



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

quility, provide for the common defence, promote the

ADVISORY COMMISSION

general Welfare, and secure the Blessings of Liberty

ON

to ourselves and our Posterity, do ordain and establish

INTERGOVERNMENTAL

this Constitution for the United States of America.

RELATIONS

Eighth Annual Report

January 31, 1967 Washington, D.C.

ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS
(Membership During 1966)

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Charles R. Weiner, Senator, Pennsylvania

Elected County Officials:

William O. Beach, Montgomery County, Tennessee
Edward Connor, Wayne County, Michigan
Barbara A. Wilcox, Mrs., Washington County, Oregon

**ADVISORY COMMISSION
ON
INTERGOVERNMENTAL
RELATIONS**

Eighth Annual Report

January 31, 1967 Washington, D. C.

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(As of December 31, 1966)

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Francis X. Tippett, Statistical Assistant

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Hope Marindin, Junior Analyst

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(During 1966)

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

LETTER OF TRANSMITTAL

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

January 31, 1967

Dear Mr. President:

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

Respectfully submitted,

Wm. G. Colman
Executive Director

The President
The White House

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I SOME HIGHLIGHTS IN INTERGOVERNMENTAL RELATIONS IN 1966

In 1966 a distinct change in the intergovernmental environment in the United States contrasted to that prevailing in 1965 where attention was riveted upon: (a) the on-rush of new Federal programs; (b) the impact of the judiciary upon the federal system in law enforcement, reapportionment, and other fields; and (c) debate about how to utilize a Federal revenue surplus.

The past year brought the intensification of the Nation's commitments in the Far East. The year also was characterized by a pause in the impact of the judiciary upon State and local traditions and institutions; by public concern about the number, complexity, and effective coordination of Federal programs; and by the question of whether or not a tax increase would be necessary in order to meet the rising costs of the conflict in Vietnam and of domestic programs here at home.

Despite the change in environment, attention to intergovernmental relations continued on the increase at all levels of government and by the general public. The major areas of attention in the past year were concerned with:

- ...The increasing unmanageability of Federal grant programs in their present form and a sense of growing "imbalance" between fiscal needs and resources in the American federal system;
- ...Efforts to revitalize State government; and
- ...The crisis in the cities.

NEW FEDERAL PROGRAMS — A MANAGEMENT DILEMMA

Proliferation in Numbers of Programs

The number of separate Federal grant-in-aid programs continued to mount in 1966 as new program activities were authorized by the second session of the 89th Congress. During the year, various organizations began to publish "catalogues" of available Federal programs for the use of State, local, and private organizations. The total number of separate statutory authorizations for grant programs approximated 400. According to one count, the programs were administered by 21 departments and agencies and 150 Federal bureaus and divisions, involving all 50 States, and a sizeable proportion of the 92,000 units of local government. Because of this vast array of functional programs, the Senate Subcommittee on Intergovernmental Relations late last year held the first of a series of hearings which will look in depth at how well the Federal, State, and local governments are combining their resources in management, manpower, and money for effective cooperation.

A Counter-Trend? Grant Consolidation and Local Flexibility

In its final days, the 89th Congress enacted a new type of grant legislation which, in some quarters, was viewed hopefully as a counter-trend in the structuring of Federal grants-in-aid to State and local governments. The Comprehensive Health Planning and Public Health Services Amendments of 1966 replaced a dozen or more separate grant authorizations for categorical health programs in such fields as tuberculosis, cancer, communicable diseases, and venereal disease. The Amendments consolidate these and other categorical programs into a single program whereunder funds may be granted to the States for the provision of comprehensive public health services, the precise nature and variety of which is to be spelled out in State health plans developed in each State and submitted to the Surgeon General of the Public Health Service for review and approval.

Title I of the Demonstration Cities and Metropolitan Development Act, which provides supplementary grant assistance for a whole range of locally determined needs, is another innovation in grant legislation. It has the same advantages cited in the health field of permitting greater flexibility to local governments in the use of grant funds. These congressional enactments triggered a number of studies and discussions within and outside the Federal Government as to ways in which this approach might be applied to other categorical grant programs. These efforts are geared to reducing the total number of programs, providing greater flexibility to the recipient State and local governments, and rendering the existing system of functional grants-in-aid more manageable.

The "Guidelines" — Too Harsh or Too Lenient?

Considerable controversy ensued during the year as to guidelines issued by the various Federal agencies in adapting new grant-in-aid programs to the provisions of Title VI of the Civil Rights Act of 1964. Section 601 of the Act, which attaches civil rights conditions to Federal aid programs, stipulates that:

No person in the United States shall, on the ground of race, color, or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance.

Most of the argument regarding the new guidelines carrying out the Act was directed to the issue of whether the Federal agencies had exceeded or fallen short of the intent of the Congress in providing that facilities or services supported by Federal funds should be available to all without discrimination as to race, creed, or color.

The Poverty Program — A Continuing Controversy

Throughout the year, the dialogue regarding intergovernmental relations in the poverty program continued with little abatement. Among the central issues that continued to dominate the discussion were: the degree to which community action agencies at the local level should be subordinate to, or independent of local units of government; the degree to which the State governments should become involved as a "broker" between the Office of Economic Opportunity and the local community action agencies; the relationship between some of the newer anti-poverty programs and older established programs in the fields of welfare and education; and the extent to which successful anti-poverty programs

should be financed fully but at the expense of further "elbow room" for the community action agencies to innovate and experiment.

Despite the controversy surrounding the poverty program there seemed to be general agreement that it had succeeded in focusing attention on a number of extremely difficult problem areas and that out of the initial periods of experimentation had come a number of approaches, such as "Head Start," which holds considerable promise for the future.

Uniformity of Geographic Bases for Economic Planning and Development

One of the consistent complaints voiced by State and local officials over the past two or three years regarding newly established Federal grant-in-aid programs focused on the tendency of some Federal program administrators to urge and even insist upon varying multi-county groupings within the States for purposes of program administration. This has caused considerable confusion where several agencies--e.g., Economic Development Administration, Office of Economic Opportunity, and the Department of Agriculture--have come into conflict with one another within a particular State regarding the geographic base to be used for program administration.

Growing out of a Commission study of intergovernmental relations in the poverty program and discussions between the governors of a number of States and the Director of the Office of Emergency Planning, a Presidential directive was issued on September 2, 1966, requiring Federal agencies to honor district lines established by the State governments for purposes of economic planning and development. The President stated:

"Boundaries for planning and development of districts assisted by the Federal Government should be the same and should be consistent with established State planning districts and regions. Exceptions should be made only where there is clear justification."

Consultation with State and Local Governments in the Administration of Federal Grants

From time to time over the years State and local governments have expressed increasing dissatisfaction regarding the rigidity of conditions associated with Federal grants-in-aid. Of late, this type of complaint has increased as the number of new Federal grant programs has grown in number and complexity. State and local governments have contended that on occasion regulations are adopted or program "ground rules" changed without adequate consultation with representatives of the levels of government affected.

In an effort to meet this problem and to further improve the administration of grants, President Johnson on November 11, 1966, issued a memorandum to the heads of the major Federal departments and agencies concerned with grants-in-aid directing them to consult with representatives of the chief executives of State and local government. The President stated:

The basis of creative federalism is cooperation.

If Federal assistance programs to state and local governments are to achieve their goals, more is needed than money

alone. Effective organization, management and administration are required at each level of government. These programs must be carried out jointly; therefore, they should be worked out and planned in a cooperative spirit with those chief officials of state, county and local governments who are answerable to their citizens.

To the fullest practical extent I want you to take steps to afford representatives of the Chief Executives of state and local government the opportunity to advise and consult in the development and execution of programs which directly affect the conduct of state and local affairs.

The Heller Plan

As Federal grant programs have grown in number and scope, as taxpayer resistance to State and local tax increases has stiffened, and as the demands of a burgeoning population for more governmental services have mounted, governors, mayors, and county supervisors alike have searched with mounting desperation for "a way out." Hemmed in on the one side by fiscal resources they consider inadequate, and beset on the other with an increasingly complex grant-in-aid structure, these officials have been urging congressional action to return a share of Federal revenues to State and local governments for unrestricted use. Expansion or creation of direct Federal programs designed to relieve social welfare expenditure pressures on State and local governments also were suggested--for example, income maintenance, family allowance, or negative income tax programs.

At year's end, many different variations of the original Heller Plan were under discussion--tax sharing with the States without strings; tax sharing with the States with a required channeling of specified funds to local governments; tax sharing with State and local governments separately; and tax sharing conditioned wholly or in part on the constitutional and statutory modernization of State and local governments.

Abuse of Federal Tax Immunity on State and Local Bonds

During the year, mutual forbearance between Federal and State-local activities in the financial markets was severely strained. The high level of interest notes substantially increased the cost of financing capital improvements. At the same time, the significant differential between Federal obligations and tax exempt municipals made it profitable for State and local governments to borrow in advance of actual needs and to invest the proceeds of their tax-free bond issues in Federal securities. This practice drew a rebuke from the Secretary of the Treasury as an abuse of the favorable Federal tax status accorded interest on State and local obligations.

REVITALIZATION OF THE STATES — TOO LITTLE OR TOO LATE?

Reapportionment Completed

State legislative reapportionment on a one-man-one-vote basis, as mandated by the decisions of the United States Supreme Court in 1964, was virtually completed in 1966. For most of the country, the November elections were conducted on the basis of the realigned districts, and the vast majority of the

legislators taking office in January 1967 will be representing constituencies proportionate to population.

Although some legislatures held sessions in States where reapportionment had already been completed, 1967 will mark the first period for valid comparison of the nature and direction of State legislative output compared with that of 1961 or 1959--prior to Baker v. Carr. While much difference of opinion has existed regarding the efficacy of the "one-man-one-vote rule," there seems to be general agreement that the rapid pace of legislative reapportionment has tended to generate efforts in a number of States for the overhaul of State government and its role in domestic affairs. This may prove to be much more important in the long run than a numerical realignment of urban and rural representation.

Constitutional Revision — Successes and Failures

Constitutional revision activity--triggered by reapportionment and other factors--proceeded at a rapid tempo in 1966. During the year, revision activity was undertaken or underway in 20 States. In several States including Idaho, Maryland, and New York, preparatory commissions have been at work in expectation of general constitutional overhaul through conventions or other means. The first of these conventions to assemble will be in New York where 186 delegates will convene on April 4, 1967, to begin the task of reconsidering--and rewriting, if necessary--the entire State constitution. In the November 1966 elections, constitutional amendments went before the voters of several States.

Major disappointments occurred in Kentucky, West Virginia, Utah, and North Dakota. In Kentucky, a constitutional revision commission, over a period of two years, had produced a completely new constitution. It provided for strengthening the executive branch, modernizing the legislature, and greatly simplifying patterns of State-local relations. The new constitution failed adoption by a four-to-one margin.

A constitutional amendment to provide for annual sessions of the State legislature in West Virginia was defeated. Amendments in Utah to strengthen the legislative articles of the constitution, including annual sessions and increased compensation, and to provide authorization for metropolitan government in the urban counties of the State, all failed adoption. Also voted down were constitutional amendments in North Dakota to remove specific salary provisions from the constitution and to allow freedom to the legislature to meet annually in special session or in extended regular biennial session.

On the favorable side, a general revision of the legislative article of the State constitution was adopted in California, including a provision for regular annual sessions with continuity for two years and fixing of legislative pay by statute. Prior to adoption of the amendment, the California legislature conditionally established \$18,000 per annum as the salary for State legislators. So in California, for the first time in the Nation, a State legislator has been brought up to a level approaching that of a Congressman in terms of continuity and compensation. The salary schedule established will enable the position of a State legislator in California, like that of a Congressman, to be a "vocation rather than an avocation."

In New Hampshire, voters approved a constitutional amendment providing for regular annual sessions of the legislature. Similarly, Kansas voters approved regular annual sessions with "bill continuity" for two years.

Massachusetts voters approved a "residual powers" amendment to the State constitution granting to local governments all powers not reserved or prohibited by the State.

Business Takes a New Interest

The prospects for constitutional revision in the States were improved during the course of the year by the activities of two organizations prominent in the business community--the United States Chamber of Commerce and the Committee for Economic Development. The Chamber launched a program of local government modernization designed to make local government more effective and to free it of outmoded State constitutional and statutory restrictions. The Committee for Economic Development issued a widely-publicized report on local government in July calling for wide-ranging statutory and constitutional changes in local government structure. Both the Chamber and the Committee were pursuing their programs vigorously at year's end.

Financial Trends

Preliminary figures reported by the Bureau of the Census for the fiscal year ended in 1966 (June 30) indicated a 12-1/2 percent increase in total State tax collections since 1965--from \$26.1 billion to \$29.4 billion. Continued growth in the Nation's economy throughout 1966 contributed to this high level of tax collections. The State-local revenue scene, however, revealed cross currents. In a few States, surpluses had developed by the end of the year. Governors and legislators in these States confront the choice of granting tax relief or of increasing expenditures to meet a backlog of public needs.

Three States entered the general sales tax field in 1966: Massachusetts, New Jersey, and Virginia enacted general sales taxes at rates of three, three, and two percent, respectively. New Jersey also raised its corporate net income and cigarette tax rates and Massachusetts increased its cigarette tax. Oregon voters approved a new four cent cigarette tax. Nebraska voters knocked out a proposed personal income tax as well as the State property tax levy.

General income tax withholding was initiated in Arkansas, Iowa, and Kansas in 1966, leaving only California, Mississippi, and North Dakota as personal income tax States not yet utilizing this collection method.

On the expenditure side, State and local spending in most fields increased; of note in the field of intergovernmental relations was action on the part of four States to provide grants to local governments for the construction of sewage treatment plants. Other fields of local government activity in which States moved to provide increased grants-in-aid were education, roads, hospitals, and public welfare.

Pressure for property tax relief at the local level remained intense. Local officials persisted in their quest for larger State aid and for authority to tap nonproperty tax sources. In Virginia, local governments seized the opportunity to "piggy-back" a local sales tax on the new statewide tax.

State and local governments found the money market considerably tighter and interest costs far higher in 1966 than in recent years.

THE CRISIS IN THE CITIES

City Demonstration Program

One of the most important developments to occur on the urban front in a number of years was the enactment by the Congress of the Demonstration Cities and Metropolitan Development Act of 1966. This program is aimed toward an inter-related examination of core-city and metropolitan area problems and the provision of Federal aid in the meeting of public problems on a coordinated rather than a piecemeal basis. The passage of the Act signified a growing Federal role in the physical and social rebuilding of America's cities. Linkage funds supplementing monies available under categorical grant programs will be provided for the support of rebuilding plans developed by cities and other units of local government.

Stimulus to Comprehensive Metropolitan Area Planning

Title II of the Demonstration Cities and Metropolitan Act of 1966 provides a number of stimuli to comprehensive regional planning for interrelating the various functions of urban development embracing the entire metropolitan area. First incentive payments are authorized for development projects that conform to areawide plans. Second, beginning in July 1967 all applications for grants or loans for certain physical development projects within standard metropolitan statistical areas must be accompanied by the review and comment of an areawide body authorized to carry on comprehensive planning for the metropolitan community. This requirement will encourage the establishment of regional councils of public officials or other areawide coordinating and planning bodies where such do not now exist.

Funding of Rent Supplement Program

One of the major elements in the so-called "metropolitan problem" in the United States today is the increasing disparity--economic, social, and fiscal--between the central city and the suburbs. Housing in many suburban communities rents or sells at a figure out of the reach of low-income families. This, in effect, builds a Chinese Wall around the central city reserving the suburbs for the relatively well-to-do.

During its first session, the 89th Congress enacted a rent supplement plan making possible the housing of low-income people in the more prosperous communities without running the gamut of issues and emotions connected with the construction of public housing projects. The program follows the path of utilizing private and nonprofit organizations in the provision of housing rather than expanding the role of government in the construction and management of public housing facilities.

After considerable debate, the second session of the 89th Congress voted an appropriation of \$20 million to permit the funding of the rent supplement program. The rent supplement holds promise of providing an effective device for ameliorating the rigidities and animosities among political jurisdictions in our large metropolitan centers.

"The Backlash"

The central cities of a number of the Nation's major metropolitan centers experienced riots and civil disturbances in 1966. For the most part, these

disturbances involved Negroes demonstrating against "police brutality," poor housing and schools, and a variety of other ills--real and alleged.

As the year progressed, considerable public concern was voiced about unsatisfactory economic and social conditions of residents in central city ghettos. Extensive public hearings were held by the Senate Subcommittee on Executive Reorganization to assess efforts being made by the public and private sectors to correct these conditions.

However, there was a corresponding public impatience with disorderly conduct and the wanton destruction of property. This impatience manifested itself in a number of ways. As the year came to a close, it was clear that the great majority of the American people were insisting upon an environment within which attempts could go forward to rectify the underlying causes of disaffection and disillusionment.

State Financial Aid to Urban Areas

The year witnessed the enactment of grant legislation in a number of States providing increased financial assistance to meet physical and social needs of the urban areas. However, wholesale involvement and participation by the State in the functions of urban government continued to be the exception rather than the rule. At year's end, only eight States were assisting financially in the construction of local sewage treatment plants. Only a half-dozen were participating financially in programs of urban renewal and public housing. An equally small number were engaged in financial assistance for mass transportation. One of the crucial questions regarding the crisis in the cities--indeed of American federalism--is whether the States will sign off to the National government the responsibility for financing major urban services in the United States

State Agencies for Urban Affairs

A number of States during the past year proclaimed their increasing interest in and concern with urban affairs as one of the major responsibilities of State government. Four more States--Colorado, Illinois, New Jersey, and Missouri--set up State offices of local affairs, bringing the total to eleven. The Executive Director of the Council of State Governments, in his annual report to the Board of Managers in December 1966, urged such action upon all of the States not now having made adequate provision for continuing surveillance, coordination, and assistance to local governments. The New Jersey agency, assigned a role comparable to that of the Federal Department of Housing and Urban Development, moved aggressively to establish itself as a demonstration "State" under the demonstrations cities program.

Title IX of the 1966 Federal Demonstration Cities and Metropolitan Development Act (P. L. 754) will likely stimulate creation of State agencies of local affairs in many other States. Section 1008 of the Act authorizes financial support to comprehensive studies of State constitutional and statutory provisions affecting State-local relations and for the development of reform legislation to modernize State-local relationships in meeting urban problems.

These State agencies generally enjoy a close relationship to the governor, serve to coordinate State relations with local units, and assist in formulating policies with regard to urban areas. They encourage joint action among local governments in solving mutual problems and provide technical assistance to the

localities. Finally, all serve as a coordinator of legislation affecting local government and as a general clearinghouse for information concerning State activities affecting local governments. A summary of the history, organization, and functions of the eleven existing State agencies is provided in Appendix B.

CHALLENGE TO FEDERALISM

The stresses and strains being placed upon the federal system by the fiscal and political conflicts and disparities within the Nation's metropolitan areas were treated in a compendium of earlier Commission recommendations released late in 1966, by the House Committee on Government Operations: Metropolitan America: Challenge to Federalism.

Many argue that since the States have neglected the metropolitan problem, the Federal Government must assume major responsibility and seek new solutions. Others contend that this is administratively impracticable; they note that given our political tradition and the pluralism of our society, social and other objectives of the Nation can only be achieved through greater decentralization and more "grassroots" participation.

Some see an emerging trend toward a division of responsibilities--with the States providing continuing (disproportionate) assistance to rural and suburban areas and the Federal Government making up the difference in central cities. Recent Federal legislation and the failure of most States to adjust their aid programs to extraordinary central city needs are usually cited in this interpretation. Others believe that completely new intergovernmental arrangements must be sought and perfected for dealing with large and especially interstate metropolitan areas. These observers see the need for Federal-State regional councils; for Federal metropolitan taxing districts--sanctioned, if necessary, by constitutional amendment--as a means of equitably financing the rebuilding and orderly growth of major urban centers; for more extensive use of large interstate agencies such as the New York Port Authority; and for other, major innovative approaches.

The States are on the verge of losing control over the metropolitan problem; if they lose this control they lose the major responsibility for domestic government in the United States and in turn surrender a vital role in the American federal system. So, at the close of 1966, the tremendous task of financing, servicing, and governing Metropolitan America clearly poses the greatest challenge to federalism since the Civil War.

II CONGRESSIONAL ACTION ON THE COMMISSION'S RECORD

Joint hearings were held by the House and Senate Intergovernmental Relations Subcommittees of the Committees on Government Operations in May 1965 to review and evaluate the performance of the Advisory Commission on Intergovernmental Relations during its first five years. An effort was made by the Subcommittees to obtain critical appraisals from public officials and the various organizations and individuals familiar with the Commission's work, and to solicit suggestions for its future role.

The hearings revealed general satisfaction with the Commission's performance in discharging the duties assigned to it by law. Most of the suggestions advanced by hearing participants related to new subjects for study by the Commission. A major emphasis of both the House and Senate Committee reports, issued in 1966, was on the need for the Commission to take a more active and expanded role in dramatizing current intergovernmental problems, fostering wider understanding of the problems, and achieving implementation of the Commission's recommendations. The two Subcommittees proposed specific recommendations on these points.

SENATE COMMITTEE RECOMMENDATIONS

The Senate Subcommittee urged the Commission to:

1. Initiate regional meetings of Federal-State-local officials as an expansion of its role as a forum for discussing and hopefully resolving intergovernmental conflicts.
2. Establish a program of encouraging referral to the Commission by Federal, State, and local officials of critical intergovernmental questions confronting them.
3. Sponsor periodic nationwide conferences on Federal-State-local relations, scheduled roughly on a biennial basis, which could serve as a vehicle for stimulating greater public awareness of the dynamics of contemporary federalism.
4. Make a concerted effort to bring its work to the attention of National, State, and governmental bodies and agencies that are caught up in the web of intergovernmental relations.

HOUSE COMMITTEE RECOMMENDATIONS

1. The Commission should expand its activities to stimulate greater public discussion of major intergovernmental problems by:

- (a) Encouraging qualified organizations and individuals to undertake needed studies in the field of Federal-State-local relations.

(b) Holding one meeting a year in metropolitan centers outside of Washington as a means of developing greater awareness of and interest in the Commission's work in all sections of the country.

(c) Sponsoring, in cooperation with interested civic and professional organizations, a national conference on Federal-State-local relations at least once every 5 years.

2. Funds should be made available to enable the Commission to train approximately four beginning level professionals each year. The primary purpose would be to further the development of "intergovernmental relations specialists" who would pursue their careers, after one or two years of training, in Federal, State, or local agencies.

AMENDMENT OF COMMISSION'S ENABLING LEGISLATION

The joint congressional hearings revealed the need for some modifications of the act which created the Commission. These were proposed in S. 2927 and H.R. 15335 and were enacted by the Congress as Public Law 89-733. The major changes effected by the amendments were:

1. Accommodation to name changes for two organizations cited in the original legislation: the National Association of Counties and the National League of Cities.

2. Authorization for members of the Commission to serve until their re-appointment to the Commission or until their successors' appointment becomes effective.

3. Change of title of staff director to executive director and establishment of the salary at Level V of the Federal Executive Salary Act of 1964.

4. Provision to avoid State constitutional difficulties for State and local officials serving on the Commission.

5. Permission for State and local governments and their organizations, as well as interested nonprofit organizations, to contribute funds toward support of the operation of the Commission.

III NEW REPORTS AND RECOMMENDATIONS ADOPTED BY THE COMMISSION DURING THE YEAR

In 1966 the Commission approved two major reports with recommendations for action by the Federal, State, and local governments. There were: (1) a study dealing with the intergovernmental aspects of building codes, and (2) a study of the intergovernmental issues related to the poverty program.

The Commission also adopted two position statements related to the content of bills introduced in the 89th Congress: H.R. 11798, introduced by Representative Willis (D., La.), dealing with State taxation of interstate commerce; and S. 3408, introduced by Senator Muskie (D., Me.), a proposed intergovernmental personnel act. The Commission also adopted a position statement that amended a recommendation previously adopted with respect to State legislative jurisdiction over federally controlled areas.

BUILDING CODES: A PROGRAM FOR INTERGOVERNMENTAL REFORM

Adoption, administration, and enforcement of building codes traditionally has been the primary responsibility of local governments. A number of programs and activities at both the State and Federal levels of government, however, have a direct bearing on building codes and the regulation of building construction. The Commission's report evaluates certain building regulatory practices of a governmental nature that tend to inhibit advancement of housing and building technology and thereby to delay developments that could make housing more widely available at a broader range of prices. The many thousands of different local building codes impose burdens on the building industry that limit initiative and innovation in the development of new construction materials and techniques and result in excessive requirements that add to the cost of construction. The report reviews the technology and economics of building and housing and analyzes the intergovernmental problems arising in the preparation and administration of building codes. The Commission's report on this subject recommended that:

1. Congress authorize and finance a public-private cooperative program to develop national performance criteria and standards and testing procedures for building construction.
2. A continuing national program of building research be established and appropriate Federal agencies cooperate in developing solutions to building problems.
3. Programs for research and building construction be established by appropriate State agencies and by institutions of higher education, and research findings be disseminated to public officials and private businesses.
4. The President designate a drafting group representing all levels of government to develop a national voluntary model code with the participation of model code groups and other interested public and private groups.

5. All Federal departments and agencies with responsibility for building construction or for standards governing construction develop and use a common set of standards to the greatest extent possible.

6. The States prepare and promulgate a comprehensive model building code, based on nationally recognized models, with a products approval procedure for permissive adoption by local political subdivisions. Any changes made to the model code by local jurisdictions should be permitted only with the approval of the State.

7. The States consider establishment of a building construction review agency (a) to consider appeals by affected parties from the decisions of local government with respect to standards governing building construction, and (b) to establish uniform interpretation of building standards.

8. States permit local jurisdictions to adopt a recognized uniform model building code by reference, and permit local jurisdictions to adopt future changes made in such recognized model code by administrative rather than legislative action.

9. The States license and certify building inspectors, and consider a State salary supplement program for local building code officials to compensate for higher salary requirements likely to result from the licensing program.

10. The States authorize and support training programs for building inspectors and provide or arrange for regular internship training programs, with States and local governments utilizing, when funds are available, grants under Title VIII of the Housing Act of 1964 to develop such training programs.

11. The States establish minimum staff requirements for building inspection in all local government jurisdictions, authorize interlocal agreements for building inspection services to help meet such minimum requirements, and provide direct and reimbursable building inspection services to local governments. On-site construction inspection services should be centralized among various State and local agencies administering building construction and mechanical or special codes.

INTERGOVERNMENTAL RELATIONS IN THE POVERTY PROGRAM

In this study, the Commission recognized that governmental efforts to eliminate or alleviate poverty are much broader than the programs or mechanisms provided for in the Economic Opportunity Act. The study therefore assessed other Federal programs that bear directly on the administration of the Act, as well as the Office of Economic Opportunity and the nine component programs authorized under the Act. The report analyzes the major intergovernmental issues in the poverty program under four headings: effects on local government; role of the States; matching anti-poverty needs and resources; and intergovernmental fiscal aspects. The Commission recommended that:

1. General units of local government rather than private nonprofit groups organize community action agencies; where such governments do not prefer or otherwise have refrained from undertaking anti-poverty programs, private groups or a combination of public and private representatives should organize the community action agencies. All other things being equal, the Office of

Economic Opportunity and the States should give preference to establishment of community action agencies by units of general local government rather than private groups.

2. The Congress make no change in the requirement for "maximum feasible participation" of the poor in the community action program.

3. The Office of Economic Opportunity require community action agencies to initiate comprehensive plans to guide anti-poverty programs.

4. The Office of Economic Opportunity encourage individual community action agencies in metropolitan areas to conduct community action planning and appropriate services on a joint basis for increased effectiveness and economy.

5. States authorize and provide financial incentives for establishment of multi-purpose regional agencies to undertake community action and other planning and development programs over multi-county nonmetropolitan areas; and where States have taken such action, Federal agency heads administering planning and development programs require grant recipients to use the geographic base of such State-established units and otherwise make maximum feasible use of their facilities and resources.

6. The Director of the Office of Economic Opportunity accelerate his efforts to implement the Section 612 "preference" provision through interagency agreements, policy statements, and development of procedures.

7. The Economic Opportunity Council establish machinery to assure integrated planning at the State and Federal levels of job creation and job training programs.

8. The Director of the Office of Economic Opportunity accelerate steps, and Congress provide funding, for collection of data on incidence of poverty and application of anti-poverty resources.

9. The Office of Economic Opportunity Director's present power to override a Governor's veto in Community Action, Adult Basic Education, and Neighborhood Youth Corps programs be retained.

10. The Office of Economic Opportunity and delegate agencies establish uniform procedures in informing Governors about the status of applications and fulfilling gubernatorial approval and veto requirements.

11. The States fully use grants available from the Office of Economic Opportunity to undertake broad technical assistance programs.

12. The Office of Economic Opportunity take positive steps to interest States in acting as contractors for Job Corps facilities.

13. The Office of Economic Opportunity, heads of State technical assistance agencies, and the Council of State Governments, in cooperation with the Advisory Commission on Intergovernmental Relations and affected Federal agencies, establish machinery to prepare model State statutes to remove State administrative and statutory barriers to anti-poverty programs.

14. Congress amend the Economic Opportunity Act to continue indefinitely the 10 percent non-Federal matching provision applicable to Community Action, Neighborhood Youth Corps, and Adult Basic Education programs.

STATE TAXATION OF INTERSTATE COMMERCE (H.R. 11798)

States have always had problems in dealing with multi-State business firms. Since World War II, however, these problems have become more acute because of increasing State revenue requirements, rising tax rate levels, and the growing number of interstate businesses. The States have reached out for more and more business taxpayers and the courts have acquiesced in many of these efforts. The business community became increasingly concerned, and in 1959 the Congress enacted P. L. 86-272, a bill that put a halt to further extension of State income tax jurisdiction over multi-State firms. The act also mandated a congressional staff study of State taxation of interstate commerce.

The resulting staff report of the House Special Committee on State Taxation of Interstate Commerce and H.R. 11798, introduced by Representative Willis (D., La.), dealt with a wide range of issues. The question before the Commission was how to respond to anticipated requests from the House Committee for its views on the bill.

The Commission staff prepared a paper analyzing those intergovernmental problems to which the bill was addressed. The paper defined the central issue as that of reconciling conflicting economic and political interests: (1) the free flow of commerce between the States; and (2) the full exercise of taxing powers by the governments of sovereign States. The Willis bill would provide one type of solution; alternative approaches to resolving these problems were set forth in the Commission staff paper. At its 22nd meeting in January 1966 the Commission considered and adopted the following position statement dealing with sales and use taxes:

The Commission concludes that the States can and should act to safeguard the fairness and productivity of sales and use taxes and ease the compliance obligations of vendors. The Commission recommends therefore, that States (a) credit their taxpayers for sales and use taxes paid to other States, (b) eliminate charges for audit of multi-state firms, and (c) exchange audit and other information with one another.

The Commission recommends further that States collaborate in developing a program for facilitating the collection of use taxes on commodities purchased from out-of-state vendors excluded under present practice.

The Commission recommends further that the Congress explicitly authorize States and localities to require use tax collection by out-of-state vendors regularly delivering taxable items to households within the taxing jurisdiction.

At its 23rd meeting in April 1966 the Commission considered the State corporation income tax approach embodied in H.R. 11798 and adopted the following position statement:

The Commission concludes that State income taxation of interstate firms in a manner compatible with the free flow of interstate commerce requires standardized jurisdictional and apportionment limitations to maximize taxpayer certainty and minimize compliance reporting burdens.

While viewpoints on the proper limits of State taxing jurisdiction over interstate firms vary widely, the guide lines prescribed by P. L. 86-272 have in large measure stabilized this issue. Congressional action, however, is required to regularize and limit State practices with respect to the apportionment of income of interstate firms. The Commission believes that these apportionment limitations can be formulated so as to preserve the States' latitude for shaping their tax practices to accord with their respective policy objectives.

Therefore, the Commission recommends to the Congress that it prescribe State use of the three-factor property, payroll, and sales apportionment formula developed by the National Conference of Commissioners on Uniform State Laws (updated to reflect experience since its original promulgation in 1957) to govern the reporting of income by multistate firms and to serve as a limitation on the percentage of their income that may be taxed by a State. Such action will allow each State to determine its own tax policies and to offer alternative methods for determining the taxable income of interstate businesses, but will place a ceiling on the amount of income that is taxed by any State.

Congressional action along these lines will obviate the need for Federal administrative surveillance of State tax practices. However, since interpretations of the formula will be required and some interstate disputes are likely to arise, the Commission recommends to the Governors' Conference that the States proceed expeditiously to develop machinery, possibly through an interstate compact, for handling competing State tax claims.

CONSIDERATION OF LEGISLATIVE JURISDICTION OVER CERTAIN FEDERAL AREAS (BUCK ACT AMENDMENT)

Vigorous efforts to implement the Commission's 1961 recommendation on retrocession of legislative jurisdiction over Federal enclaves have met with no success, despite strong support from Federal and State agencies alike. In 1966, the Commission reviewed the position adopted in its report State and Local Taxation of Privately Owned Property Located on Federal Areas and considered a new approach providing for conditional congressional consent to State and local taxation on a State-by-State basis.

At its 22nd meeting in January 1966 it adopted a position statement recommending that:

The Congress amend the Buck Act (4 USC 105-110) to permit the imposition and collection of property taxes on privately

owned real and personal property within Federal areas, such congressional consent to take effect (or terminate) State-by-State upon certification (made or withdrawn) by an agency designated by the President that persons living and working in areas under the exclusive Federal legislative jurisdiction within the State are afforded substantially the same rights and privileges and tax supported services as those available to other residents of the State.

PROPOSED INTERGOVERNMENTAL PERSONNEL ACT

The manpower requirements of new programs being carried out under Federal grants-in-aid and the manpower gap confronting States and localities in staffing for the new programs underscores the need for competent, professionally trained personnel at the State and local government levels. A bill (S. 3408), introduced by Senate Muskie (D., Me.) in the Second Session of the 89th Congress, proposed to:

1. Extend merit system requirements to additional grants-in-aid;
2. Improve State and local government personnel management; and
3. Strengthen in-service training programs for State and local personnel in professional, administrative, and technical fields.

At its 23rd meeting in April 1966 the Commission adopted the following position statement:

The Commission approves in principle the objectives set forth in the declaration of policy in the "Intergovernmental Personnel Act of 1966" and authorizes the Commission through its Chairman and staff to testify in its favor.

IV THE CURRENT AND FUTURE WORK PROGRAM

INDUSTRIAL DEVELOPMENT AND STATE AND LOCAL TAX AND EXPENDITURE POLICY: A STUDY OF THEIR INTERRELATIONSHIPS

The objective of this study is to determine the effect of State and local taxes levied directly on business establishments upon industrial location and expansion. The fact that State and local policy makers are drafting tax and fiscal policies calculated to encourage industrial location and expansion suggests that, in their view at least, taxes are a factor in industrial location. In order to promote the long range interest of our federal system, this study explores ways of minimizing the destructiveness of this "new war between the states." Specifically, the study deals with three challenging questions:

Is it possible at the Federal level to design policies that will makes States less vulnerable to tax competition?

Is it possible at the State level to design property tax policy that will promote rather than fragment the metropolitan community?

Is it possible to shape the other principal taxes at the several levels of government to these ends?

A draft report on this subject will be considered by the Commission at its first meeting in 1967.

THE FISCAL IMBALANCE IN THE FEDERAL SYSTEM: STATE AND LOCAL REVENUE NEEDS

One of the Commission's current major studies focuses upon the possibilities for strengthening the financial resources of State and local governments to better align them with present and future needs. It will appraise prospective State and local revenue needs and the projected yields of present revenue sources against the background of (a) the growing and changing national economy; (b) the changing characteristics of the population; (c) the increasing national policy emphasis on social programs. Attention will be given to several recently publicized proposals to reduce "the fiscal mismatch" within our federal system, including expansion of Federal categorical grant programs; Federal general purpose or block grants; Federal revenue-sharing arrangements; "Heller-type" State-local sharing in Federal surpluses; use of the Federal income tax for lifting the "practical ceiling" on State and local tax levels; and other measures for improving the intergovernmental balance between revenue needs and revenue resources.

A draft report on this critical topic will be considered by the Commission in the summer of 1967.

INTERGOVERNMENTAL RELATIONS IN NEW TOWNS

The purpose of a second major study is to (a) examine the potential of new towns as a method of coping with increased urbanization and the concentration of population in metropolitan areas; (b) review problems involved in planning, regulating, and building large new communities with emphasis on the roles of Federal, State, and local governments and the relationships between the public and private sectors; (c) explore questions of land assembly and development, planning, provision of community facilities and services, and the character of municipal government for new towns; (d) explore relationships between new towns and the metropolitan area and region; and (e) recommend alternative governmental and administrative techniques that can be used to regulate development in accord with public objectives.

A draft report on this subject will be considered by the Commission in the fall of 1967.

V PROGRESS IN IMPLEMENTING THE RECOMMENDATIONS OF THE COMMISSION

Since the Advisory Commission is a continuing--rather than a temporary--body, it is able to approach its work selectively and to consider problems in depth. It was established as a result of growing recognition that the problems of intergovernmental relations cannot be resolved by the spasmodic efforts of temporary agencies, but require the sustained and seasoned attention of an established body. It recognizes, however, that its own value and place in the federal system will be determined by its ability to make constructive contributions that produce significant improvement in relationships among Federal, State, and local agencies of government. Therefore, the Commission considers the function of implementation just as important as the research and study function and devotes a significant share of its energies to stimulating and encouraging the adoption of its recommendations by National, State, and local governments.

The following is a summary of recent developments at the Federal and State levels of government with respect to recommendations adopted by the Commission.

NATIONAL GOVERNMENT

Federal Legislation Enacted

The second session of the 89th Congress implemented the following recommendations of the Commission. The Commission report or action containing the relevant recommendation is identified at the end of each item.

1. Provision in P. L. 89-387 for all States to follow a uniform system within the State regarding daylight saving time. (Commission recommendation, adopted at the January 23, 1964, meeting.)
2. Authority for Secretary of Interior to waive the "single State agency" requirement, if such waiver will not endanger the Act's objectives, was provided in the new Federal Metal and Nonmetallic Mine Safety Act (P. L. 89-577). (Statutory and Administrative Controls Associated with Federal Grants for Public Assistance, May 1964.)
3. Establishment in P. L. 89-754, the Demonstration Cities Act, of a continuing national program of building research to encourage and assist the housing industry to reduce the cost and improve the quality of housing by application of advances in technology. (Building Codes: A Program for Intergovernmental Reform, January 1966.)
4. Provision in P. L. 89-754 for review and comment by metropolitan planning agencies of applications for Federal grants-in-aid within the area with

respect to specified physical development projects. (Governmental Structure, Organization, and Planning in Metropolitan Areas, July 1961.)

5. Provision in P. L. 89-754 for review of grant applications for urban development projects from special districts by the local units of general government within whose boundaries the special districts are contained. (Impact of Federal Urban Development Programs on Local Government Organization and Planning, January 1964.)

6. Public Law 89-749 eliminates separate formula grants in the field of public health and combines them into a single public health grant. (Modification of Federal Grants-In-Aid for Public Health Services, January 1961.)

7. Amendment of the Commission's enabling statute by P. L. 89-733 permitting members whose terms expire to serve until their successors are appointed and allowing the Commission to receive funds through "grants, contracts, and contributions from State and local governments and organizations thereof, and from nonprofit organizations." (Commission motion, adopted at the 20th meeting, March 14, 1965.)

Federal Administrative Action

Three Presidential directives issued last year implemented other recommendations of the Commission. On September 2, 1966, President Johnson issued a memorandum to the Director of the Bureau of the Budget and seven department and agency heads administering Federal planning and development programs "requesting coordination at the Federal level." The memorandum stated that the coordination should entail: (1) encouraging State and local development planning agencies to use common or consistent planning bases and to share facilities and resources; and (2) requiring planning and development districts assisted by the Federal Government to use common boundaries and be consistent with State established planning districts and regions. The memorandum implements one of the major recommendations in the Commission's report, Intergovernmental Relations in the Poverty Program, adopted in April 1966.

Another Presidential memorandum directing major Federal departments and agencies to consult with State and local officials in the administration of Federal grant programs was issued November 11, 1966. The President's action largely implements and expands the application of the Commission's recommendation of May 1964, in the report on Statutory and Administrative Controls Associated with Federal Grants for Public Assistance, which calls for establishment of a public assistance advisory council to "advise the Secretary of Health, Education, and Welfare on proposed legislation, administrative regulations, and other related matters." The President's memorandum is addressed to the heads of the Departments of Defense, Justice, Interior, Agriculture, Commerce, Labor, Health, Education, and Welfare, Housing and Urban Development, the Office of Economic Opportunity, and the Office of Emergency Planning. The President instructed the Director of the Bureau of the Budget to work with the heads of these departments and agencies, with the Advisory Commission on Intergovernmental Relations, and with those public interest groups representing State and local government to help develop "useful and productive arrangements" for Federal assistance programs directly affecting State and local affairs.

The Bureau of Employment Security, Department of Labor, issued a regulation in December 1966 (adding new paragraph (d) to 20 CFR 602.2) requiring that with respect to any single labor area covering parts of two or more States, the State employment security agencies involved shall establish and maintain adequate arrangements and procedures to assure that workers and employers have full access to job opportunities and the available labor supply within the area, without regard to State boundaries. This regulation implements the Commission's recommendation to the Federal Government in its January 1965 report on Metropolitan Social and Economic Disparities: Implications for Intergovernmental Relations in Central Cities and Suburbs, which calls for the Secretary of Labor to take steps to assure that public employment services are provided to all job applicants and employees within metropolitan area labor markets regardless of State lines.

Federal Legislation Introduced

Legislation introduced, but not enacted, in the second session of the 89th Congress designed to implement recommendations of the Commission, includes the following:

1. The omnibus Intergovernmental Cooperation Act passed the Senate in the first session (S. 561). In modified form, it cleared the cognizant House Subcommittee in the second session, but was not acted on by the full committee due to the lateness of the session. However, two provisions, originally a part of the Intergovernmental Cooperation bill, were incorporated in Section 204 of the Demonstration Cities Act (P. L. 89-754): review by areawide planning agencies of Federal grants for physical facilities to political subdivisions in metropolitan areas; and review by general purpose governments of certain Federal grants-in-aid to special districts located within their boundaries.

As passed by the Senate, S. 561--in addition to the sections included in the Demonstration Cities Act--provided for:

- (a) More uniform administration of grant programs to the States and increased flexibility in connection with "single State agency" requirements in Federal grants-in-aid. (Statutory and Administrative Controls Associated with Federal Grants for Public Assistance, May 1964.)
- (b) Congressional review of new Federal grant-in-aid programs at the end of five years or other congressionally specified period. (Periodic Congressional Reassessment of Federal Grants-in-Aid to State and Local Governments, June 1961.)
- (c) Preference for general purpose units of government over special purpose units and encouragement of joint undertakings by two or more units in the use of Federal grants. (Impact of Federal Urban Development Programs on Local Government Organization and Planning, January 1964.)
- (d) Congressional establishment of the principle of Federal interagency coordination in the full range of programs affecting urban development. (Impact of Federal Urban Development Programs on Local Government Organization and Planning, January 1964.)

2. Legislation was introduced for establishment of a uniform policy of relocation payments and advisory assistance to persons and businesses displaced by Federal and federally aided programs. S. 1681 (Muskie, D., Me.) passed the Senate and was referred to the House Committee on Public Works. No action was taken in the House Committee in the light of 1966 amendments to the Highway Act calling for a study by the Secretary of Commerce of relocation provisions in the Federal highway program. (Relocation: Unequal Treatment of People and Businesses Displaced by Government, January 1965.)

3. An amendment of the Wagner-Peyser Act would have required the Secretary of Labor to consult with the States and establish, in interstate labor market areas, interstate clearance centers for facilitating job placement across State boundaries. The bill passed the Senate (S. 2974, Clark, D., Pa.), but was not reported out by the House Committee on Education and Labor. (Metropolitan Social and Economic Disparities: Implications for Intergovernmental Relations in Central Cities and Suburbs, January 1965.)

4. An amendment to the Buck Act (4 USC 105-110) would have permitted States, under specified conditions, to levy property taxes on privately owned property located in Federal areas. Hearings were completed on S. 3000 (Muskie, D., Me.) in the Senate and the bill as amended was reported by the Subcommittee on Intergovernmental Relations to the full committee. No action was taken due to the lateness of the session and no action was taken in the House on companion bill H.R. 13180 (Aspinall, D., Colo.). (State and Local Taxation of Privately Owned Property Located on Federal Areas, June 1961.)

5. An amendment to the Internal Revenue Code would have permitted individuals to claim a credit against Federal income tax for 40 percent of their State and local income taxes, in lieu of deducting such taxes. H.R. 14998 (Keogh, D., N. Y.) and H.R. 15010 (Ullman, D., Ore.) were referred to the Committee on Ways and Means, but no action was taken. (Federal-State Coordination of Personal Income Taxes, October 1965.)

6. An amendment to the Internal Revenue Code would have disallowed for income tax purposes the deduction of rent paid for the use of municipally financed industrial plants under certain conditions. H.R. 324 (Keogh, D., N. Y.) to carry out this recommendation was referred to the Committee on Ways and Means, but no action was taken. (Industrial Development Bond Financing, June 1963.)

7. Authorization was proposed for the Secretary of the Treasury to enter into mutually acceptable agreements with States for Federal collection of State income taxes. H.R. 14997 (Keogh, D., N. Y.) and H.R. 15009 (Ullman, D., Ore.) were referred to the Committee on Ways and Means. No action was taken. (Federal-State Coordination of Personal Income Taxes, October 1965.)

8. An amendment of the Federal estate tax would have increased the Federal credit allowed for death taxes paid to States. H.R. 323 (Keogh, D., N. Y.), 2604 (Dwyer, R., N. J.), and 4608 (Fountain, D., N. C.) were referred to the Committee on Ways and Means, but no action was taken. (Coordination of State and Federal Inheritance, Estate, and Gift Taxes, January 1961.)

STATE AND LOCAL GOVERNMENT

Legislation similar to draft bills developed by the Commission or consistent with Commission recommendations was adopted in all but seven States during the 1965-66 biennium. The draft bills appear in the Commission's 1967 State Legislative Program. The following is a list of the State legislation similar to, or embodying provisions of, these bills developed by the Commission to implement its recommendations. The coverage below is complete for 1965, but does not include all of the 1966 enactments.

Taxation and Finance

1. State collection of broad-based local sales taxes.
1965: New York, Wyoming, Alabama, and Maryland.
1966: Virginia.
2. Authorization for local governments to invest and receive interest on idle funds.
1965: Significantly broadened authority in Minnesota and Oregon.
1966: Significantly broadened authority in Kentucky.
3. State technical assistance to local government debt management.
1966: Kentucky.
4. Property tax reform and changes.
1966: California.
5. Adoption of real estate transfer tax (documentary taxes).
1965: Delaware, Iowa, and Nebraska.
1966: Hawaii, Michigan, and Rhode Island.
6. State regulation of the issuance of industrial development bonds.
1965: Maine.

Structural and Functional Relationships

1. Authorization for local units of government to exercise functions jointly or to contract with one another for performance of functions.
1965: Iowa, Oklahoma, and Utah; and existing authority significantly broadened and clarified in Nevada.
2. Authorization for metropolitan, county, and regional planning, and for establishment of planning and development agencies.
1965: Pennsylvania, Tennessee, and West Virginia.
1966: Missouri and New Jersey.
3. Granting authority to municipalities to exercise planning, zoning, and subdivision control in urban fringe areas.
1966: South Dakota.

4. State agency for local affairs or community development.
1965: California and Pennsylvania.
1966: Colorado, Illinois, Missouri, and New Jersey.
5. Liberalizing annexation procedures.
1965: New Mexico.
6. Authorization for metropolitan councils of government.
1965: Connecticut.
7. Authorization for State and local governments to acquire and preserve "open space" and grant tax credits for easement.
1965: California and Rhode Island.
8. Financial and technical assistance to local governments.
1965: Oregon.
9. Provision for local governments' exercise of "residual" home rule powers.
1965: Massachusetts--constitutional amendment approved in November 1966 election.
10. State and local aid and assistance for urban transportation.
1965: Maine.
11. Municipal water supply and sewage disposal planning and regulation of wells and septic tanks.
1965: Pennsylvania.
1966: Maryland.
12. State aid for local sewage disposal and water supply facilities.
1965: Maryland, New Jersey, New York, and Pennsylvania.
13. Regulation of special district formation and alteration.
1965: California and New Mexico.
14. Establishment of State office of economic opportunity.
1965: Maryland.
1966: Virginia.
15. Authorization for adoption of codes by reference.
1965: West Virginia.
16. Broadening availability and reciprocity of public employees retirement systems.
1965: Michigan

Actual draft language has not been developed for all Commission recommendations. In these instances, policy statements were recommended to the States. The following listing summarizes action taken in the States consistent with these Commission proposals. In other cases, States have taken actions consistent with ACIR recommendations, but along lines differing from the specific

approach incorporated in the Commission's draft bills. Such action is also included in the following listing:

Taxation and Finance

1. Easing restrictions on local government debt.
1965: Michigan (permits simple majority vote for G. O. bonds for home rule cities; authorizes counties to borrow without vote).
1966: Michigan (permits simple majority vote for G. O. bonds for home rule villages).
2. Property tax reform and changes.
1965: Indiana, Connecticut, and Utah.
1966: Virginia.
3. Bringing State income tax provisions into harmony with Federal definition.
1966: Kentucky and Vermont. Kansas and Nebraska approved constitutional amendments authorizing the legislature to bring State income tax into harmony with Federal.
4. Allowing credit against use tax for sales tax paid in another State.
1966: California.

Structural and Functional Relationships

1. Authorization for metropolitan, county, and regional planning, and planning and development agencies.
1965: Illinois, Minnesota, Texas, and Vermont; and existing authority broadened in Kansas.
2. Adoption of interstate compacts for metropolitan (and regional) planning commissions.
1965: New Hampshire, Pennsylvania, and Rhode Island.
3. Stricter standards for incorporation of new municipalities.
1965: Oregon and Kansas.
1966: Colorado.
4. Authorization for State and local governments to acquire and preserve "open space."
1965: Maine, Maryland, and Montana (also authorized local governments to grant tax credits for easements).
1966: Virginia.
5. Liberalizing annexation procedures.
1965: Alabama, Georgia, and West Virginia.

6. Authorization for metropolitan charter and study commissions.
1966: Missouri (adopted constitutional amendment applying to St. Louis City and St. Louis County), Florida (adopted constitutional amendment applying to Hillsborough County).
7. Authorization for metropolitan councils of governments.
1965: Washington.
8. Financial and technical assistance to local governments.
1965: Illinois, New Hampshire, and Vermont.
9. Authorization for optional forms of county government.
1965: Missouri.
10. State and local aid and assistance for urban transportation.
1965: Indiana, Maine, New York, and Pennsylvania.
11. Authorizations for local governments to form authorities for management of areawide transportation facilities.
1965: California, Georgia, Illinois, Maryland, New York, and Ohio.
1966: Virginia.
12. Interstate compact for transportation planning.
1965: Connecticut-New Jersey-New York; Kansas-Missouri compact amended; Maryland.
13. Increased State control over use of wells and septic tanks.
1965: Indiana.
14. State aid for local sewage disposal and water supply facilities.
1966: Maryland (authorizes State debt to provide grants and loans), Michigan, and Wisconsin.
15. Strengthening State water pollution control programs.
1965: Alabama, Iowa, Oregon, and Michigan.
1966: Colorado, Georgia, Kentucky, Maryland, and Wisconsin.
16. Coordination of State programs affecting water resources development and supply.
1965: Idaho, Iowa, and Texas.
1966: Wisconsin.
17. Authorizing interlocal agreement and contracts for water and sewer facilities and encouraging areawide administration.
1965: Michigan.

18. Restricting zoning authority to counties and larger municipalities in metropolitan areas.
1965: Indiana.
1966: Kentucky.
19. Regulation of special district formation and alteration.
1965: Oregon.
20. Assurance of housing for displaced persons.
1966: Michigan.
21. Provision of vocational education on an areawide basis.
1965: Wisconsin and South Dakota.
22. State sharing of non-Federal costs of welfare expenditures.
1965: Maine.
23. State sharing in local urban renewal costs.
1966: Rhode Island.
24. Authorization for counties to provide urban renewal.
1965: Idaho and Utah.
25. Authorization for counties to provide public housing services.
1965: Colorado, Nebraska, and Oklahoma.
26. Uniform policy in relocating people and businesses.
1965: California, Iowa, Massachusetts, New York, North Carolina, and Ohio.
27. Broadening availability and reciprocity of public employee retirement systems.
1965: Georgia, Kansas, Ohio, and South Dakota.

New draft State legislative proposals have been prepared to implement recommendations of reports adopted during the past year. They are included in the 63 proposals contained in the Commission's 1967 State Legislative Program. The 15 new draft bills cover the following subjects:

Uniform personal income tax statute; sales tax amendments to ease interstate trade; local sales tax supplement; State support of local tax enforcement; State office of economic opportunity; State participation in the Job Corps program; State department of community development; fiscal measures for equalizing education opportunities for economically and socially deprived children; State model building code and establishment of statewide building construction standards; State licensing of building inspectors; State assistance to local governments for building inspection; regional planning and development commissions; optional forms of municipal government; municipal annexation; and low-rent housing for low-income families.

VI OTHER COMMISSION ACTIVITIES

The Commission performed a number of other activities in 1966 designed to carry out its statutory responsibilities for technical assistance in the review of proposed legislation and encouraging discussion of emerging public problems. As a part of its ongoing responsibility, staff members testified on at least 12 separate occasions before committees of Congress and State legislatures and before constitutional commissions on legislative proposals derived from or affected by Commission recommendations. Statements to such bodies were filed on at least a half dozen measures. Commission members and staff made presentations--over seventy-five all told--at the 1966 conventions and annual and special meetings of national, regional, and State organizations of public officials and business, professional, and citizen groups.

Several new activities, however, were undertaken. First, four new information documents were published: two in the general field of metropolitan problems, one dealing with current information on State tax legislation, and the fourth dealing with information on urban research. A second new area of Commission activity included co-sponsorship, with other public interest groups representing State and local governments, of conferences on particular intergovernmental problems.

New Commission Information Publications

The Commission has surveyed various dimensions of the metropolitan dilemma since its creation in 1959. Its reports have ranged over such troublesome issues as governmental structure, organization; the performance of specific urban functions; alternative approaches to governmental reorganization in metropolitan areas; the impact of Federal urban development programs; metropolitan, social, and economic disparities; intergovernmental responsibilities for water supply and sewage disposal; and the relocation hardships of individuals and businesses displaced by governmental action. A new publication, Metropolitan America: Challenge to Federalism, presents a compendium of the analyses and recommendations on these problems as previously advanced by the Commission. The document was prepared for ACIR under contract with Professor Bernard J. Frieden of the Massachusetts Institute of Technology and was published by the House Committee on Government Operations whose Intergovernmental Relations Subcommittee is chaired by Congressman L. H. Fountain (D., N. C.). It already has received widespread favorable notice.

Another informational report, containing no policy recommendations, was also published by the Commission in 1966. This study, Metropolitan Councils of Governments, was prepared by Professor Royce Hanson of American University. The report is based on a survey of eight metropolitan councils of governments and describes how the councils were organized, what they do, and how they can become more effective. The report is especially timely in light of Section 204 of the Demonstration Cities Act of 1966, recommended by the Commission, which calls for review and comments by areawide planning bodies on certain Federal grant and loan

applications coming from political subdivisions located within Standard Metropolitan Statistical Areas.

In December, the Commission issued a supplement to its report, Tax Overlapping in the United States, 1964. The extensive volume of State tax legislation enacted since 1966 outdates the tables of the original report. To preserve the usefulness of the 1964 volume, current tables were developed to present relevant tax rate and tax base information for the major State taxes.

Because of the Commission's special interest in urban area problems, it chaired and jointly sponsored, together with the Department of Housing and Urban Development and the Science Information Exchange, a preliminary planning conference on current urban research information in October 1965. The primary purpose of the conference was to survey some of the new sources of information on urban research, particularly the Science Information Exchange. In addition, participants shed some light on what they viewed as some of the problems surrounding the acquisition and dissemination of current information in this field. To continue discussion on these problems, the Science Information Exchange sponsored a series of meetings during 1966 involving personnel from a number of Federal agencies, including the Advisory Commission, and private organizations. The proceedings of the preliminary conference were published last year as a Commission document entitled Information Problems Related to Urban Research.

Early in 1966, the Commission requested the National League of Cities to develop a handbook on interlocal cooperation for the use of local officials considering interlocal agreements and contracting. The handbook, to be published as a Commission document in early 1967, will review the potentialities of such cooperative devices. It will examine individual case studies and highlight basic considerations that enter--or should enter--into the actual drafting of agreements and contracts.

Conferences

In February 1966 the Commission co-sponsored, with the U. S. Bureau of the Budget, the National Association of Counties, the U. S. Conference of Mayors, the National League of Cities, the Municipal Finance Officers Association, the National Governors' Conference, and the Steering Committee of the Council of State Governments, a "National Conference on Comparative Statistics: Information Needs for Decision-Making by State and Local Governments," in Washington, D. C. The conference was called to explore current and developing information needs for decision-making and related governmental ends, primarily at the State and local levels. Participants discussed opportunities and methods for improving the content, availability, use, and comparability of data for these purposes. The conference sought to accelerate efforts to define and meet critical information needs and to foster appropriate intragovernmental, interstate, and intergovernmental coordination in such endeavors. The recommendations arising from the conference included (a) the need for a continuing national forum for development of improved statistical data in functional areas where appropriate; (b) the need for a "policy and steering" body--a successor group to the Conference Steering Committee--to plan for the future; (c) the need for a permanent secretariat to assume prime responsibility for the administration and clearinghouse function associated with the standardization and coordination of statistical data; and (d) a plan for a second national conference on comparative statistics. An Ad Hoc Steering Committee of the sponsors, co-sponsors, and the Steering Committee of the First National Conference has been established and has prepared an agenda for future action.

In November 1966 the Commission co-sponsored, along with twelve other public interest groups, the "National Conference on Local Government Fiscal Policy" of the Municipal Finance Officers Association. The purpose of the conference was to (a) explore the status of local government finances with the objective of discovering viable new approaches in the fields of local taxation, financial operations and debt management, interlocal relations, and local-State-Federal relations; (b) obtain a concensus pertaining to several proposals for local, State, and Federal legislation as developed by the Advisory Commission on Intergovernmental Relations and others; and (c) prepare a guideline statement for consideration by policy makers at all levels. The conference was designed to be a working session at which approximately 100 persons attended, representing the sponsor, co-sponsors, and participating organizations. The guidelines will be published in early 1967 by the Municipal Finance Officers Association.

VII CHANGES IN COMMISSION MEMBERSHIP AND STAFF

During 1966, the following changes occurred in Commission membership:

William O. Beach, County Judge, Montgomery County, Tennessee, was appointed in January to fill the vacancy created by the death of Clair Donnenwirth of Portola, California.

Mrs. Barbara Wilcox, County Commissioner, Washington County, Oregon, resigned in April.

The terms of office of the following Commission members expired in April:

Frank Bane, Chairman, Public Member
Thomas H. Eliot, Vice-Chairman, Public Member
Edward Connor, Supervisor, Wayne County, Michigan
Marion Crank, State House of Representatives, Arkansas
John Dempsey, Governor of Connecticut
Herman W. Goldner, Mayor, St. Petersburg, Florida
Robert Smylie, Governor of Idaho
Mrs. Adelaide Walters, Public Member
Charles R. Weiner, State Senate, Pennsylvania

The following changes occurred in the professional staff of the Commission:

L. L. Ecker-Racz, Assistant Director for Taxation and Finance, retired in December. Mr. Ecker-Racz joined the staff in 1960. John Shannon, Senior Analyst on the staff, was appointed to succeed Mr. Ecker-Racz.

Mr. Norman Beckman, Assistant Director for Governmental Structure and Functions, resigned from the staff of the Commission to accept appointment in August as Director of the Office of Intergovernmental Relations and Urban Program Coordination, Department of Housing and Urban Development. Mr. Beckman had been with the Commission since 1962. Mr. David B. Walker was appointed to succeed Mr. Beckman as Assistant Director. For the past three and a half years Mr. Walker served as Staff Director of the Senate Subcommittee on Intergovernmental Relations, chaired by Senator Muskie of Maine.

Mr. Eugene R. Elkins was appointed as an Analyst on the Commission's staff. Mr. Elkins had been serving as Executive Director of the West Virginia League of Municipalities. Mr.

Elkins replaced Mr. Robert A. Aleshire, who resigned from the Commission's staff to accept a directorship of the local community action agency in Reading, Pennsylvania.

Also joining the Commission's staff were two research assistants. Mr. Thomas G. Hanna, a graduate of the University of New Mexico, is working in the field of taxation and finance. Miss Hope Marindin, a graduate of Swarthmore College, is working in the field of governmental structure and functions.

APPENDIX A

OBLIGATIONS OF THE ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS FOR FISCAL YEARS 1966, 1967, AND 1968

Object Classification (in thousands of dollars)

	FY 1966 Actual	FY 1967 Appropriated	FY 1968 Estimated
Personnel compensation	\$294	\$323	\$374
Personnel benefits (retirement, health, insurance, FICA)	21	22	26
Travel and transportation of persons	25	25	32
Rent, utilities, and communications	7	7	7
Printing and reproduction	38	26	40
Other services	6	6	10
Services of other agencies	12	12	13
Supplies, materials	6	6	6
Equipment	1	1	2
Total Obligations	\$410	\$428	\$510

APPENDIX B

SUMMARY OF INFORMATION ON EXISTING STATE OFFICES OF LOCAL AFFAIRS

	New York	Penna.	R. I.	Alaska	Tennessee	Washington	California	Colorado	Illinois	New Jersey	Missouri
Name of agency	Office of local govt.	Dept. of comm. af-fairs	Div. of local & metro. govt.	Local affairs agency	Office of local govt.	Local affairs div.	Intergovtl. council on urban growth	Div. of local govt.	Div. of local govt.	Dept. of comm. af-fairs	Office of St. & reg. plg. & comm. devel.
Year established	1959	1965	1961	1959	1963	1963	1965	1966	1966	1966	1966
Where located	Exec. dept.	Indep. adm. dept.	Dept. of adm.	Off. of Gov.	Off. of comptl. of treas.	Dept. of comm. & econ. dev.	Off. of Gov.	Exec. dept.	Off. of Gov.	Indep. adm. dept.	Exec. dept.
Functions:											
Municipal mgt.	X	X	X	X	X	X				X	X
Finance	X	X	X	X		X				X	
Engineering aspects	X			X		X					
Boundary consids.				X		X					
Legal aid	X			X		X					
Research, statis-tics, information	X	X	X	X	X		X	X	X	X	X
Personnel	X	X	X	X				X		X	X
Local planning		X		X		X				X	X
Regional planning & intermunicipal cooperation	X	X		X	X	X	X			X	X
Coordination with statewide planning		X					X			X	X
Proposed programs & legislation	X	X		X		X	X	X	X	X	X
Assists Gov. in co-ordinating State activities affect-ing localities	X	X	X	X	X		X	X	X	X	X
Statutory citations	N.Y. Consol- idated Laws, ex. law, art. 19-E (1959).	S.B. 1144, 1965, prtrs. no. 1880.	P.L. 1961, ch. 93.	A.S. 44.19. 180 et seq. & sec. 14, art. X of const.	Laws, 1963, ch. 205.	Ch. 161 Laws 1963, Apr. 15, 1964.	Ch. 823, Laws, 1965.	S.B. 23, 1966.	H.B. 2194, 1965 (approx.).	Assembly bill no. 861, 1966.	S.B. 14, 1966.

Source: Advisory Commission on Intergovernmental Relations. Adapted from "Toward More Effective Government, a proposed Department of Community Affairs," final report to Governor Richard J. Hughes (Trenton, New Jersey), 1963, p. 13.

Formal interest in establishment of State agencies to give systematic and continuing attention to local needs and problems dates back to a 1956 report of the Council of State Governments on "The States and the Metropolitan Problem." New York was the first to set up an Office of Local Government (1959), followed by Alaska the same year. During the next six years, offices were established in Rhode Island (1961), Tennessee (1963), Washington (1963), California (1965), and Pennsylvania (1965).

Concern for local affairs is shown also in more informal arrangements in other States. Governors in a number of States, such as Kentucky, Michigan, North Carolina, and Washington, have appointed special assistants to advise them on local affairs. In Kentucky, the director of housing and urban development within the office of the governor, is a member of the executive cabinet. The secretary of State in Washington has been named as Coordinator of Urban Affairs to assist the governor. In North Carolina, the governor appointed an Urban Affairs Consultant during the past year to work in the State Planning Task Force. The consultant serves as a liaison between the governor's Urban Affairs Advisory Committee and various associations and public interest groups concerned with local government.

APPENDIX C

Reports Published During 1966

Building Codes: A Program for Intergovernmental Reform. January 1966. (Report A-28)

Proceedings of the First Planning Conference on Information Problems Related to Urban Research, October 1965. Sponsored by the Advisory Commission on Intergovernmental Relations in cooperation with the Department of Housing and Urban Development and the Science Information Exchange. Published in Spring 1966.

Intergovernmental Relations in the Poverty Program. April 1966. (Report A-29)

Catalogs and Other Information Sources on Federal and State Aid Programs: A Selected Bibliography. May 1966. (Report M-30)

Unshackling Local Government--A Survey of Proposals by the Advisory Commission on Intergovernmental Relations. June 22, 1966. Thirtieth Report by the Committee on Government Operations. House Report No. 1643.

Metropolitan America: Challenge to Federalism. August 1966. (Report M-31, published by Intergovernmental Relations Subcommittee, House Committee on Government Operations)

Metropolitan Councils of Governments. August 1966. (Report M-32)

1967 State Legislative Program of the Advisory Commission on Intergovernmental Relations. September 1966. (Report M-33)

Tax Overlapping in the United States (A Supplement to Report M-23), Selected Tables Updated. December 1966.

Reports Published in Previous Years

Coordination of State and Federal Inheritance, Estate, and Gift Taxes. January 1961. (Report A-1)

Investment of Idle Cash Balances by State and Local Governments. January 1961. (Report A-3)

Investment of Idle Cash Balances by State and Local Governments--A Supplement to Report A-3. January 1965.

Intergovernmental Responsibilities for Mass Transportation Facilities and Services in Metropolitan Areas. April 1961. (Report A-4)

Governmental Structure, Organization, and Planning in Metropolitan Areas. July 1961. (Report A-5)

State and Local Taxation of Privately Owned Property Located on Federal Areas. June 1961. (Report A-6)

Intergovernmental Cooperation in Tax Administration. June 1961. (Report A-7)

Periodic Congressional Reassessment of Federal Grants-in-Aid to State and Local Governments. June 1961. (Report A-8)

Local Nonproperty Taxes and the Coordinating Role of the State. September 1961. (Report A-9)

State Constitutional and Statutory Restrictions on Local Government Debt. September 1961. (Report A-10)

Alternative Approaches to Governmental Reorganization in Metropolitan Areas. June 1962. (Report A-11)

State Constitutional and Statutory Restrictions Upon the Structural, Functional, and Personnel Powers of Local Government. October 1962. (Report A-12)

Intergovernmental Responsibilities for Water Supply and Sewage Disposal in Metropolitan Areas. October 1962. (Report A-13)

State Constitutional and Statutory Restrictions on Local Taxing Powers. October 1962. (Report A-14)

Apportionment of State Legislatures. December 1962. (Report A-15)

Transferability of Public Employees Retirement Credits Among Units of Government. March 1963. (Report A-16)

The Role of the States in Strengthening the Property Tax. June 1963. (Report A-17) (two volumes)

Industrial Development Bond Financing. June 1963. (Report A-18)

The Role of Equalization in Federal Grants. January 1964. (Report A-19)

Grant-in-Aid Programs Enacted by the 2nd Session of the 88th Congress--A Supplement to Report A-19. March 1965.

Impact of Federal Urban Development Programs on Local Government Organization and Planning. January 1964. (Report A-20)

Statutory and Administrative Controls Associated with Federal Grants for Public Assistance. May 1964. (Report A-21)

The Problem of Special Districts in American Government. May 1964. (Report A-22)

The Intergovernmental Aspects of Documentary Taxes. September 1964. (Report A-23)

- State-Federal Overlapping in Cigarette Taxes. September 1964. (Report A-24)
- Metropolitan Social and Economic Disparities: Implications for Intergovernmental Relations in Central Cities and Suburbs. January 1965. (Report A-25)
- Relocation: Unequal Treatment of People and Businesses Displaced by Governments. January 1965. (Report A-26)
- Federal-State Coordination of Personal Income Taxes. October 1965. (Report A-27)
- Factors Affecting Voter Reactions to Governmental Reorganization in Metropolitan Areas. May 1962. (Report M-15)
- Measures of State and Local Fiscal Capacity and Tax Efforts. October 1962. (Report M-16)
- The Advisory Commission on Intergovernmental Relations. June 1, 1965. (A Brochure, M-17)
- Performance of Urban Functions: Local and Areawide. September 1963. (Report M-21)
- Tax Overlapping in the United States, 1964. July 1964. (Report M-23)
- State Technical Assistance to Local Debt Management. January 1965. (Report M-26)





