is coming to grips with the reality that an economic as well as a political era

has come to a close. The country of affluence and plenty, provider for the world, has been rudely awakened, to discover that its resources are not unlimited. We wrestle at the same time with a new phenomenon — inflation and recession occurring simultaneously.

Meanwhile, on a less dramatic note, slow but steady progress was made in 1974 in improving the delivery systems for Federal aid to state and local governments, in the ability of the states to cope with emerging problems ranging from energy to transportation, and more cautiously in the recognition, at least, that metropolitan areas must develop areawide solutions to areawide problems.

As has been its yearly practice, the ACIR has put together a summary of the 1974 intergovernmental year. Composed as we are of a diverse group of 26 members, not every commissioner views 1974 from the same vantage point. The following summary represents our best consensus, and perhaps none of our members would subscribe to every comment or conclusion.

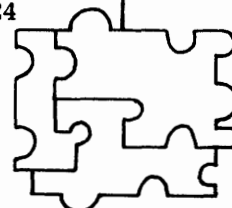
Robert E. Merriam  
Chairman





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# Federalism in 1974: The Tension of Interdependence

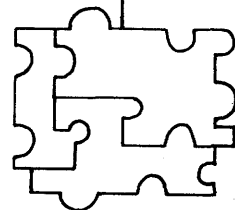
1974 began with Watergate and the scandal grew to span and dominate the rest of the year. In February, the House of Representatives voted to begin its impeachment probe. By mid-year the President had resigned and, on the first day of 1975, four of President Nixon's top aides and associates were convicted of Watergate-related crimes.

But the year-long domination of Watergate went beyond the denials and disclosures, beyond the ultimate demise of a President. Watergate dominated the operations of all of American government in 1974. The Federal government spent the first seven months weakened, distracted, and divided — branch against branch. It spent much of the last five months, under a new President, recuperating and preparing to chart a new course which had not truly come into focus by the end of the year. So while the Federal government would normally have led the response, it was in no position to do so when the nation faced the threefold challenge of a crisis in the public's confidence in government, a worsening economy, and an uncertain supply of increasingly expensive energy.

To the extent that they were able, the states and local governments moved to fill the gap. In many respects the response was impressive. Many government accountability

laws were passed, innovative allocation plans were set up, and government services were substantially maintained in the face of simultaneous inflation and recession. Still, while many states, counties, and cities approached their fiscal and jurisdictional limits in striving to meet the challenge, the lesson of the year of Watergate is that the Federal government must play a major role in responding to the most complicated, expensive, and truly inter-governmental challenges.

- While the states could cut their spending and cope with their budget problems; while they could offer property tax relief and prepare for public service employment; they could neither alter the money supply nor impose wage and price controls.
- While the states and local governments could adopt rationing and conservation plans, they could not negotiate with foreign suppliers or set national objectives to achieve energy independence.
- While the states and local governments could pass government accountability laws, they could not overcome the events

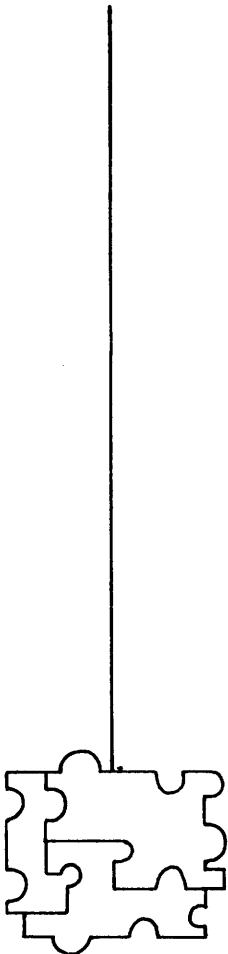


in Washington which fed the growth in public cynicism.

Still, despite the lamentable restraints on Federal action in 1974, some things were accomplished. The Congress enacted, and the President signed, a sweeping new community development act, a long debated pen-

sion reform bill, and a Federal campaign finance act. The Congress also dramatically revised and strengthened its budget review procedures.

While the Federal government did have its legislative accomplishments, the federal system was handicapped throughout the year by the weakness of the partner who must be strong to make the system work.



# The Economy

**O**f all of 1974's problems, none had as pervasive an impact on the operations of the federal system nor highlighted the interdependence of that system as did the country's economic woes. Yet with economic problems that became more complex and threatening as the year progressed, no clear consensus on the diagnosis or on the cure of the ailment emerged even by year's end.

Viewed from an intergovernmental perspective, three observations dominate:

- Because of the tremendous growth in both tax collections and spending patterns of states and local governments over the past 20 years, Federal acts of omission or commission are apt to have obvious and adverse effects on state and local governments. Any attempt to curb inflation by cutting Federal aid is bound to create problems for states and localities. Likewise, any failure to reduce growing unemployment will mean that the states and local governments will have to bear the increasing costs of welfare related programs.
- Fluctuations in the economy do not affect all levels of government equally. Because most

governments depend for their revenue on income, sales, or property taxes, or some combination of the levies — each of which reacts differently to changes in the economy — the fiscal health of different levels and units of government varied greatly in 1974.

- Delays by the Federal policymakers in agreeing on and implementing a consistent program to deal with the economy injected a degree of uncertainty that forced many state and local governments to adopt cautious spending policies. Not only are state and local tax collections and expenditures materially affected by the success or failure of Federal economic policies, but because of the heavy flow of Federal dollars to state and local governments through revenue sharing, and block and categorical grants, any cutback in such funds in order to fight inflation, or any increase to fight recession, has a major impact on the activities of state and local governments. Indeed cutbacks in Federal aid and local uncertainty about the possibility of future Federal funding changes in 1974 caused a local

hesitancy in implementing on-going programs.

When taken together, these three factors argue strongly for an integrated Federal-state-local attack on the economic problems which dominated 1974. To some extent the need to strengthen intergovernmental linkages was recognized during the year, but resulting actions were more than offset by the basic uncertainties and indecision over how to fight the problem at all. Was the bigger threat from inflation or recession? Did the economy call for government belt tightening or public service employment? Should the Congress vote a tax surcharge or a tax cut? As a practical matter, how can 50 states and 39,000 local governments play an effective role in formulating economic stabilization policy? All of these questions were unanswered as 1975 began.

### **State-Local Role in Federal Economic Decision Making**

For the fiscal year 1974, state and local governments collected an estimated \$194-billion from their own sources. Including Federal grants they spent \$234-billion dollars that year — almost a quarter of a trillion dollars.\* During the same year the Federal government collected about \$281-billion and spent \$236-billion, excluding Federally aided state and local programs. Obviously the state-local impact on the health of the economy is considerable, and it is growing.

Federal acknowledgement of that fact took new forms in 1974. For the first time, representatives of state and local governments were invited in 1974 to participate officially in the

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\*Based on the following estimates: taxes \$132-billion; charges and miscellaneous revenue \$32-billion; utility, liquor store and insurance trusts \$30-billion; and Federal aid \$41-billion.

Federal budget formulation process. A delegation of Governors, county officials, and mayors met with key administration officials to express their views on the Federal budget. This early input differed from previous years when state and local officials saw only the final document.

Similar early input was solicited in the course of President Ford's economic summits which were convened in September 1974 to try to find points of consensus and appropriate strategies on how to fight double-digit inflation. A separate mini-summit was held to receive state and local proposals for fighting inflation and to discuss what impacts various alternative Federal actions would have on states and local governments.

These new structured opportunities for state and local input are encouraging in that they begin to reflect an awareness of the need for full collaboration on what had previously been viewed as almost solely Federal concerns. Still, this state and local involvement is minor compared to the total impact of Federal policy on the fiscal conditions of the states and cities.

The already difficult task of projecting revenues and meeting budgets was made more difficult for states and local governments in 1974, as it had been in the preceding year, by the executive branch impoundment of Congressionally appropriated funds. Describing impoundment as a vehicle for cutting Federal spending and thereby fighting inflation, the Nixon administration impounded millions of dollars which would have otherwise gone to programs administered by the states and local governments. Court decisions on law suits brought by Congressmen, Governors, and other public officials resulted in the mandated disbursement of much of the money by mid-year.

Partly in response to the questions

raised by the impoundment issue, Congress passed the *Congressional Budget and Impoundment Control Act of 1974*. Signed into law on July 12, 1974, the act makes the most sweeping changes in Congressional procedures for controlling budgetary outlays and receipts since the passage of the *Budget and Accounting Act of 1921*. The main thrusts of the new bill are to place greater responsibility for Federal fiscal policy with the Congress and to improve the Congress' mechanisms for budget review. It creates potentially powerful standing committees on the budget in each house and provides for an expert professional staff. It sets up a strict timetable for budget formulation and budget submission by the executive branch, and a timetable for action by the Congress. It also significantly limits the power of the President to impound appropriated funds.

Several features of the new law should have significant intergovernmental payoffs. By setting up a strict budget timetable, and by moving the beginning of the Federal fiscal year to October 1, Congress should be able to act on money bills in a more timely and orderly fashion. This prospect for early determination of Federal funding for programs of interest to state and local governments should remove some of the uncertainty from state and local budgeting. Similarly the limits on executive impoundments reduce the planning difficulties of state and local programs dependent on Federal funds.

Two other provisions in the law should be of value in dramatizing the importance of the state and local role in the national economy. The law requires that each time a Congressional committee reports a bill providing new budget authority it must contain an intergovernmental impact statement explaining the bill's financial effect on state and local govern-

ments. The impact statements should highlight the importance of Federal assistance to local governments.

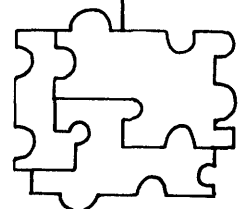
The law also instructs the Director of the Office of Management and Budget, in cooperation with the Director of the newly formed Congressional Budget Office, to provide state and local governments with fiscal, budgetary, and program data in order for them to determine the impact of Federal actions on their budgets whenever possible.

While the full extent of these reforms cannot be known until the process takes effect in 1975, the tools for a more rational, integrated budget process now appear to exist. Hopefully, there will be increased sensitivity to the intergovernmental impacts of Federal budget actions.

Comparable efforts to rationalize the budget process have resulted in the creation over the last several years of budget offices under the Governor in Delaware, Georgia, Illinois, Indiana, New York, Oklahoma, Pennsylvania, and Washington. Nearly every state legislature has some mechanism for conducting fiscal analyses.

## **Revenue Impacts of Economic Change**

**The States.** In June 1974, *U.S. News and World Report* ran a story entitled "Good News for Taxpayers - Some States Rolling in Money." At mid-year, reports suggested that 1974 state revenue estimates had been nearly universally low and that a great number of states would run sizable budget surpluses for the first time in years. This predicted flood of money, when coupled with infusions of Federal general revenue sharing dollars, and coming on the heels of two years of growth that boosted state tax revenue from \$51.0-billion in 1971 to \$73.9-billion in 1974, resulted in the expansion of social programs, state tax cuts, and state as-



sumption of an increased share of education costs. For example in 1974, the local share of educational financing costs dropped below 50 percent for the first time ever.

The revenue growth was largely the result of the unexpected manner in which newly improved state revenue systems responded to inflation. As income rose, taxpayers were pushed into higher (and sometimes narrower and steeper) tax brackets whether their real incomes rose or not. As prices went up, so did sales tax collections. In states with big revenues from the sale of natural resources (especially oil), the picture was still brighter as the states' residents, and through them the state treasury, benefited from disproportionately higher prices.

These early year indications of windfall income resulted in an unusual phenomenon. While changes in the economy caused state revenue to rise 8.9 percent over the 1973 level, tax receipts attributable to legislative action actually declined slightly from the previous year. Only 13 states seriously considered tax increases and only three adopted them. When the year was over, legislatures had done more tax cutting than tax increasing.

Toward the end of the year, however, the effects of recession started to register, and the picture began to change. Many states now project that when the impact of unemployment, declining sales, and other effects of recession is fully felt, 1975 revenues will be down despite continuing inflation. Further, states anticipate that inflation will continue to drive government costs up. By December, only a few Governors were able to announce that they expected to avoid tax increases in 1975.

**Local Government.** While the fiscal picture was mixed for the states in

1974, it was darker for the cities, counties, and towns. Dependent on the property tax, which is slow to respond to economic change because rates are politically difficult to increase and assessments lag, and confronted with rapidly rising costs, particularly in the area of public employee wages and pensions, many cities had to institute cutbacks and freezes, and some faced bonafide fiscal crises. Some large cities such as New York, Detroit, Cleveland, and Newark were forced to lay off large numbers of police, fire, sanitation workers, and other employees. The credit ratings of a few large cities appeared in jeopardy. At least one smaller city, Long Beach, New York, was on the verge of declaring municipal bankruptcy as a result of rising costs and poor fiscal management.

**The Federal Government.** The Federal fiscal outlook also became grim as 1974 progressed. While the preliminary Federal deficit for fiscal year 1974 (ending June 30, 1974) was \$3.5-billion, an estimated fiscal year 1975 deficit of over \$9-billion now appears conservative, even after some Congressional and Presidential budget cutting. As in the states, unemployment cut into Federal income tax receipts, despite growth in the total size of the workforce.

Thus for much of the year, and for the first time in years, the states appeared to be the strongest fiscal partner in the federal system. This comparative strength called into question the pattern of growth in Federal aid to state government. As a practical matter, however, while Federal aid as a percentage of state-local revenue rose from 11.4 percent in 1954 to 27.6 percent in 1973, it fell back to 26.5 percent in 1974, even with revenue sharing. This decline was the result of cuts in funding from expected levels for various grant pro-

grams, coupled with the acceleration in state and local expenditures.

The most dramatic proposal reflecting the change in relative fiscal strengths was made by Representative Wilbur Mills, who introduced a bill to remove the states entirely from Federal revenue sharing and to give all the funds to local governments. While that bill received no serious consideration in 1974, the comparative strength of the various levels of government could be a major factor in Congressional thinking as the 94th Congress considers the renewal of revenue sharing and the funding of other aid programs.

### **Inflation Cures Versus Recession Cures**

Throughout most of 1974 the economic priority of the Federal government was to check inflation. To that end, the Nixon administration in early 1974 suggested substantial cuts in Federal spending with the goal of cutting between \$5- and \$6-billion. The objective was reflected in low budget requests and in a policy of impoundments practiced until the passage of the *Congressional Budget and Impoundment Control Act* in June. The lifting of most wage and price controls on April 30, 1974, signaled a change in tactics but not a change in the goal of combating inflation.

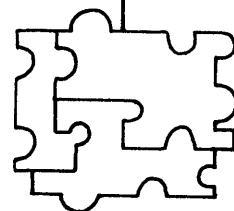
When President Ford followed his economic summit with a speech to the Congress in October, he presented a ten-point plan to fight inflation and deal with some of the effects

of inflation. His proposals took the form of short term budget cuts and long term steps to curb government red tape and stimulate production. He also proposed a tax surcharge.

Regrettably, the uncertainty in the Federal government's policy which characterized the last months of President Nixon's tenure and the first months of President Ford's term continued throughout the Fall of 1974. The approaching November elections effectively precluded Congressional action on the President's October proposals. Dependent on Federal aid and hurt by national economic conditions too pervasive to be controlled at the state or local levels, Governors, mayors, and county executives called for decisive Federal action.

The situation was further complicated by the growing belief that the problems of recession might be more acute than those of inflation. The unemployment rate approached 7 percent and capital investment declined. Indeed, in November the House Ways and Means Committee voted a series of tax cuts in order to stimulate a stagnant economy — just the opposite of the tax increase President Ford had suggested the month before. While the proposed tax cuts died when Congress adjourned, similar legislation surely will be proposed in 1975.

By late November, there were clear indications that the President was revising his plans and that the goal of combating rising unemployment was being given as high priority as that of combating inflation.



# Energy

**T**he goal of fighting inflation was linked to the effort to overcome energy shortages throughout the year. According to some estimates, about 50 percent of the 1974 increase in the consumer and wholesale price indices was attributable to the rise in energy prices. The year began with gasoline lines, state conceived rationing plans, and colder homes, not only because energy was in short supply but because, in the climate of a seller's market, the world price of imported crude oil had jumped from \$3.00 a barrel to \$11.65 a barrel in only three months. This was the biggest oil price rise in history.

And as 1974 progressed, the inter-governmental implications of the energy crisis — the frictions, cooperation, and preemptions — became more pronounced.

## Project Independence

In November 1973, then President Nixon, invoking the experience of the Manhattan atomic bomb and Apollo moon-shot projects, announced "Project Independence," with the goal of achieving energy self sufficiency for the United States by 1980. This objective called for the long term accelerated development of fossil fuels, coal, shale oil, and new sources while substantially relaxing environmental standards.

Inevitably any such plan would call for major Federal involvement, by means of incentives and regulations, in energy related matters which previously had been left largely to the states and private industry.

In November 1974, the Federal Energy Administration made public its proposed blueprint to achieve President Nixon's energy self sufficiency goal. The year of research and public hearings which followed the November 1973 Presidential speech resulted in some modification of the initial plan. FEA stated that total self sufficiency by 1980 was not realistic and probably not necessary; that no new sources of energy (neither shale oil nor solar or geothermal energy) could be major factors in meeting U.S. energy consumption needs before 1985; that the use of coal would be limited by demand, not supply; and, most importantly, that conservation was the best means of achieving greater self sufficiency.

Federal plans to develop known energy reserves as part of its program to achieve energy self sufficiency will have major impact on the other levels of government. Promoting offshore drilling adjacent to the Atlantic coast states, California and Alaska, and in the Gulf of Mexico, will produce substantially increased revenues for these coastal states. Sale of petroleum from currently operat-



ing facilities alone has contributed greatly to the projected \$315-million budget surplus in Texas for the biennium ending August 31, 1975. Louisiana projected a \$69-million surplus and Oklahoma a \$58.2-million surplus, mainly due to increases in income from the severance tax on oil and gas.

Obviously Federal policy to promote further exploration of energy reserves will have tremendous fiscal implications, not only for the coastal states, but for other states such as Colorado, Utah, and the coal states of Appalachia where substantial known energy reserves exist. Beyond the revenue generating impact, Federal plans, if carried out, will materially affect the environment, economy, and growth rate of each state involved. Actions in some states are already seen as stemming directly from Federal energy decisions. Colorado's growth planning and limits were developed in partial response to the leasing of oil shale land by the Federal government.

Still unresolved at the end of 1974 was how much of the money available to the states through the *Coastal Zone Management Act of 1972* could be used to help states prepare for the impact of offshore drilling.

Questions of how to distribute the supply, the comparative tax and retail price burdens, and the social costs of energy production among producer and consumer states will test the effectiveness of the federal system in the years ahead.

Even more fundamental is the question of whether the Federal government does in fact have the legal right to grant exploration and production rights to private companies. While the Department of the Interior has developed plans to lease 10-million acres through a program of six offshore lease sales each year through 1978, a pending case in the United States Supreme Court ques-

tions this right. That case should resolve whether the control of the underwater lands in the outer continental shelf lies with the states or the Federal government.

## Federal Allocation Policy

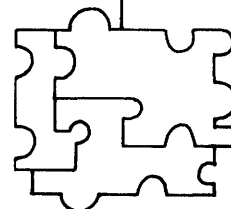
Significant intergovernmental questions surfaced not only with respect to the long term goal of energy self sufficiency but with respect to the objective of responding to the immediate energy crisis as well. Short term Federal energy policy at the beginning of 1974 called for the allocation of available oil in a way that would protect jobs and industrial output by placing the burden of energy shortages on the individual consumers through limitations on the supply of gasoline and heating oil.

The remaining thrust of the Federal energy efforts during the period of peak crisis in early 1974 was to determine state allotments of scarce petroleum products. It was left to the states to determine intrastate priorities. In evaluating the allocation program, the Federal Trade Commission reported in March 1974:

A large measure of the credit for the allocation program's success belongs to the state governments — who went beyond the duties outlined in Federal legislation by providing basic information, by being responsive to citizens concerns, by matching suppliers and purchasers, by judiciously allocating set-aside supplies. The states in the main kept the program afloat.

## State Initiatives

The state response to the allocation problem reflected the initiative they exercised throughout 1974 in those areas of energy policy which did not, because of either international or interstate implications, require a Federal role. By mid-year, 24



states had adopted statewide energy conservation plans. Seventeen states had granted their Governors emergency powers to deal with energy problems. All 50 states had lowered speed limits. Fourteen states had adopted state wide gasoline rationing plans. And it was ultimately a Governor who intervened in February to end an energy related nationwide trucker's strike.

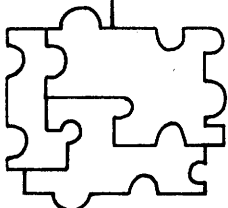
As in the economic field, the general political uncertainty at the federal level throughout much of 1974 left a void in energy policy which the states and cities could only partially fill.

### **Resolving Competing Objectives**

As had been the case in 1973, the energy crisis brought new focus to

the clash between the national objectives of protecting the environment and assuring economic stability and promoting growth.

In a specific instance of conflict between competing objectives, the California Supreme Court ruled that pollution control devices must be put in older cars, as California law requires, even if such devices result in an additional drain on limited gasoline supplies. Dealing with the same issue at the national level, Congress and the Environmental Protection Agency temporarily extended the deadline for automaker compliance with Federal emission standards mandated in the *Clean Air Act*. And the Congress and the President struggled throughout the year with efforts to reconcile environmentally motivated strip mining legislation with the demands for more energy.



# Federal Mandating

**T**he Congress and the Federal executive took a series of actions in 1974 which showed their continued ability to mandate policies affecting the operations of the states and local governments when they choose to do so.

While the right of the Federal government to mandate certain energy exploration offshore is being challenged, and while Washington has failed to give firm direction to a national effort to deal with aspects of the economic and energy crises, two general observations relate to the role of the Federal government as a mandating agent with respect to the other levels of government:

- With the interdependence of the revenue systems of the partners in the federal system, and with the continued substantial Federal assistance provided to the states and local governments, the Federal government has ample means to set guidelines for local programs and practices.
- The Congress increasingly appears to be viewing its role with respect to state and local personnel practices as being similar to its traditional treatment of the private sector.

## The Flood Disaster Protection Act

On December 31, 1973, President Nixon signed the *Flood Disaster Protection Act of 1973*. It significantly expands the availability of insurance protection against damage from floods. The new measure amended a 1968 law which had allowed property owners in flood-prone communities that carried out flood mitigation measures to purchase Federally subsidized flood insurance. This coverage was sold by private insurance agents at rates subsidized up to 90 percent by the Federal government.

Because of eligibility requirements which precluded participation by many flood-prone communities, even after the law was amended in 1969, the Nixon administration and the Congress decided to make a change. Rather than merely linking availability of flood insurance to certain locally initiated flood mitigation actions, the new law threatens the withdrawal of far larger categories of Federal aid if communities fail to make mandated flood-control-related land use plans.

Effective July 1, 1975, Federal mortgage guarantees and insurance, mortgage loans, and other lending by Federally insured or regulated financial institutions for construction purposes, as well as other forms of

Federal assistance for financing the capital costs of construction and equipment, will not be available to businesses and individuals in identified flood hazard areas unless the community has qualified for the Federal Disaster Protection Program by adopting Federally determined land use controls.

By this means, and by use of the threat to withhold both Federal funds and funds of private institutions regulated by the Federal government, the new law provides a strong impetus for flood control planning in several thousand communities nationwide.

### **Federal Land Use Planning Bill**

The other means open to the Federal government to promote local and state action is to provide positive incentives. The Congress sought to do just that when it considered the proposed Land Use Planning Act in 1974. The bill was the product of a hard fought compromise between those who sought strong sanctions against states which did not set up land use planning programs and those who saw land use planning as a threat to private property. In its final form, the bill would have authorized \$100-million a year for eight years for states to establish and implement land use planning. The bill, which encouraged and provided a framework for state land use planning but gave no authority to the Federal government to say what would be in the plans, was killed by the House when it sent the conference report back to committee on June 11, 1974. But Congress did pass and the President signed a rejuvenated *Planning Assistance Act* under which the Department of Housing and Urban Development will continue their assistance to state, regional, and local planning efforts only if the planning covers land use.

### **The Holt Amendment**

Traditional use of Federal education funds as a prod for local school integration was challenged by an amendment to a supplemental appropriations bill passed by the House of Representatives in the Fall. Introduced by Rep. Majorie Holt (R-Md.), the amendment would have prevented the Department of Health, Education, and Welfare from withholding Federal financial aid to school systems that disobey its orders to assign or classify students and teachers on the basis of race or sex. The measure was voted down in the Senate companion bill and eventually struck from the House passed version. Had it been adopted, the bill would have significantly weakened the most extensively used form of leverage available to the Federal government to mandate integration of local schools.

### **The Hatch Act and Revenue Sharing**

In addition to those instances when the Federal government uses the powers of its aid programs to mandate state and local practices, there are occasional examples of the unintended intrusion of Federal guidelines as the result of Congressional or executive action. Such an occurrence appears to have taken place in 1974 when the Civil Service Commission ruled that the Hatch Act applied to all state and local government employees who were paid in whole or in part from Federal revenue sharing funds. This interpretation had never been applied by the Office of Revenue Sharing in the Treasury Department, the agency which administers the funds. The ruling was also rejected by the bipartisan leadership of the House Ways and Means and Senate Finance committees in a statement issued in response to an ACIR inquiry. That response indicated that the Civil Service Commission view was "with-

out foundation in law and [in] direct contravention to the clearly expressed intent of Congress." At year's end the question had been referred to the office of legal counsel of the Justice Department for an opinion.

### **The Merit System Mandated for State-Local Employees**

The recommendations of the Intergovernmental Personnel Relations Advisory Commission in 1974 called for applying merit system principles to most state and local government employees by making the receipt of grant funds contingent upon use of such a system. There has been no implementation of the recommendation to date.

### **Federal Mandating of State-Local Personnel Practices**

As the state and local work forces have grown — both in absolute terms and as percentages of the total work force — and in the absence of consistent state action, the Federal government is moving to apply uniform personnel practices throughout the public sector work force. Inevitably, such Federal action raises major intergovernmental issues. Robert Craig of the National Association of Counties represents the view opposed to a Federal role. He contends that Federal involvement "is inappropriate because it usurps local prerogatives, it dictates use of tax revenues raised by state and local government and it violates the intergovernmental partnership."

Jerry Wurf, president of American Federation of State, County and Municipal Employees, AFL-CIO, states the opposite view with particular reference to public employee unionism. He says, "Only 14 states have come up with labor relations laws (for public employees) that can ever be described as fair. None of them gives public employees parity with their counterparts in private indus-

try. . . . Thirteen states have no laws at all. No one pattern prevails among the 50 states and 80,000 governmental units, save one: that public employees are nowhere the equals of workers in private industry."

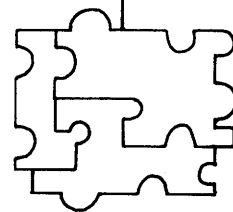
Against this backdrop of controversy, the Congress took several very important actions in 1974, and appeared to be moving toward other more far reaching actions in the next few years.

**The Fair Labor Standards Act of 1974.** As a result of amendments to the *Fair Labor Standards Act* in April 1974, Federal, state, and local employees will for the first time be covered by the Federal minimum wage law. The law took effect on May 1, 1974, except for the public safety employee overtime pay provisions which were to take effect on January 1, 1975.

The law covers all government employees except elected officials or personal staffs of elected officials. Also exempted are certain bonafide executive, administrative, and professional personnel. All remaining public employees must be paid at least the minimum wage and must be compensated at least one-and-a-half times their normal rates for work over 40 hours per week (except firemen for whom there are special overtime provisions). The law eliminates the use of compensatory time off as a means of compensating employees for overtime work.

In May 1974, the wage and hour division of the Department of Labor, issued regulations setting forth how the act would be administered. In addition to other provisions, the regulations set policies for the extension of minimum wage requirements for public safety employees.

The debate over the appropriate Federal role in state and local public employee matters did not end with the passage of the *Fair Labor Standards Act* and the promulgation of sup-



porting regulations by the Labor Department's wage and hour division in late 1974. To the contrary, the National League of Cities; the National Governor's Conference; the State of Arizona; the cities of Cape Girardeau, Missouri; Salt Lake City, Utah; Lompoc, California; and Nashville-Davidson County, Tennessee, brought suit in the U.S. Supreme Court to challenge the constitutionality of extending minimum wage provisions to employees of state and local governments. By the end of the year, 18 other states had joined the suit. While the suit was still pending at the end of the year, Chief Justice Burger did issue a temporary restraining order to prevent the Department of Labor from enforcing the new regulations until the full Supreme Court rules on the case.

**Public Employees and the National Labor Relations Act.** Two more states (Iowa and Florida) enacted statutes in 1974 extending to public employees the right to organize and bargain collectively. While many states have taken such actions, forces in support of a Federal law governing public sector labor relations have been mounting.

Four bills setting Federal standards for state and local labor relations were introduced in the Congress in 1974. While none were enacted, the bills do suggest a possible continuation of the trend toward Federal involvement in state and local public employee issues over the next few years.

Two bills — H.R. 9730 and its Senate companion bill S. 3294 — would simply amend the *National Labor Relations Act* (NLRA) to include state and local government employees.

The other two bills — H.R. 8677 and S. 3295 — take a somewhat different approach and go further. These bills would extend the organizational and collective bargaining rights of the

NLRA to state and local employees and would also establish a National Public Employment Relations Commission (NPERC) with powers similar to those of the National Labor Relations Board. These bills go further than NLRA in that they would require state and local public employers to grant in any contract an agency shop, an irrevocable dues check-off, and binding arbitration of grievances. To resolve bargaining impasses, the bills provide for a series of techniques with strikes being authorized under certain circumstances. They would also specify a number of unfair labor practices for both labor and management.

**Pension Reform Act of 1974.** The Congress passed, and in September the President signed the first Federal law regulating private pension plans. The law sets minimum vesting, funding, and participation standards that private pension plans must meet. It also provides for a system of pension plan termination insurance.

The bill does not require private employers to establish pension plans, but it does set guidelines if a plan exists or is established in the future. In most cases, employees who are 25 years old or older and have at least one year's service with the company must be enrolled in the firm's plan. Employers must be in compliance with one of three vesting formulae, each of which guarantees covered employees at least a portion of their pension funds whether or not they stay with the firm until retirement.

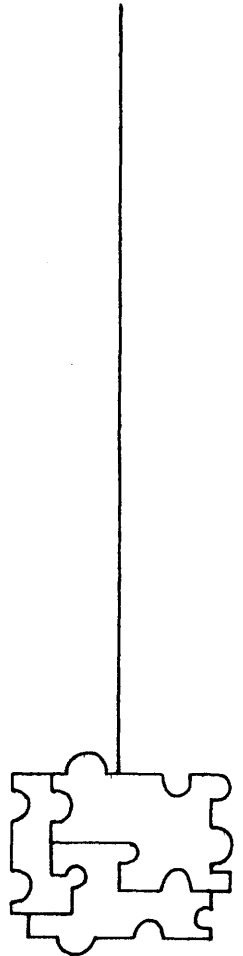
To protect against the possibility that a pension fund might not have sufficient funds to pay earned benefits, the new law contains minimum funding standards and establishes a pension plan termination insurance corporation run by the Federal government to pay pensioners' benefits in the event of bankruptcy.

An additional innovative provision

permits individuals not covered by company pension plans to set up their own retirement accounts and receive special Federal tax advantages for doing so.

This landmark legislation places the Federal government foursquare into a field previously left substantially to private enterprise. The action was deemed necessary because of the too frequent loss of private pension benefits as a result of business failure, business merger, and,

less frequently, unscrupulous employers or fund managers. Evidence indicates that some public employers likewise have been lax in establishing and managing pension funds for their employees while others have been overgenerous. Therefore, while it is too early to get a clear gauge of Congressional opinion, it may be that Congress will move to apply or adapt the standards of the new law to public employers as was proposed in an early draft of the new law.



# Changes in Federal Aid

While during 1974, the Federal government continued to mandate state and local actions, it also appeared to recognize the problems inherent in the main source of leverage — the Federal aid programs. Two parallel trends show an apparent increase in the Congressional and executive awareness of the grant management problems of state and local recipients of federal aid.

- There was a trend toward consolidation of categorical grant programs into more broad gauged block grants.
- Where grant programs are not completely consolidated, the Federal government tried, through Congressional and executive action, to facilitate the packaging of separate grants.

## The Block Grant

The general philosophical objective of “new federalism” — permitting greater local discretion and flexibility in decision making — has been reflected in some Congressional actions over the past few years. While the enactment of general revenue sharing legislation (discussed later) was probably the most dramatic, actions on the other two forms of Federal aid — categorical and block grants — may well be as important.

The trend is toward the consolidation of previously fragmented, though functionally related, categorical grants into larger block grants.

**The Housing and Community Development Act of 1974.** Standing as the landmark example of the block grant concept, the *Housing and Community Development Act* was in many ways one of the most important actions of the Congress in 1974. The new law, signed by President Ford on August 22, 1974, carries a three-year price tag of \$11.3-billion. It consolidates ten categorical urban development programs. Merged were the previously separate model cities, urban renewal, neighborhood development, land acquisition, open space land, public facility loan, advanced planning grant, basic water and sewer facilities, code enforcement, and neighborhood facilities programs. It returns substantial program and priority discretion to local communities. And in an important provision, it sets up a program of rental assistance for low- and moderate-income citizens.

While the three-year program of block grants for community development leaves communities much freedom in setting priorities, it does impose some Federal requirements. Communities are eligible for block grant funds if they are a city or twin city with a population of over 50,000.



Urban counties qualify if they have a population (excluding cities) of at least 200,000 and if they are authorized by the state to carry out housing and urban development programs.

In order to receive development funds, a community must identify community development needs, formulate a plan to meet those needs, prepare a housing assistance plan, demonstrate conformity with civil rights laws, and demonstrate that citizens have had an opportunity to participate in formulating the funding application.

The new rental assistance program represents a shift in emphasis away from the Federal funding for construction of special low- and moderate-income housing to the provision of subsidies to the poor to enable them to occupy existing housing. While the trend toward subsidy is clear, enough flexibility does exist in the new law to assure Federal aid for the construction of some new low- and moderate-income housing where that approach continues to be preferable.

When seeking either housing subsidy or construction funds, communities must submit a plan which sets an annual goal for the number of housing units to be assigned; determines the type of assistance best suited to low-income families; indicates the total number of housing units needed by the size and type, as well as how many units would be built, how many rehabilitated and how many are already in existence; and specifies general locations of proposed housing for low- and moderate-income families.

Additional provisions extend mortgage insurance and provide guidelines for the various mortgage credit programs administered by the Department of Housing and Urban Development and the Farmers Home Administration.

This mammoth bill probably represents the greatest consolidation to

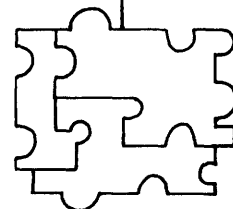
date of related but separately administered Federal categorical grant programs. By providing greater program flexibility and by coordinating Federal application and compliance requirements, the new law goes a long way toward eliminating the problems in previous Federal aid to local governments.

**The Comprehensive Employment and Training Act of 1973.** Frequently known as "Manpower Special Revenue Sharing" or by its initials, CETA, this major piece of manpower legislation was signed into law in the last days of 1973 and took shape throughout 1974.

The culmination of almost five years of effort, CETA was designed to avoid the confusion and inefficiency of separate program administration by doing away with most earlier Federal manpower programs. Instead it calls on the Secretary of Labor to make block grants to 500 state and local governments to plan and operate manpower programs.

According to a description of the bill in a Library of Congress study, "the unique feature of the new law, compared with earlier reform efforts, is its careful specification of the administrative roles of Federal, state, and local governments and local interest groups in providing manpower services." The clarification of administrative roles is particularly crucial because of apparent contradictions in the two previous legislative enactments in this area, which had sought to decategorize and decentralize Federal manpower programs. The 1967 amendments gave effective control to community action agencies, while the 1968 amendments gave the lead to employment security and state vocational education agencies. This contradiction led to confusion and program inefficiencies in the states.

The main vehicle used to clear up the dispute over program authority in



CETA was the definition of "prime sponsorship." The prime sponsor is the political unit which receives block grant funds, develops a manpower training program, and carries it out. While the prime sponsor must receive approval for its plan from the U.S. Department of Labor (DOL) and must be monitored on an ongoing basis by DOL, it is under no obligation to work with other state agencies or community action agencies. A prime sponsor may be a state, a unit of general purpose local government (city or county) with a population over 100,000, or a combination of units of local government containing at least one unit of 100,000 or more persons.

By this definition, large cities may operate largely independent of state direction. Still, certain provisions of the law provide incentives for voluntary state-city collaboration. Special extra funds for vocational education and employment services are only available to prime sponsors pursuant to an agreement between that prime sponsor and the state board for vocational education. In addition, incentives for local collaboration are built in by providing that a consortium of local governments which qualifies as a prime sponsor will receive 10 percent more than the sum of their normal allotments.

The Federal role in CETA is largely supervisory — both in prior approval of the plan and in subsequent monitoring to ensure that actual performance conforms to the plan and the statutory requirements. The Federal government is also responsible for providing manpower services to "target groups" such as the American Indians, for maintaining the Job Corps, and for establishing a National Commission for Manpower Policy. Another provision gives the Secretary of Labor a discretionary fund which can be used to make project grants.

Theoretically, the law also sets

aside funds for a public service employment program, but given the flexibility which prime sponsors may exercise in the use of such funds, the real decision about whether to have a public service employment component in the overall plan is left entirely to each prime sponsor with no Federal guideline or supervision.

**Elementary and Secondary Education Act Amendments.** In 1971 President Nixon sent Congress the sixth in a series of so-called special revenue sharing plans. If enacted it would have consolidated 33 existing categories of Federal aid to elementary and secondary education into five broad program categories. While not so sweeping in its impact, the amendments, enacted in August 1974, to the 1965 *Elementary and Secondary Education Act* do retain some of the basic thrust of that three-year-old Presidential proposal. The new provision brings several categorical aid programs under the umbrella of the omnibus bill. These categoricals are clustered into two broad functional areas: libraries and learning resources, and educational innovation and support. Under the consolidated programs there will be only one allocation and one state plan and one application will replace the individual applications previously required. Furthermore, recipients under the revised program have greater flexibility in setting priorities within these broad areas.

### **Grant Simplification**

Recognizing that Congressionally sanctioned grant consolidation into block grants still may not give enough leeway or flexibility, the Federal government took additional legislative and administrative action in 1974 to help the confused and frustrated grant applicant.

**The Joint Funding Simplification Act of 1974.** Signed into law on De-

ember 5, 1974, this legislation authorizes Federal agencies to use a single application, single audit, and single point of Federal contact for related aid programs which the state and local governments want to plan and use together, even though they are administered by more than one Federal agency. The measure authorizes the more extensive use of procedures already applied on an experimental basis under the Integrated Grant Administration Program.

The new act authorizes the heads of Federal agencies collectively to identify programs suitable for joint funding; to develop guidelines or model projects and common application forms; to modify administrative requirements which may impede jointly funded projects; to establish common technical or administrative rules with respect to jointly funded programs; and to create common application processing and supervision procedures, including a system for the designation of "lead agencies."

Other provisions permit the development of uniform procedures for financial administration and the scheduling of projects, and the review of applications by a single board or panel. To facilitate implementation, agencies may delegate their powers and functions with respect to jointly funded projects to other agencies and waive certain technical requirements of grant administration. Still, agency heads remain responsible for the proper and efficient management of projects funded.

Because the act places substantial administrative demands on the Federal agencies involved, it remains to be seen how widely it will be utilized.

Such legislation has long been on ACIR's agenda for grant management reform.

**Federal Administrative Efforts at Grant Simplification.** Similar grant simplification objectives were encour-

aged by administrative regulation in 1974. Newly issued General Services Administration (GSA) circulars now cover the three fields of agency requirement conformity that are crucial from the standpoint of grant recipients: administrative practices, cost principles, and audit procedures.

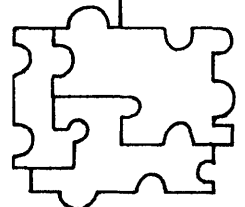
OMB Circular 102 was reissued as FMC 74-7. It establishes uniform administrative practices for all Federal agencies in their grant relationships with state and local governments. Requirements governing procedures for payments, determination of matching grants, budget revisions, and grant close-out would all be coordinated according to this circular.

A second GSA circular, the reissuance of OMB Circular A-87, establishes procedures for fixing the rate of reimbursement to state and local governments providing central support services to grantee agencies, among other provisions.

GSA Circular FMC 73-2, originally issued as OMB Circular A-73, promotes improved audit practices and encourages release acceptance by Federal agencies of non-federal audits of grantees.

**Changes in OMB Circular A-95.** On January 1, 1974, a revised version of OMB Circular A-95 went into effect. The circular is designed to coordinate Federal and Federally assisted projects with each other and with state, regional, and local plans through a "review and comment" process carried out by the states and by regional planning agencies, called "clearinghouses," designated by the Governors and OMB.

Major changes in A-95 include the expansion of the list of programs covered, including a number of health, education and manpower programs; encouragement of the use of officially designated substate district organizations and A-95 clearinghouses for as many other Federal aid pro-



grams as possible; a requirement that Governors be given an opportunity to review any Federal aid requests based on a state plan; and a requirement that comments from individual jurisdictions at variance with clearinghouse views be attached to clearinghouse comments sent to the Federal agency involved.

The designation of new regional clearinghouses in 1973 and 1974 raised to 485 the number of A-95 units nationwide. This number, up from 422 in 1972, now represents 91 percent of the nation's population and 70 percent of the land area.

### **New Categorical Aid Programs**

While some Congressional action has resulted in the consolidation of similar Federal categorical grants into large block grant programs, a great many narrowly focused categoricals remain. According to one count, there are at least 580 such grants. Congressional action in 1974 added to the list. At least 22 new categorical statutes were adopted during the year, involving approximately 72 separate programs.

Major enactments include:

**National Mass Transportation Assistance Act.** At year's end President Ford signed a major mass transportation bill. It authorizes \$11.8-billion for capital grants for mass transit and for use by large cities for either capital or operating expenses in fiscal years 1975-80. The provision permitting use of Federal funds to cover operating expenses of urban transportation system represents a major departure from previous Federal practice. The law also provides for a new rural mass transportation capital assistance program.

**Elementary and Secondary Education Act Amendments.** Although the Congress has provided for the consolidation of certain education programs

in the amendments to the *Elementary and Secondary Education Act*, other provisions of the same 1974 action create new categorical grants.

—Bilingual education will be strengthened through grants for technical assistance, training, fellowships, and vocational training.

—Programs of aid for reading improvement projects, reading training on television, reading academies, and a new formula grant program for state reading improvement programs were funded.

—States may receive grants to reimburse them for developing plans for programs of financial assistance to local educational agencies under a new formula grant program (Assistance to States for State Equalization Plans).

**Health.** Numerous separate enactments set up new categorical programs dealing with health. Funds were made available to deal with contaminated drinking water, drug and alcohol abuse, and sudden infant death syndrome, among others.

**Housing and Community Development.** Apart from the new community development block grant, Congress passed legislation providing grants related to mobile home construction and safety standards and funded programs to counsel and give technical assistance to certain low- and moderate-income renters and homeowners.

**Other new grant programs** covered such diverse activities as technical and management assistance for small businesses, projects for employment of youth on non-federal public land, juvenile delinquency and child abuse prevention and treatment, and grants to states to prepare for and participate in a White House Conference on Handicapped Individuals.

## Federal Revenue Sharing

A third Federal aid instrument is the general revenue sharing payment received by the 50 states and 39,000 general purpose local governments. While the Congress will not formally consider the renewal of revenue sharing until 1975, the Federal government and the state and local government revenue sharing fund recipients were active on the issue in 1974.

In hearings before ACIR and before the Senate Intergovernmental Relations Subcommittee, numerous witnesses praised the adaptability of general revenue sharing to the unique problems of state and local governments. Other witnesses lodged demurrers on the benefits of revenue sharing particularly with regard to reporting on the planned and actual use of the funds and the opportunity for citizen input in the budget process. Others questioned the diligence and methods with which the Office of Revenue Sharing enforces compliance with the non-discrimination requirements of the law.

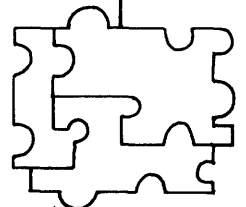
The newness of the program, the paucity of hard data about the ultimate uses of revenue sharing dollars, and their fungibility with other state and local dollars precludes any hasty judgment on precise program effects or on how effectively the funds are being used.

The Advisory Commission on Intergovernmental Relations released the

first comprehensive re-evaluation of Federal general revenue sharing in September 1974. The Commission strongly urges the early and permanent extension and permanent financing of the program.

The number and variety of Congressional bills introduced in 1974 dealing with both program extension and, more frequently, amendments to the existing law suggest that revenue sharing is likely to be a source of controversy in 1975. Of the bills introduced, one would have eliminated states as recipients, and several would have changed the formula for determining fund distribution. Others were aimed at extending eligibility to additional categories of governmental units. Still others dealt with modification in requirements for public participation and public notice in the local determination of the use of funds received.

On the grounds that certainty of funding is especially important to states and localities, public officials and their state and national organizations have announced plans to seek immediate reenactment of general revenue sharing well in advance of the expiration date of the present program in December 1976. Adding to the uncertainty, jurisdiction over the program in the House of Representatives shifted from the Ways and Means Committee to the Committee on Government Operations with as yet undetermined political implications.



# Government Accountability

**T**he Watergate events raised a public cry for reform that led to significant legislation in the Congress and the states in 1974 designed to restore public confidence by increasing government accountability.

Quite naturally, the greatest flurry of activity was in the areas of campaign finance reform. Significantly, new legislation was passed at all three levels of government. Since most of the new laws did not apply to elections in 1974, it is too early to know the full effects of the innovative provisions in landmark Federal, state, and local laws. Also unknown is the degree to which the new laws will be enforced, although the creation of independent elections commissions in many states is an encouraging sign.

Key elements in the new state and local laws in other government accountability fields such as open meetings and lobbying disclosure have been more widely tested as they flow from the truly innovative enactments of a few years ago.

Federal action on both freedom of information and Congressional procedures are the product of years of experience, study, and debate. Each change reflects, therefore, a compromise solution in an area of long perceived need.

## Campaign Finance

Shortly after the President resigned, the Congress passed and the new President signed a breakthrough campaign finance law. The new law sets limits on individual and organizational campaign contributions. It sets limits on spending by candidates for Federal office. It provides for public financing of Presidential campaigns. And it creates an independent commission to enforce the law.

In contrast to the previous law which set no limit on the size of campaign contributions, the new law prohibits individuals from giving over \$3,000 and organizations from contributing over \$6,000 to a single candidate. As before, corporations and labor unions are prohibited from making any direct contributions.

The old law set a limit on campaign expenditures for communications only. The 1974 act sets the following total campaign spending limits: candidates for the Senate may spend \$100,000 (or 8 cents per voter, whichever is greater) in primary elections and \$150,000 (or 12 cents per voter, whichever is greater) in general elections. Candidates for the House may spend \$70,000 in each of the primary, general, or run-off elections.

The most dramatic feature of the

new law is the adoption of a system for direct public subsidy of Presidential campaigns. Money is collected through a voluntary check-off plan by which a taxpayer may designate use of one tax dollar to create a fund to finance Presidential campaigns and nominating conventions. To qualify for the public money in the primaries, Presidential candidates must raise \$5,000 on their own in each of 20 states. Having fulfilled this test of "seriousness," candidates receive up to \$10-million in Federal dollar-for-dollar matching funds. Only the first \$250 of each private contribution is matched. Major party candidates in the general election will receive \$20-million each.

Importantly, the law also creates a five-person independent election commission to see that the law is vigorously and impartially enforced.

### **State Campaign Finance and Government Accountability Laws**

Each of the strong new provisions in the Federal law appears in at least one state law. The states have reacted quickly over the past two years, and the result is a near reversal in the campaign finance laws in most states. Fully 31 states significantly reformed their campaign finance laws in 1974 alone. Four states — Maryland, Massachusetts, Minnesota, and Montana — authorized tax check-offs to fund the public financing of state campaigns. In New Jersey, a new law provides that after a candidate for Governor has raised an initial \$40,000, he receives matching funds from the state: two dollars of public money for each one dollar raised through contributions.

Seeing the value of insulating enforcement agents from political pressure, fully 18 states vested enforcement responsibility in independent election commissions in 1974.

Beyond these important state ac-

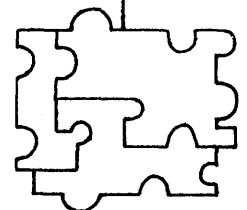
tions, three states enacted omnibus government accountability initiatives along the lines of a 1972 Washington state enactment. Seeing public disclosure as the basic objective of most good government reforms, voters in California, Oregon, and Missouri enacted laws this year calling for the disclosure of information regarding campaign contributions and expenditures, lobbyists activities, the personal finances of public officials, and the conduct of public meetings. All three laws also contain additional campaign finance provisions which go beyond public disclosure.

It may well be that these innovative, speedy responses to the political events of the year, as well as similar state responses to the energy crisis, contributed to the comparative increase in the public's trust and confidence in state government in 1974. According to a poll conducted by the Potomac Associates, those having confidence in the Federal executive branch dropped from 67 percent in 1972 to 45 percent in 1974. Over the same period the percentage having confidence in state government rose from 49 percent to 59 percent; a remarkable increase in a year of such public cynicism.

### **Local Government Accountability Initiatives**

As the Federal and state governments have moved toward reforming political campaigns, so, too, have local governments. Both the California and Maryland financial disclosure laws grant local governments the authority to adopt similar requirements. Many such local ordinances have been adopted in those states.

Particularly significant is an initiative measure (Proposition 14) which was submitted to the voters of Oregon in November. The proposition was an omnibus "good government"



act with a local option provision. On election day the electorate of all cities and counties voted on the statewide referendum and on whether to extend the state provisions to their local governments. In addition to approving the statewide measure, voters in 158 cities and 30 of Oregon's 36 counties also approved the local option.

Financial disclosure ordinances have been adopted by many local governments, notably in the cities of Anchorage, Alaska, and Alexandria, Virginia; and in Arlington and Fairfax Counties, Virginia. The city of San Diego, California, has a local ordinance regulating campaign financing and lobbying activities, and San Diego County has ordinances on the same issues as well as a financial disclosure requirement. New York City has approved a lobbying law which requires lobbyists to report on their activities with both the executive and legislative branches of the city government.

### **Open Meetings/Freedom of Information**

**Amendments to the Freedom of Information.** In reaction to the climate of secrecy which permitted the Watergate scandals to go undetected so long, the Congress voted in October 1974 to strengthen key provisions of the *Freedom of Information Act*. From its first enactment in 1966 the act had contained loopholes which regularly stymied efforts by the public and the press to acquire documents and records having no national security value but still withheld by Federal agencies which considered the information to be exempt from the law.

The 1974 amendments empower Federal District Courts to order the release of improperly withheld documents after the court has reviewed the requested material in private and determined that it does not fit one of

the nine specifically exempted categories.

The new law also sets time limits for agency responses to information requests. Ten working days are permitted on an initial request; 20 working days for an appeal of an initial rejection.

The new language shifts the burden of justifying the withholding of information to the agency. It also narrows the exemption from disclosure of Federal law enforcement investigatory files.

President Ford vetoed the amendments, but the Congress overrode the veto in mid-November.

**State Open Meetings Laws.** As in the case of campaign finance laws, the states enacted major new open meetings laws in 1974. In addition to the open meeting provisions in the Oregon, California, and Missouri initiatives, nearly half the states either amended or adopted open meeting laws during the year. Those actions mean that 48 states now have some requirement that government bodies meet and vote in open sessions.

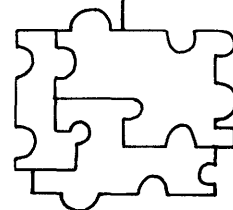
### **Changes in Congressional Procedures**

After years of debate and maneuver, the House of Representatives voted in October to reject the unanimous recommendations of a bipartisan select committee on House procedures chaired by Rep. Richard Bolling (D-Mo.). If adopted, the Bolling recommendations would have made sweeping changes in House procedures, committee jurisdictions and memberships, and the power of committee chairpersons. In its place the House adopted compromise reforms drafted by a Democratic Caucus committee headed by Rep. Julia Butler Hansen (D-Wash.). The compromise requires that the House organize itself for each next Congress



in December immediately following congressional elections. It gives the Speaker greater discretion in assigning bills. It requires that major committees have at least four subcommittees — the Ways and Means Committee has never had any subcommittees.

It also adjusts some committee jurisdictions. Importantly, it transfers revenue sharing matters from Ways and Means to the Government Operations Committee and assigns most transportation matters to Public Works.







# 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.

