

AN INFORMATION REPORT

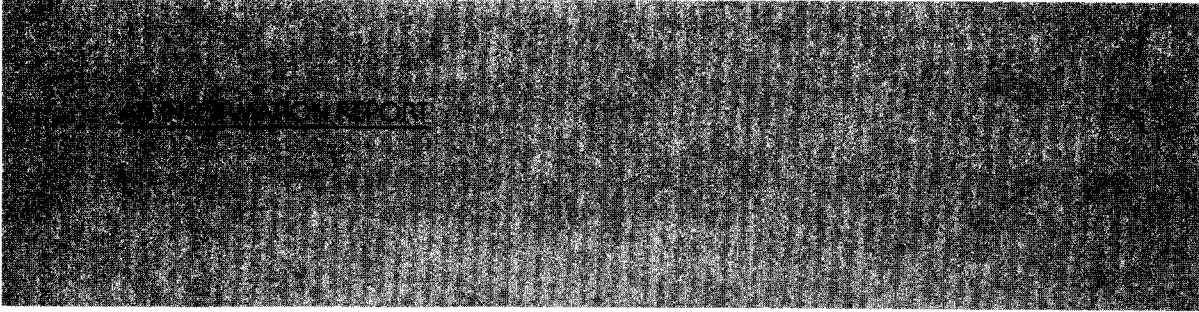
**State.
Community
Assistance
Initiatives:**
INNOVATIONS OF
THE LATE 70s



**Advisory Commission on
Intergovernmental
Relations**

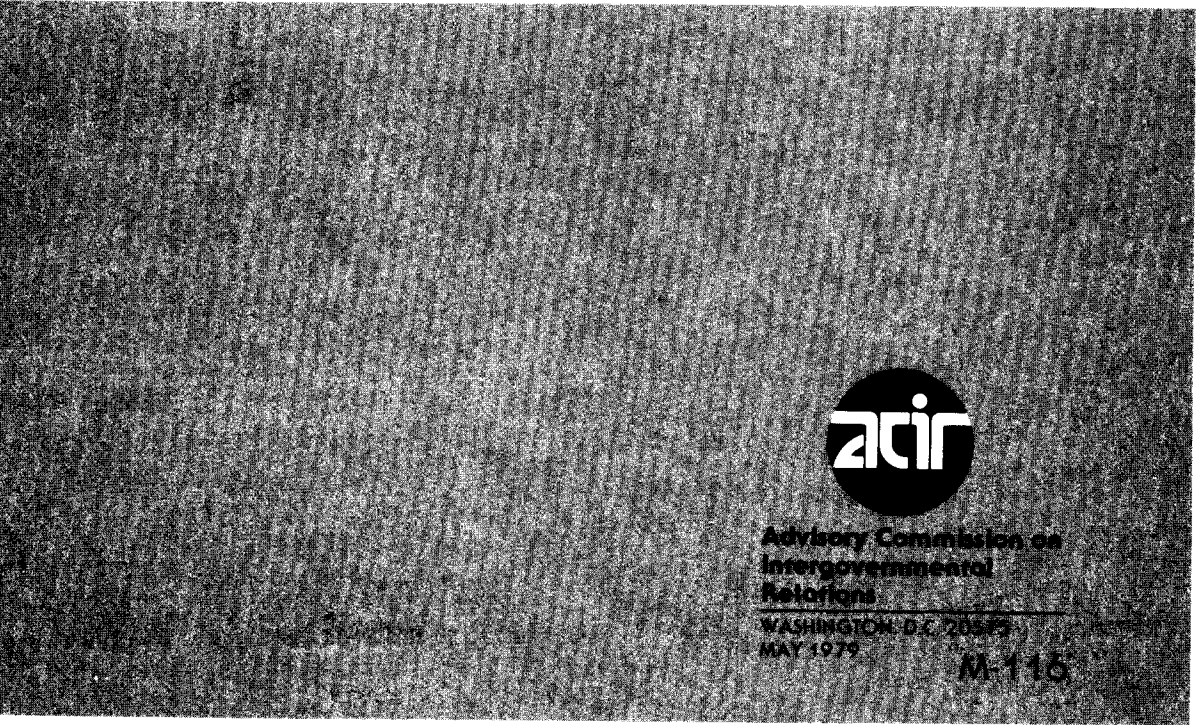
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Preface

In April 1978, President Carter requested that ACIR monitor state community assistance activities in order to facilitate the exchange of information among state, federal, and local officials on innovative techniques to assist local units of government. This information report represents the Commission's response to the President's request.

This volume is intended to assist policymakers in identifying the trends that characterize the states' response to community problems, as well as those state-local aid initiatives worthy of reproduction in other jurisdictions. In recognition of this objective, the Commission has focused its data collection activities on recent state community aid ventures, generally actions which took place in 1977 and 1978. The review is a broad one, including state functional, fiscal, and structural reforms.

Accordingly, the report has been organized to maximize its usefulness to public officials. *Chapter 1* provides an overview and assessment of the states' achievements on the community assistance front, while *Chapter 2* offers state-by-state summaries of recent local aid activities. The *appendix* contains summaries of ACIR model legislation on current state-local aid concerns, in order to suggest a basis for further state legislative actions on community assistance issues.

The material was drawn from diverse sources, including interviews with state executive branch officials; summaries of state legislative actions; state, county, and municipal league journals; national publications on economic and community development; and published and unpublished state government reports, including state materials furnished to the U.S. Department of Housing and Urban Development. Additional material was supplied by responses to a survey conducted by the Commission's staff on recent state-local development activities. The survey form, which was sent to the Governor's office of each state, is reproduced in the *appendix*.

The use of multiple sources was intended to elicit a complete and timely description of state-local aid activities; still, the very breadth of state community assistance efforts precludes an entirely comprehensive reporting of such initiatives. In recognition of this fact, the Commission views this information report as an initial portrait of contemporary state actions on community assistance concerns, rather than as a definitive treatment of the state role on local aid issues. Accordingly, this report contains no formal Commission recommendations of a policy character. It is issued strictly as an informational and reference document.



Acknowledgements

This report contains material drawn from a variety of sources, including published and unpublished state government reports; state, county, and municipal league journals; and publications on economic and community development. The Advisory Commission on Intergovernmental Relations is particularly appreciative of the assistance of the many state officials who aided in the collection of this material and supplemented it with their own valuable insights.

Preparation of this volume took place within the Commission's policy implementation division. Leanne Aronson had major responsibility for the staff work. Editorial assistance was provided by Carol Weissert. David Beam, Robert Stein, Harley Duncan, Dale Harris, and Jane Roberts offered additional advice and criticism during the writing of this report. The manuscript was prepared by Harolyn Adams, Elizabeth Bunn, and Nalini Roy.

The Commission gratefully acknowledges the assistance of the U.S. Department of Housing and

Urban Development for making available state data collected in conjunction with the Section 701 comprehensive planning assistance program. Vincent Marando, Trudy McFall, and Maria Ratcliff were particularly helpful in this regard.

A special note of thanks also is extended to Joseph Marinich, executive director of the Council of State Community Affairs Agencies, who gave generously of his time and expertise in reviewing and commenting on the work in progress.

Completion of this volume would not have been possible without the help of the persons identified above. Full responsibility for content and accuracy, of course, rests with the Commission and its staff.

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State Community Assistance Initiatives: An Overview

The period 1977-78 represented a time of transition for the states in the field of community assistance policy. Historically, state governments have been criticized sharply for indifference to the needs of distressed communities in urban and rural areas alike. As the summaries of notable state-local aid efforts described in *Chapter 2* make abundantly clear, however, the states have become increasingly attentive to local growth and development concerns—particularly over the past two years.

Admittedly, state efforts to assist local governments are still in the formative stages. The prevalence of plans and experimental programs among state community aid initiatives reflects the relatively recent nature of the states' interest in ameliorating local conditions. While it is still too early to determine whether the new planning and program ventures will take root and flourish, the present surge of activity represents an encouraging departure from the traditionally lackluster performance of state governments in the local assistance field.

The states are making significant progress toward the development of effective local assistance vehicles, particularly in the spheres of economic and community development. Still, observers of intergovernmental affairs should be aware that the fruits of the states' efforts could be long in ripening fully: political, legal, and financial constraints often present formidable obstacles to the implementation of even the best designed, state-local assistance plans. To date, the states' accomplishments in the community assistance field reflect these constraints

as well as distinctive regional and individual needs and the influence of the federal government.

The Federal Influences

The recent state interest in the development of community assistance strategies derives at least in part from federal encouragement. The strongest of the federal influences appears to have been the January 1978, White House Conference on Balanced National Growth and Economic Development, which sought actively to direct state attentions toward local development needs. The effort to involve state officials in preconference planning and the development of growth policy recommendations was both comprehensive and sustained. As the final report of the conference notes:

The effort to elicit active state involvement in the conference process was one of the first priorities established by the director and staff. Each Governor's office was contacted and a regular communications channel maintained up through and after the conference. The Governors played two important roles. First, they were responsible for identifying 75% of the 500 conference participants. Second, grants were provided to the states which desired to sponsor conferences, seminars or similar activities prior to the White House Conference which addressed its themes,

and would provide a report of findings for use by White House Conference participants. Twenty-nine states, territories, and the District of Columbia responded with formal reports. Many more were in contact with the conference staff concerning specific issues and agenda items for the conference.¹

2 A second federal influence was the Carter urban policy, released in March 1978, which formally recognized the states as partners in the development of a national community conservation strategy. Admittedly, the role accorded the states under the urban initiative was largely symbolic; federal funding for state community assistance efforts was limited to \$400 million over a two-year period under a proposed state incentive grant proposal, and little effort was made to revamp federal assistance programs to enhance the states' role in the urban partnership. Still, federal recognition of the potential importance of the states in developing community assistance policies gave a new validity to state balanced growth planning efforts undertaken in conjunction with the January White House Conference, and spurred additional states to reassess and initiate community aid endeavors.

A final federal impetus toward the development of state community assistance strategies has been provided by a number of relatively modest new spending initiatives. For example:

- HUD has initiated a \$2.8 million incentive funding program as part of its Section 701 planning assistance effort, to provide competitive awards to states and regions for the implementation of comprehensive strategies to assist distressed communities. Over 20 states applied for incentive grants for fiscal 1979; nine have been funded.
- HUD has awarded 16 states Section 107 technical assistance grants to help local governments carry out the federal community development block grant program. Forty-four states applied for the aid which totals \$3.5 million.
- The Farmers' Home Administration provided

¹The White House Conference on Balanced National Growth and Economic Development, *Final Report*, Volume 1, Washington, DC, U.S. Government Printing Office, July 1978, p. 11.

13 states with Section 111 rural development planning grants during 1978; additional states are to receive funding under the effort in 1979.

These efforts, in concert with long-standing EDA planning and implementation grants, and additional funding under HUD's Section 701 program provided appreciable incentives to state governments to develop local aid strategies during 1978.

The White House Conference, the Carter urban strategy, and the new grant mechanisms appear to have influenced both the shape and the substance of state community assistance initiatives. The following themes common to many state-local aid ventures reflect priorities established at the federal level.

An Emphasis on Physical Development Objectives. The preponderance of state-local aid programs focus on economic and community development objectives, including the upgrading of commercial, industrial, and residential infrastructures and housing finance activities. Employment and training, a concomitant to the economic development goal, also has generated interest at the state level. Generally, broadly based fiscal and structural reforms and improvements in the delivery of human services have not been as prevalent in state community assistance proposals.

The White House Conference, the urban policy statement, and the federal-state grant initiatives all have contributed to the emphasis on physical development activities. Economic development, including infrastructure improvements and job training efforts, constituted the primary thrust of the White House Conference and the state activities related to it. Similarly, the Carter urban policy stressed physical upgrading, as do the EDA, HUD, and Farmers' Home Administration state assistance grants. Federal expectations and funding criteria, then, have influenced considerably state-local aid initiatives.

Enhancement of Public-Private Cooperation. A significant portion of state development activities has centered about the development of private investment opportunities and the maintenance of a favorable business climate. The objective of such policies has been to strengthen local economies through the attraction of private sector capital. Often, state funding has been used as a tool to generate additional amounts from the private sector for a particular development objective, a use

of public capital known as leveraging. Again, the goal is to stretch scarce public resources by creating a favorable market response to local development needs. Popular state mechanisms to enhance private investment opportunities include site and facilities development efforts to increase local attractiveness to out-of-state firms, tax abatements or deferrals to improve the local business climate, and customized job training programs to meet the needs of relocating or expanding concerns.

Again, federal initiatives have influenced strongly state activities of this sort. The national urban policy accorded the private sector partnership status in developing community conservation plans; similarly, the enhancement of private sector development proved a primary theme at the White House Conference. Finally, the Departments of Commerce and Housing and Urban Development, which award the bulk of state funding for local development activities, have openly encouraged the use of leveraging as a desirable allocation of assistance grants.

Expansion of the Mechanisms Employed to Regulate Local Development Patterns.

Historically, states have employed regulatory sanctions, chief among them the conferral of local zoning powers, the creation of state land use plans, and the establishment of permitting procedures and environmental reviews, to affect local development patterns. Over the past two years, however, state plans have supplemented regulatory tools with fiscal incentives and new spending proposals as methods of influencing local land use patterns. One of the first such efforts was Massachusetts' 1977 *Growth Policy Report*, which recommends the revision of state procurement and public siting activities, the establishment of new urban spending ventures, and the use of tax incentives to curb sprawl and revitalize central city areas. The Massachusetts approach was publicized through the White House Conference, as well as through subsequent executive branch state-local policy recommendations, which advocated the use of a variety of state powers in developing community aid activities. The federal advocacy of the use of state fiscal initiatives and program authority to influence local development patterns was seen most recently in the awards criteria developed under HUD's Section 701 incentive funding effort.

Citizen Participation in Program Planning.

Citizen participation was paramount to the conduct

of the White House Conference on Balanced National Growth and Economic Development. State-local planning efforts both prior and subsequent to the conference have shared its emphasis on citizen participation as manifested by public representation in growth and development activities. The convening of conferences and open hearings on state community aid proposals represented a popular state-level activity prior to the White House meeting, and the trend continued throughout 1978 in such diverse locales as New Jersey, Tennessee, and Washington. A similar thrust appears to have characterized more permanent state planning institutions: private citizens are represented on economic development councils in Delaware and Oklahoma, as well as on Hawaii's policy council on state planning activities. The trend toward popular participation in state-local policy deliberations may be expected to continue during 1979, as several states plan to hold balanced growth conferences or citizen hearings on state-local assistance plans.

Targeting or "Balanced Growth"

An issue unresolved at both national and state levels appears to be the viability of targeting public assistance funds to the neediest local governments. The White House, the federal executive agencies, and the Congress gave considerable rhetorical support to the concept, but such endorsements were translated into policy proposals and thence into statute on an erratic basis at best. Meanwhile, a competing theme has emerged to challenge the notion of targeting: the theme of balanced growth.

Popularized by the White House Conference, the balanced growth theme has proved a popular and durable concept around which to develop a state community aid strategy: the motif of balanced growth has been invoked successfully in virtually every region of the country, in jurisdictions as diverse as Oklahoma, Arizona, Illinois, and Idaho. The widespread use of the balanced growth theme derives largely from its consensual appeal; the term suggests an inclusive state approach to local capacity-building, a willingness to set aside interlocal divisions and to address the needs of all distressed communities within a state, urban and rural alike. Adoption of the balanced growth theme by a variety of state governments, then, bespeaks a desire to develop broad-gauged coalitions in support of state-local aid activities.

The distributional patterns adopted by the states in awarding local assistance indicate that state gov-

ernments have sought actively to build such coalitions. State aid funds for local development tend to be made available to every community in the state, rather than limited to the neediest jurisdictions. Similarly, tax abatement and deferral privileges used to stimulate industrial activity are normally made available to all local governments, rather than restricted to more depressed communities. In the instances where targeting is employed, funds tend to be distributed loosely, so that a significant number of communities share in the state moneys. In the case of state pilot efforts, limited by necessity to a handful of local governments, state officials tend to choose a diverse group of recipient communities, partially to avoid the appearance of singling out a certain type of community for preferential treatment. In a similar vein, the majority of state governments have yet to develop statutory criteria by which to identify distressed local governments, an action requisite to targeting community aid.

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In short, the states may be said to have rejected the concept of targeting for the concept of balanced growth—despite numerous federal attempts to reconcile the two themes (most notably within the pages of the final report of the White House Conference, where the competing distributional patterns embodied by the two principles are assumed identical). There appear to be two reasons for the states' preference in this matter. First, an inclusive distribution pattern for program moneys would appear to be a prerequisite to legislative endorsement of a given state-local initiative. Second, state officials appear to shy away from the possibility of offending local sensibilities by designating individual communities as "declining" or "distressed," a delicacy of approach which militates against targeting. In short, the political difficulties inherent in targeting appear to have enhanced the consensual appeal of state-local aid strategies rooted in the theme of balanced growth, which does not entail politically divisive resource allocation decisions.

It is unclear as to whether an anticipated increase in federal Executive Branch support of the targeting concept will sway state actions in this regard. Increased targeting of federal moneys has been endorsed as a means of controlling inflation, and federal assistance criteria for state community aid already emphasize the same goal and are likely to continue to do so. Whether state officials will be willing to follow the federal lead and make the difficult distributional choices necessitated by targeting, however, remains an open question.

State-Local Policy Initiatives

State actions to assist local governments include a variety of approaches falling into three broad areas: functional, fiscal, and structural innovations.

Functional Activities. By far the most popular means for states to help communities is through physical development efforts, including economic development, neighborhood improvement, community development, and housing finance. The approaches pursued within these areas vary considerably from region to region.

The northeast and north central states are the most likely to stress local assistance programs with unambiguously urban themes. They tend to emphasize job creation and infrastructure development activities in older cities, manifested in programs to help rebuild central city industrial, residential, and commercial sites; establish neighborhood assistance and antiredlining efforts; and create financing mechanisms and tax incentives to foster urban housing rehabilitation activities.

Balanced growth themes stressed by states in this group tend towards an endorsement of concentrated development in urban areas, with a diminution of similar activity on the metropolitan periphery. It is in these states that the notion of targeting holds the most credence. States within this regional grouping also tend to be concerned with the creation of a favorable climate for business investment. Preferential tax treatment and industrial marketing activities are two commonly used methods to attract additional investment.

Activities characteristic of state efforts within this regional grouping include the following initiatives:

- Community aid strategies emphasizing urban concerns have been completed in Massachusetts and Michigan; similar efforts to encourage central city upgrading have been undertaken in New Jersey and Rhode Island.
- Economic development programs to spur the upgrading of urban industrial facilities are already operational in Michigan and Minnesota. During 1978, a \$400 million industrial siting program was approved jointly by New York and New Jersey, while a similar \$195 million effort was authorized by the State of Connecticut. Maryland, Massachusetts, and Delaware also initiated urban-oriented economic development efforts during 1978.

- Michigan, Connecticut, New Jersey, Illinois, and New York are among the states which have enacted antiredlining statutes, while Massachusetts has adopted administrative regulations calculated to ameliorate inner-city mortgage credit opportunities.
- Neighborhood assistance activities directed at least in part to central city areas have been initiated by Massachusetts, Minnesota, Wisconsin, Michigan, New York, Pennsylvania, and New Jersey.

In southeast and south central states, the focus has been on economic and community development needs in rural areas and small communities. This emphasis reflects the fact that while industrialization patterns in these states have grown increasingly less urbanized over the past decade, city industrial centers have remained comparatively advantaged relative to their rural counterparts. Housing needs are severe in less developed rural communities in a number of these states, several of which lack state housing finance agencies through which to supply lower income housing. Accordingly, balanced growth themes invoked by states within this regional grouping tend to stress rural development concerns.

Initiatives typifying state actions within this group include the following:

- Alabama has pursued a long-standing planning strategy which emphasizes the development of small to medium sized growth centers which can support the less developed areas. Community development efforts in Tennessee indicate a similar strategy of growth center development, while North Carolina has released a balanced growth plan which endorses the concept of focusing improvement activities on regional development centers designated by the state.
- Georgia's Department of Community Affairs concentrates its community and economic development activities on smaller communities which lack professional staff; a similar emphasis on rural development needs is manifested in Mississippi's Small Town Human Resources Development Program, a pilot effort to improve the management capabilities of local officials in underdeveloped, rural communities. Other state efforts which emphasize the infra-

structure development needs of rural communities have been provided by Alabama, Kentucky, Tennessee, and West Virginia.

- Lower income housing needs have been addressed by state departments of community affairs in Texas and Florida, two states which have yet to establish state housing finance agencies. The Mississippi Research and Development Center has recommended the establishment of a housing finance agency in that state to reduce substandard housing conditions, while similar recommendations have been set forth by the Alabama Development Office. Two states which have developed innovative programs to improve the rural residential stock are Virginia and West Virginia.

The rapid industrial development of natural resources characterizes the states of the far west, southwest, Rocky Mountains, and northern plains. Generally, state officials within this regional grouping are pleased by the revenue and employment growth engendered by economic expansion but are wary of the environmental despoliation and population pressures that can accompany industrialization. These states often provide advocacy for environmental preservation and the pursuit of slow growth options. Industrial activity is perceived as an asset, but as an asset that must be made subject to state regulation and review. Local assistance concerns in these states are oriented toward the provision of residential and community infrastructure to local governments confronted with rapid influxes of population in conjunction with economic expansion. Other activities are oriented toward assisting small towns which are experiencing population out-migration and economic decline, particularly communities located in rural areas. States within this group often endorse the centralization of development within existing urban centers, in order to preserve wilderness and agricultural areas—an objective that must be balanced against the goal of meeting rural development needs.

Local planning and assistance efforts characteristic of states in this grouping include the following:

- Balanced growth planning activities in Arizona, Washington, the Dakotas, and Idaho have stressed the need to preserve environmental quality while providing for industrial growth.
- Environmentally sensitive land use planning

and development regulations have been adopted by Wyoming and Oregon; California has developed a comprehensive coastal management policy.

- Programs to provide financial assistance for community infrastructure development to localities experiencing rapid population expansion due to economic growth have been adopted by Montana, Colorado, Utah, New Mexico, and Wyoming. Mineral severance revenues provide financing for many of these efforts.
- Other programs to develop community facilities and industrial infrastructure in underdeveloped areas have been adopted or proposed in Nevada, New Mexico, Utah, Washington, Arizona, and Alaska.

6 These varying regional approaches demonstrate that while state governments display a common interest in local economic development, infrastructure and residential upgrading, and growth and decline concerns, there is considerable variation in the manner in which these issues are addressed. Central city problems are most likely to be paramount in the northeast and north central states; state governments in the southern and western portions of the nation are likely to face more pressing small town and rural development concerns. And while the western and southern states share a common interest in rural and small town development, southern states are likely to be involved in the stimulation of economic expansion, while state governments in the developing west are addressing the difficulties associated with too rapid economic growth.

Admittedly, regional distinctions are relatively rough characteristics by which to model state responses to local problems: rural concerns are present even in highly urbanized states such as New Jersey and Illinois, while burgeoning cities in the Sunbelt face social and physical problems generally associated with the declining metropolitan centers of the northeast. Still, the regional descriptions set forth above, when adjusted for individual state idiosyncracies, present a valuable indication of the diversity of concerns facing state governments on the local assistance front. Clearly, state responses to local concerns reflect this diversity and must be evaluated accordingly. The implications for federal policymakers are apparent: federal efforts to assist state governments with local aid endeavors must

honor individual and regional differences, recognizing diversities of need as well as the diversity among state capabilities to meet such needs.

Structural and Fiscal Reforms. As the preceding discussion suggests, physical development concerns dominate the states' efforts on the local assistance front. Broadly based fiscal and structural reforms, by contrast, have played a less prominent part in shaping the states' response to community needs. Still, significant, if scattered, reforms have emerged in both categories.

Regarding the division of powers between state and local governments, and the structure of state-local relationships generally, a number of states have initiated efforts to effect local structural reforms:

- New Hampshire and Missouri recently enacted legislation to enable local governments to provide local services jointly.
- Financial assistance programs to encourage the interlocal provision of a variety of community services are underway in New Jersey and Wyoming.
- In Oregon, voters approved the creation of a regional service district in the Portland area, which could pave the way for a more efficient distribution of public services throughout a three-county area.
- In Maine, the Governor's Task Force on Regional and District Organizations has recommended a substantial strengthening of the state's county system in order to reduce fragmentation in the delivery of local services.

Perhaps the most highly innovative effort to secure local structural reform is underway in Kentucky, where state-local assistance funds are distributed in such a way as to strengthen the authority of regional planning districts and to encourage the consolidation of local health care systems.

Structural reform proposals are likely to be increasingly in evidence during 1979. During the first quarter of the year, California, Florida, Montana, Vermont, and Washington are expected to release proposals concerning the division of state-local responsibilities and the extent of local powers. Indiana's recommendations on the subject are expected to be submitted to the Governor during 1980.

In keeping with the physical development concerns which dominate the states' activities on the local assistance front, the most prevalent fiscal initiatives to assist local governments are relatively narrow tax credits, reductions, and abatements to stimulate commercial, industrial, and residential investments at the local level. According to the Academy for Contemporary Problems, 22 states offer tax exemptions on industrial land and capital improvements, and 28 offer exemptions on equipment.² While a limited number of states restrict such exemptions to investments in areas experiencing particular distress, most such efforts make no distinction as to the location of the investment activity—particularly in the case of industrial investments.

Tax increment financing, which permits local units to issue revenue bonds for development purposes on the anticipation of repayment from increases in ensuing tax revenues, is a similarly narrow fiscal tool used to stimulate local development and upgrading.

Broadly based fiscal reforms have represented a less prevalent means of providing financial assistance to local governments. Still, an increasing number of states are expanding the revenues devoted to defraying local expenses. A particularly significant area of activity has been the increase in state financing for a variety of local services. In the area of education, for example, Hawaii already has assumed all local elementary and secondary education expenditures. Measures to increase the state share of local education costs, and to equalize the resources available to local school districts also have been approved, in some instances in response to judicial decisions, in Colorado, Kentucky, Massachusetts, New York, Connecticut, and Washington.

Other state actions to assume local expenditures should prove equally significant to hard-pressed communities. Perhaps the best publicized recent development has taken place in California. In the wake of Proposition 13, the state moved to assume county welfare, health care, AFDC, and food stamp costs, for a substantial savings to local units. Another important 1978 development took place in New York, with state assumption of all nonfederal Supplemental Security Income expenditures

for local social service districts. On the basis of January 1978, figures, New York City alone will save \$75.8 million. Other 1978 state actions along these lines included Massachusetts' assumption of county court costs, and Wisconsin's provision of full funding for the circuit court system.

Other broadly based fiscal responses to local needs include Minnesota's innovative tax base sharing scheme, which redistributes a portion of local tax revenue increases throughout the Minneapolis-St. Paul metropolitan area to reduce interlocal fiscal disparities. The Minnesota plan has attracted considerable interest in Michigan and California. More recently, Massachusetts and Connecticut enacted comprehensive measures that increased state-local fiscal relief packages, particularly aid to distressed urban governments. Actions improving state abilities to raise and redirect revenues to local governments have taken place in Kansas and Oklahoma, while North Dakota voters approved a November 1978, referendum authorizing the creation of a state-local revenue sharing plan.

Additional state efforts to effect far-ranging fiscal reforms should be expected in the coming years. California's Post Commission is expected to recommend substantial revisions in that state's intergovernmental fiscal system, while fiscal reforms are expected to be addressed by state-local assistance plans being completed in Washington, Montana, and Florida. Tax reform commissions in Georgia and Illinois are preparing comprehensive legislative packages for consideration in 1980 and 1981, respectively.

In sum, the states are beginning to supplement limited tax exemption programs to stimulate local development with highly significant reforms in state-local fiscal relationships. While the latter activities are far less common than the former, they are also likely to prove far more meaningful and durable vehicles for rendering state assistance to local units of government.

Assessments and Caveats

This review of state community assistance initiatives suggests that the states are making significant progress toward the development of effective local assistance programs, particularly along functional and fiscal lines. It should be stressed, however, that state efforts on this score are in a transitional phase. During the period 1977-78, state governments began to emerge from a long-time quies-

²Gary C. Cornia, William A. Testa, and Frederick D. Stocker, *State-Local Fiscal Incentives and Economic Development*, June 1978, Columbus, OH, Academy for Contemporary Problems, pp. 3-41.

cence on the community aid front, particularly in regard to distressed urban and rural areas. The past two years have been characterized by a spate of experimental activity, including the design of state development plans and strategies, the passage of legislation to create new local aid mechanisms and the mounting of new pilot and program efforts to carry out state community assistance goals.

State governments, for the most part, only now are entering the implementation phase relative to local aid programs. To date, the states' achievements have been modest at best in terms of effecting quantifiable improvements in overall community conditions, but a framework for future endeavors has been established. The true test will come over the next several years, as more and more states attempt to carry out the newly established local aid programs described in the summaries in *Chapter 2*.

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There is good reason to expect, however, that the states' progress on the community assistance front will be uneven and incremental, rather than following the comprehensive patterns suggested by the drafters of the Carter urban policy. The states are often beset by political, legal, and financial difficulties which significantly constrain their abilities to implement "comprehensive" local aid strategies.

On the political front, legislators can prove chary of even the best designed of reforms; for example, the far-reaching work of Wisconsin's Wallace Commission on state-local relations and financing policy has yet to receive a particularly enthusiastic reception by the legislature. Similarly, election year changes in Nevada, South Dakota, and Oklahoma, to cite only a handful of instances, delayed the consideration and implementation of procedural and program reforms proposed by the executive branch. In Massachusetts, a gubernatorial change could alter the extent and direction of activities on the local growth policy front.

Another obstacle which delays or prevents the carryout of state-local aid endeavors is a legal one. Constitutional tests of the validity of enabling legislation establishing new community assistance ventures are common barriers to the ready implementation of such efforts. Start-up activities of new community and housing finance agencies in Massachusetts, Wyoming, and South Carolina were delayed for lengthy periods pending judicial approval of enabling statutes. A tax increment

financing statute recently enacted in South Dakota has not spurred the intended local response in the absence of a court ruling establishing the validity of the new law. Similarly, restrictive constitutional provisions prevented the implementation of a home rehabilitation tax credit program in Wisconsin and prohibit the Ohio Housing Development Board from undertaking direct housing construction and rehabilitation activities.

A third obstacle facing state governments relates to finances. The capital improvement programs favored in state-local aid efforts are expensive, with the states' abilities to raise capital somewhat vulnerable to fluctuations in the market for public debt. State housing finance agencies, for example, have been constrained by market fluctuations, and limitations on bonding authority, to the detriment of their ability to produce lower income housing. Similarly, the states' emphasis on the leveraging of private funds for industrial and community improvements, has been prompted by the financial constraints attendant on the public sector.

The new public taste for austerity is also likely to affect state abilities to assist local units of government. While it is still too early to do more than speculate on the consequences, several states have adopted taxing or spending limitations restricting public fiscal capabilities. Measures limiting local revenue raising capabilities may well spur state governments to alleviate local burdens by assuming the costs of a number of local functions, an event which already has taken place in California. On the other hand, limits on state taxing and spending powers could well lead to a diminution of state inclinations to assist distressed communities, or to an increased emphasis on the targeting of state-local aid revenues. In any case, post-Proposition 13 budget constraints are likely to require creative solutions to public expenditure questions at both the state and local levels.

Still, these caveats are noted not to detract from state accomplishments in the field of community assistance, but to foster an appreciation of the difficulties associated with the implementation of state-local aid programs.

Conclusion

ACIR's monitoring efforts suggest that the states have displayed considerable interest over the past two years in the design of local aid programs, particularly in the areas of economic and community development. Generally, state efforts on this score

are oriented toward fostering public-private cooperation, and employ a variety of state powers to influence local growth and development patterns. In the past two years, state governments have supplemented a traditional reliance on regulatory sanctions with new spending programs and fiscal reforms to effect positive local change.

While balanced growth themes are popular nationwide, ACIR has found considerable regional variation in state approaches to local assistance activities. The northeast and north central states tend to take action on central city problems, while state governments in the southern and western portions of the nation are likely to face more pressing concerns in regard to small towns and rural communities. And while the western and southern states share a common interest in rural and small town development, southern states are

likely to be involved in the stimulation of economic expansion, while state governments in the developing west are addressing the difficulties associated with too rapid economic growth.

In evaluating state achievements on the community assistance front, ACIR notes that the states are only beginning to emerge from a transitional period relative to local issues. The past two years have been characterized by a spate of experimental activity, including the design of state development plans and strategies, the passage of legislation to create new local aid mechanisms, and the mounting of new pilot and program efforts to carry out community assistance goals. While this period has been a seminal one, the true test will come over the next several years, as the states begin to execute and expand their newly established local aid efforts.

State Community Assistance Initiatives: A Compilation

Alabama

The industrialization of Alabama has become increasingly concentrated in rural areas, encouraged in part by a state planning strategy which helps to develop rural areas by encouraging expansion in growth center communities. Thus, a primary concern in Alabama is the provision of infrastructure and economic development planning and program services to rural communities. In this context, Alabama has undertaken the following initiatives.

The Alabama Preferred Cities Program, established in 1977, provides an industrial development guide instructing smaller, rural communities how to attract industrial development. The program was prepared for communities lacking a formal industrial development group or chamber of commerce and provides technical assistance on industrial siting, labor, energy, and transportation requirements, and the local financing of industrial development activities.

Alabama Industrial Development Training offers customized manpower assistance to incoming industries on a community basis, through the use of mobile training units equipped to offer classroom and on-the-job training in a variety of trades. Since its inception in 1971, the program has trained 33,000 persons, 6,000 of these in 1978. The use of mobile instruction units allows the state to adapt its labor training efforts to the requirements of developing communities and industries throughout the state. In addition:

- Economic development planning is carried out by the Alabama Development Office, which issued a statewide economic development plan in September 1978.
- State assistance to develop local infrastructures is offered under the Governor's Revenue Sharing Program, which provides grants at the discretion of the Governor to localities for the development of water systems, roads, and education, and health facilities.
- The development of industrial facilities is encouraged under the long-standing Wallace and Cater Acts, which enable local governments to issue industrial revenue bonds and to defer property taxes for incoming industries.

Alaska

A dominant concern in Alaska has been the provision of community services and the development of new infrastructure.

During 1978, the state legislature approved new appropriations and bond issuance authorizations for a variety of development purposes including:

- the appropriation of \$110 million for school construction and related projects for rural education districts;

- the authorization for issuance of \$33.29 million in general obligation bonds for erosion and flood control projects, port facilities development, and small boat landing and harbor projects;
- the authorization for issuance of \$88.45 million in general obligation bonds for highway, ferry, airport, and service road planning and development; and
- the appropriation of \$500,000 for the planning, design, and preconstruction engineering of water and hydroelectric projects.

These efforts represent a continuation of a long-standing strong state role in local affairs. As one state planning report notes, the "size and scattered population of Alaska, combined with the lack of any form of regional or local government in most rural areas necessitates state intervention" in the provision of community services. Therefore, Alaska has assumed all costs of education in unincorporated areas, and provides extensive financing for the health services available in these territories. The state also owns and operates all airports and related facilities in rural Alaska, as well as the Marine Ferry System serving southeast and south central Alaska. Rural communities are served by satellite telephone facilities, the costs of which are partially underwritten by the state. Most recently, 1978 saw the creation of the Alaska Medical Facility Authority, a state corporation to offer financial assistance to municipalities for the construction, improvement, and equipment of medical facilities. Additional infrastructure development assistance is promoted through the state's housing and industrial development authorities.

A recent local assistance innovation was the creation of the Pipeline Impact Fund, which provides moneys to communities affected by the construction of the Trans-Alaska pipeline. State funds for this purpose, which totalled \$126 million in 1975, may be used to mitigate adverse cultural, economic, and social impacts associated with pipeline development.

Local social service needs are also addressed through the Rural Development Assistance Grant Program, which provides small sums to rural communities for the development of human service programs. During 1978 the local grant ceiling was raised from \$20,000 to \$40,000.

Arizona

Arizona has attempted to create an integrated local aid framework in a number of policy areas, including economic and community development and local grant administration.

In August 1978, the Arizona Office of Economic Planning and Development completed a study entitled *Toward a State Growth Strategy*, which recommends state policies to achieve 12 physical development goals. The action areas addressed by the report include the environment, economic development, transportation, energy, air quality, and the achievement of suitable community conditions. Major themes identified by the study are the need to achieve an acceptable tradeoff between economic growth and environmental quality and the need to provide state technical and financial assistance to smaller, rural communities which have experienced difficulty in dealing with rapid industrial expansion. The state anticipates the completion of public hearings on the plan during 1979, to be followed by the development of executive and legislative actions flowing from the plan's recommendations. Additional rural development planning will also be highlighted in 1979, as the state begins participation in the Farmers' Home Administration's Section 111 rural assistance program.

Arizona also is involved in an experimental program designed to coordinate state, federal, and substate planning grant mechanisms. Established during 1975, the Arizona Joint Funding Project allows the Governor's office to submit a single application for planning funds under eight federal categorical grant programs on behalf of local councils of governments. A state-federal task force meets quarterly in conjunction with the program to encourage the development of uniform guidelines, reporting formats, and audit techniques to simplify intergovernmental grant administration, while monthly state-local conferences identify local grant management problems and achievements. To date, the effort has achieved limited success in simplifying the management of federal planning grants, according to the Arizona Office of Economic Planning and Development.

Arkansas

While primarily concerned with provision of assistance to rural areas, Arkansas has recently begun

to demonstrate interest in broader growth and development issues.

A comprehensive growth strategy may well be on the horizon, and Bill Clinton, newly elected Governor, is expected to recommend the creation of a new department of economic development. The new agency would assume the industrial siting and marketing activities of the Arkansas Industrial Development Corporation, mount additional programs to assist small and minority-owned businesses, and conduct economic planning and policy development activities.

At present, the Arkansas Department of Local Services manages a variety of local assistance programs, including the state-financed Water, Sewer, and Solid Waste Revolving Fund. The fund provides matching loans to small communities to help secure additional federal water and sewer development moneys. Similarly, the department administers federal weatherization grants, which provide moneys to lower income families for residential upgrading. Since the program's inception in fiscal 1976, some 6,000 homes have been weatherized statewide.

Also in the area of housing, the Arkansas legislature approved the creation of a state housing finance agency with \$15 million in initial bonding authority in March 1977. Legislative reluctance to provide start-up moneys for the new agency delayed the inception of program operations; the agency's first bond sale, a \$15 million issue, took place in May 1978.

Another promising state-local aid effort is represented by the pilot Rural Areas Industrial and Development Program (RAID), which provides state technical assistance to rural communities with limited administrative capabilities. Under the RAID program, eight local governments are receiving state assistance in securing state and federal loans and grants.

Arkansas rendered additional assistance to local governments on the community development front in 1977, with the enactment of legislation in the fields of tourism, forestry management, and transportation:

- During 1977, the state approved a measure to provide assistance to cities and counties in the acquisition of tourism and entertainment facilities.
- In the area of forestry management, Act 388 imposed a tax on timberlands and rangelands,

and increased severance taxes on timber and timber products. The moneys raised through these levies are being used for the prevention, suppression, and detection of forest fires.

- 1977 also saw the state undertake a pilot study on rural transportation needs, preparatory to an expansion of state activities in this area.

On the fiscal front, the Arkansas legislature approved the enactment of optional local income taxes during 1977.

California

A comprehensive urban strategy, *An Urban Strategy for California*, was released by Governor Brown in February 1978. The strategy stressed the establishment of extensive local planning efforts to reduce metropolitan sprawl, revitalize community core areas, and prepare for the orderly development of capital improvements. Additional proposals called for new urban spending measures, notably a \$300 million housing program, and the enactment of tax deferrals for rehabilitated properties in urban conservation areas in order to spur upgrading activities.

Proposition 13 appears to have had a mixed impact on the Brown urban strategy. State-mandated local planning activities called for in the Brown strategy have been abandoned, at least temporarily, as politically and fiscally unpalatable. Similarly, many of the strategy's new urban spending proposals, including the \$300 million housing initiative, have not survived Proposition 13.

Local development capabilities also have been adversely affected by the tax rollback. The financial positions of a number of redevelopment authorities throughout the state have been weakened by cut-backs in property tax revenues. Limitations on local assessment increases under Proposition 13 have impaired the abilities of such local redevelopment districts to repay tax allocation bonds, which are backed by anticipated tax revenue increases deriving from redevelopment. Similarly, private construction costs are also expected to rise substantially due to the local imposition of various development fees in the wake of Proposition 13.

On the other hand, state officials hope that the reduction in property taxes required by Proposition 13 will foster extensive urban renovation by lowering the costs associated with commercial and resi-

dential rehabilitation. More important, the new austerity fostered by Proposition 13 could produce a philosophical climate conducive to the adoption of judicious local growth planning approaches advocated by the Brown urban strategy, as well as a rethinking of state-local fiscal and functional relationships. Already, passage of the measure has required the state to mount a \$5 billion program of local assistance, including state assumption of county welfare, health care, AFDC, and food stamp costs.

In a similar vein, a commission on state inter-governmental problems chaired by A. Alan Post, former California legislative analyst, is reviewing a variety of matters which affect state-local affairs in California, including the effects of Proposition 13 and local expenditure limitations, the organization of state and local government, and methods to increase the revenue-raising capability of the state tax system. The commission's findings and recommendations are expected to be issued in early 1979.

In the meantime, California has undertaken a number of incremental actions to affect local development patterns:

- *The Housing Discrimination Act*, which took effect in January 1978, prohibits redlining in the provision of mortgage and home improvement credit and imposes penalties on lenders for non-compliance. The act is intended to enhance the flow of housing capital to central city areas.
- The state is making 536 parcels of surplus state land available for purchase at cost by local governments for revitalization purposes.
- Three state agencies (the Office of Planning and Research, the Department of Housing and Community Development, and the Business and Transportation Agency) are working with private developers to design methods of building moderate income housing on state surplus sites without cash subsidies. The use of innovative building, financing, and management techniques is expected to minimize capital outlays and maintenance costs for the proposed housing.

California also has undertaken an industrial siting pilot effort in the San Francisco Bay area. In collaboration with local and regional authorities, the state is acting to identify and code all potential industrial

sites in the bay region. The resulting directory will be used to market the sites to private developers.

Another economic development effort features job training activities. Under the Oakland Demonstration Project, initiated in March 1978, the State Employment Development Division and the National Guard launched a project to recruit, train, and secure employment for Oakland residents. The demonstration effort provides training in over 50 skills; to date some 200 persons have found jobs through the project, according to state officials.

Colorado

Colorado's 7% limitation on annual state spending increases requires the state to target local assistance efforts and to restrict capital improvement programs that would require substantial state outlays.

At present, the state's local development efforts are directed toward rural areas with declining populations and urban unemployment centers. The state's local assistance efforts, carried out by the Department of Local Affairs, include an industrial development program, directed primarily to needy communities, and designed to attract out-of-state firms to Colorado development sites; a tourism development effort; and promotion of Colorado as a film-making location. Twenty films were shot in the state during 1978, generating millions of dollars for local economies.

Recently initiated efforts include an international trade marketing campaign to develop an overseas market for locally manufactured goods and agricultural products, and a new job training and creation program. The latter, modeled in part on the Alabama Industrial Development Training effort, provides customized labor training for incoming industries; over the first four months of the program 3,000 jobs were created.

1978 also saw the creation of the Office of Urban and Rural Development, which is initiating a program to target special urban and rural development moneys according to community distress criteria. Criteria for state assistance are expected to include local per capita income, the extent of unemployment, and local financial capability. The project is funded in part with state moneys and in part with federal pilot grants. During 1979, the office will be developing a neighborhood assistance program to be based on the recommendations of a gubernato-

rial task force on neighborhoods, established during 1978 to suggest state actions on the neighborhood conservation front.

Colorado has taken significant action to assist local governments in the area of education finance: 1977 amendments to the *Public School Finance Act* targeted additional state education aid to communities with high concentrations of pupils from low income households. Another source of state financial assistance to local governments are funds derived from state mineral severance taxes, 85% of which are distributed to communities affected by energy or mineral development activities.

During 1978, the Colorado legislature approved additional fiscal reforms designed to affect local development patterns. *The Job Expansion and Investment Act*, H.B. 1191, authorizes credits against the state income tax for businesses hiring new employees or constructing or expanding business facilities. The credit will be higher in counties with populations of under 50,000, in order to stimulate investment in rural areas. A second measure, H.B. 1111, provides a 30% credit against state income taxes for property taxes or payments in lieu of taxes on pollution control equipment acquired after January 1, 1970. The bill represents an effort to reduce the tax burden on higher waste industries, which are largely located in the urban core, according to state officials.

Another fiscal reform calculated to stimulate local development, in force since 1975, is state approval of the use of tax increment financing by local governments.

Connecticut

Connecticut provided its municipalities with over \$478 million in direct grants during 1978, representing a 40% increase in state-local aid over a four-year period. These moneys represented some 25% of the state budget. The 1978 Connecticut General Assembly continued the trend toward an increase in state aid to municipalities by enacting a \$69.9 million package in additional state-local assistance. One new grant program under the measure distributed state funds according to a formula weighted to favor communities with lower per capita incomes, while a second measure reimbursed municipal governments for the loss of tax revenue on certain private, tax exempt properties within their jurisdictions. Under the same aid package, all local governments received a one-time

grant for property tax relief, based on population.

These actions build on several earlier state efforts to assist local governments. For example, the state permits tax increment financing by local redevelopment agencies as a means of stimulating municipal redevelopment activities. Similarly, municipalities are accorded wide revenue bonding powers under the state's *City and Town Development Act*.

Connecticut also provides a number of grant programs calculated to encourage municipal upgrading. Under one such effort, the state awards 50% grants for the planning, acquisition, and development of municipal industrial parks. In order to promote the development of areawide sites, multitown industrial parks receive 75% preconstruction grants under the same program. Under a similar venture, Connecticut provides grants to municipal governments to cover two-thirds of the costs of acquiring and improving sites for the construction of low or moderate income housing, and to help finance the acquisition of blighted structures for rehabilitation activities. Another innovative activity is represented by Connecticut's assistance of urban transit systems. During 1976, the state acquired several major urban bus systems, further securing their maintenance with operating subsidies.

In another major urban upgrading initiative, the Connecticut General Assembly approved 1978 legislation establishing a \$195 million, ten-year program that would ultimately create an estimated 132,500 jobs. The jobs program represents a long-term effort to renovate central city manufacturing facilities, encourage the development of new plants in urban centers, and establish small and minority-owned firms near areas experiencing chronic unemployment.

Connecticut also revised the state's conservation and development plan during 1978 to reflect a greater concern for urban revitalization. Under Executive Order 20, March 1978, Governor Grasso called for the targeting of federal, state, and local economic development funds to urban areas, as well as for the coordinated development of state transportation and housing programs. The legislature will review the plan during 1979 as the basis for statutory enactments to encourage urban development objectives. In this context, the General Assembly has already approved legislation to allow manufacturing facilities in distressed municipalities to receive an exemption from property taxes. Central city redevelopment was also the objective of

the state's 1977 antiredlining statute, which allows individuals to file suit against financial institutions on the grounds of discrimination in the extension of housing credit.

In the area of structural reform, Connecticut has approved a reorganization of state executive agencies, which is expected to improve the state's local service delivery capabilities and policy development and review procedures. Under the statute, the newly created Office of Policy and Management is charged with planning the state budget, evaluating the effectiveness of state programs, and overseeing intergovernmental concerns. During 1978, OPM acted as the lead agency for the cabinet-level Urban Action Task Force, which developed recommendations to enhance the state's ability to carry out the urban revitalization objectives set forth in Executive Order 20. The final report of the task force was released in December 1978. The office is also preparing a statewide capital facilities plan to reflect state-local investment objectives, including urban revitalization concerns.

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A significant change in state-local relationships in Connecticut is likely to take place in the area of education policy. In response to a 1977 ruling of the Connecticut Supreme Court, which held that the state's financing of education through local property taxes violated equal protection requirements, state and local education officials have proposed that the state nearly double its spending for education by raising \$38 million a year in revenues for each of the next five years. The proposal would also establish an expanded role for the Connecticut Department of Education in setting curriculum standards. The legislature is under court mandate to adopt a new system by May 1, 1979.

Delaware

A primary concern in the State of Delaware has been the enhancement of economic development opportunities.

The Economic Development Council, comprised of private citizens and public officials concerned with local development issues, provides a forum for interchange on state economic improvement matters. During 1978, the council and the Governor approved a three-year economic development strategy designed by the Delaware Department of Community Affairs and Economic Development. The strategy contemplates revision of the state tax code to encourage commercial and industrial ex-

pansion, increased technical assistance to local governments in the community and economic development fields, and vigorous marketing efforts to promote Delaware's attributes as a business and tourism site. While the legislature failed to approve a measure appropriating \$1.08 million for strategy implementation, executive branch officials intend to use the plan as a basis for future economic policymaking.

In another 1978 development, Delaware, along with Maryland and Virginia, joined a HUD-funded tri-state effort to provide federal grant administration training to local officials of Delmarva Peninsula jurisdictions. Additional grant management training is rendered by the University of Delaware.

In the housing field, the Governor signed legislation to increase the bonding authority of the Delaware State Housing Agency to \$100 million, up from the 1974 level of \$20 million. A \$16.5 million bond issue planned for late 1978 would finance 408 units of elderly housing; in the meantime, the state expanded its ability to utilize allocations of federal Section 8 housing units.

1979 is expected to see activity both on the economic development and fiscal fronts. Plans are underway to expand the policy development capabilities of the Economic Development Council, as well as to create new interagency procedures to coordinate the delivery of state services to local governments.

Fiscal reforms planned for consideration during 1979 would also assist local governments. Under one proposal, the state would provide supplementary grants to local governments for use in generating the local match for federal economic development funds. Local recipients would be chosen on the basis of local financial need. Also expected to receive legislative consideration during 1979 is a measure to reduce county property taxes.

Florida

In Florida, past reforms in the areas of land use, local fiscal relief, and county school finance have created a solid foundation for the design of a more detailed state-local assistance strategy.

The Florida Department of Community Affairs is in the process of developing a statewide community conservation strategy, due for completion in the winter of 1979. Draft plans indicate that the strategy will be subdivided into the following areas of concern: community development-economic de-

velopment; fiscal reform; housing; and local structural, functional, and organizational problems. Program recommendations within each action area are expected to utilize multiple state policymaking tools, including constitutional revisions, taxing and spending reforms, and regulatory and review powers.

According to state officials, the forthcoming community conservation strategy will build on previous state actions designed to regulate local development and provide assistance to local government units. A prominent state interest has been in the area of land use:

- Under the 1972 *Land and Water Management Act*, regional units are required to evaluate the impact of large-scale development proposals; upon receipt of such reviews, the state is empowered to designate environmentally sensitive areas where only limited development can occur.
- *The Water Resources Act of 1972* allows the state, in conjunction with five substate water management districts, to control the extension of water supplies through the issuance of consumptive use permits. The statute represents a potent state control over local development patterns.
- *The Local Government Comprehensive Planning Act of 1975* requires all local governments to prepare and adopt state-approved comprehensive land development plans by July 1979, in order to ensure compatible state, regional, and local development activities.

Another long-standing assistance effort has involved the provision of local fiscal relief. Under Florida's 1972 revenue sharing act, a portion of state levies is returned to local governments on the basis of a formula directly related to population and fiscal effort. The statute will return an estimated \$174.2 million to cities and an estimated \$71.8 million to county governments during fiscal 1979. Additional local fiscal relief is provided through the state's Municipal Assistance Trust Fund, which compensates municipalities suffering revenue reductions deriving from the enactment of a constitutional amendment limiting local property taxes to a 10 mill cap. The trust fund is expected to award some \$22 million to local governments during fiscal 1979.

Florida also funds an ambitious educational finance program, geared toward the equalization of financial disparities among county school districts. Over 60% of the state's budget is expended on education needs, according to a recent state planning document, including supplemental grants to county school districts for capital improvement activities associated with the upgrading of deficient school buildings.

On the structural reform front, Florida's 1969 *Interlocal Cooperation Act* enables local governments to exercise powers jointly, allowing the delivery of public services on an areawide basis.

In a 1978 action, the Department of Community Affairs received HUD's approval to allocate and administer federal Section 8 housing construction funds on a demonstration basis. While the DCA cannot finance the construction itself, additional capital will be provided through federal lending programs. The DCA already administers a Section 8 existing housing program. Both DCA efforts provide Floridians with publicly subsidized, lower income housing that would not otherwise be available, given the absence of a state housing finance agency. The state also has authorized the creation of local housing authorities to undertake public housing activities.

Yet another 1978 local assistance initiative was rejected by the voters on the November ballot. A revision package recommended by the Florida Constitutional Revision Commission would have declared the redevelopment of slums and blighted areas a public purpose and permitted the use of tax abatements and tax increment financing to stimulate upgrading in such areas.

Georgia

The Georgia Department of Community Affairs provides a variety of technical assistance services to local governments and to substate regional planning districts (Area Planning and Development Commissions). To date, the department's assistance functions have centered around the provision of information to local units of government on the federal community development block grant program and on organizational techniques by which to create downtown development associations in communities throughout the state. The department is directly involved with downtown development organizing efforts in four pilot communities under

its Downtown Development Program. Additional technical assistance efforts provide local officials with training in public management and financial planning, while the Community Betterment Program encourages local governments to undertake smaller self-improvement projects. The department has focused its efforts on assisting small, rural communities which lack professional staff.

Other state community and economic development efforts include these initiatives:

- The Georgia Department of Industry and Trade provides statewide industrial marketing services to attract new businesses to the state.
- The newly created Economic Development Council has been charged with conducting a research program to examine the state's economic development needs.
- 18 ■ The Department of Community Affairs has begun exploratory work on a state community conservation strategy and will be developing a rural assistance program in conjunction with the Farmers' Home Administration's Section 111 effort during 1979.
- The DCA conducts housing planning activities on behalf of local and regional authorities and is designing a state building code.
- The Georgia Residential Finance Agency has begun to implement a home improvement loan program on a statewide basis.

A potentially significant development in state-local affairs was the creation of the Georgia Tax Reform Commission. Established by the legislature during 1977, the commission is assessing the state tax structure with a view towards its modernization and general reform. The commission hopes to issue a final report in 1979 and offer legislation to go before the 1980 General Assembly.

The adoption of state-local structural reforms suffered a setback in Georgia during 1978, when the electorate defeated a proposed constitutional amendment to improve the delivery of local services in Atlanta-Fulton County and nine smaller municipalities. The amendment, which had been approved by the legislature, would have transferred library service and tax assessment responsibilities to the county, given Atlanta responsibility for areawide sewage treatment, and established a

countywide water system with uniform rates. Also proposed was the creation of county taxing and service districts in urbanized unincorporated areas of the county.

Hawaii

The Hawaii State Plan, signed into law in May 1978, establishes state priorities in five major areas of concern: population; the economy; the physical environment; facility systems such as water, transportation, and energy; and socio-cultural advancement, including health, housing, education, government, and cultural issues. The plan also establishes procedures by which to implement state development goals, including the use of county general and development plans as the basis for state functional planning activities. The plan also calls for creation of a policy council, to be comprised of citizens, local officials, and state executive agency heads, to coordinate state-local planning and development activities.

Hawaii has long provided extensive financial assistance to local units of government: the state finances all elementary and secondary education, with \$13.9 million appropriated for this purpose during the 1978 legislative session. Grants to county governments for economic planning and infrastructure development activities totaled some \$5.7 million for fiscal year 1978, while state funds for county transportation capital expenditures came to \$2.078 million for the same period. In addition, state-county general purpose grants-in-aid came to over \$20.4 million for fiscal 1978.

The state finances additional statewide economic development activities in the areas of agriculture, tourism development, and industrial marketing.

Idaho

The distribution of powers between state and local governments and the development of a balanced growth strategy represent the major state-local concerns facing Idaho.

The Governor's task force on Local Government issued its final report and recommendations in December 1977. The task force recommended key revisions in state policies toward localities, including the enactment of legislation granting local governments the authority to impose local option taxes

and enabling cities to issue industrial revenue bonds. The task force endorsed structural reforms to permit alternative forms of county government, to make incorporation laws more restrictive, and to maintain current city annexation laws which discourage local fragmentation.

On the balanced growth front, the February 1978, Governor's Conference on Growth and Economic Development considered the likely effects of various rates of economic growth and explored the possibility that rapid economic expansion would impair the quality of life in Idaho. A statewide series of regional conferences on the subject, supplemented by a number of public opinion surveys, revealed that a majority of state residents favor slow growth, with only a limited increase in the state's population. Citizen preferences, however, are at variance with economic realities: Idaho's population is growing relatively rapidly, as is industrial expansion, and the state's economy is shifting toward an increased reliance on the extraction and processing of mineral resources, which could adversely affect environmental quality. The challenge facing Idaho is to deal with rapid industrial expansion, while preserving the natural amenities in accordance with popular desires. In this context, the state planning bureau has commissioned the Association of Idaho Cities to prepare a growth management manual for municipal governments.

Illinois

Illinois has developed a set of policies to encourage both rural and urban redevelopment activities. At present, state policy emphasizes the attainment of balanced growth objectives in all areas of the state.

Initial attempts in Illinois to address community ills were directed primarily toward urban areas. A gubernatorial study of redlining practices in 1974-75, one of the first in the nation, resulted in the 1976 adoption of the *Financial Institutions Disclosure Act* and the *Fairness in Lending Act*. The statutes required the geographic disclosure of private sector home loans, prohibited the practice of redlining, and provided civil remedies for victims of mortgage discrimination. Subsequent statutory remedies directed at urban decline problems regulated the timing of mortgage foreclosure proceedings and the licensing of mortgage bankers.

During 1977, the state turned its attention to rural areas through participation in a HUD-

Farmers' Home Administration rural housing and community development demonstration program. Under the effort, Illinois has undertaken a housing and community development demonstration encompassing 13 rural counties. To date, activities have focused on housing construction and rehabilitation. The state has supplemented federal pilot funds allocated to the project by contributing its own CETA moneys to provide labor and manpower training to the rehabilitation effort.

Rural development assistance planning will be further assisted during 1979, as Illinois begins participation in the Farmers' Home Administration's Section 111 effort. Statewide community development assistance has also been provided by the Department of Local Government Affairs, which offers technical assistance to local participants in the HUD community development block grant program.

1978 saw the integration of urban and rural assistance functions into a balanced growth format. During December, the state sponsored a conference for federal, state, and local officials on statewide community and economic development strategies. In a related development, the Governor's Committee to Strengthen Community Economies has been established to develop an action program to better coordinate and develop state efforts to assist local governments. The committee's report is expected to be issued during 1979.

State-local fiscal relationships are receiving scrutiny as well. During 1978, Governor Thompson established a 14-member tax advisory commission to work with the Department of Local Government Affairs' Property Tax Division. The commission will review the state's tax structure and hold open hearings on the functioning of the fiscal system. The assessment effort will culminate in the presentation of a new state tax package to the legislature during 1981. A more limited 1978 fiscal reform raised the amount of the tax credit available for home rehabilitation, while a tax increment financing law was enacted in 1977.

Indiana

Indiana has begun to re-examine the body of statutes governing state-local relations and has adopted a number of measures likely to ameliorate local physical decline conditions. In 1978, the state legislature established the Indiana Local Government Commission to review and make recommendations for the revision of all state laws governing

localities. The 20-member bipartisan commission will submit an interim report to the Governor and the legislature during 1979, with a final report due in 1980. Legislative action on the commission's recommendations is expected during 1981.

During 1977, the state adopted the Neighborhood Assistance Program, patterned on a Pennsylvania effort, which attempts to generate private sector capital for community upgrading by providing tax credits to firms which invest in distressed neighborhood areas. During 1978, local upgrading received continued legislative attention, with the adoption of a measure increasing the property tax deduction available for housing rehabilitation.

Also in 1978, Governor Bowen signed into law legislation to create a state housing finance agency.

Iowa

20 **L**ocal community development issues were the focus of both legislative and executive actions during 1978.

The state legislature adopted the *Rural Community Development Act*, funded at \$250,000, to provide communities with populations of under 2,500 with small grants to encourage citizen participation in the formation of local development programs.

The legislature also considered a measure to permit the use of tax abatements to encourage urban rehabilitation and to allow cities to issue industrial revenue bonds for redevelopment purposes. The legislature refused to give final approval to the bill, in the face of criticism that the legislation provided inadequate incentives for spurring local development. An interim legislative study committee, however, has reviewed the bill for redrafting; a revised measure is expected to be considered during the 1979 legislative session. In the meantime, local redevelopment can be financed with tax increment bonds, under long-standing state enabling provisions. A recent court decision, however, held that moneys raised in this fashion must be considered part of a locality's general obligation debt, rather than revenue bonding debt.

Community development was also the focus of four recent technical assistance volumes for local governments, issued by the Iowa Office of Planning and Programs. The volumes cover the subjects of local capital improvements, urban downtown development, housing assistance efforts, and local planning and zoning capabilities. Other technical assistance efforts give guidance to local and re-

gional officials and service organizations on personnel management, capital budgeting, and the federal community development block grant program.

Kansas

State-local revenue sharing was the focus of legislative action during 1978. Under S.B. 548, the legislature modified existing revenue sharing mechanisms to turn back 8% of state-collected sales and use taxes to local units of government. The measure increases total state aid to general local government units by approximately \$1 million and provides for greater growth potential in the revenue base used to derive the local assistance moneys.

Other local assistance moneys approved by the legislature during 1978 include \$5 million in highway aid for cities and counties, \$250,000 in grants to multicounty planning commissions, \$350,000 to local health units, and \$100,000 for the planning of public airports. Another measure appropriates over half a million dollars for local and regional libraries. Another legislative initiative would enhance local financing capabilities: S.B. 529 eliminates the \$1 million ceiling on the advance refunding of municipal revenue bonds to allow the refinancing of larger issues.

Another 1978 initiative was the inception of a pilot community economic-industrial development assistance effort, under the auspices of the Kansas Department of Economic Development and the Ozarks Regional Commission. Under the initiative, a professional economic development team provides intensive technical assistance to smaller Kansas communities in industrial planning, and labor force and site development activities, as well as in marketing the completed sites to a suitable firm.

Another community improvement effort is the Kansas PRIDE program, begun eight years ago to encourage voluntary development activities by local governments. Under the program, the state provides administrative and technical services to communities which undertake improvements in such areas as housing, economic development, community planning and services, transportation, utilities development, cultural enrichment, and education.

Balanced growth planning will be addressed by a citizens' conference during 1979. Also on the horizon is a state study of the effects of state statutes, rules, and regulations which mandate costs on

cities, counties, and school districts. The report, to be conducted in conjunction with the fiscal 1980 budget process, will assess the extent and impact of such state-mandated expenditures on local units of government, and recommend reduction or elimination of such local costs where appropriate.

Kentucky

State-local aid efforts in Kentucky are highlighted by the imaginative use of state funds to achieve local structural reforms, but also include fiscal and functional innovations.

Kentucky funds a variety of categorical local assistance programs, many of which are directed to meet local economic and community development needs:

- The Convention and Community Centers Fund provides state matching grants for the construction, renovation, improvement, and equipment of local tourism and convention facilities. The program has been financed at the \$7 million level for the 1978-79 biennium.
- The Kentucky Development Finance Authority provides industrial development loans for both local developers and multicounty industrial development consortia. During 1978, the authority initiated new agriculture and tourism development efforts.
- The state funds a number of transportation development programs, ranging from efforts to upgrade rural secondary roads to funding for municipal street systems.
- Community development is stressed in a \$7 million program for the construction and upgrading of local riverport facilities, as well as in an assistance program for coal mining counties funded through the Coal Severance Economic Aid Fund.

State-local assistance has also been used to equalize the per pupil revenues available to local school districts. Under the state's power equalization plan, Kentucky supplements locally raised revenues so that each school district receives as much money per pupil as if its tax rate were applied in the wealthiest school district in the state. The program will be funded at \$21 million during 1981.

The expansion of housing opportunities also has been a concern in Kentucky. The state, in conjunction with the University of Louisville, is developing an urban data bank to assemble detailed information on substandard housing conditions throughout the state. Kentucky has also received HUD funding to launch a pilot "fair share" housing program statewide, to provide for more equal housing opportunities for lower income families. To date, the Kentucky Housing Corporation has financed the construction of some 14,000 units; during 1978, the Kentucky General Assembly increased the corporation's bonding authority from \$400 million to \$700 million.

Perhaps the most innovative use of state-local assistance moneys in Kentucky has been their distribution to encourage regional planning efforts and to strengthen the state's 15 regional Area Development Districts (ADDs). The ADDs, created to provide areawide planning and local technical assistance, are intended to promote cohesion in local service delivery, while avoiding an over-centralization of policymaking authority. A number of state-local categorical grants, including convention and community center funds, are distributed through the ADDs, and ultimately awarded according to ADD criteria. This device strengthens the ability of ADDs to persuade local governments to adhere to regional planning recommendations. Similarly, Kentucky has long awarded operating funds to the 120 county health care systems, through a formula-funding mechanism. Recently, the formula was revised to provide an incentive to consolidate county systems into regional health care districts. Hence, state structural reform goals have been promoted through the distribution patterns adopted for state-local assistance moneys.

Another intergovernmental innovation in Kentucky has been the attempt to streamline federal aid application procedures for ADD districts. Under a pilot joint funding simplification effort established several years ago, the Kentucky Department of Local Government (DLG) makes single statewide application for regional funds under a variety of federal programs. DLG officials report that, despite initial difficulties, the program has reduced administrative burdens attendant on Kentucky's regional development districts.

Louisiana

The enhancement of local economic development capabilities has received considerable atten-

tion in Louisiana. In 1978, Louisiana enacted the *Cooperative Economic Development Law*, authorizing the creation of local nonprofit development corporations, subject to the approval of local elected officials or the Governor. The new development corporations will be empowered to design economic development plans, designate local development areas, and carry out improvement programs. The corporations will enjoy substantial powers including the ability to acquire and dispose of property, the authority to issue tax free revenue bonds and to borrow and invest funds, and the ability to apply for, and receive grants and loans.

In another local economic development measure, the legislature extended the powers of downtown development districts in Shreveport and New Orleans, and strengthened the port commission of the Cado-Bossier Parishes. It also established a joint legislative subcommittee on methods of encouraging industrial, commercial, and employment growth in Louisiana urban centers. The subcommittee must submit a written report to the legislature prior to the beginning of the 1979 regular session. Also in 1978, the Governor's Conference on Economic Development produced a report containing issue papers on a variety of state industrial and commercial development matters.

Coastal management questions have also undergone scrutiny in Louisiana. During 1978, the legislature established a new coastal zone management program within the Department of Transportation and Development to coordinate coastal planning efforts, oversee the issuance of development permits, and systematically monitor and conduct surveillance of permitted uses. The state also has received federal funding to implement a coastal development program on Grand Isle, territory containing both oil company operations and recreational sites.

1979 developments are likely to include the drafting of a state community development strategy with the cooperation of the Governor's Commission on Intergovernmental Relations.

Maine

Improvement of the housing stock has received recent attention in Maine.

A 1977 report of the Maine Human Services Council found that the fragmentation of housing service agencies within the state was impeding the provision of lower income housing, particularly in

rural communities, where 54% of all units was reported substandard.

In February 1978, the Maine legislature overrode a gubernatorial veto to secure authorization of a \$75 million bond issue for the construction of low income and elderly housing.

The state has also received a HUD innovative grant to finance the Maine Housing Rehabilitation Project. Under the program, housing rehabilitation technicians serve as liaison between rural, low income homeowners and private and public sector funding sources, in order to secure financing for rural rehabilitation activities. The State of Maine is expected to continue the program once HUD funding is discontinued.

Local fiscal relief also attracted attention during 1978. In November, the electorate approved a referendum requiring the state to reimburse municipalities for 50% of the revenue losses caused by property tax exemptions and credits. Also during 1978, the legislature accorded localities increased flexibility in financing school costs by repealing the uniform statewide property tax, which had imposed local ceilings on education expenditures. Under the new school finance system, a basic education appropriation will be calculated by the legislature and divided in half to determine the state share, thereby continuing partial state financing of local school costs.

On the structural reform front, Maine has created a Governor's task force to monitor and assess the functions of regional and district organizations. In November 1978, the task force recommended the strengthening of county government in order to consolidate the administration of functions now performed by fragmented special districts.

Maryland

Economic development and housing assistance matters highlight Maryland's recent community assistance ventures.

During 1978, a five-part economic development strategy drafted by the Maryland Department of Economic and Community Development provided a framework for the legislative consideration of the state's commercial and industrial needs. The strategy emphasized the creation of a favorable business climate through the use of beneficial tax policies; the use of aggressive marketing techniques to attract industry to the state; and the encouragement of public-private partnerships to facilitate economic development. An urban policy compo-

ment also was suggested under the proposed strategy which would emphasize urban commercial and industrial development, neighborhood revitalization, and the consideration of fiscal reforms to assist urban areas.

Legislative consideration of the economic development strategy produced two measures which passed the Maryland General Assembly during 1978. One bill required the drafting of economic impact statements for all proposed state regulations. The second created the Small Business Development Financing Authority, which will provide loans for operating expenses to modestly sized firms engaged in expansion activities.

Measures expected to be taken up during the 1979 legislative session include legislation to create a tax credit for firms which finance neighborhood improvement activities and a bill creating a \$5 million commercial and industrial grant program modeled on federal Economic Development Administration efforts. The state also has expressed interest in participating in a federally financed effort to spur community commercial revitalization activities. Additional 1979 legislative recommendations on urban policy issues are expected to be proposed by the Maryland Commission on Intergovernmental Cooperation.

On the housing scene, 1978 activities included the establishment of the Maryland Housing Fund, which would insure mortgages on one-to-four family structures in need of rehabilitation. In a second new venture, the Department of Economic and Community Development joined with the Baltimore Regional Planning Council to expand lower income housing opportunities on a five-county basis. The effort will establish a computerized tracking system that will enable families throughout the region to obtain federal Section 8 existing housing without having to go through local housing authorities.

In other significant 1978 actions, Maryland assumed all county Medicaid expenses and increased state aid for local police protection, education, and library services.

Massachusetts

The Massachusetts *Growth Policy Report*, released during September 1977, encouraged the use of growth management planning to contain metropolitan sprawl and revitalize urban areas. The report em-

phasized the use of state permitting and purchasing powers to encourage urban revitalization and recommended a number of new state functional initiatives to accomplish the same objective.

Since releasing the *Growth Policy Report*, Massachusetts has taken a number of actions to implement its recommendations, including:

- the revision of regulations governing the location of state offices and facilities in order to emphasize their placement or expansion in urban centers;
- the granting of priority treatment for the carrying out of transportation and education construction projects located in urban areas; and
- the expediting of urban wastewater projects rather than sewage treatment efforts centered on the metropolitan fringe.

Massachusetts also offers a range of additional fiscal and program options to encourage city revitalization, including preferential tax treatment for central city commercial developers and a state-backed neighborhood improvement program. During the summer of 1978, the legislature approved an economic development package of six bills, designed to expand local use of tax-exempt industrial revenue bonds, provide tax incentives for innercity job creation, and broaden the scope of the state industrial mortgage guarantee program.

Massachusetts is now developing model building codes for housing rehabilitation and energy conservation activities and recently began to implement the program of the state's Community Development Finance Corporation, which finances economic development efforts undertaken by local development corporations. The state has issued antiredlining regulations.

During 1978, the state shouldered more fiscal responsibilities on behalf of local governments, with legislative enactment of a package providing an additional \$303 million in direct local aid. The aid expansion represented the largest such increase in the state's history and included \$150 million in new education aid, distributed according to a formula favoring less wealthy communities; \$88 million for the state assumption of local court costs; and \$60 million to county governments from state lottery proceeds.

On the planning front, Massachusetts pioneered the use of a gubernatorial development cabinet to coordinate community-oriented policymaking. The state also has proposed the preparation of rede-

velopment strategies by local and regional authorities as a basis for future state planning efforts.

Michigan

The Michigan urban policy strategy, set forth in *Cities in Transition*, the January 1978, report of the Governor's Urban Action Group, focused on physical, economic, and fiscal upgrading of the state's distressed communities. The strategy proposed the reorganization of state service departments to better coordinate economic and community development activities, urged the creation of a state development cabinet, and recommended the use of fiscal incentives to encourage urban job development and commercial rehabilitation. The report also recommended the enactment of legislation to facilitate the creation of local revenue sharing districts in a number of metropolitan regions to reduce urban-suburban fiscal disparities, along the lines of an innovative Minnesota tax sharing program.

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During 1978, Michigan enacted into statute a number of efforts recommended in *Cities in Transition*, including:

- the initiation of an ambitious home and neighborhood improvement program;
- the creation of a job development authority;
- the enactment of legislation to provide tax incentives for commercial rehabilitation activities; and
- the creation of a growth and development cabinet and coordinating council.

Also during 1978, Michigan began enforcement of the state's antiredlining statute, which requires extensive mortgage disclosure reports to be filed by financial institutions and enables individuals to file civil suits against lenders who have allegedly discriminated in the extension of housing credit.

Legislative proposals likely to receive consideration during 1979 include measures to enact a local tax base sharing plan, and to create an urban land bank, a Michigan business development corporation, and a job development tax credit program.

Already in operation is the Michigan Economic Development Incentive Concept (MEDIC) program, which provides technical and management assistance to local "umbrella" development organizations, which are charged with designing and implementing comprehensive areawide economic improvement

strategies. During 1978, the number of MEDIC participants grew from five to 12 jurisdictions, including 11 counties and the City of Detroit.

Michigan also has provided significant revenue sharing aid to local governments. Legislation signed in August 1978, awarded \$549.9 million in state revenue sharing moneys to localities; of that amount, \$135.5 million has been earmarked for Detroit.

Minnesota

Minnesota has pioneered several urban reform programs now being considered or adopted by other states.

The revolving home improvement loan mechanism developed by the Minnesota Housing Finance Agency in conjunction with its energy conservation-residential upgrading effort has been adopted by at least five other states. To date, the Minnesota home improvement program has financed the rehabilitation of some 15,000 homes.

Similarly, Minnesota pioneered the creation of a local tax base sharing district in the Minneapolis-St. Paul metropolitan area to reduce urban-suburban fiscal disparities. The Minnesota effort inspired a 1978 Michigan proposal and has prompted interest in California as a means of easing the impact of Proposition 13.

During 1978, Minnesota enacted legislation to defer property tax increases for five years on apartment buildings which have undergone significant rehabilitation. Also during 1978, the legislature approved a measure establishing an office of small business assistance within the Department of Economic Development. The new office will establish statewide and regional educational consortiums to effect small business development assistance activities.

Another Minnesota innovation is the Minnesota Community Development Corporation (MCDC), which represents the first state effort nationwide to assist locally based community development corporations. MCDC, patterned on the federal Title VII Special Impact Program, provides planning and venture capital grants to CDCs active in poverty areas. The effort, established as a pilot venture in three communities during 1976, was extended to 17 communities during 1978 and awarded permanent status.

Minnesota has traditionally attempted to provide substantial state financial assistance to local governments in order to diminish local dependence on property tax revenues and to reduce local fiscal disparities. All told, the state will allocate some \$4.6 bil-

lion to local units during the 1977 fiscal biennium, a figure which represents 62.1% of the state budget, according to the Minnesota Planning Agency.

General assistance to local governments, which totaled \$656.7 million in 1976, is awarded on the basis of a formula directly related to population and local property tax effort, to provide greater assistance to local governments levying high tax rates. State aid to local school districts represents a second significant source of state-local assistance, totaling some \$1.25 billion during the 1977 fiscal biennium. The distribution of state education funds is calculated to equalize financial disparities among school districts statewide. Additionally, Minnesota has assisted local governments through an increasing absorption of Medicaid costs. The state share of Medicaid expenditures has risen from 21.5% during 1970-71, to 40% during 1978-79. The county share dropped from 21.6% to 4.5% over the same period.

Mississippi

The Mississippi Research and Development Center provides a number of technical assistance services to localities, including guidance on public administration and financial management, urban design, local city and county planning, and the delivery of human services. The center also is developing a data management system which will track the impact of major state policies on local government resources.

In the field of economic development, the center's Jobs and Income Development Division provides technical assistance to Mississippi industries in the form of financial analyses, production control information, and assessments of transportation needs, labor-management relations, and employment conditions across the state. The center also has prepared a series of county economic development blueprints, reports which detail county potential for employment and industry growth, outline existing obstacles to the achievement of development potential, and set forth a plan of action by which county economic growth can be achieved.

The Research and Development Center also administers the Small Town Human Resources Development Program, which is funded jointly by the state, HUD, and the Rockefeller Foundation. The undertaking provides technical assistance in the enhancement of local industrial and community development capabilities and grant management expertise to eight jurisdictions with populations of under 1,000.

Missouri

Community assistance efforts in Missouri employ a variety of state policymaking tools, ranging from regulatory powers to the use of state credit policy to affect local development patterns. The bulk of the state's efforts have focused on local economic and infrastructure development activities.

A long-standing mechanism to encourage redevelopment is Chapter 353, a statute which allows local governments to establish quasi-public urban redevelopment corporations with the power to acquire property, exercise eminent domain powers, borrow funds, and accept federal grants for the purpose of carrying out redevelopment activities. Under Chapter 353, local development corporations can extend local property tax abatements to redeveloped areas for up to ten years.

In 1977, the state approved legislation to provide a similar impetus for local industrial development with adoption of the *Industrial Development Authorities Act*, which enables local governments to create authorities empowered to issue industrial revenue bonds and develop industrial sites and facilities. A 1978 Missouri Supreme Court decision upheld the constitutionality of the statute freeing the way for the creation of local authorities of this nature.

The most recent state initiative in the economic development field has been the formation of a state economic development advisory council, which held its first organizational meeting in June 1978. The council is charged with the development of an aggressive marketing campaign to promote Missouri as a prime industrial location.

On the community development front, Missouri created a neighborhood assistance program during 1977. The program, patterned after an earlier Pennsylvania effort, provides 50%-70% tax credits up to a ceiling of \$250,000 for businesses which contribute to, or create neighborhood assistance programs. The effort, which has been operational since April 1978, has generated an estimated \$500,000 for neighborhood activities. Activities funded have included housing rehabilitation, child and elderly care services, and organizational assistance to budding neighborhood groups. Also in the area of community development, 1977 legislation produced antiredlining provisions regulating the home insurance industry.

Missouri has attempted to use state credit to affect private sector development decisions through two linked-deposit efforts. One, the Rural Industrial De-

velopment Time Deposit Program, has been successful in using state cash deposits as a carrot to induce lending institutions to finance rural development programs. A second initiative, the Community Development Time Deposit Program, uses state deposits to reimburse lending institutions for 50% of the principal on higher risk urban development loans; this effort, however, has not been particularly well received by the lending community.

In another local assistance initiative enacted in 1978, the state approved the creation of intermunicipal contracts for the joint provision of water, gas, electric light works, and other utility services.

Montana

26 **B**alanced growth planning and the division of state-local powers have been the dominant community assistance concerns in Montana.

The Balanced Growth Task Force, established by Governor Judge in June 1978, has been charged with developing short and long-term recommendations for a growth management plan for Montana. The task force has been divided into four subcommittees on government administration, human service programs, natural resource management, and urban-rural development issues.

The task force is expected to recommend a restructuring of the state's technical assistance functions for local governments, a centralization of state transportation planning activities, and the adoption of one-stop business licensing throughout the state. The first phase of the task force's work will be submitted to the Governor early in 1979 to be followed by public hearings.

The task force is expected to continue its deliberations during 1979 with a focus on the adequacy of local powers in dealing with urban and rural development problems. In so doing, it is expected to recommend reforms relative to the extent of local government powers and to address the possibility of functional reassignment between the state and local levels of government.

While executive actions resulting from task force recommendations can be expected during 1979 and 1980, the bulk of the proposals drafted for legislative consideration are unlikely to be taken up before the 1981 legislative session. Legislation dealing with some of the issues related to local powers and functions had been defeated during the 1977 legislative session.

At present, coal severance revenues provide funding for another Montana community assistance initiative. The program, established in 1975, awards categorical grants to cities, towns, counties, and school and special purpose districts required to provide additional services deriving from the growth of the coal industry. To date, many grants have been used for the construction of schools, water and sewer systems, and solid waste treatment facilities—requirements imposed by the rapid influx of population into the communities adjoining coal mining areas.

Montana also permits the use of tax increment financing to fund redevelopment activities in the state's more urbanized communities.

Nebraska

Infrastructure development issues have received recent legislative attention in Nebraska.

During 1978, the legislature authorized and the voters approved a constitutional amendment that would enable local governments to employ tax increment financing for redevelopment purposes.

In March 1978, legislation creating a mortgage finance fund was signed into law; the new fund will undertake secondary market activities in order to increase the availability of housing capital.

Another measure, L.B. 508, provides additional financial aid to school districts which have suffered rapidly expanding enrollments due to population influxes associated with power plant constructions.

Nebraska also has adopted legislation designed to promote local consolidation through annexation and local incorporation regulations. Under state law, urban areas may annex any adjacent city with a population of 10,000 or less. State statute also prohibits an urban area from incorporating if it is within five miles of an incorporated municipality. Both statutes create an impetus toward local government consolidation, thereby reducing municipal sprawl and fragmentation in local government structure.

On the planning front, the Nebraska Office of Planning and Programming provides planning assistance services to local units of government. The office is developing policies on a number of matters affecting local governments, including water conservation, rural health services, and state aid to education.

Nevada

Nevada completed a statewide economic development plan in January 1978, which surveys local development and infrastructure conditions and identifies unmet local needs. The plan, made possible by funding from the Four Corners Title V Economic Development Commission, notes these short-run problems:

- inadequacy of local revenue raising capabilities, particularly in the wake of voter approval of Question 6, which limits local taxing abilities by rolling back property tax levels and restricting future property tax increases;
- the lack of well developed residential infrastructure, especially water and sewer lines, in many communities; and
- a number of social difficulties, including the health and child care problems.

Over the long run, the plan identifies the need to encourage greater diversity in local economies—a number of single industry counties exist, and the state as a whole is heavily dependent on the gaming industry.

The Nevada Office of Community Services administers federally financed programs for rural areas which lack appropriate local agencies to carry out the requisite management activities. The office also is involved with the provision of local planning assistance and with the creation of local agencies which will be eligible for the receipt and processing of federal funds.

The Nevada Housing Division, which operates within the State Commerce Department, supplies construction loans for multifamily rental units and mortgage loans for single family dwellings. Local housing assistance is also provided by the Rural Housing Authority, which administers federal housing subsidy moneys on behalf of communities unable to support local housing authorities.

New Hampshire

New Hampshire has traditionally addressed local development issues by enacting legislation designed to strengthen the self-help capabilities of local units of government.

The state enacted a 1977 statute enhancing community capabilities to attract new industrial development. The new powers, however, may not be used to foster interlocal competition for the relocation of industry already existing within the state.

Local cooperation also was the thrust of 1978 legislation establishing an interlocal agreements statute, enabling municipal and county governments to jointly provide public services.

Land use and growth management issues are coming to the forefront in New Hampshire. The Governor's Advisory Committee on New Hampshire's Future was established during 1977 to develop a state policy on land use and housing issues. The commission's report, titled *Goals, Policies and Recommendations for Land Use and Housing*, was issued in April 1978. In a related development, virtually all of the 40 communities in the southeastern portion of the state have adopted growth control ordinances to prevent an influx of Massachusetts residents seeking to avoid Massachusetts' higher tax rate.

New Jersey

Local aid activities undertaken by the State of New Jersey have traditionally focused on needy central city areas. While the emphasis on urban concerns continues, recent developments indicate increasing state attention to rural needs as well.

A comprehensive urban strategy is being developed by the Governor's Cabinet Committee on Urban Policy; release of the strategy is projected for 1979. To date, however, New Jersey has undertaken numerous actions to alleviate local distress.

A primary area of concern for the state has been the revitalization of older city areas through job creation and infrastructure development efforts. Recent actions in this sphere include:

- the creation of a \$400 million industrial facilities development program for central city areas, authorized jointly by the legislatures of New Jersey and New York, and to be administered by the Port Authority of New York and New Jersey;
- the reorganization of the state's job training effort to reach greater numbers of individuals by the use of classroom and workshop training techniques; and

- the development of a state effort to redevelop underutilized urban lands.

Job creation and infrastructure development also provided the key themes for the Governor's Conference on Economic Priorities for Job Creation, which took place in March 1978.

Ongoing state activities reflect a similar emphasis on job creation and infrastructure development activities. One such effort is the low interest, long-term loan program for firms relocating to, or expanding within, New Jersey. Established in 1974 under the direction of the New Jersey Economic Development Authority, the program uses tax exempt industrial revenue bonds to provide loan capital for the purchase and development of commercial and industrial sites, facilities, and equipment. To date, the authority has issued over \$600 million in financing, which has led to the development of an estimated 39,000 jobs.

28 The New Jersey Department of Community Affairs is responsible for carrying out a number of promising community development ventures:

- The Safe and Clean Neighborhoods Program, established in 1973, provides matching grants to 31 cities for crime prevention and community development activities. The program is regarded as a significant component of many local public service budgets.
- The pilot Housing Demonstration Program, initiated during 1974, has expanded its operations to 39 communities. Under the effort, state funding is provided to assist localities in the implementation of neighborhood preservation and housing rehabilitation activities. Program regulations require that state moneys be supplemented with local public and private contributions.
- Inner-city mortgage and home improvement lending capital is supplied by the New Jersey Mortgage Finance Agency, while the state's 1977 antiredeeming statute enables individuals to file civil suits against depository institutions which have allegedly discriminated against them in regard to home credit matters.

New Jersey's primary fiscal tool to alleviate local distress, the Urban Aid Program, represents an attempt to channel surplus state moneys to needy local governments. State funds for the program, which totaled \$39 million in fiscal 1978, are di-

rected to 31 communities on the basis of a formula weighting population or population density, number of children receiving AFDC assistance, local tax effort, local tax valuations, and number of public housing units.

Needy rural communities will receive additional state assistance under the 1978 *Rural Aid Act*, which distributes revenues on the basis of a needs formula. Additional rural aid will be provided in 1979 through New Jersey's participation in the Farmers' Home Administration's Section 111 rural assistance effort.

In the area of fiscal reform, all local governments benefit from state income tax revenues, which are dispersed to finance local education and service expenditures, with the specific purpose of offsetting local property taxes. State estimates indicate that the state paid some 40% of all local education costs during 1978. Also on the fiscal relief front, the New Jersey legislature has approved legislation authorizing state payments to localities for revenue losses on tax exempt state properties.

A key state initiative on the structural front is the Interlocal Services Aid Program, which provides financial incentives for the consolidation of service delivery mechanisms. Under the effort, local jurisdictions are eligible for small grants and technical assistance for the development of joint service delivery programs for such projects as public works, welfare, and tax collection efforts.

New Mexico

Local infrastructure needs, particularly water and sewage system inadequacies, have been the focus of recent concern in New Mexico.

During 1978, the legislature appropriated a total of \$4.9 million to be used as state matching funds to facilitate local construction of water supply and sewage treatment facilities. The legislature also appropriated \$300,000 for research on water shortage, conservation, and utilization. Also during 1978, the state approved a special appropriation of \$1.5 million to carry out a program of assistance for communities affected adversely by mineral and energy development activities.

The Planning Division of the New Mexico Department of Finance and Administration provides a number of services to local governments. The division assists in the development of local housing and economic development plans and provides guidance in developing local emergency and disaster

relief efforts. The division also has developed an interagency planning consortium to coordinate state executive branch planning and policymaking efforts.

New York

Recent community assistance initiatives in New York have centered on the fields of economic development, housing, and neighborhood aid.

The Governor's Economic Affairs Cabinet, created during 1978, represents an interagency forum for the development of local economic assistance policies. To date, the cabinet has initiated task forces on central business district revitalization and on the expansion of high technology industry within the state and has issued two reports, *Meeting the Urban Challenge* and *Rebuilding Our Downtowns*, which encourage the redirection of public resources toward urban areas. The cabinet also has sought to promote the use of underused or underdeveloped state-owned properties for economic improvement activities and has published a listing of nearly 200 state-held parcels available for this purpose.

New economic development programs also were approved during 1978. In conjunction with New Jersey, New York authorized the expenditure of \$400 million over a ten-year period for a bi-state industrial facilities development effort. The program, to be administered by the Port Authority of New York and New Jersey, is expected to generate some 30,000 jobs in central city areas over the next decade, with an additional \$600 million in private investment matching the public sector contribution.

Also during 1978, New York enacted statutes to provide state matching funds for local tourism development efforts, to increase the amount of bonding authority available to the state's Urban Development Corporation, and to enhance commercial development in New York City by providing favorable tax treatment of international banking facilities located therein.

New York efforts in the housing field have a strong neighborhood assistance component:

- The state has approved legislation enabling the State of New York Mortgage Agency to insure mortgages in declining urban areas.
- Regulations administered by the State Banking Department require mortgage disclosure by

lending institutions and administrative review of home credit patterns in conjunction with the consideration of bank branching applications in order to prevent redlining. A new antiredlining statute will take effect during 1979.

- During 1978, the State Division of Housing and Community Renewal began a one-year pilot program to prevent housing deterioration in Brooklyn.
- Governor Carey signed legislation in 1978 to provide property tax exemptions for rehabilitated single and multifamily units in New York City.

While the state's 8.5% usury ceiling restricted severely the supply of mortgage credit, the State of New York Mortgage Agency planned its first mortgage purchase issue in four years in order to enhance home credit availability. Emergency legislation enacted in December 1978, further eased home credit conditions by raising the usury ceiling to 9.5%.

On the neighborhood assistance front, a 1977 statute established a state grant program to assist nonprofit neighborhood groups in carrying out community conservation activities by funding administrative costs. The program was funded at the \$500,000 level during fiscal 1977; Governor Carey had recommended that funding be increased to \$5 million during fiscal 1978.

In another neighborhood aid venture, the New York Department of State began to develop a statewide data bank on neighborhood conditions during 1978. The proposed data bank, to be known as the Neighborhood Early Warning System (NEWS), would collect and monitor information on neighborhood physical and social conditions.

Another statute which went into effect during 1978 provides for the establishment of urban cultural parks, with site selection to be performed by a seven-member advisory commission.

In another 1978 major local assistance undertaking, New York assumed the nonfederal cost of the Supplemental Security Income program for local social service districts. The annual cost to the state has been estimated at \$107.4 million, on the basis of January 1978, caseload data. New York City alone will save \$75.8 million. The state also provides operating funds for public and private mass transportation systems serving local governments.

Overall, state-local aid totals some \$6 billion annually in New York, nearly \$4 billion of which is awarded to city governments. According to state estimates, local dependency on real property tax revenues declined from 44% of all local revenues in the early 1960s to under 30% in fiscal 1975. The state's revenue sharing program distributes 18% of the previous year's personal income tax to local governments, half of which is earmarked for city usage. Additional state aid is provided under a 1975 program to provide state emergency financial assistance to particularly hard-pressed communities. Urban centers funded under the program include Yonkers, Albany, Syracuse, Rochester, and Buffalo; program funding totals some \$20 million annually.

Educational finance reform represents a potential intergovernmental concern in upcoming years. In June 1978, a state trial court ruled New York's 1974 school aid statute unconstitutional on equal protection grounds, holding that the state aid formula unduly burdened large city school districts and failed to provide all school children with an adequate educational program. The court did not consider the adequacy of the state's 1978 educational aid formula, which is weighted toward less affluent and urban school districts serving poorer and handicapped children, a matter to be considered on appeal or on remand. The case is currently on appeal.

North Carolina

Recent state-local development activities in North Carolina have centered about the preparation of a state balanced growth policy and the development of a joint federal-state rural assistance effort. Both initiatives indicate a growing state commitment to the improvement of community conditions.

In July 1977, Governor Hunt reactivated the 15-member State Goals and Policy Board as a way to obtain greater citizen participation in state government decisionmaking. The board initiated the North Carolina Tomorrow project, under which attitude surveys were taken and 100 local conferences were held to identify citizen priorities on state balanced growth and economic development issues. The activities culminated in the May 1978, report *North Carolina Tomorrow*, which indicated that citizens perceived jobs and the economy, education, and welfare as the top problems facing the state. The popular concerns identified in *North*

Carolina Tomorrow also served as a basis for the construction of a state development strategy published in June 1978, entitled *A Balanced Growth Policy for North Carolina*.

The balanced growth policy report suggests a development program designed to establish and strengthen growth centers within existing clusters, focusing public support on only those growth centers capable of supporting additional development. A proposed regional balance ratio constructed according to the percentage of jobs available in a given region relative to the percentage of the state's labor force residing in that region, would provide guidance in distributing state-local economic assistance.

The report also recommends a comprehensive state education program, including the achievement of funding equity for each local education district; a small business assistance program; a transportation development program, centered around growth nodes; and statewide support for libraries, the arts, and cultural programs.

Governor Hunt is expected to use the balanced growth policy report as a basis for development legislation during the 1979 legislative session. The most controversial issues are expected to be:

- designation of criteria to determine urban growth centers;
- use of regional balance ratios to determine funding priorities among the state's 17 planning districts; and
- development of a policy management system for administering the growth plan.

North Carolina also has been the focus of a joint federal-state initiative to foster local development objectives. In a pilot demonstration announced during September 1978, the federal government agreed to redirect the use of over \$1.2 billion in federal moneys now allocated to North Carolina to promote the achievement of balanced growth policies. Federal agencies participating in the experiment are HUD, the Farmers' Home Administration, and the Department of Labor. The experiment will focus on rural planning, housing, and community development activities, and rural employment and economic development ventures. State, federal, and local officials will collaborate on program design and administration under the experiment.

The North Carolina Local Government Advocacy Council was created by executive order during

April 1977, to serve as a focal point for state-local relations and to advise the Governor and his cabinet on the development and implementation of programs affecting local governments. To date, the council has reviewed the effectiveness of the state's regional planning districts and established a telephone hot line for local officials who require assistance in dealing with state agencies. The council is expected to play a role in the forthcoming balanced growth policy process.

North Dakota

Economic development issues have been a matter of recent concern in North Dakota.

During 1977, the state issued its Public Investment Plan, which sets broad economic development goals for the state. Funding for the plan was provided by the Old West Regional Commission.

The Public Investment Plan established the following state priorities:

- the enhancement of the economic well being of North Dakota;
- the assurance of the wisest possible use of natural resources;
- the maintenance of environmental quality;
- the improvement of the quality and quantity of public and quasi-public services available in North Dakota;
- the preservation of the socio-economic composition of North Dakota's lifestyle, particularly in rural areas.

The plan also recommended the formation of an executive branch Economic Development Council.

The primary initiatives deriving from the 1977 Investment Plan have been:

- a state effort to assure that North Dakota residents receive the jobs created by the expanding coal development industry;
- expansion of state involvement in the marketing of agricultural products; and
- the creation of a study group to develop policies to assist young farmers overcome the obstacles associated with entry into agriculture.

Another 1977 economic development initiative was the enactment of a statute permitting local

governments to provide five-year property tax abatements for new industrial establishments.

Long-standing local development efforts are represented by the programs of the Bank of North Dakota and the Business and Industrial Development Department.

The Bank of North Dakota, established in 1919, is the only state-owned bank in the United States. The bank, which is heavily dependent on public deposits, is oriented toward the provision of community service loans in the areas of agriculture, housing, and student aid. It manages the state's public employee pension fund and deflects the flow of state-generated capital to eastern money markets.

The Business and Industrial Development provides local siting information to firms desiring to relocate to, or expand within, North Dakota, and promotes North Dakota as an attractive location for industry. The agency also runs a community betterment program, which encourages local governments to undertake local beautification, upgrading, and other civic improvement efforts.

A major development in the field of state-local assistance in North Dakota was public approval of a November 1978, referendum calling for a state revenue sharing plan whereby 5% of all revenues from state sales and income taxes will go to local units of government. Statutory requirements necessary to implement the plan will be drafted during the 1979 legislative session.

Other local growth measures expected to receive legislative consideration during 1979 are the establishment of a state housing finance agency (similar legislation was defeated during the 1977 session); the development of a state water management plan; wetlands, zoning, and land use measures; and legislation on the responsibilities of local governments in regard to resource development.

Another forum for the discussion of state-local relationships in North Dakota has been the State and Local Affairs Council. The council, which is comprised of 21 local officials and citizens, meets monthly to develop a local concerns agenda for presentation to state officials. The council reviews state and local programs in light of local needs and was active in the development of the 1977 Public Investment Plan. The council has conducted a citizen attitudes survey on state-local relationships and will be sponsoring a series of workshops on North Dakota's future. During 1979, the council hopes to develop a legislative program reflecting local needs.

Ohio

Ohio has undertaken a variety of actions to encourage local growth and development, with the primary thrust, the attraction of industrial and commercial enterprises to the state.

The *Community Reinvestment Area Tax Exemption Law*, which took effect in November 1977, allows local legislative bodies to designate reinvestment areas where developers rehabilitating residential, commercial, or industrial properties would be exempted from property tax increases for up to 15 years.

Another statute enables localities to use tax increment financing to stimulate redevelopment, and a third law revises mortgage disclosure procedures to address property abandonment and tax delinquency problems.

32 Also during 1977, House Bill 828 provided for a credit against the corporate franchise tax and the personal income tax for manufacturing investments, and reduced automatically the assessment listings of real properties used in business. The Department of Taxation has been charged with assessing whether the measure's provisions have indeed stimulated greater manufacturing investment in Ohio.

Another piece of legislation adopted in 1977, Senate Bill 221, included provisions enabling the appropriation of \$2.5 million in state moneys for the expansion of industrial development and economic opportunities within the state's urban areas, with the immediate purpose of attracting a Montgomery Ward regional catalog distribution center to the Cincinnati region.

Ohio also has passed legislation to provide for residential upgrading. A 1975 act required the state to collect mortgage lending data for the purpose of assessing the effects of a change in the state usury law. A 1978 measure provides income tax credits for homeowners making residential improvements valued at \$300 or over. State officials have advocated expansion of the powers of the Ohio Housing Development Board, but the voters rejected the requisite constitutional amendment in November 1977.

A long-standing mechanism for the provision of state aid to local governments has been Ohio's Local Government Fund. Created in 1934 as a response to local fiscal hardship, the fund provides support for all functions which a subdivision is required to undertake under the state's general laws.

The fund is financed through 3.5% of revenues collected from the state sales, personal income, and corporate franchise and income taxes. In 1976, the fund distributed \$152.7 million to local governments.

Education finance reform received considerable attention in 1978 and is likely to continue to do so during 1979. During 1978, Ohio's First District Court of Appeals sustained a trial court ruling that current school finance techniques violate the state's equal protection clause by providing widely disparate educational opportunities in Ohio's 617 school districts. Pending appeal of the decision, Governor Rhodes has proposed a \$1.1 billion school aid program that would freeze local property taxes at 1977 levels, with the state committed to pay the shortfall in school revenues to local governments. By 1981, implementation of the plan could cost the state \$25 million. The Governor is also expected to propose a state constitutional amendment that would require that state income tax and state lottery revenues go to the schools.

The deteriorating financial situation confronting Cleveland could warrant priority state attention during 1979. Confronted with the city's default on \$15.5 million in short-term debt, there have been calls for the creation of an autonomous controlling board to manage the finances of Ohio localities experiencing fiscal crises.

Oklahoma

Oklahoma has explored a number of mechanisms to promote the development of a state balanced growth policy.

During 1978, Governor Boren established an economic development council to monitor and identify trends and potential problem areas relative to Oklahoma's economy. The council, comprised of citizens and public officials, has begun to explore the following issues: traditional industrial expansion concerns; the impact of government regulations on the private sector; Sunbelt-Frostbelt issues and their relevance to Oklahoma; and the implications of economic growth for the environment, the labor force, and the general population. While Oklahoma is experiencing considerable economic prosperity—state unemployment levels are well below the national average—the council serves as a forum for the development of future balanced growth policies.

A second Boren initiative was the adoption of a

mini-cabinet system, established to stimulate executive branch cooperation in the delivery of local services. To date, five mini-cabinets have been created, covering such broad functional areas as economic development, human services, and energy. The individual cabinets have held public hearings on problems in each of the five functional areas, with intergovernmental cooperation fostered by the appearances of citizens and public officials at all three levels of government. The mini-cabinet system has encouraged the formation of inter-agency task forces to establish joint programs and to resolve interagency problems. The continuation of the mini-cabinet system and the economic development council will depend on the inclinations of newly elected Governor George Nigh.

State planning and program assistance to local governments is provided largely through the Department of Economic and Community Affairs. The department's division of economic opportunity provides technical assistance to local community action agencies on a variety of social and physical development issues, while its statewide planning section offers aid to local governments on economic and community development planning efforts. Employment and training planning is provided by the department's manpower planning division and a manpower services council.

State-local fiscal assistance was augmented in 1977 with the enactment of legislation to share a portion of the state sales tax with local governments. The measure, House Bill 1314, was the first general aid increase in 18 years.

Oregon

Oregon has been a pioneer in the field of land use planning. Under the state's comprehensive land use policy, the Oregon Land Conservation and Development Commission oversees the land use planning activities of all Oregon cities and counties. The state land use plan attempts to preserve ecologically sensitive areas and prime agricultural land; additionally, all highway construction and coastal development activities in the state must be coordinated with state land use policy. Attempts to weaken the state land use statute have been rebuffed in the state legislature.

State housing assistance efforts were enhanced during 1978, when the electorate approved a May referendum allowing the state to issue general obligation bonds for the construction and rehabilitation

of low income housing for the elderly. Bonding authority provided under the referendum vote was \$220 million; previously the state had been limited to the issuance of revenue bonds for housing construction and rehabilitation activities.

The Oregon Housing Division has also worked extensively with local governments to encourage the creation of local and regional public housing authorities. Several such corporations have been formed throughout the state with Housing Division assistance. In a recent action, the Housing Division entered into a cooperative agreement with the City of Portland to provide permanent financing and federal Section 8 rental assistance for the restoration of abandoned housing in northeast Portland. The Housing Division also has sponsored an analysis of legislative rules and policies which affect housing costs in the state. The study, which will recommend alternative state procedures to reduce housing costs, will be presented to the legislature in 1980.

A particularly notable 1978 initiative fell in the area of structural reform, with voter approval of the creation of a three-county metropolitan service district (MSD) in the Portland area. The new service district merges three existing regional bodies and will serve the urban area of Multnomah, Washington, and Clackamas Counties. The new body will continue to carry out existing regional functions and is expected to provide additional regional services including water supply, human services, regional parks, cultural and sports facilities, correctional facilities, and libraries, if voters approve new tax measures.

Another 1978 structural reform initiative occurred with legislative establishment of a joint interim task force on local boundary and annexation matters.

Ongoing technical assistance for local governments is provided by the Intergovernmental Relations Division, which is housed in Oregon's Executive Department. The division offers planning, management, and budgeting assistance to Oregon localities, as well as information on the operation of federal grant programs.

Pennsylvania

The Pennsylvania Department of Community Affairs (DCA) administers several programs intended to address local development needs. The

programs have a strong neighborhood assistance thrust. The Neighborhood Preservation Support System (NPSS), established in 1975, provides extensive technical assistance and financial support for upgrading activities in five communities across the state. Already active in the home rehabilitation field, NPSS efforts were extended during 1978 to develop economic improvement and social service delivery activities in recipient neighborhoods.

The DCA also has initiated the Small Communities Advisory Program (SCAP) in six communities across the state. The program will provide technical assistance to each community in establishing local programs to address physical, economic, and social difficulties. State revenues will provide each community with a \$25,000 grant, to be used to hire a community development advisor, who will assist in the creation of a local development program.

34 Finally, the DCA administers the state's Neighborhood Assistance Program, the first such state effort in the nation, which provides tax credits to businesses which contribute to nonprofit neighborhood groups working to upgrade areas experiencing social and physical blight.

Another neighborhood-oriented local assistance activity undertaken by the state has been the introduction of antiredlining legislation. The 1977 proposal requires the public disclosure of detailed mortgage lending data, including the number of loans applied for, granted, and denied according to geographic criteria. The legislation would apply to all mortgage bankers and state-chartered financial institutions. The State Office of Planning has recommended enactment of this and other antiredlining measures as part of a proposed state development strategy.

In the economic development field, the Pennsylvania Industrial Development Authority operates a revolving fund to make second mortgages on projects proposed by nonprofit local industrial development authorities. The fund provides assistance in high unemployment areas to stimulate economic development activities. During 1978, the authority lifted a nine-month ban on industrial development loans, removed a \$500,000 ceiling on lending authority, and set a \$20 million goal for loans during fiscal year 1978.

Other recent state actions also are intended to stimulate upgrading activities in distressed areas. Under the 1977 *Local Economic Revitalization Tax Assistance Act*, local governments are empowered

to provide tax exemptions for up to ten years for investment activities in designated reinvestment areas. Similarly, another statute enables local governments to grant up to three-year exemptions from taxation on newly constructed dwelling units in distressed neighborhoods. Other state-sponsored housing activities include the financing of local housing code enforcement efforts and the provision of financial assistance for financially pressed, lower income, housing projects.

A top priority for Pennsylvania during 1979 will be the creation of a statewide development strategy. The strategy, to be drafted by the Department of Community Affairs and the Pennsylvania Intergovernmental Council, will focus on economic and community development issues.

Rhode Island

During 1978, Rhode Island began development of a state urban strategy; the strategy is expected to be released during 1979.

The strategy development process has focused on economic development issues, with input provided by a forum known as the Governor's Partnership for Business, Labor, and Government. Issues expected to be addressed by the forthcoming urban policy include:

- the transfer of riverfront development rights in wetlands areas, in order to foster economic expansion while retaining environmental quality;
- the provision of waste pretreatment facilities for small businesses which otherwise could not meet federal environmental requirements;
- state programs to promote small site commercial and industrial development in Providence;
- the improvement of vocational training for the urban disadvantaged; and
- a state effort to assist cities in the development of capital improvements including roads, sewers, and industrial sites.

During the past 13 years, Rhode Island has assumed responsibility for several functional areas generally cited as drains on central city resources. The state operates the public bus systems of Providence and Newport, carries out all public health functions and the financial responsibilities associated with them, and has assumed all nonfederal welfare costs. These actions have substantially alleviated local fiscal burdens, according to state planning officials.

The state's land use plan, adopted during 1975, advocates the concentration of development in the state's urban areas and the preservation of ecologically sensitive lands. The latter objective also is embodied in the state's 1977 coastal zone management program, which restricts development along Rhode Island's 400-mile coastline.

South Carolina

In August 1978, the South Carolina Supreme Court validated enabling legislation creating a state housing finance agency. The South Carolina State Housing Authority's first bond issue was planned to take place before the close of 1978.

Establishment of a state housing finance agency represented a priority need in South Carolina, where the state's 9% usury ceiling has diminished substantially the supply of private housing credit. The new agency will establish a mortgage purchase program geared to moderate income families to enhance the availability of single family mortgage credit in the state, as well as to back multifamily new construction and home rehabilitation programs.

The South Carolina Office of Community Development provides various technical assistance services to local governments. The office assists local units in carrying out community and economic development planning activities and is responsible for developing statewide balanced growth planning recommendations. The office also offers federal grant application assistance to local governments and contracts with service providers on their behalf.

South Dakota

Growth and development issues have been prominent in the development of recent South Dakota actions to assist local governments.

The 1977 State Comprehensive Development Plan, which evolved from the Future of South Dakota Program, sets forth ten development goals to guide growth patterns within the state in areas such as natural resources, agriculture development, transportation, industrial development, and human and social services. At present, the State Planning Bureau is preparing issue papers analyzing the conflicts and tradeoffs between the goals estab-

lished by the plan, in preparation for the drafting of legislative actions on the basis of its recommendations during 1979.

Also during 1977, the legislature approved the creation of the Economic Development Finance Authority. The authority provides loans for up to 50% of the costs associated with developing industrial sites or constructing industrial facilities. Consideration of a measure to increase the state loan share to 80% of project costs is expected to be undertaken by the legislature during 1979, in order to reduce equity costs now borne by local development corporations.

Additional state industrial development aid for local governments is provided by the Department of Economic Development, which conducts an industrial marketing program and offers technical assistance for local governments which desire to attract new firms.

In another effort to enhance local economic development capabilities, South Dakota enacted 1978 legislation enabling local governments to establish tax increment financing plans. Local use of the legislation has been sparse, however, pending the introduction of a court test to determine the constitutionality of the new statute.

Another issue on the horizon for 1979 is the state's ability to finance home rehabilitation activities. The South Dakota Housing Development Authority plans to ask the legislature for the conferral of broader rehabilitation finance powers; the need for housing rehabilitation in South Dakota has been judged to be greatest in the state's largest cities.

An ongoing forum for the consideration of state-local issues in South Dakota has been the Local Government Study Commission. The commission, which acts as a standing interim committee of the state legislature, was created in 1968 and is comprised of local officials and state legislators. The commission reviews a variety of inter-governmental problems for the legislature, including structural reform issues and taxation and finance matters. 1978 studies reviewed municipal annexation procedures and the extent of local sovereign immunity from liability suits.

Tennessee

Tennessee's Department of Economic and Community Development offers a number of development assistance services to local govern-

ments, most of which focus on industrial development needs.

The Industrial Development Program represents a comprehensive recruiting effort to attract both domestic and international businesses to Tennessee sites. A companion venture seeks to develop a foreign market for locally produced goods, in order to enhance trade opportunities. A third effort represents the operation of a service bureau to assist industries already settled in the state in dealing with the state bureaucracy. The program is intended to discourage the out-of-state relocation of Tennessee firms.

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In conjunction with these general efforts to enhance local economies, the department offers an industrial site development program targeted to approximately 20 communities. Under the effort, the state provides substantial technical services to recipient governments, including preliminary engineering surveys, site planning assistance, and the assembly of financing packages requisite to the success of the development proposal. Additional moneys to provide state infrastructure development assistance for small towns and rural communities come from the Appalachian Regional Commission (ARC). ARC-financed ventures administered by Tennessee officials include programs to develop roads, industrial park sites, and water and sewer systems for local governments. In many instances, the community development efforts act as a precursor to private industrial and commercial expansion. The state also is responsible for the Tennessee 2000 program, a leadership development effort to interest citizens in addressing local development problems.

Community and economic development concerns seem likely to continue as focal points for Tennessee local assistance efforts. A statewide conference on community and economic development was held during November 1978. The state also has expressed interest in implementing a state program to back home improvement loans and to target moneys for neighborhood conservation activities in declining areas.

Texas

The Texas Department of Community Affairs (TDCA) offers programs of technical assistance and financial support for local units of government.

TDCA provides comprehensive planning for small cities through the HUD 701 program and of-

fers training and technical assistance in various program areas.

The department also administers federal *Comprehensive Employment and Training Act* (CETA) and Community Service Administration programs, rendering additional assistance to county authorities and local community action agencies. The agency also is responsible for rural economic development and housing planning efforts, as well as for statewide human services planning.

Additional technical assistance is provided to local jurisdictions in the development and enforcement of housing codes and in the establishment of local housing rehabilitation and neighborhood preservation efforts. During 1978, TDCA obtained HUD approval to administer the federal Section 8 existing housing program in 29 counties which have not established local housing authorities. In this capacity, TDCA is filling the function that would be normally undertaken by a state housing finance agency.

Creation of a state housing finance agency remains an important need for some areas of Texas, particularly rural areas in the southern and eastern portions of the state. A housing plan recently completed by the state reports that over 300,000 families, an estimated 10% of whom are ineligible for federal housing subsidies, reside in substandard dwellings. The housing plan urges the creation of a state housing finance agency to enhance the availability of housing capital throughout the state.

Utah

The Utah Department of Community Affairs (DCA) provides information to local governments on federal and state grant assistance efforts and offers technical assistance and training on economic development, land use, environmental assessment, and government reorganization matters.

During 1978, the DCA began the Community Impact Funding Program, which provides moneys to communities experiencing rapid development pressures due to energy resource development.

In the area of housing, the DCA's Housing Development Agency assists local governments in identifying, applying for, and administering federal housing subsidy assistance, while the Utah Housing Finance Agency provides mortgage finance capital for low and moderate income families. The agency, the enabling statute of which was declared constitutional in 1977 by the Utah Supreme Court, has

issued a first bond issue for \$75 million for single family mortgage purchase activities. An additional \$750,000 for low income housing was appropriated by the legislature during the May 1978 special session.

Local infrastructure needs also received legislative attention during 1978. The legislature authorized a \$25 million bond issue for water projects and approved a measure creating a water resources conservation and development fund. The state's motor fuel tax was increased from 7¢ to 9¢ per gallon, and a portion of the proceeds will be used for city and county roads. Another \$4.4 million was appropriated to upgrade roads serving the Emery County coal project, while additional roads were designated part of the state road system.

An emerging issue in Utah appears to be the need for statewide land use planning. Some 65% of land in the state is federally owned, and lack of a state land use planning mechanism has led the federal government to unilaterally undertake land management decisions. Since 1974 (when a statewide referendum invalidated legislation creating a state land use commission), public opinion has shifted toward favoring augmented state involvement in land use planning decisions. A formal state land use strategy could be one way to represent state and local priorities to federal decision-makers. At present, the ad hoc State Wilderness Committee is attempting to design a state policy on wilderness lands in order to influence forthcoming federal legislation on wilderness areas.

Vermont

Housing represents a prominent state-local concern in Vermont, where housing demand exceeds significantly the existing supply.

The state's housing shortage can be attributed to the lack of adequate building sites, as well as to the aging and deterioration of the existing stock. Additionally, market-induced price pressures deriving from the excess of demand relative to supply are exacerbated by the high home fuel costs.

Over the past two years, the state has taken a number of actions to expand the available housing stock. A home rehabilitation loan program approved by the legislature in 1977 authorizes the Vermont Housing Finance Agency to make 7.5% below-market interest rate loans for residential upgrading activities, including home insulation improvement efforts.

Another 1977 statute permits the Vermont Home Mortgage Board to guarantee loans of up to \$55,000 for "group homes" for elderly, handicapped, or developmentally disabled individuals. The loan guarantee secures below-market interest mortgage financing for such residences, thereby reducing significantly the housing costs of individuals likely to be on fixed incomes. The same statute raised the bonding authority of the Vermont Housing Finance Agency from \$74 million to \$84 million, while 1978 legislation raised the ceiling for a second time to \$110 million.

The Vermont legislature is expected to consider additional housing related legislation during 1979. One measure would merge the Vermont State Housing Authority with the Vermont Housing Finance Agency in order to improve the delivery of housing services statewide. A second piece of legislation would create a Vermont housing development incentive fund, which would provide low interest loans to private developers and non-profit groups for the construction of moderately priced, single family housing. Under the proposal, the reduction to the developer in financing charges would be sufficient to permit the sale of the finished units at prices affordable by moderate income families.

Another local assistance initiative underway in Vermont is the Regional Development Grant Program, which went into effect in 1977. The program, which was funded at \$100,000 during 1978, provides matching grants toward the employment of full-time economic development specialists in the state's regional planning districts. Vermont also is participating in the Local Government Capacity Building Program sponsored by the New England Regional Commission. Under the venture, the state provides seven communities and two municipal associations with substantial technical assistance in local organization and financial management techniques. Other ongoing local assistance efforts include the provision of financial and technical assistance to municipalities for the revitalization of downtown areas and the use of state revenues to offset local education and highway expenditures.

Vermont also has begun to assess the broad panoply of state-local relationships, under the direction of a 15-member committee composed of state and local officials and private citizens. The committee guides the work of the Governor's Conference on State-Local Intergovernmental Relations which is studying the decisionmaking and

problem-solving capacities of state, regional, and local units. The conference expects to report its findings and recommendations to the Governor during early 1979.

Virginia

During 1977 and 1978 Virginia took action to improve state policymaking processes on local matters and undertook new development programs, many of which were directed toward the state's Appalachian regions.

In order to enhance state understanding of local concerns, Virginia's Local Government Advisory Council was established by executive order in 1977 and accorded statutory recognition in 1978. The council, which is comprised largely of local elected officials, has been divided into six committees to correspond with the state's executive branch departments. Council members use the committee structure to work closely with executive branch departments to represent local concerns during the development of policy decisions in a variety of functional areas.

Legislative action during 1978 also established state planning regulations that would require the collection of demographic and developmental data to assist in coordinating the programs of planning districts, regional development authorities, and local governments with those of state agencies.

Virginia also has undertaken various housing assistance initiatives. The Virginia Housing Development Authority in 1978 began to implement a home improvement-energy conservation loan program at below-market interest rates. Also during 1978, the electorate approved a November referendum authorizing the legislature to grant local authorities the power to partially exempt rehabilitated properties from tax increases.

Other development initiatives have been directed toward assisting Virginia's Appalachian communities. During 1978, the Virginia Housing Development Authority, in conjunction with the Appalachian Regional Commission, undertook three programs to increase the supply of low and moderate income housing in communities where rapid population growth associated with coal development activities has produced housing shortages. The three programs will encourage private development of the requisite units by providing homebuilders with project planning loans and grants for land survey and acquisition costs; legal

fees and other preconstruction expenses; site development and off-site improvement moneys to provide sufficient housing support facilities; and technical assistance in packaging financing proposals for low and moderate income developments.

Also in 1978, Virginia approved a \$410 million road improvement program to upgrade interstate and secondary roads statewide, including significant funds to construct and improve Appalachian highways.

Washington

The preparation of the statewide Growth Management Plan has been the focus of Washington's effort to restructure state-local relationships. Local opinions on desirable reforms were provided through a series of public hearings around the state, in which the officials of cities, counties, and special purpose districts proposed ways to improve intergovernmental relationships and facilitate the effective delivery of state services to local governments. The Growth Management Plan, which is expected to be submitted to Governor Ray by early 1979, is expected to recommend significant state-local fiscal and structural changes to meet specific local development concerns.

Salient local growth issues in Washington center about the regulation of industrialization patterns, including the following development matters:

- the enhancement and conservation of natural resources in already urbanized areas;
- the curtailment of metropolitan sprawl;
- the upgrading of commercial and industrial infrastructure in rural areas and small towns to stem out-migration and economic decline;
- the preservation of agricultural land; and
- the maintenance of infrastructure in existing industrial centers.

The recommendations set forth in the plan are expected to result in a body of 1979 legislative proposals and executive actions that will provide the basis for a state balanced growth strategy.

In the area of housing assistance, HUD has approved Washington's Planning and Community Affairs Agency as the administrative authority for Section 8 subsidy funds for those parts of the state which lack a local housing authority. The Planning and Community Affairs Agency expects to begin

the effort by the end of 1978 and will be participating in the Section 8 existing housing, new construction, and substantial rehabilitation efforts. While the Planning and Community Affairs Agency undertook this function in the absence of a state housing finance agency, proposed legislation to create a state housing finance commission may well pass in 1979. In its present draft, the measure would enable the commission to issue revenue bonds for mortgage purchase activities on behalf of low and moderate income individuals.

Education finance is another likely area of state-local concern during 1979. In September 1978, the state supreme court upheld a 1977 lower court decision that the Washington school finance system failed to provide constitutionally guaranteed educational benefits. The legislature has acted to appropriate an additional \$971 million for education from 1977 to 1981—the timeframe set by the court for legislative compliance.

West Virginia

To date, local assistance programs mounted by the state of West Virginia have focused on infrastructure and housing development concerns.

During 1977, the state established a community partnership program, which has distributed grants to some 75 local governments for a variety of development needs, including the construction of water and sewer systems, the building of community health, civic, and library facilities, and for the provision of housing assistance. Also in the housing field, the West Virginia Housing Development Fund is backing a rehabilitation loan program geared toward those coal mining areas of the state experiencing population influxes, as well as toward energy-short areas. Additional rural housing aid is provided through the state's participation in the HUD-Farmers' Home Administration Rural Development Demonstration Program. Governor Rockefeller during 1978 appointed a 37-member Housing Advisory Commission to further explore housing problems facing the state.

In the area of economic development, a West Virginia statute promotes ease in land assemblage for industrial development purposes by providing for local eminent domain power over potential industrial development sites now held privately. Eminent domain procedures may be invoked after approval by two-thirds of the relevant county commission.

A fiscal incentive to promote economic development within the state comes in the form of the Business and Occupation (B&O) Industrial Expansion Credit. The B&O tax credit provides a 10% credit against total sales taxes for a period of up to ten years, for new businesses locating within the state. On the neighborhood improvement front, West Virginia has enacted enabling legislation to allow counties to apply for, and use federal neighborhood rehabilitation funds.

The themes suggested by these various programs, including the development of local infrastructures, the provision of housing and neighborhood aid, and the expansion and guidance of economic development activities, are being incorporated into a comprehensive state development plan. The plan is expected to be submitted to the Governor by early 1979 and represents the culmination of state efforts to tap citizen opinion on state-local growth priorities. Drafting of the plan was undertaken with the assistance of local citizens' councils created to facilitate state-local interchange on development concerns.

Wisconsin

Fiscal reforms are popular mechanisms for affecting local development patterns in Wisconsin.

The state's tax increment financing statute, enacted in 1975, enables local governments to designate redevelopment districts in which the additional tax revenues generated by new development can be used to repay local bond issues associated with the project. Some 39 local governments are using the statute to finance community improvements, according to state officials. Initial bond financing, however, has been secured through general obligation bonds rather than through revenue debt, in order to secure more favorable terms on local issues.

In order to influence development patterns on the metropolitan periphery and to preserve agricultural land, Wisconsin has enacted a tax credit program which allows farmers to credit property taxes on agricultural land against the state income tax, up to a maximum annual credit of \$4,200. In order to be eligible for the credits, farmers must sign farmland preservation agreements with the Department of Agriculture, Trade and Consumer Protection. Beginning October 1, 1982, the credit will be available only if the farmland is in a county which has adopted an agricultural preservation

program or a zoning ordinance restricting farmland development. The state currently offers planning grants for such local units to encourage preservation zoning and other land use conservation activities to discourage metropolitan sprawl.

During 1978, Wisconsin initiated a program of offering deferred payment and installment payment housing rehabilitation loans for low and moderate income families. Funding for the effort has been provided by a \$25 million bond issue and a \$4.5 million appropriation. The rehabilitation loans are to be available statewide, but half are to be targeted to locally designated community reinvestment areas. The success of the program is heavily dependent upon the cooperation of local lending institutions, which are responsible for originating all interest bearing loans under the venture. Initially, the program is expected to rehabilitate some 7,000 units across the state.

40 In another effort related to community upgrading, the Wisconsin Department of Local Affairs and Development provides technical assistance to local governments in filing application data for federal community development block grant moneys.

Wisconsin has traditionally provided significant financial assistance to local governments. The state has assumed 37% of local education costs, a portion of which is expected to increase gradually over the next several years. Wisconsin also offers substantial revenue sharing moneys to local governments and has acted to equalize local revenue raising disparities. Additional local assistance programs were enacted in 1978, including state assumption of circuit court costs, an increase in state assistance for local mass transit services, and the establishment of a program to fund local sewerage plant projects. These actions built on a series of reforms undertaken in 1974, when the state assumed the county share of costs associated with the major income maintenance programs, including AFDC, medical assistance, and food stamps. To date, Wisconsin also has assumed 60% of county expenses for mental health and developmental disability programs.

Overall, Wisconsin has provided substantial financial relief to local units of government. The state aid component of local government revenues rose from 42% in 1971-72 to 47% in 1975-76. The increase in state aid has seen a corresponding decline in the local reliance on property taxes. In 1971-72, 44% of general local revenues were derived from local property taxes; by 1975-76, only 31% of general local revenues were so derived.

Wyoming

The rapid development of mineral and energy resources in Wyoming has brought a flush of economic prosperity to the state but has generated widespread concerns over environmental despoliation and the ability of local governments to cope with the erratic growth and decline patterns imposed by economic expansion.

During 1975, Wyoming enacted extensive growth management laws to modify the impact of mineral and energy development and to assist localities in dealing with the growth cycle. The *Industrial Development Information and Siting Act* requires permits, and impact statements for proposed industrial expansion activities, and development through a review and permitting process. The *State Land Use Planning Act*, also adopted in 1975, produced a comprehensive land use development policy for the state.

Additional 1975 enactments have provided significant financial assistance for all local governments, particularly those undergoing rapid shifts in population and service requirements due to economic development. The *Coal Tax for Impact Assistance Act* set aside portions of coal severance revenues for local infrastructure development grants, including water, sewer, and road improvements. To date, an estimated \$35 million has been distributed under the program.

Similarly, an amendment to the state constitution established a mineral trust fund, which uses the proceeds of federal mineral royalties paid the state for local assistance efforts. The fund provides all local governments with entitlement grants of at least \$10,000, and provides additional loans and grants to communities impacted by rapid energy development. The program also supports selected public facilities construction efforts at the local level. These efforts are administered by the Wyoming Department of Economic Planning and Development.

Wyoming's Farm Loan Board, which has expanded its activities beyond the agricultural sphere, administers the Joint Powers Loan Program, authorized under the *Joint Powers Act of 1975*. The effort provides below-market interest rate loans to county governments which wish to undertake the joint planning and provision of local services, including solid waste treatment, water systems, and sewer facilities. \$40 million in loans was funded.

Enabling legislation creating the Wyoming

Community Development Authority was validated by the state supreme court during the spring of 1978—a full three years after initial legislative approval of the measure. The new agency is intended to act as a state housing finance authority and to provide community development and other local aid services throughout the state, with particular reference to those communities experiencing rapid energy-related growth. In July 1978, the new agency floated its first bond issue to provide \$53.6 million in single family housing finance assistance. In a related development, Governor Herschler released a nine-point housing development program to increase the quality, quantity, and affordability

of housing throughout the state. The proposal recommends an increase in the bonding authority of the Community Development Authority to over \$100 million, the development of a housing data base to assist in planning future programs, and increased coordination between economic development and housing improvement efforts.

Citizen views on development priorities for the state were solicited during August and September 1978, in an open survey titled "You Can Help Decide Wyoming's Future." The survey was distributed through newspaper supplements and was intended as a vehicle to provide public input into state planning and development efforts.



Drafting A State Community Aid Strategy: ACIR Model Legislation

Over the past 20 years, the Advisory Commission on Intergovernmental Relations has developed a series of recommendations relating to the broad area of state community assistance. Many of these have been translated into model state legislation for consideration by the state legislatures.

The bills listed below represent those elements of ACIR's model legislative program that are most relevant to current state community assistance concerns. The bills are intended to serve as useful references for state executive branch officials and legislators, state legislative service agencies, and others interested in strengthening state-local aid efforts. Single copies of these bills are available from ACIR, 1111 - 20th Street, NW, Washington, DC 20575.

ACIR's legislative guide on state community assistance strategies includes the following bills:

- *State Technical Assistance for Local Governments:* Enables state executive agencies to provide technical assistance to local governments and designate the department of community affairs (or other appropriate state agency) to coordinate state-local technical assistance efforts.
- *Local Government Creation, Dissolution and Boundary Adjustments:* Establishes state procedures to review and regulate local boundary adjustment matters.
- *Local Consolidation:* A draft constitutional amendment authorizes local government consolidation and mergers; model legislation establishes state procedures for the consideration and disposition of local consolidation proposals.
- *Interlocal Contracting and Joint Enterprise:* Authorizes local governments to jointly provide local public services.
- *Transfer of Functions Between Municipalities and Counties:* A constitutional amendment authorizes local governments to initiate and complete voluntary functional transfers and enables the state legislature to develop a systematic approach to the assignment of functions. The accompanying model statute establishes state procedures for regulating and reviewing voluntary and mandated transfers of function.
- *State Planning and Growth Management:* Establishes a broad, yet flexible state planning process centered in a state planning office within the Governor's office.
- *State and Local Land Development Corporations:* Establishes a state development corporation to assemble, purchase, and improve tracts for community upgrading. The state corporation may delegate its powers to local land development corporations.
- *State Loans to Promote Urban Growth Policy:* Establishes a state corporation to lend expansion capital to small businesses in low income areas.
- *Local Industrial Bonds:* Authorizes the local issuance of industrial bonds in accordance with state regulations to assure their credit worthiness and compatibility of purpose with local, state, and regional development plans.
- *Preferential Procurement Practices:* Establishes a state preferential procurement program to further state growth and development goals.
- *Urban Employment Tax Incentives:* Establishes an urban employment tax incentive program to create jobs in poverty areas.
- *Urban Water and Sewerage Supply Systems:* Mandates preparation of certain local water and sewer development plans, including capital improvement schedules. Provides for state review and regulation of local plans.

- *Legislative Jurisdiction over Federal Lands Within the States*: Establishes minimum state powers in federally owned lands and suggests procedures for transferring jurisdiction over such lands from the federal to the state level.
- *State Urban Development Corporation*: Establishes a state urban development corporation to initiate city redevelopment activities that will stimulate further private investment.
- *State Housing Finance Agency*: Establishes a state housing finance agency to promote housing credit availability through mortgage purchases, loans to lenders, and other development activities. An accompanying constitutional amendment permits the legislature to extend state credit to finance housing and related community development facilities.
- *State Assistance for Rehabilitation of Private Housing*: Establishes a state housing rehabilitation finance corporation to guarantee private rehabilitation loans and provide interest reduction assistance on such loans.
- *Uniform Relocation Assistance*: Establishes state and local procedures to prevent the displacement of lower income persons in conjunction with state and local development programs.
- *State Financial Assistance and Channelization of Federal Grant Programs for Urban Development*: Provides a framework within which states can "buy into" federal-local aid programs. Enables states to contribute funds to federal-local aid efforts in exchange for the ability to influence the scope and type of projects undertaken and to assure the coordination of such projects with other aspects of overall state policy.
- *Private Enterprise Involvement in Urban Affairs*: Promotes public-private partnerships through a constitutional amendment permitting the extension of state and local credit to private entities involved in economic and community development.
- *State Department of Transportation*: Establishes a state department of transportation, responsible for all transportation planning, budgeting, and policymaking functions.
- *Regional Transportation Planning Act*: Empowers substate regional planning units to develop comprehensive intermodal transportation plans. Provides for review and modification of regional plans by the state department of transportation.
- *Establishment of Regional Transportation Authorities*: Establishes regional transportation authorities to deliver the transportation services to substate areas.
- *State Fiscal and Operating Roles in Transportation*: Consolidates existing transportation trust funds into a single multimodal fund, to enhance state abilities to undertake diverse transportation aid efforts.

About ACIR's State Legislative Program

ACIR's Legislative Program

The Advisory Commission on Intergovernmental Relations is a permanent, national bipartisan body established by an Act of Congress in 1959 to give continuing study to the relationships among local, state, and national levels of government. The Commission does not function as a typical federal agency, because a majority of Commission members come from state and local government. The Commission functions as an intergovernmental body responsible and responsive to all three levels of government.

It should not be inferred, however, that the Commission is a direct spokesman for any single level or branch of government—whether the Congress, the federal Executive Branch, or state and local government. Nevertheless, many of the Commission's policy recommendations are paralleled by policies of the organizations of state and local government—including the National League of Cities, U.S. Conference of Mayors, and National Association of Counties—and a substantial number of the Commission's draft legislative proposals are disseminated by the Council of State Governments in its annual volume entitled *Suggested State Legislation*. The National Governors' Conference in its report of the 67th Annual Meeting carried 38 of ACIR's legislative proposals as an appendix entitled *State Responsibilities to Local Governments: Model Legislation from the Advisory Commission on Intergovernmental Relations*.

The Commission recognizes that its contribution to strengthening the federal system will be measured, in part, in terms of its role of fostering significant improvements in the relationships between and among federal, state, and local governments. It therefore devotes a considerable share of its resources to encouraging the consideration of its recommendations for legislative and administrative action by government at all levels, with considerable emphasis upon the strengthening of state and local governments.

ACIR's *State Legislative Program* represents those recommendations of the Commission for state action which have been translated into legislative language for consideration by the state legislatures. Though ACIR has drafted individual bills from time-to-time following the adoption of various

policy reports, its suggested state legislation was brought together into a cumulative *State Legislative Program* initially in 1970. The 1975 edition was the first complete updating of the original cumulative program. It contains a number of new bills as well as major rewrites and minor updates of previously suggested legislation.

Scope of the Legislative Program. ACIR's reports, over the years, have dealt with state and local government modernization and finances, as well as a variety of functional activities. Commission recommendations to the states, contained in these reports, have addressed all of these subjects. The suggested legislation contained in the Commission's *State Legislative Program* has been organized into ten booklets (parts) in which the draft bills are grouped logically by subject matter. The groupings for all ten booklets are listed in the summary contents of the full legislative program which follows this foreword. Then, the detailed contents of this booklet, including the title of all bills, are listed with the page numbers where they can be found.

Process for Developing Suggested Legislation. Most of the proposals in the *State Legislative Program* are based on existing state statutes and constitutional provisions. Initial drafts were prepared by the ACIR staff or consultants. Individual proposals were reviewed by state officials and others with special knowledge in the subject matter fields involved. The staff, however, takes full responsibility for the final form of these proposals.

How to Use the Suggested Legislation

The Commission presents its proposals for state legislation in the hope that they will serve as useful reference for state legislators, state legislative service agencies, and others, interested in strengthening the legislative framework of intergovernmental relations. Additional copies of this booklet and the other booklets in the full *Program* are available upon request. Any of the materials in the *Program* may be reproduced without limitation.

The Commission emphasizes that legislation

which fits one state may not fit another. Therefore, the following advice is offered to users of the Commission's suggested state legislation.

Fit Proposals to Each State. Many states have standard definitions, administrative procedures acts, standard practices in legislative draftsmanship, and established legislation and constitutional provisions related to new proposals. These differ widely from one state to another, yet they vitally affect the drafting of new proposals for state legislation. No model legislation can possibly reflect the variations which apply in all 50 states. Thus, ACIR strongly recommends that any user of its suggested state legislation seek the advice of legislative draftsmen familiar with the state or states in which such proposals are to be introduced.

46 **Alternative Provisions and Optional Policies.** Likewise, the Commission recognizes that uniform policies are frequently not appropriate for application nationwide. Accordingly, its adopted recommendations frequently include alternative procedures and optional policies among which the states should make conscious choices as they legislate. Consequently, the suggested legislation which follows includes bracketed language which alerts the users of these materials to the choices which are to be made. In many cases, the bracketed language is also labeled as an alternative or an option. In the case of alternatives, one (or in some cases more than one) should be chosen and the others rejected. In the case of options, the suggested language may be included or deleted without reference to other provisions unless otherwise noted.

Three types of bracketed [] information are provided in the suggested legislation. Brackets containing *italicized* information indicate wording that

is essential to the legislation, but must be rewritten to conform to each particular state's terminology and legal references. Information in regular type within brackets presents alternative or optional language. The third type of brackets contains blank space and requires the insertion of a date, amount, time span, quantity, or the like, as required by each state to comply with its individual circumstances or recommendations.

Caution About Excerpting. Frequently one provision in the suggested legislation may be related to another in the same bill. Thus, any state wishing to enact only certain portions of the suggested legislation should check carefully to make sure that essential definitions and related provisions are taken into account in the process of excerpting those portions desired for enactment.

ACIR Assistance

Each item of suggested state legislation in this *Program* is referenced to the ACIR policy report upon which it is based. These reports may be obtained free of charge in most cases, by writing to ACIR, and usually may also be purchased from the U.S. Government Printing Office (especially if multiple copies are required). In those cases where a policy report is out of print, copies may be found in ACIR's numerous depository libraries throughout the nation as well as in many other libraries. In addition, where copies are otherwise unavailable, the ACIR library will arrange to loan a copy.

The ACIR staff, though limited in size, is available upon request to answer questions about the suggested legislation, to help explain it to legislators and others in states where it is under active consideration, and to assist the legislative process in other appropriate ways.

**ACIR
STATE LEGISLATIVE PROGRAM**

PART I—STATE GOVERNMENT STRUCTURE AND PROCESSES

- 1.1 Legislative Branch
- 1.2 Executive Branch
- 1.3 Relations with Federal and Local Governments

PART II—LOCAL GOVERNMENT MODERNIZATION

- 2.1 Formation, Boundaries, and Dissolution
- 2.2 Organization and Functions
- 2.3 Areawide Units

PART III—STATE AND LOCAL REVENUES

- 3.1 Property Taxes
- 3.2 Non-property Taxes and Other Revenues

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PART IV—FISCAL AND PERSONNEL MANAGEMENT

- 4.1 Fiscal Management
- 4.2 Personnel Management

PART V—ENVIRONMENT, LAND USE, AND GROWTH POLICY

- 5.1 State Growth Policy
- 5.2 Land Use and Environmental Planning and Regulation

PART VI—HOUSING AND COMMUNITY DEVELOPMENT

- 6.1 Program Operations and Assistance
- 6.2 Fair Housing
- 6.3 Building Regulation

PART VII—TRANSPORTATION

PART VIII—HEALTH

PART IX—EDUCATION

PART X—CRIMINAL JUSTICE

- 10.1 Police
- 10.2 Courts
- 10.3 Corrections and Legislative Oversight



ACIR Questionnaire Sent to Governors in September 1978

Local Growth and Development

1. The following chart lists some of the activities states can undertake to affect local growth and development. For each row designating a program area on which your state took action during 1977 or 1978, check the appropriate boxes and supply program citation or title. Please use back of page, if you need more room.

Program Area	Program Eligibility Limited to Certain Communities	All Communities Eligible for Program	Program is Funded	Program is in Operation	Program Citation or Title
a. Economic Development (including industrial siting)					
b. Community Development					
c. Neighborhood Conservation					
d. Recreation, Parks, Open Space					
e. Homeownership Financing					
f. Housing Rehabilitation					
g. Antiredlining					
h. Energy Conservation					
i. Targeted Local Fiscal Assistance					
j. Tax Abatement for Private, Residential, Industrial, or Commercial Investment					
k. Revised Procedures to Locate State Facilities					
l. Revised State Procurement Policies					
m. Crime Prevention					
n. Transportation					
o. Other (please specify)					

2. Are the programs you indicated in Question 1 incorporated into a formal state-designated growth and development strategy? Yes _____ No _____

If yes, please cite _____

Strategy Citation _____

Strategy Description _____

3. Has your state developed criteria to identify "distressed" communities? Yes _____ No _____

If yes, provide brief description of local distress criteria _____

4. In 1977 or 1978 did your state undertake any of the following activities in reference to local or urban issues, growth management or land use problems:

a. Establish a study commission or task force? Yes _____ No _____

If yes, please cite _____

Name of commission or task force _____

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Subject _____

Contact person _____

(Telephone)

b. Issue a report? Yes _____ No _____

If yes, please cite _____

Title of report _____

Subject of report _____

Contact person _____

(Telephone)

c. Hold a conference? Yes _____ No _____

If yes, please cite _____

Name of conference _____

Date of conference (month, year) _____

Citation for published proceedings (if any) _____

Contact person _____

(Telephone)

5. If you anticipate state legislative activity during 1979 on any local growth and development issues, list those issues in the space provided. _____

6. Who is the best contact for information regarding state action on local growth and development issues?

Name _____

Title _____

Agency _____

Telephone Number _____







COMMISSION MEMBERS

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Bill G. King, Alabama
Vacancy

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John P. Rousakis, Savannah, Georgia

State Legislative Leaders

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Elected County Officials

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Lynn G. Cutler, Board of Supervisors, Black Hawk County, Iowa
Doris W. Dealaman, Freeholder Director, Somerset County, New Jersey

what is ACIR?

The Advisory Commission on Intergovernmental Relations (ACIR) was created by the 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.

The Commission is composed of 26 members—nine representing the Federal government, 14 representing state and local government, and three representing the public. The President appoints 20—three private citizens and three Federal executive officials directly and four governors, three state legislators, four mayors, and three elected county officials from slates nominated 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 three Senators are chosen by the President of the Senate and the three Congressmen by the Speaker of the House.

Each Commission member serves a two year term and may be reappointed.

As a continuing body, the Commission approaches its work by addressing itself to specific issues and problems, the resolution of which would produce improved cooperation among the levels of government and more effective functioning of the federal system. In addition to dealing with the all important functional and structural relationships among the various governments, the Commission has also extensively studied critical stresses currently being placed on traditional governmental taxing practices. One of the long range efforts of the Commission has been to seek ways to improve Federal, state, and local governmental taxing practices and policies to achieve equitable allocation of resources, increased efficiency in collection and administration, and reduced compliance burdens upon the taxpayers.

Studies undertaken by the Commission have dealt with subjects as diverse as transportation and as specific as state taxation of out-of-state depositories; as wide ranging as substate regionalism to the more specialized issue of local revenue diversification. In selecting items for the work program, the Commission considers the relative importance and urgency of the problem, its manageability from the point of view of finances and staff available to ACIR and the extent to which the Commission can make a fruitful contribution toward the solution of the problem.

After selecting specific intergovernmental issues for investigation, ACIR follows a multistep 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 position. Commission findings and recommendations are published and draft bills and executive orders developed to assist in implementing ACIR policies.