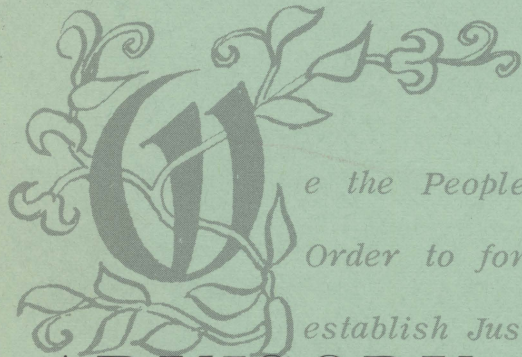


A C I R



*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
general Welfare, and secure the Blessings of Liberty
to ourselves and our Posterity, do ordain and establish
this Constitution for the United States of America.*

**ADVISORY COMMISSION
ON
INTERGOVERNMENTAL
RELATIONS**

Tenth Annual Report

January 31, 1969 Washington, D.C.

ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS
Membership—1968

Private Citizens:

Farris Bryant, Jacksonville, Florida, Chairman
Alexander Heard, Nashville, Tennessee
Dorothy I. Cline, Albuquerque, New Mexico

Members of United States Senate:

Sam J. Ervin, Jr., North Carolina
Karl E. Mundt, South Dakota
Edmund S. Muskie, Maine

Members of United States House of Representatives:

Florence P. Dwyer, Mrs., New Jersey
L. H. Fountain, North Carolina
Al Ullman, Oregon

Officers of Executive Branch, Federal Government:

Ramsey Clark, Attorney General
Price Daniel, Director, Office of Emergency Planning, Vice Chairman
Henry H. Fowler, Secretary of the Treasury

Governors:

*Spiro T. Agnew, Maryland
John Dempsey, Connecticut
Buford Ellington, Tennessee
*James A. Rhodes, Ohio
Nelson A. Rockefeller, New York

Mayors:

Neal S. Blaisdell, Honolulu, Hawaii
Jack Maltester, San Leandro, California
Arthur Naftalin, Minneapolis, Minnesota
William F. Walsh, Syracuse, New York

Members of State Legislative Bodies:

Ben Barnes, Representative, Texas
C. George DeStefano, Senator, Rhode Island
Jesse M. Unruh, Assemblyman, California

Elected County Officials:

**William O. Beach, Montgomery County, Tennessee
**John F. Dever, Middlesex County, Massachusetts
Angus McDonald, Yakima County, Washington
Gladys N. Spellman, Prince George's County, Maryland

*Governor Spiro T. Agnew of Maryland was appointed July 5, 1968 to replace Governor James A. Rhodes of Ohio, who resigned April 30, 1968.

**Commissioner John F. Dever of Middlesex County, Cambridge, Massachusetts, was appointed January 24, 1968 to replace William O. Beach, Montgomery County and Criminal Judge, Clarksville, Tennessee, whose term expired January 21, 1968.

**ADVISORY COMMISSION
ON
INTERGOVERNMENTAL
RELATIONS**

Tenth Annual Report

January 31, 1969 Washington, D.C.

STAFF

(December 1968)

Wm. G. Colman, Executive Director

*Frances D. Buckler, Secretary
Karen Haagensen, Secretary
Francis X. Tippet, Statistical Assistant
Sandra Osbourn, Librarian
Delores Boyd, Receptionist-Library Assistant
Ronald Ross, Clerk Typist
Bernard Evans, Clerk Typist

John Shannon, Assistant Director (Taxation and Finance)

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Hope Marindin, Analyst
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Jennifer Deel, Secretary
Gloria Thorn, Secretary

David B. Walker, Assistant Director (Governmental Structure and Functions)

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Carl W. Stenberg, Analyst
Linda Topham, Secretary
Carolyn Levere, Secretary

Elton K. McQuery, Assistant Director (Program Implementation)

Eugene R. Elkins, Senior Analyst
*Elizabeth C. Green, Administrative Assistant
Esther Fried, Administrative Assistant
Jacqueline Wallace, Secretary
Lavinia Clarke, Secretary

*Retired December, 1968

CONSULTANTS

(During 1968)

- Albert J. Abrams, Secretary of the New York State Senate
- William Anderson, Professor Emeritus of Political Science, University of Minnesota
- Frank Bane, Former Chairman of the Commission, Washington, D.C.
- John E. Bebout, Director, Urban Studies Center, Rutgers—The State University, New Jersey
- Frederick L. Bird, Financial Consultant, Newtown, Conn.
- John C. Bollens, Professor of Political Science, University of California, Los Angeles
- William N. Cassella, Executive Director, National Municipal League, New York, N.Y.
- Merrill J. Collett, President, Executive Management Service, Inc., Arlington, Va.
- Charles F. Conlon, Executive Director, Federation of Tax Administrators
- John J. Corson, Consultant, Washington, D.C.
- Daniel J. Elazar, Professor of Political Science, Temple University
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- Victor Jones, Professor of Political Science, University of California, Berkeley
- Eugene C. Lee, Director, Institute of Governmental Studies, and Associate Professor of Political Science, University of California, Berkeley
- Frank G. Moore, Chairman, Advisory Board of the Office for Local Government, State of New York
- James A. Papke, Professor of Economics, Purdue University
- Joseph A. Pechman, The Brookings Institution
- *James K. Pollock, Murfin Professor of Political Science, University of Michigan, and former Vice Chairman of the Commission
- John E. Powers, Clerk, Supreme Judicial Court of Massachusetts, and formerly Member of the Commission
- H. Clyde Reeves, Vice President, University of Alabama and former Commissioner of Revenue, Commonwealth of Kentucky
- Melvin W. Sneed, Staff Assistant, Joint Committee on the Organization of the Congress
- Robert F. Steadman, Committee for Economic Development
- James L. Sundquist, The Brookings Institution
- Mabel Walker, Executive Director, Tax Institute of America
- Ronald B. Welch, Assistant Executive Secretary, Property Taxes, State Board of Equalization, Sacramento, Calif.

*Deceased



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

January 31, 1969

Dear Mr. President:

I have the honor to submit the Tenth 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 also is being transmitted to the Vice President and to the Speaker of the House of Representatives.

Respectfully submitted,

A handwritten signature in black ink, reading "Farris Bryant". The signature is written in a cursive style with a large initial "F".

Farris Bryant
Chairman

The President
The White House

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Chapter 1

SOME HIGHLIGHTS IN INTERGOVERNMENTAL RELATIONS IN 1968

Marred by angry riots, raucous confrontations, student demonstrations, political assassinations and the acrid frustrations of millions of citizens, 1968 seemed doomed to go down as one of the ugliest years in American political history.

Yet, the year closed on a more hopeful note – both for the political system in general and federalism in particular. As the months marched on, more and more spokesmen of varying political persuasions and at all levels of government affirmed a growing realization that, quite aside from the continuing debate over the “proper role” of the national government, Washington simply lacks the power, personnel, and perspective to heal all the Nation’s ills.

Furthermore, a closely contested national election was held under relatively tranquil conditions and some lessons concerning the American political system were relearned: The strength of the two-party system, the fatuousness of dissidence as an end in itself, and the paramount need for national unity as the only viable basis for identifying and targeting for priority attention the grave domestic questions facing the country and its people.

THE NATION’S RESPONSE TO THE URBAN CRISIS

Racial Unrest and Civil Disorder

The crisis of the cities, which threatened in 1967 to tear apart the fabric of American society, both deepened and lightened during 1968. The rioting, burning, and looting, triggered by the assassination of Dr. Martin Luther King, Jr. was more widespread and intense than in Watts, Detroit, or Newark. At the same time, lessons in riot control learned in 1967 were applied effectively in most cases by local and State police and National Guard and Federal troops. As a result, while property damage soared, the loss of life was considerably less.

The conscience of America, already deeply

troubled, was further aroused by the assassinations of Dr. King and Senator Robert F. Kennedy. The report of the President’s National Advisory Commission on Civil Disorders headed by Illinois Governor Otto Kerner with Mayor John Lindsay of New York serving as Vice Chairman added fuel to the flames. One of the major assertions of the Kerner Commission – that the United States was becoming increasingly a white racist society – caused much controversy. Many thoughtful people held the view that the Commission had exaggerated grossly and unwisely. Despite the disputes over this and other findings of the Commission, the report was the most sought after public document since the report of the Warren Commission on the assassination of President Kennedy. From the standpoint of federalism, the Kerner Commission focused almost exclusively on the roles of the Federal Government and the cities affected, with relatively little attention given to the economic, political, and social roles that States and suburbs could and should play in metropolitan affairs. The Commission did recognize and comment upon the nature of the federal system as it affects the roles and responsibilities of the different levels of government in maintaining civil order.

Following the April riots, the remainder of the year saw fewer outbreaks than 1967, despite the tumult and tension generated by the quadrennial National election. Also, during the year business involvement in urban affairs heightened significantly, particularly in “hard core unemployment” so that the year ended with at least some favorable omens for the future.

Law and Order—Whose Responsibility?

In the 1968 Presidential campaign, “law and order” was the most talked about domestic issue. A great deal of the campaign oratory revolved around the extent to which the National Government had failed to “insure domestic tranquility,” or indeed, by other action had unleashed and encouraged forces of crime and violence. Conversely, concern was expressed lest law enforcement

come to be a wholly national, rather than primarily a State-local function. The candidates gave much less attention to a critically important phase of law enforcement and administration of justice — namely the division of responsibilities in this field between the States on the one hand, and local governments on the other. A variety of key questions regarding the role of the State government in this area *vis-a-vis* that of county, city and other units of general local government have not been answered — or even adequately explored — in recent law enforcement surveys.

Some of these questions are: To what extent should every State have a strong State police force with modern crime detection facilities? To what extent should the State police be empowered to investigate crimes against persons or property anywhere in the State with or without the invitation of local law enforcement officials? To what extent should the State Attorney General be in fact, as well as name, the chief legal official in the State, with authority to supersede inactive local prosecutors? To what extent should the State Attorney General or the Governor be empowered to remove forthwith local district attorneys when collusion with organized crime is demonstrable? How can archaic State-local judicial institutions be modernized? What can States and localities do to bring correctional systems up to the same level of competence that is now recognized as imperative for police forces?

Hopefully, some of these questions will be explored through research and demonstration projects encouraged under the Crime Control and Safe Streets Act of 1968.

Hughes, Douglas, and Other Reports on Urban Problems

If the Kerner Commission neglected to consider the role of the States in the urban crisis, the National Governors' Conference and the National Commission on Urban Problems did not.

One of the most detailed and specific reports ever produced on urban problems was prepared under the auspices of the Governors' Conference Committee on Urban Problems headed by Governor Richard Hughes of New Jersey. This report presented a checklist of 189 separate specific action proposals for consideration by Governors and State legislatures.

The report of the National Commission on Urban Problems was released at the close of 1968. During the year this Commission, led by former Senator Paul Douglas of Illinois, issued a number of topical research studies and five volumes of testimony taken by the Commission in hearings held in a score of major cities. The Commission tackled some of the tough problems of major urban areas: zoning and land use, minority-group conditions, building and housing codes, and local government struc-

ture and financing. It also considered urban housing needs and analyzed programs to meet them. The Commission's report offered many specific recommendations for State and local as well as Federal Government action.

Additional guidelines for State government action on urban problems were offered in a lengthening list of reports issued by the Urban Coalition, the States' Urban Action Center and other concerned groups.

Coordination of Federal Programs For Urban Development

In 1968 the Model Cities Program began to get off the ground with fairly substantial funding for the fiscal year beginning July 1, 1969. The "Green Amendment" to the Economic Opportunity Act caused relatively few changes in the organization and direction of Community Action Programs at the local level, even though it was enacted in response to criticism by mayors and county officials that the poverty program bypassed and even undermined established processes of local government. When given the opportunity, only a few cities and counties picked up direct operational responsibility for previously independent Community Action Programs. Some felt that the Amendment's implementing regulations discouraged changes. Others contended that either the programs in those areas were operating reasonably satisfactorily (some would say "safely") or local government leadership viewed the programs as a political liability and felt it wise to maintain an arm's length relationship.

The year saw another — nearly successful — drive to overturn Section 204 of the Demonstration Cities and Metropolitan Development Act of 1966, that provides for coordinated review and comment at the metropolitan level on Federal grant-in-aid applications submitted by individual political subdivisions. This effort to repeal Section 204 was launched successfully on the floor of the House, but was rejected in conference committee. In the meantime, a second report issued by the Bureau of the Budget on the functioning of Section 204 clearly indicated that the procedure was gaining increasingly wide acceptance — even popularity — among local governments and Federal agencies alike.

The Business Community Acts

During 1968, the aroused concern of the American business community with the deteriorating urban situation became apparent in a number of ways. A National Alliance of Businessmen under the chairmanship of Henry Ford II was formed with the goal of providing 500,000 jobs to the hard core unemployed within two years. At the end of 1968 about 100,000 had been so

employed and with an encouraging retention record.

The Urban Coalition of business, labor and civic leaders and local government officialdom, formed a year earlier, received renewed impetus when John W. Gardner assumed its chairmanship in 1968. The Coalition argued persistently and persuasively throughout the year for a variety of actions — private and public and at all levels of government — that would preserve hope and foster initiative among the urban disadvantaged.

The Chamber of Commerce of the United States gave increased emphasis to "Forward Thrust," a process through which business combines forces with other groups — public and private — to identify, analyze, and solve through innovative communitywide action the burgeoning economic and social problems of the large cities. One case study emanating from this process showed an emerging "partnership" between Detroit firms and individual schools in the ghetto, with the former providing fiscal and technical help to modernize education and make it more relevant. This experiment, if emulated widely, could shake up rather seriously the "educational establishment" of many large cities. Finally, the National Association of Manufacturers established a Department of Urban Affairs to provide leadership for and liaison with urban affairs units being formed by major corporations.

In many places and at many levels of government, the search quickened for better means of harnessing the public and private sectors for a more effective joint attack on the problems of city rebuilding and racial peace. Increasing attention was given to tax incentives as a way of achieving various social and economic goals while avoiding the administrative labyrinths of direct governmental action.

Bridging the Neighborhood-City Hall Gap

Apparent to most in the rising tide of civil disorder in 1967-1968 was the growing alienation between disadvantaged citizens and their local governments. Mayor Lindsay of New York, Commissioner-Mayor Walter Washington of Washington, D.C., and others, including the Advisory Commission on Intergovernmental Relations spoke out in favor of new institutional arrangements in the big cities that would promote a sense of community identity and purpose among residents of disadvantaged areas, thereby encouraging them to launch social action programs and to preserve law and order. The Commission proposed State legislation that would authorize city governing boards to create neighborhood subunits of government to engage in neighborhood rehabilitation, beautification, clean-up and other self-help projects. The subunit would be represented by an elected neighborhood council through which the com-

munity could undertake these functions, develop its own political processes, and make its views known to city hall.

New York and other cities began experimenting with "neighborhood city halls" from which certain municipal functions could be carried out on a decentralized basis. In October 1968, the District of Columbia initiated an experimental program based on a combination of the neighborhood subunit and neighborhood city hall concepts. As might be expected, these proposals for neighborhood decentralization were met with varying degrees of cynicism, alarm, and vigorous opposition by political leaders, particularly councilmen and aldermen, and municipal administrators. A number of political scientists and economists expressed fear that these developments might proceed too far and further clutter the already fragmented local government landscape. On the other hand, civil rights militants, poverty workers and other advocates of closer, more personal government contended that the neighborhood subunit concept did not go nearly far enough. Despite these differences, there was a growing consensus as to the need for increased citizen involvement and participation in local government.

The extremely difficult and divisive aspects of decentralization were nowhere more evident than in the public school system of a large city. New York's anguish in endeavoring to decentralize some aspects of its massive and inevitably bureaucratic school system polarized racial conflict between white school teachers on the one hand, and neighborhood blacks on the other, and has raised the bitter issue of anti-Semitism. This case study in municipal chaos no doubt will cause other cities to approach decentralization of schools and other public services with extreme caution.

Metropolitan Educational Disparities

In its *Ninth Annual Report* the Advisory Commission on Intergovernmental Relations stated: "It is the paradox of education in metropolitan America that where the needs are greatest, the resources are scarcest; the children needing education the most are receiving the least!" 1968 saw the Education Commission of the States — a new but increasingly powerful interstate organization — take a strong stand for augmenting considerably the level of State aid to disadvantaged schools in urban areas in order to take account of the higher per pupil expenditures needed to provide adequate education in these areas. The States of Michigan and New York enacted special aid programs for ghetto schools. A similar program was proposed in New Jersey, but the legislature altered the order of priorities and provided relatively greater resources to comparatively better-off

suburbs than to the economically handicapped central cities. In so doing, the legislature merely followed the pattern, still prevailing in most States, of providing more State aid per pupil to the suburbs than to core cities.

A new, unexpected, and perhaps decisive element, however, was injected into the State aid picture in 1968. Through the process of litigation, central city school boards were beginning to challenge the constitutionality — under the equal protection clause of the Fourteenth Amendment — of State aid formulas that do not take account of higher per pupil educational costs in densely populated disadvantaged neighborhoods or in poor rural areas. Suits were initiated in Michigan, California, Texas, Virginia, and Illinois, with more in the offing. Both Federal and State courts were involved in this litigation.

In November the Federal District Court in Illinois, in the case of *McInnis v. Shapiro*, ruled that inequality in per pupil expenditures in the State's local school districts does not violate the equal protection and due process clauses. The Court noted that public revenue allocation is a basic policy decision more appropriately handled by the legislature. The Illinois suit, and those in the other States, likely will be pursued to the United States Supreme Court.

Therefore, quite possibly, judicial intervention, rather than gubernatorial or State legislative leadership, will prove to be the vital ingredient in this — one of the most critical of the current urban crises. A veritable revolution in local government structure and financing in the United States would ensue if the judiciary should adopt the doctrine that every pupil should have substantially the same fiscal backing or — in the case of the disadvantaged youngster — substantially more.

Increasing State Involvement In Urban Affairs

The year 1968 saw a continued increase in State government commitment to the solution of urban problems. Several additional States began to provide financial assistance to local governments in picking up a substantial part of the nonfederal share in such program areas as housing, urban renewal, and waste treatment works construction. Additional State departments of urban affairs were established to the point that at year's end over half the States had charged officially some administrative unit of the State government with continued concern with and assistance to local units of government.

In Illinois, however, the voters rejected a \$1 billion bond issue, a considerable portion of which was earmarked for aid to community facilities. Moreover, in neighboring Missouri, instead of harnessing State-wide fiscal resources to equalize disparities between eroding central cities and affluent suburbs, top State policy

makers urged local governments to levy more taxes and solve their own problems without additional State aid. And in Texas there seemed to be an inclination to shelve recommendations growing out of a comprehensive survey of educational needs in the State, which called for greatly expanded funding of public schools, especially in urban areas.

Channeling of Federal Grants Through the States

After many earlier rebuffs by the Congress in the framing of grants-in-aid, especially those with an urban focus, 1968 saw some progress by the States in obtaining the channeling of grant funds for local purposes to and through the States. Their success was most marked in the Crime Control and Safe Streets Act of 1968, but also occurred in the Juvenile Delinquency Control Act. The more receptive attitude of the Congress was probably attributable in part to two major factors among others — the establishment of a Washington office for the National Governors' Conference and its vigorous activity on Capitol Hill and more importantly, from the standpoint of a strengthened federalism, the increasingly serious way in which many States were beginning to face up to their responsibilities, particularly in urban affairs.

There was growing recognition by many that the Congress for too long has insisted on treating all States alike in deciding whether grant funds should flow directly to local governments or to the States. More and more city and county officials in the United States are beginning to accept a selective approach to State coordination and even to welcome it where the State is — in terms of money, machinery, and motivation — ready to "buy a piece of the urban action."

MODERNIZATION OF STATE AND LOCAL GOVERNMENT

"There is no Gordian knot waiting to be slashed. To yearn for apocalypse and reject the real task — to reform failing institutions — is simply to sabotage one of the world's few self-governing societies.

"The trouble is that most of what needs to get done in the U.S. is pretty boring stuff — things like modernizing taxes, zoning, building codes and local governments."

(TIME, August 30, 1968, p. 21.)

The Midland-Odessa Case

On April 1, 1968, the U. S. Supreme Court handed down a decision in the case of *Avery v. Midland County*

which had the practical effect of applying the "one man – one vote" doctrine of the Court with regard to State legislative apportionment to the allocation of seats on local governing bodies. This decision will trigger a massive reshuffling of aldermanic and county commissioner districts to achieve a pattern of districts of approximately equal population. Some believe that it will have the added effect of drastically changing or eliminating township government in those States where township supervisors sit as *ex officio* members of county governing bodies.

State Constitutional Revision: Successes and Failures

The year was a mixed one for advocates of general as well as piecemeal revision of State constitutions. Voter reaction may have indicated that the electorate is more favorably disposed when it can say "yes" or "no" to the separate component parts of a new constitution rather than having to accept or reject an entire new basic charter on a "take it or leave it" basis.

A proposed constitution for Rhode Island drafted by a Constitutional Convention that met over a three-year period was offered on a "take it or leave it" basis and went down to resounding defeat at the polls. A proposed new constitution for Maryland went before the voters in April – again on a "take it or leave it" basis – and despite support from both political parties, business and labor leadership and other important sectors of the State, was also soundly rejected. It carried only two of the 23 counties in the State – Montgomery and Prince George's – the suburban counties surrounding the District of Columbia. Thus, the widely acclaimed draft document of the Maryland Constitutional Convention suffered the same fate as the proposed New York Constitution a year earlier.

Somewhat unexpectedly, the "second installment" of California's constitutional revision went down to defeat at the polls in November throwing some doubt upon further revision efforts in that State. The "first installment" dealing with modernization of the legislature had been approved by the voters in 1966.

The first of two favorable votes on the results of a State constitutional convention occurred in Pennsylvania where a limited convention rewrote five articles of the constitution (albeit, the most important ones). The new articles, offered separately instead of as a single package, received a strong vote of confidence. Hawaii voters approved twenty-two out of twenty-three sections of a new constitution proposed by a convention.

In Florida a new constitution produced by a special commission was offered to the electorate in three separate propositions and all were approved. Referenda

calling for constitutional conventions passed in Illinois, Massachusetts, Arkansas and New Mexico.

Modernization of State Legislatures

The Citizens Conference for State Legislatures, formed in 1965, got off to a rather slow start but picked up considerable momentum during 1968. By December, thirteen States had active, functioning citizens committees at work studying and developing proposals for improving their respective legislatures. In November, several constitutional amendments dealing with State legislatures were acted upon, and on the whole, results were encouraging to those seeking stronger and more responsible legislatures. Annual sessions were approved in Florida (provided in the new constitution), Idaho and Iowa, with an even-year budget session added in Utah. As a result, the States limiting themselves to a biennial session are now a minority of the Union for the first time, since early in the year Wisconsin changed to annual sessions and Ohio went onto an annual basis by statutory enactment. The Illinois legislature found a way to constitutionally keep itself "in being" throughout the biennium and thus joined a handful of other biennial session States that follow this practice. Arizona voted to increase legislative salaries to \$6,000 a year. Iowa and North Carolina voters agreed that legislative compensation should be set by statute while those in Idaho and New Hampshire rejected this approach. Several States, especially Illinois, Ohio and Florida, improved their arrangements with respect to legislative staffing, through allowing important committees of the legislature to function on a year round basis in a manner somewhat comparable to the national Congress. On the other hand, what seemed to be the ultimate in public distrust of the State legislatures was illustrated in Montana with the defeat of a constitutional amendment to lengthen the biennial session from 60 to 80 days.

Colorado, Florida, Minnesota, Tennessee, and West Virginia took steps to inaugurate or strengthen a continuing relationship between those States' legislative leaders and their congressional delegation. At the urging of the National Conference of State Legislative Leaders, the Council of State Governments, and the Advisory Commission on Intergovernmental Relations, a number of other States are considering similar action.

FISCAL FEDERALISM: PROBLEMS AND PROGRESS

The Heller Plan

During 1968 there was a general tacit acceptance by

an increasing number of people that the system of narrow categorical grants-in-aid is no longer adequate for late twentieth century America. A clear majority of American citizens seem dissatisfied with the *status quo* on the domestic front, and one of these great dissatisfactions is the increasingly impenetrable jungle of Federal grant programs.

In the course of the Presidential campaign, both major party candidates spoke favorably of the Heller Plan and the general concept of "revenue sharing." Should the revenue sharing proposals surmount the many objections of categorical program administrators at various levels of government, they will face equal hostility on the part of many Congressional members, especially those serving on subcommittees handling specific categorical grants. They will fight to hold onto Congressional purse strings and program prerogatives and attempt to attach a multitude of detailed, specific conditions. Also, some will fear that just as cheap money drives out dear money under Gresham's law of economics so will "no strings money" be likely to drive out "strings money" in future patterns of Federal aid, with a consequent diminution of the role of categorical grants.

In any event it seems likely that the 91st will be the "watershed Congress" for revenue sharing; either it will be adopted or discarded for some time to come in favor of the categorical *status quo* or a mixture of categorical and bloc grants. As the hour of decision approaches, there is growing recognition of a basic question of principle, crucial to the concept of federalism. On the one hand, revenue sharing appears to strike a hard blow at a basic tenet of the "Puritan Ethic" — that the pleasure of expenditure should not be divorced from the pain of taxation. The revenue sharing proposal also bristles with practical intergovernmental problems, not the least of which involves the design of a distribution formula that can accommodate the conflicting concerns of the many competing claimants for Federal aid — the States, counties, big cities and small communities.

Revenue sharing proponents insist, however, that distribution and other problems can and must be solved. The concept, they say, promises the most effective use of available resources in meeting the widely differing needs of the States and their localities. They also contend that the enormous "automatic" revenue growth capability of the Federal income tax contrasts too sharply with the second and third rate revenue generating systems of State and local governments. In their view, this growth poses a clear and present danger to the integrity of the federal system — an arrangement of shared power that rests on the unstated premise that each level of government will experience about the same degree of resistance when tapping the taxpayers' pocket-book. Unless State and local governments are permitted

"free," albeit limited, access to the prime power source — the Federal income tax — their positions within our federal system are bound to deteriorate. To put it more sharply, revenue sharing advocates believe the time has come to "federalize" the Federal income tax.

Property Tax—Growth and Turmoil

Property tax collections in the United States continued to mount in 1968, exceeding 1967 collections by more than 12 percent. They now are approaching the \$30 billion mark. So-called "taxpayers' revolts" and clamors for "property tax relief" continued to be loud in 1968 but not especially potent politically. The "Watson Amendment" in California which would have limited property taxes in the State to an effective rate of one percent of market value went down to resounding defeat as did a somewhat similar limitation amendment in Oregon. Information produced by the U. S. Bureau of the Census indicated that over the past years property tax assessments have been improving in interjurisdictional equity although much remains to be done. Moreover, recent evidence on Wisconsin's property tax relief plan — "the circuit breaker" — demonstrates that a sophisticated use of income tax credits and cash rebates can shield low income families from property tax overloads while minimizing the draw down on State funds. In brief, despite the continued criticism of economists and tax scholars concerning the evils and inequities of the property tax, it continued to thrive in 1968.

"Taxpayers' Revolt?"

"Taxpayers' revolt" — this was the quick verdict of public finance analysts after noting the rejection of almost 50 percent of the dollar volume of proposed bond issues that were voted on in November. There is reason, however, for considering this a hasty judgment. Of the \$9 billion sought, \$2.5 billion was represented by the proposed Los Angeles County Rapid Transit Bond Issue that received about 55 percent of the vote instead of the necessary 60 percent. Thus, the unusually high rejection rate on a dollar basis was heavily influenced by the massive Los Angeles issue.

There are other reasons for suspecting that the so-called taxpayers' revolt was more apparent than real. Nebraska voters decisively turned back an attempt to amend the State constitution in a way that would prohibit taxation of personal income. As previously noted, the voters in both Oregon and California overwhelmingly rejected proposals to place drastic limitations on the power of local officials to raise property taxes. These facts would tend to support the general conclusion that perhaps the unusually high rejection rate on local bond

issues was due as much to leadership failures as to taxpayer rebellion.

Congressional Regulation of Industrial Development Bonds

Both 1967 and 1968 saw a disgraceful growth in the issuance by many local units of government and by some States of industrial development bonds. These bonds, enjoying Federal tax immunity, were being increasingly used by large corporations with ready access to capital markets for the purpose of shaving interest costs through the tax exemption privilege. After considerable sparring between the Treasury Department and associations of State and local government officials, and after several close votes in Congress, year's end saw Federal prohibitions of tax exemptions for all such issuances in excess of \$5 million in effect. Thus, Congress demonstrated its intent to regulate specifically the ways in which Federal tax exemption is to be allowed on bond issuances of State and local governments. This tax exemption has long been held by some to be a constitutional privilege. Yet, there seemed to be no indication that any State or local government contemplates taking the recently enacted legislation into the Federal courts to test its constitutionality.

The Welfare Morass

The year saw a deepening of the disenchantment with existing welfare programs that had become increasingly evident over the past two or three years. Most candidates for national office from all points on the political spectrum, as well as many welfare administrators, joined in condemning the present system as unsatisfactory. There the agreement ended.

At year's end, many studies were underway at the national, State, and local levels involving a probe of feasible alternatives. The concepts of a guaranteed annual income and a negative income tax were being hotly debated as in 1967. The principal dilemma seemed to be how to devise a system that will provide adequate maintenance of income for the genuinely needy while maintaining effective incentives for all recipients to "work themselves off" the welfare rolls. Some argued that in order to maintain these incentives, qualifications for assistance payments should not be easy or automatic. Others contended that more is spent on administering and maintaining detailed welfare eligibility requirements than would be expended (or "lost") in a more relaxed and less supervised system.

From the standpoint of federalism, there was some sentiment for transferring to the national level financial

responsibility for welfare and Medicaid payments, thereby freeing State and local governments of a growing and unpredictable burden. This would allow them to concentrate on education, urban affairs, law enforcement, and other top priority domestic functions that still lie primarily within the State and local orbit.

On a related front, Medicaid also generated considerable uncertainty and fiscal worries. Early in 1968, President Johnson requested a F.Y. 1968 supplemental appropriation of \$568.3 million for the recently-initiated Federal-State program of medical assistance for the needy and medically needy. The unprecedented magnitude of the request — almost 50 percent above the original F.Y. 1968 estimate of \$1.2 billion — led the President to invite the National Governors' Conference to join the Administration in establishing a Federal-State task force to develop improvements in reporting and estimating the cost of the program. The State-Federal Task Force on Costs of Medical Assistance and Public Assistance was subsequently created under the chairmanship of the Assistant Secretary and Comptroller of HEW, with membership including eleven representatives of State government and five other Federal officials. Its mission was broadened to include estimating costs of public assistance. The Task Force's October report proposed the ingredients for establishing an improved method for developing budget estimates and for monitoring experience in relationship to the budget plan.

State Taxation of Interstate Commerce

During the year, the Council of State Governments worked assiduously to increase the number of State adoptions of the interstate tax compact, formed as a partial reaction to the threat of Congressional action which had been pending through two Congresses in the form of the "Willis bill" which would lay down Federal jurisdictional rules on the imposition by States of income, sales, and use taxes on business flowing in interstate commerce. During the year the Willis bill was adopted by the House of Representatives by a rather substantial majority and toward the end of the year Senator Ribicoff, a ranking member of the Senate Finance Committee, indicated his intention to press for Senate action along similar lines in the next Congress.

The Willis bill has had wide support in the business community and is generally opposed by State tax administrators as an infringement upon the autonomous taxing powers of the States. The new year may be a time of decision for this ten-year old issue. A significant number of State enactments that really confront and clean up the jurisdictional problems facing interstate business might stave off action in this field by the 91st Congress.

FEUDALISM IN THE FEDERAL SYSTEM: THE "VERTICAL FUNCTIONAL AUTOCRACIES"

The year saw a continued "hardening of the categories" in the immense and intricate Federal grant-in-aid system. Many believed that the passage of a Partnership for Health Act in 1966 might begin a trend toward consolidation and combination of categorical grant programs. But progress on this front was painfully slow. The Partnership for Health grant itself was eroded by Congressional categorization of health programs for migrant workers, alcoholics and drug addicts. In mid-year the Secretary of HEW, responding to powerful national education groups, ordered administration of the Elementary-Secondary Education programs to be withdrawn from regional offices back to Washington. The complex of interests — middle management program administrators at all levels, Congressional subcommittees, and pressure groups — that coalesce around the individual grants carried the day far more times than the top policy-makers. Thus, more often than not, efforts to achieve a simplified, more flexible federalism were thwarted.

Bloc Grants for Vocational Education Compromised

Early in 1968 the President transmitted to Congress draft legislation to expand and modernize Federal assistance for vocational education. In addition to increasing dollar authorizations and making Federal aid available in a number of new broad areas, the proposed legislation would have consolidated the many vocational education categories into a general grant. In the course of Congressional hearings, broad consolidation was strongly opposed by categorical program administrators from all levels and the interest groups whose views they share. The result was a defeat, at least for the time being, for proponents of consolidation since the Act has seven new authorizations and three separate "earmarkings." Nevertheless, some progress was made toward simplification and greater State discretion in older program areas, and a directive was given to the Commissioner of Education to conduct a study of the feasibility of consolidating education programs and to report to Congress within the next year.

New Grant Consolidation Procedure Rebuffed

In mid-1967 the Advisory Commission on Intergovernmental Relations proposed the enactment of general legislation by Congress authorizing the President to submit grant consolidation proposals to the Congress, such proposals to become effective unless vetoed by either House — in a manner generally comparable to the procedures laid down in the Reorganization Act of

1949. The measure was introduced both in the Senate and House as part of the Intergovernmental Cooperation Act of 1968. The grant consolidation proposal was dropped by the Senate Committee. Concern over maintaining the integrity of the regular legislative process and the existing system of checks and balances between the legislative and executive branches of the National Government helped trigger this action. Despite support from many members on both sides of the aisle in the House, the title received scant attention during the course of House hearings on the Intergovernmental Cooperation bill and was not considered in Committee deliberations.

Joint Funding Proposal Rejected

To launch a communitywide effort to break a cycle of existing poverty and dependency it has been necessary under the present Federal grant system for a State or local government to submit up to eight or ten separate grant applications, each covering an essential component of the program — education, manpower training, housing assistance, improved community facilities, and so on. For all the applications to proceed at the same pace and be approved at proximate times would be miraculous. To help surmount these and other procedural hurdles in the fragmented grant system, the President in 1967 proposed Congressional enactment of a "joint funding bill" which would permit the pooling of grant funds from separate authorizations and appropriations and the submission of a single, combined application. Yet the 90th Congress ended without seriously considering the proposal. Hearings were held in both the Senate and House and the Senate Subcommittee favorably reported the measure to the full Government Operations Committee. No further Senate action occurred, however. House Committee members, although recognizing the problem, were dubious about the proposed solution.

Federal Guidelines Reviewed

In a move to combat the strong parochialism of a functionally oriented Federal grant-in-aid system, the President in 1967 initiated a consultation procedure whereby, under Budget Bureau Circular A-85, proposed changes in Federal grant-in-aid regulations affecting intergovernmental relations would be submitted for reaction and comment by Governors, Mayors, and county executives. In the past, grant-in-aid procedures and "guidelines" generally were worked out by Federal, State and local functional program administrators. Elected chief executives of the recipient jurisdictions were rarely "brought into the act." The new procedure has been slow to catch on and has not been popular with

many Federal program administrators and some of their State and local functional counterparts. By the end of 1968, however, the clearance procedure had mustered some solid support, and showed some promise of achieving its intended purpose.

Passage of the Intergovernmental Cooperation Act of 1968

After four years of effort on the part of many organizations and individuals especially at State and local levels of government, the 90th Congress passed and President Johnson approved the Intergovernmental Cooperation Act of 1968 (P.L. 90-577). The Act provides:

- (1) full and current information to State executives and legislatures regarding the nature and amount of Federal grant funds flowing into the State;
- (2) elimination of some archaic provisions regarding interest payments and separate bank accounts for Federal grants to the States;
- (3) modification of the "single State agency" requirement contained in many separate grant statutes;
- (4) authorization to Federal departments and agencies to provide technical training and other services to State and local governments on a reimbursable basis;
- (5) directing Presidential coordination of federally aided development programs with authority to the President to lay down regulations to assure a more effective utilization of Federal funds thus paving the way for the exercise of Presidential power in the coordination of federally aided development programs;
- (6) periodic Congressional review of Federal grant-in-aid programs lacking a termination date to assure their being kept in line with changing conditions and circumstances; and
- (7) required consultation by the General Services Administration with local units of urban government with regard to the impact upon local zoning and planning activities of contemplated GSA acquisitions or disposals of real property.

Intergovernmental Information Systems

For the past few years it has become apparent that the successful functioning of the federal system is increasingly dependent upon the availability and interchange of pertinent economic, fiscal, social, and political data among Federal, State, and local levels of government. This growing awareness has been manifested in a number of ways, including among others:

- the introduction of legislation by Senator Edward Kennedy of Massachusetts to study the feasibility of a computerized informational system describing Federal aid programs and requirements therefor; and by Congressman Roth of Delaware to mandate publication annually by the Bureau of the Budget of a catalog of Federal aid programs;
- the initiation by the Council of State Governments in 1965 of a Conference on Comparative Statistics which is still active;
- repeated recommendations of the Advisory Commission on Intergovernmental Relations for the development of improved economic, social and fiscal data to provide a base for a more rational and equitable allocation of Federal grant funds, especially among local units of government;
- issuance of a report on dynamics of information flow by a Bureau of the Budget task force on intergovernmental information systems, and of BOB Circular A-90;
- leadership by the Office of Business Economics of the Department of Commerce in making available personal income data on a metropolitan area basis;
- the initiative of the Office of Economic Opportunity and the Office of the Vice President in publishing comprehensive catalogs of Federal aid programs and listing by OEO of Federal grant fund distribution throughout the United States by county area; and
- leadership by the Department of Health, Education, and Welfare in an interagency endeavor to develop reliable "Social Indicators."

In State government, increased attention was given during the year to strengthening the planning capabilities of Governors' offices and in some States to developing cooperative State-local relationships in the collection and utilization of data and in sharing computer time. With regard to communication facilities, essential for the transmission and interchange of statistical and other information among levels of government, efforts continued during the year to improve Federal-State relationships in the field of telecommunications. This work was carried on under the leadership of the Federal-State Telecommunications Advisory Committee under the chairmanship of the Chief of the Office of Telecommunications in the Executive Office of the President.

On the other hand, 1968 saw a serious and disappointing setback. Legislation to authorize a mid-decade census of population and housing passed the House, but failed in the Senate. Because of the long lead time required in the planning of population censuses, the

91st Congress will offer the last opportunity for the conduct of a mid-decade census prior to 1985. It is ironic that with the growing involvement of all governments in countless domestic endeavors and with the increasing involvement of the private sector in confronting the serious economic and social challenges facing the Nation now and in the years ahead, the information on which many of these programs and plans can be formulated continues to be badly out-of-date. If the mid-decade census bill fails in the 91st Congress, it will mean that until 1985 we in the United States will continue to count hogs more frequently than people and mosquito districts and their employees more frequently than we assess the quantity and quality of housing in our teeming cities.

SEARCH FOR A NEW FEDERALISM

While 1968 commenced and coursed with developments that endangered American federalism and its political system, both appear less threatened today. The ultimate futility of violence, divisiveness, and racial strife coupled with the turmoil and razor-thin results of several hard fought National, State, and local elections have produced a sober realization that our pluralistic, pragmatic system of government and politics has great intrinsic worth. Its traditional traits — mutual forbearance, compromise, and moderation — now are viewed as more relevant than ever. Above all, the essentiality to national unity of ameliorating the many social and economic problems facing urban and rural America is widely acknowledged.

Yet, there is also widespread awareness that our governmental and political system needs new and more secure bridges to the future, that the gap between government and citizens must be filled by reciprocal responsiveness, reliance and trust. In a very real sense, this is the prime domestic assignment of the new Administration, which, as a recent *Wall Street Journal* editorial counselled, "must somehow restore the faith of the American people in their institutions and their society." Realism and fairness, however, dictate that concerned citizens in every region, every State, and every community as well as all officeholders from the White House

to City Hall must make this their paramount public purpose.

From the standpoint of intergovernmental relations, 1968 witnessed a growing acceptance of the need for a New Federalism:

- One theme involved a recognition that narrowly designed programs and specialist middle managers, legislators, and interest groups at all levels comprise the core of the old Federalism — the Federalism of balkanized bureaucracies, segmented legislative committees, and the fragmented program administration.
- A related theme involved efforts to bolster the discretion, and staff authority of top policymakers at all levels of government, for the New Federalism requires that a balance be struck between the limited perspective of program specialists and the broad perspective of general political leaders in elected and high administrative posts.
- A third basic motif in the emerging New Federalism was the struggle to achieve a better balanced and thus more effective system via decentralization. Greater flexibility, greater discretion and greater decision-making authority by Federal field offices, and by State and local governments are the hallmarks of this continuing drive. Devolution of administrative power, grant packaging, consolidation, and revenue sharing are the reforms most commonly called for.

So, at the beginning of 1969, the Nation continues its search for a New Federalism — dedicated to balance; designed to correct structural, functional, and fiscal weaknesses; and rooted in a vital partnership of strong localities, strong States, and a strong National Government. Federalism, after all, seeks to enhance national unity while sustaining social and political diversity. The partnership approach is the only viable formula for applying this constitutional doctrine to late Twentieth Century America. Yet, this approach can succeed only if all of the partners are powerful, resourceful, and responsive to the needs of the people. The alternative is a further pulverizing of State and local power, and the consequent strengthening of the forces of centralization.

Chapter 2

NEW ADVISORY COMMISSION REPORTS AND RECOMMENDATIONS

During 1968 the Commission approved two major policy reports with recommendations for action by Federal, State, and local governments. These were: (1) *Urban and Rural America: Policies for Future Growth*, and (2) *Intergovernmental Problems in Medicaid*. The Commission also adopted a policy statement relative to the eligibility of State legislative committees and agencies to receive Federal research grants.

Urban and Rural America: Policies For Future Growth

In this study the Commission examined recent and projected patterns of urbanization and economic development in the United States, with particular attention to the linkage between migration of unskilled people from poor rural areas and growing social tensions in central city cores. It analyzed the public and private influences on the geographic distribution of population and economic activity; assessed the major consequences of the increasing concentration of population in metropolitan areas and the concomitant loss of population and industries in many nonmetropolitan portions of the country; explored some of the limitations inherent in traditional patterns of urban development; and gave special attention to the potential of some of the newer types of large-scale development — particularly the “new community” — for injecting a greater degree of order into the future growth of the Nation’s urban areas.

Among the significant findings and conclusions of the report are the following:

- The large metropolitan areas have experienced the most rapid growth in recent years and this will continue if present trends persist.

- Within these areas the most rapid growth has been in suburban and surrounding areas in which industry more frequently now is locating.

- The Nation’s smaller cities and villages outside of metropolitan areas are growing at a slower rate and frequently are bypassed by the economic mainstream.

- The metropolitan core cities and the smaller rural

cities, villages, and countryside share the tough task of maintaining a healthy level of economic activity and of providing jobs for their residents.

- These are the areas in which Negroes are concentrated, adding fuel to already incendiary conditions.

- Increasing concentration in large urban centers and population decline in smaller rural communities make public and private services more costly in both types of areas.

- The continuation of the present patterns of urban growth in suburban areas foreshadows an extension of “sprawl” — with an accompanying disorderly and wasteful use of land.

The Commission concluded — taking particular account of these findings — that there is a clear and urgent need for immediate establishment of a national policy for guiding the location and character of future urban growth. This should involve the Federal, State, and local governments, in collaboration with the private sector of the national economy. Government programs and expenditures already exert a significant effect on the location of population and economic growth and on the character of urban development. What is lacking is a sense of direction to make existing and new programs consistent, rather than working at cross-purposes and subsidizing undesirable and costly patterns of urban development.

The Commission recommended:

- Development of a national policy incorporating social, economic, and other considerations to guide specific decisions at the national level which affect the patterns of urban growth. Congress and the President should assign responsibility for this task to an appropriate executive agency and should instruct it to consult with and take into account the views of State and local governments. Congress also should provide within its standing committee structure a means to assure continuing systematic review and study of progress toward such a national policy.

- The President and Congress should reassess the policies and structures of multi-State economic planning

and development agencies as they affect the geographic distribution of economic and population growth, and such agencies should be charged with taking national policies into account in forming their regional programs.

— States should develop policies incorporating social, economic, and other considerations to guide State level decisions which shape their urban growth, giving consideration both to the national policy and to the views of local governments. The States should coordinate through an appropriate agency all State and sub-State planning in relation to regional and national efforts, and secure conformity of line agencies' programs and projects to the State urbanization plan. State legislatures should establish standing committees for continuing study of urban growth.

The Commission suggested a number of measures that should be considered by the Federal Government and the States as useful approaches to implementing urban growth policies. At the Federal level, it proposed consideration of:

— Federal financial incentives, such as tax, loan, or direct payment arrangements to attract business and industry to certain areas.

— Placement of Federal procurement contracts and construction projects to foster urban growth in such areas.

— Federal policies and programs to influence the mobility of people, to neutralize factors producing continued excessive population concentrations, and to encourage alternative location choices. Such policies and programs might include, among others, resettlement allowances, augmented on-the-job training programs, interarea job placement and information on a computerized basis, the elimination of or reduction in the "migrational pull" of interstate variations in public assistance eligibility and benefit standards, and strengthening the existing voluntary Federal-State programs of family planning information for low-income persons.

— Federal involvement and assistance under certain conditions (such as assurances of an adequate range of housing) for large-scale urban and new community development, including such possibilities as low interest loans and capital grants for land acquisition, low interest loans and tax incentives for new community development, and experimental new community building on federally owned lands.

At the State level, the Commission suggested consideration of the following as useful measures for promoting urban growth policies:

— State assistance in making credit more readily available for business and industrial location in designated areas by establishing State and regional industrial credit agencies.

— Placement of State and local procurement con-

tracts and construction projects to foster urban growth in certain areas.

— Assistance and guidance for urban growth through the establishment of State and State-chartered local land development agencies and State property tax deferral for new community development.

— State regulation of development along highways and at interchanges where no effective local control exists.

— Giving local government the powers necessary to deal with urban growth by providing urban counties with appropriate governmental authority and organization, by encouraging county consolidation, and by granting municipalities authority to annex territory for new community development under certain conditions.

— Authorizing localities to adopt new and strengthened land use and development ordinances and regulations such as "official map," "planned unit development," and "unmapped" or "floating zone" ordinances and dedication or cash payment-in-lieu requirements for parks and school sites.

Intergovernmental Problems in Medicaid

Launched in the shadow of Medicare in 1966, the Federal-State program of medical assistance for the needy and medically needy (Medicaid) quickly drew the attention of all levels of government by the fiscal demands it placed on them. The basic policies affecting Federal, State and local sharing of responsibility for financing Medicaid were therefore the main focus of the Commission's study of the program. In addition, attention was directed to certain nonfiscal problems involving constitutional, legislative, and administrative changes in the operation of Medicaid.

Among the significant findings and conclusions of the report were the following:

— Policy-makers at all governmental levels were largely unprepared for the magnitude of the fiscal impact of Medicaid. The program tripled federally assisted medical vendor payments from \$1.4 billion in 1965 to an estimated \$4.2 billion in FY 1968-69.

— As a consequence of this impact, Congress in 1967 imposed limits on Federal sharing in the cost of medical care for the medically needy, forcing about a dozen States to restrict program coverage or make other adjustments.

— For the States, the first two and a half years of Medicaid produced a wide variation in the scope of the program and its fiscal impact. Thirty-eight States had initiated the program; 12 and the District of Columbia had not. Thirteen of the 38 States had programs for the needy, but not for the medically needy. Changes in

medical vendor payments between 1963 and 1967 ranged widely among the States.

— In a few States new or higher State level taxes were linked in part to Medicaid programs; in others, higher taxes were forestalled by postponing initiation of a Medicaid program or by restricting the program's scope.

— The increase in medical costs was a key contributor to the rising curve of Medicaid expenditures. Medical prices increased 6.6 percent in 1966 and 6.4 percent in 1967, compared to rises of 3.3 and 3.1 percent in the overall consumer price index.

— In the nonfiscal area, States were concerned about coordinating the administration of Medicare and Medicaid, the inflexibility of the law and guidelines, and difficulties in imposing adequate controls over charges for services.

— The legislative history of Medicaid and congressional attitudes toward further cost escalation of the program raised doubts about the strength of the Federal Government's commitment to the law's requirement that the States provide comprehensive care to "substantially all" the needy and medically needy by July 1975.

With respect to Medicaid goals, the Commission recommended that:

1. The Federal Government adhere to the 1975 goal of comprehensive care for the needy and the medically needy and, with States and localities, take steps necessary to achieve it; but that the Federal Government study the feasibility of broadening the financial base of the program through increased involvement of the private sector.

2. The Medicaid act be amended to permit States not participating in Medicaid to continue receiving Federal assistance for medical vendor payments until 1972, provided that they have submitted a proposed State plan to HEW by 1971 and such plan is operative by 1972.

With respect to allocation of Medicaid responsibilities between the Federal and State governments, the Commission recommended that:

3. The present system be continued whereby the States set the level of income eligibility for Medicaid recipients and the Federal Government sets income limits for the medically needy that are related to these State standards. The Commission further proposed that Congress freeze the Federal limit at 150 percent of the standard for the needy, instead of letting it drop to 133-1/3 percent as is now scheduled.

4. Congress continue appropriating for Medicaid on an "open-end" rather than "closed-end" basis.

5. Congress and the Administration study the present allocation of fiscal responsibility among the levels of government with special reference to the more limited revenue capabilities of the States and localities.

6. The Federal Government extend its financial participation in Medicaid by providing matching funds for the noncategorically related needy and the noncategorically related medically needy.

7. Congress amend the Social Security Act to allow the States greater latitude in determining lien and recovery provisions.

8. Congress amend the Act to establish systematic criteria for evaluating portions of State plans relating to resource limitations used in establishing eligibility of the medically needy.

With respect to allocation of fiscal responsibility between State and local governments, the Commission recommended that:

9. Congress amend the Social Security Act to permit each State to determine how the nonfederal cost of Medicaid shall be shared between the State and its localities.

With respect to other intergovernmental matters the Commission recommended that:

10. States remove constitutional and legislative barriers to the establishment of prepaid group practice of health care.

11. The Secretary of HEW rescind regulations that require reimbursements for hospital inpatient services under Medicaid to be on the same basis as such reimbursements under Medicare.

12. States move vigorously to experiment with methods of increasing the efficiency and economy of health services under the Medicaid program, including such possibilities as (a) reimbursing hospitals contingent on their operating under an acceptable standard of management efficiency, (b) expanding prior authorization for elective surgical procedures, (c) payment of physicians' services on a basis other than usual and customary charges, (d) use of co-payments for purchase of specified health care services, and (e) improved techniques of utilization review.

13. Modification of the Social Security Act to allow States to depart from the "comparability of services" requirement, subject to approval by the Secretary of HEW.

14. States energetically experiment with simplified procedures for establishing financial qualifications for medical assistance under Medicaid; however, the Commission opposed Federal mandating of any one system upon all the States.

15. The President direct the Secretaries of Interior and Health, Education, and Welfare to prepare and submit a joint report and recommendations to clarify the relationship between Medicaid and the medical services provided Indians, Eskimos, and other indigenous groups by HEW.

Eligibility of State Legislative Agencies For Federal Research Grants

The question of eligibility of State legislative agencies and committees to receive Federal research grants was considered by the Commission at meetings in April 1967, July 1967, and February 1968.

The matter was brought to the attention of the Commission by Speaker Unruh of the California Assembly and other State legislative leaders after Colorado and California had raised the issue with Federal officials but with inconclusive results.

Three general findings emerged from the Commission's study of the subject:

1. No statutory language rules out legislative agencies as recipients of Federal research grants;
2. No official administrative regulations bar such agencies from receiving grants; and,
3. Policy and practice is not consistent among agencies of the Federal executive branch.

For example, the California Assembly was turned down twice by the Department of Health, Education, and Welfare for research grants — once on the grounds that grant money could not be provided to a State legislative committee. However, in 1967, the Department of Housing and Urban Development awarded a small grant to the Utah State Legislative Council.

With these findings in mind the Commission adopted the following policy statement:

"The Commission finds that the type of research conducted by State legislative committees and agencies ordinarily has not been eligible for financial support through Federal research grants; however, on those occasions where a research proposal submitted by a committee or agency of a State legislature, pursuant to its rules, is found to be of outstanding scientific merit and of significant potential social benefit with an interstate impact, the Commission believes that Federal support of such a project should not be withheld only because the applicant happens to be a State legislative committee or agency.

In light of the fact that policy and practice is not now consistent among agencies of the Federal Executive Branch, the Commission recommends the issuance of an appropriate communication from the President to departments and agencies setting forth criteria under which State legislative committees and agencies should and should not be admitted as eligible competitors for Federal research grants."

The President was notified of the Commission's action and was provided with a draft circular to implement the Commission's recommendation. The draft circular was distributed by the Bureau of the Budget to all Federal departments and agencies for consideration and comment. No final official action had been taken on the Commission's recommendation at year's end.

Chapter 3

THE CURRENT RESEARCH WORK PROGRAM

Two major research studies now are underway. One is a study of State aid to local governments; the second is a study of State-local responsibilities for labor-management relations in public employment.

State Aid to Local Governments

The Commission's State-aid study focuses on the practices which State governments follow in providing financial assistance to their localities. The scope of State aid is defined for the purposes of the Report as including an examination of the various current practices regarding intergovernmental transfers of funds as well as assessing the possibilities for the functional realignment of financial responsibilities. Because Federal aid is inextricably intertwined in the major areas of State and local fiscal responsibilities, attention also is given to this area, albeit in much less detail.

Since elementary and secondary education bulks so large in State intergovernmental payments to localities, the effectiveness of current State government programs for bringing needs and resources into closer alignment is carefully scrutinized. Major attention also is devoted to the poverty-related services — public assistance and health and hospital programs — and public highways which together with elementary and secondary education dominate the State aid payments.

In addition to the major categorical aids, the case for and against general support grants by the State sector also is evaluated. Whereas the program-by-program approach yields a tendency toward further centralization of responsibility, general support grants give maximum scope to the values of local responsibility and initiative to make the appropriate expenditure decisions. In this connection, an examination of State general support programs contrasting an origin based tax sharing plan with one calling for a minimum foundation program for general units of local government was undertaken.

For each of the major intergovernmental functions

as well as the general support technique, background information concerning current financial magnitudes and trends as well as interstate variations in expenditures per capita are presented.

A draft report of this study will be ready for Commission consideration in January 1969.

State-Local Responsibilities for Labor-Management Relations in Public Employment

The growing importance of public employee labor relations in recent years is one of the most significant developments in public administration and intergovernmental relations. Government, which has required collective bargaining for the private sector, is now having trouble in its own house. Public employees in various parts of the country have organized, employed the weapons of industrial labor-management disputes — the strike, the picket line, and the slow down — as well as government-related strategies — the petition and the demonstration — to push their claims.

This study will review the background of the new militancy among public employee organizations, the special problems of employee-employer relations in the public sector, and State laws dealing with the organizing of public employees and with prohibitions against strikes. It will also attempt to evaluate the continuing debate on public employee strikes as well as current collective negotiation efforts in State and local government. It will explore the advantages and disadvantages of possible courses of action to deal with the problem of public employer-employee collective negotiations. Finally, the study will deal with the troublesome political question of State legislative mandating of salaries and wages, hours of work, working conditions and fringe benefits, and qualifications for selected groups of local government employees.

A draft report will be ready for Commission consideration in the Spring of 1969.

Chapter 4

IMPLEMENTATION OF COMMISSION RECOMMENDATIONS

The Advisory Commission is a permanent continuing body. It was established as a result of growing recognition that the problems of intergovernmental relations cannot be resolved through the occasional efforts of temporary agencies but rather require the sustained and seasoned attention of an established body. Under Public Law 86-380, the Commission is authorized and directed to give continuing attention to problems in Federal-State, Federal-local, and State-local, as well as interstate and interlocal relations. The Commission's approach to this broad area of responsibility is to select specific intergovernmental problems for analysis and policy recommendation. The Commission recognizes that its contribution to the strengthening of the Federal system will be measured, in part, in terms of its role in fostering significant improvements in the relationships between and among Federal, State and local governments. The Commission, therefore, considers the importance of implementation of its recommendations to be on a par with its research and study function. It, therefore, 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

Recommendations made by the Commission to the National Government for legislative action usually are introduced as bills by the Congressional representatives on the Commission from the Senate and House. The Commission works closely with the subcommittees on intergovernmental relations of the government operations committees of the House and Senate. The Commission also works closely with the Executive Office of the President and with Federal department and agency officials on administrative procedural and legislative proposals affecting intergovernmental relations.

Federal Legislation Enacted

1. On October 16, 1968, President Johnson signed the Intergovernmental Cooperation Act of 1968 (P.L. 90-577), climaxing four years of continuous effort by the Advisory Commission and a host of others to secure legislation in this field. The omnibus measure implements many of the most significant recommendations for Federal action advanced by the Commission over the past eight years. It contains much needed reforms long sought by the Advisory Commission, as well as by the National Governors' Conference, the Council of State Governments, the National Association of Counties, the National League of Cities, the U. S. Conference of Mayors, and many others.

Title II provides for improved administration of grants-in-aid to the States (the initial title covers definitions). This title was endorsed by the Commission at its January 1965 meeting and the specific provision for increased flexibility in connection with "single State agency" requirements in Federal grants-in-aid was recommended in *Statutory and Administrative Controls Associated with Federal Grants for Public Assistance*, May 1964.

Title III permits Federal departments and agencies to provide specialized or technical services to State and local units of government. This provision was endorsed by the Commission in December 1962.

Title IV establishes a coordinated intergovernmental policy and improved administration of grants for urban development. Most of the title's provisions are based on recommendations in the Commission's reports on *Impact of Federal Urban Development Programs on Local Government Organization and Planning*, January 1964, and *The Problem of Special Districts in American Government*, May 1964.

Title V establishes uniform policies and procedures for the acquisition, use, and disposal of urban land by the General Services Administration, and seeks to ensure the consistency of such land transactions with the zoning and land use practices of affected local govern-

ments. The basic principles of this title were recommended by the Commission in May 1962 and its major provisions were endorsed at its meeting in January 1965.

Title VI provides for systematic Congressional review of grant-in-aid programs — both existing and future — which have no expiration provision specified by law. It serves as a solid base for beginning the work of strengthening Congressional oversight with respect to grant-in-aid programs. This procedure was recommended in ACIR's *Periodic Congressional Reassessment of Federal Grants-In-Aid to State and Local Governments*, June 1961.

2. Five years ago the Commission in its report on *Industrial Development Bond Financing* recommended that States take a number of steps to curb abuse of the tax exempt features of industrial development bonds and concluded that if the States failed to act within a reasonable period of time Congress might be obliged to prescribe limits. In March 1968, the Treasury Department published, for discussion and review, a proposed regulation to deny, in effect, the tax exemption privilege on industrial development bonds. In a mail poll conducted during March a majority of the Commission members concurred in the view that the reasonable span of time had elapsed for effective State policing which had been envisioned by the Commission in making its recommendations. It was agreed that the time had arrived for the National Government to take such legislative or administrative steps as might be necessary to curb further abuse of the industrial development bond tax exemption. Selected members of the Conference Committee on the Revenue and Expenditure Control Act — which included curbs on industrial development bond financing — were so advised.

Congress sought to meet the problem with an approach that placed primary emphasis on quantitative restrictions — a dollar limitation on the tax exemption privilege. On June 28, the President signed into law the Revenue and Expenditure Control Act (P. L. 90-364) which among other things eliminates the tax exempt status of State and local industrial development bond issues of more than one million dollars. Subsequent Congressional action raised this ceiling to \$5 million and introduced some additional qualitative restrictions.

3. In January 1965, the Commission approved its report on *Relocation: Unequal Treatment of People and Businesses Displaced by Government* which included major recommendations for a uniform policy of relocation payments and advisory assistance for persons and businesses displaced by grant-in-aid or direct Federal programs. The Federal-Aid Highway Act of 1968 (P. L. 90-495) includes provisions accomplishing for highway construction the objectives of the major relocation policy recommendations, including certain sections of

Title VII of S. 698, the Intergovernmental Cooperation Act of 1968 as introduced.

4. Also in January 1965, the Commission in its report, *Metropolitan Social and Economic Disparities: Implications for Intergovernmental Relations in Central Cities and Suburbs*, recommended that Federal planning aids, including "Section 701" Urban Planning Assistance, should specifically authorize and encourage economic and social planning as well as physical planning for the recipient community. Section 601 of Title VI of the Housing and Urban Development Act of 1968 (P. L. 90-448) broadens the definition of comprehensive planning so that it is no longer limited to physical plans, land-use, the provision of public facilities, and programming of capital improvements. The amendments authorize the inclusion of other governmental services and the effective development and utilization of human and natural resources, and the programming of other major expenditures.

5. In April this year, in its report *Urban and Rural America: Policies for Future Growth*, the Commission proposed the establishment of a nationwide computerized job information system providing data on job vacancies, skills, and availabilities as a measure that should be considered as a useful approach to the implementation of a national urbanization policy.

The 1968 amendments to the Manpower Development and Training Act of 1962 (P.L. 90-636) include a section calling upon the Secretary of Labor to develop a comprehensive system of labor market information and a program for matching the qualifications of unemployed, underemployed, and low-income persons with employer requirements and job opportunities on a national, State, local, or other appropriate basis. In the development of such a program the Secretary is to make maximum possible use of electronic data processing and telecommunications systems.

Federal Legislation Introduced

In its October 1967 report, *Fiscal Balance in the American Federal System*, the Commission recommended the enactment of legislation authorizing the Comptroller General of the United States, after review and evaluation of State auditing and accounting systems, to certify those meeting standards of adequacy and integrity which might be accepted by grant-in-aid administering Federal agencies in lieu of fiscal audits by agency personnel and by the GAO for their own post-audit purposes. Amendment No. 748 to S. 698, the Intergovernmental Cooperation Act of 1968 proposed an additional title on accounting, auditing, and reporting of Federal assistance funds which would accomplish this objective. The hearings on the Intergovernmental

Cooperation Act included consideration of the proposed amendment.

In the same 1967 report, the Commission recommended that Congress enact legislation proposed by the Administration to authorize the joint funding of projects receiving support from several grant-in-aid sources and to facilitate administrative procedures through single applications and related measures. Hearings were held on S. 2981 (McClellan) and H.R. 12631 (Blatnik; et al.) which incorporated this proposal and the Commission testified in behalf of the legislation. The Senate Subcommittee on Intergovernmental Relations reported the bill favorably to the full Government Operations Committee, but no further action occurred in either house.

Federal Administrative Action

In Volume 2, "Metropolitan Fiscal Disparities," of the *Fiscal Balance* study, the Commission called for the establishment of a national system for the collection, analysis, and dissemination of social statistics.

In May of this year, the National Center for Social Statistics was established in the Social and Rehabilitation Service of the Department of Health, Education, and Welfare and charged with developing a broad-scale social statistics program for the Nation as well as continuing the statistical reporting responsibilities for the Social and Rehabilitation Service. This action constitutes a significant step in the development of a national social statistics program.

STATE AND LOCAL GOVERNMENT

One or more statutes or constitutional amendments similar to draft proposals developed by the Commission or consistent with Commission recommendations were enacted in most States during the 1967-68 biennium.

In 1968 twenty-two State legislatures met in general unrestricted sessions, four of which were continuations of 1967 sessions. In addition, six met in "budget" sessions and seven others met in special sessions. During 1967, all but four States had general unrestricted sessions and one of the four held an off-year budget session.

The following outline summarizes State actions, including those for 1967, since additional enactments in 1967 have been identified subsequent to the listing that appeared in the *Annual Report* for 1967.

Taxation and Finance

Use of Personal Income Tax

Adoption. 1967: *Michigan* and *Nebraska*.

Bringing State income tax provisions into harmony with Federal Code. 1968: *Missouri* and *Oklahoma*. 1967: *Kansas, Maryland, Michigan, Nebraska, and North Carolina*.

State collection of local income taxes. 1968: *New Mexico* (school boards only). 1967: *Maryland* and *Michigan*.

Uniform apportionment formula for corporate income tax purposes. 1967: *Hawaii, North Carolina, Oklahoma, and Utah*. Also provided for in *Michigan* and *Nebraska* income tax enactments in 1967.

More intensive use. 1968: *Mississippi* and *New York*. 1967: *Arizona, California, Iowa, Maryland, Massachusetts, and Montana*.

Use of Broad-Based Sales Tax

More intensive use. 1968: *Arizona, Florida, Kentucky, Mississippi* and *Texas*. 1967: *California, Illinois, Iowa, Maine, Nevada, North Dakota, Ohio, Pennsylvania, Rhode Island* and *Washington*. In 1967 *Minnesota* and *Nebraska* enacted broad-based sales taxes.

Elimination of out-of-State sales tax audit. 1967: *Texas*.

State collection of local sales taxes. 1968: *Arkansas* (1st and 2nd class cities), *North Carolina* (authorized for one county), *Tennessee* (rate increased; authority extended to counties and unincorporated cities). 1967: *Colorado, Ohio, Texas, and Utah*.

Use tax credits for sales paid in other States. 1968: *Colorado, Hawaii, Utah, and Washington*.

Property Tax Reform and Changes

Comprehensive reform of property tax administration. 1967: *Arizona, New Jersey, Tennessee, and Washington*.

Property tax relief for low income families. 1967: *Iowa, Maryland, and Minnesota* (for elderly homeowners).

Exempting business inventories from property tax. 1968: *California* (partial exemption) and *Utah* (constitutional amendment exempting from ad valorem taxes property constituting inventory). 1967: *Colorado* and *Idaho* (gradual phase-out), *Maryland, and Minnesota* (authorizes elimination or phase-out at local option).

Creation of State property tax appeal board. 1967: *Illinois*.

Requires evidence of payment of personal property tax on automobile as a condition for registration. 1968: *Mississippi*. 1967: *Arkansas*.

Adoption of Real Estate Transfer Tax

1968: *Arizona, Kentucky, New Jersey, New York, South Dakota, and Virginia.*

1967: *California, Colorado, Connecticut, Georgia, Illinois, Maine, Nevada, New Hampshire, North Carolina, Ohio, Oklahoma, and Vermont.* Raised rates to add on Federal tax that expired January 1, 1968: *Florida, Minnesota, Rhode Island, South Carolina, Tennessee, and West Virginia.* *Kansas and Oregon* required declaration of consideration paid for transfer.

State Financial Assistance to Equalize Educational Opportunity for Disadvantaged Children

1967: *Maryland, Nebraska, Ohio, and Wisconsin.*

Authorization for Local Governments to Invest and Receive Interest on Idle Funds

1968: *Kansas.* 1967: *South Carolina.* Broadened authority in *North Carolina* and *South Dakota.*

Local Government Debt

State technical assistance to local government debt management. 1967: *Alaska.*

State regulation of the issuance of local industrial development bonds. 1967: *Arkansas* (prohibits lessee of facility from purchasing or having interest in bonds). *Massachusetts, Minnesota, and Pennsylvania* required State agency approval.

Structural and Functional Relationships

Authorization for Inter-local Cooperation

Regional councils of government. 1968: *South Carolina* (constitutional amendment). 1967: *Arkansas, Minnesota* (Metropolitan Council for Minneapolis-St. Paul area), *North Carolina, Ohio, and Tennessee.*

Joint exercise of powers. 1967: *Arkansas, Kansas* (authority expanded), *Michigan, Montana, South Carolina, Tennessee, and Washington.*

Areawide planning. 1967: *Illinois* (Northeastern Illinois Metropolitan Area), *Indiana, Ohio, New Mexico, North Dakota, and Vermont.*

Transfer of functions. 1967: *Michigan.*

Areawide management of transportation facilities. 1968: *West Virginia.* 1967: *Hawaii, Indiana* (for counties with first class cities), *Minnesota, Michigan, California* (Santa Cruz Metropolitan Transit District), and *Washington* (Metropolitan Municipal Corporation given expanded authority for mass transit).

Areawide vocational education. 1967: *New Mexico and Montana.*

State Agency for Local Affairs or Community Development

1968: *Massachusetts, Rhode Island, and Virginia.* 1967: *Connecticut, Missouri* (gave departmental status to office established in 1966), *Ohio, Minnesota, Tennessee, Vermont, Washington, and Wisconsin.*

Local Boundary Adjustments and Incorporations

State review of boundary adjustments. 1968: *Alaska and Michigan.*

County-wide agency review. 1967: *Washington.*

Liberalized procedures for municipal annexation of territory. 1967: *Arizona, Kansas, and Oregon.*

Stricter standards for incorporation of new municipalities. 1967: *New Mexico.*

Constitutional Provision for Local Governments' Exercise of "Residual" Home Rule Powers

1968: *Florida* (authorized for counties) and *Pennsylvania.*

Authorization of County Subordinate Service Areas

1968: *Kentucky.* 1967: *Utah.*

Broadening Availability and Reciprocity of Public Employee Retirement Systems

1967: *Michigan, Missouri, New Hampshire, Pennsylvania, Utah, and Wyoming.*

State Financial Assistance

Sewage disposal and water supply. 1968: State bond issues approved in *Michigan, Ohio, and Washington.* 1967: *Arizona, Colorado, Connecticut, Missouri, Nebraska, Pennsylvania, and Oregon.*

General assistance (welfare). 1968: *New Jersey.* 1967: *Massachusetts.*

Low-income housing. 1968: *Alaska* (appropriated \$1,000,000 to implement the Alaska Rural Housing Program); *Michigan* (makes State-owned tax reverted lands available for low and moderate-income home ownership); *Pennsylvania* (created a State Housing Agency and appropriated \$3,000,000 for grants); *New Jersey* (authorized bonds to establish a housing assistance fund); *West Virginia* (created a Housing Development Fund to make loans to sponsors of land development for

low and moderate income housing). 1967: *Hawaii* (rent supplements); *Illinois* (established a State Housing Development Authority); *New York* (capital grant for low-rent assistance program expanded).

Urban renewal. 1968: *Delaware*. 1967: *Connecticut* and *New Jersey*. *Massachusetts* increased amount of grants.

Uniform relocation assistance. 1967: *Indiana* and *New Jersey*.

Urban transportation facilities. 1968: *Pennsylvania*. 1967: *New York*.

Strengthening Legislative and Executive Branches

Constitutional amendments authorizing annual legislative sessions. 1968: *Florida*, *Idaho*, *Iowa*, *Mississippi*, and *Wisconsin*.

Removal of constitutional restrictions on legislative compensation. 1968: *Florida*, *North Carolina*, *Iowa*, *Oklahoma*, and *Michigan*.

Constitutional amendment providing for executive budget. 1968: *West Virginia*.

Constitutional amendments permitting governor to succeed himself. 1968: *Alabama* and *Florida*.

Provision for State comprehensive planning. 1968: *Maine*.

Strengthening and Coordinating State Programs for Water Resources and Pollution Control

1968: *Alaska* and *Ohio*. 1967: *Arizona*, *Connecticut*, *Minnesota*, *Nebraska*, *North Carolina*, *Indiana*, *Kansas*, *South Carolina*, *Texas*, *Washington*, and *West Virginia*.

Authorization for State and Local Governments to Acquire and Preserve "Open Space" and Grant Tax Credits for Scenic Easements

1967: *Connecticut*, *Colorado*, and *Washington*.

Building Codes

Authority to adopt by reference. 1968: *Vermont*. 1967: *Kansas*, *Minnesota* (authority expanded), *Montana*, and *Utah*.

Provision to study the feasibility of State building

codes. 1968: *Iowa* and *Rhode Island*. 1967: *Massachusetts*.

New Proposals

New draft legislative proposals were prepared to implement recommendations of the Commission in *Fiscal Balance in the American Federal System* (October 1967) and *Urban and Rural America: Policies for Future Growth* (April 1968). They appear in *New Proposals for 1969: ACIR State Legislative Program* which was distributed in July to Governors, State legislators, State and local officials, and other interested groups and individuals. The new proposals, including some suggested constitutional amendments, cover the following topics:

- State Broad Based Sales Tax
- Metropolitan Educational Equalization Authority
- Removal of Constitutional Restrictions on State Borrowing
- Property Tax Relief for Low-Income Families
- Constitutional Provisions for Short Ballot for State Officials
- Authorization for the Governor to Succeed Himself
- Reorganization of the State Executive Branch
- Strong Executive Budget
- State and Regional Planning
- Joint Legislative Committee on State Planning
- Removal of Constitutional Restrictions on Legislative Sessions and Compensation
- Year-Round Professional Staffing of Major State Legislative Standing Committees
- State Legislative Contact with Congress
- State Land Development Agency
- State Highway Interchange Planning Districts
- Private Enterprise Involvement in Urban Affairs
- Loans to Industry to Promote Urban Growth Policies
- Conditional Property Tax Deferment for New Community Development
- Preferential Procurement Practices to Further State Urbanization Policies
- Neighborhood Subunits of Government
- State Authority Over Boundary Adjustments
- County Consolidation
- Districts for Specialized Educational Facilities

Chapter 5

OTHER COMMISSION ACTIVITIES

During 1968 the Commission continued a variety of activities designed to carry out its statutory responsibilities for technical assistance in review of proposed Federal legislation and for encouraging discussion of emerging public problems. Staff members reviewed some 30 bills and submitted comments thereon to the Bureau of the Budget or congressional committees. Commission members and staff also testified before or filed statements with committees of Congress and State legislatures and with State constitutional conventions and revision commissions on Commission findings and recommendations as applied to the subjects before those bodies.

To familiarize governmental officials and interested citizens with the Commission's functions, activities, and programs, Commission members and staff made 160 appearances before conventions, and special meetings of national, regional and State organizations of public officials and business, professional, and special groups.

During the year the Commission held two public hearings and two Commission meetings outside of Washington as recommended by the Intergovernmental Relations Subcommittees of the House and Senate Committees on Government Operations following the completion of their joint review and evaluation of the Advisory Commission and its first five years of operation.

The Commission also inaugurated an "Information Bulletin" service and issued three informational reports. In addition, at year's end two other informational reports were ready for publication.

ACIR Information Bulletins

To help carry out the Commission's responsibilities as a clearinghouse of information on matters of intergovernmental concern the Commission in April 1968 inaugurated an "ACIR Information Bulletin" service. Its purpose was to make available to key governmental officials and others information on intergovernmental matters that otherwise might not be called to their attention. The bulletins are issued from time-to-time as circumstances warrant. They are sent to selected Federal

administrative officials and congressional leaders; governors and their chief assistants, lieutenant governors, attorneys general, State legislative leaders, legislative service agencies, budget officers, tax administrators, and planning officials; State municipal leagues and associations of county officials; and university bureaus of government research and urban research agencies. Following are the titles of the Information Bulletins issued in 1968:

- State Constitutional Revision
- State and Local Government Modernization
- Health Planning Grants to Private Agencies—
Representation of Local Government Interest
- State Legislative and Constitutional Action on
Urban Problems in 1967
- Tables on Financing of Selected State and Local
Government Functions
- Categorical vs Bloc Grants
- State Legislative Improvement
- Organization of State Planning Under Federal Programs
- State Coordination of Federal Aid Grants
- Congressional Passage of the Intergovernmental Co-
operation Act of 1968 (S. 698)
- Improvement in Property Tax Assessment Practices

State and Local Taxes, Significant Features, 1968

This Information Report provided a substantial body of current information about the rapidly changing State and local tax front. It was designed both to update previous tabular material published by the Commission and to summarize the heavy State legislative action during 1967. The publication provided information on tax rates and other significant features of the major State and local nonproperty taxes, including the changes made by State legislatures at their 1967 sessions, as well as basic data relating to the property tax.

The factual data, presented in 34 tables, facilitated comparative analysis among the 50 State and local tax systems while the characteristics of a high quality tax system provided a criterion for qualitative judgment. "Model" tax legislation to implement major recommen-

dations of the Advisory Commission on State and local tax structures also was presented as an appendix to the report.

State and Local Government Taxation and Finance—Significant Features, 1967-1969

Work on this report was completed late in 1968 and the volume was sent to the printer. It represented both a continuation and expanded presentation of previous Commission reports on State and local finances. It includes a substantial body of current information set forth in more than 60 tables. An effort was made in this report to “package” in one place State and local expenditure, taxation, debt, and administrative data with a view toward providing a comprehensive and convenient volume of comparative data on the rapidly changing State and local fiscal front.

Beyond the factual information, the characteristics of a “high quality” State and local tax system were presented to provide a criterion for judging a particular State-local tax structure. These qualitative standards have emerged from policy recommendations enunciated by the Advisory Commission in a series of previous studies. “Model” tax legislation for implementing these proposals also was presented.

State Legislative and Constitutional Action On Urban Problems in 1967

In the aftermath of the racial unrest and civil disorder in many of the Nation’s cities, some observers contended that massive remedial action by the Federal government would be the key factor in solving the urban crisis, yet State constitutions and statutes are significant sources of and solutions to many of our critical urban problems. This report summarized under four broad categories major State efforts to meet urban needs in 1967: (1) “unshackling” local governments; (2) fostering closer State-local working relationships; (3) solving metropolitan and regional problems; and (4) providing direct financial aid to local governments. The report evaluates these constitutional and legislative activities in terms of certain emerging trends in State-local relations. Appendices to the report include an updated summary of information concerning existing State offices for local affairs and a table indicating State financial programs for supplementing the local contribution under selected Federal grant-in-aid programs.

Sources of Increased State Tax Collections: Economic Growth vs. Political Choice

Legislative or “discretionary” decisions to alter

State tax systems as well as the “automatic” response of established taxes to economic growth have propelled State collections steadily upward during the post-World War II period. This study sought to measure the respective contribution to revenue growth of these political and economic forces for the fifty State governments as a group over the 1950-1967 time span. A more detailed breakdown of the sources of revenue growth was undertaken for fiscal years 1966 and 1967 for individual States. In addition, the overall responsiveness of State government tax structures to economic growth was presented for 1967.

The principal findings of this study were:

(1) Over the total period covered (1950-1967), an estimated 53 percent of the growth in the major State government tax sources resulted from political or legislative initiative (including that stemming from the subsequent economic growth) and 47 percent directly from the automatic response of existing State taxes to economic growth. Had the major 1950 State tax sources — individual and corporate income as well as general and selected sales taxes — remained unchanged through 1967, they would have yielded only \$15.3 billion or \$10.4 billion less than the actual 1967 collections of \$25.7 billion from these four major revenue sources.

(2) For the two-year period 1966 and 1967, economic growth was the predominant source of the State government tax advance — accounting for two-thirds of the total increase from the major taxes. Had these State taxes remained unchanged from their 1965 bases, they would have yielded some \$24.1 billion or \$1.6 billion less than actual 1967 collections.

(3) Aside from any legislative tax action, most State tax systems can be expected to produce an increase in revenue roughly proportional to the percentage increase in State personal income. That is, for every one percent change in income, there is approximately a one percent change in tax revenue. Nonetheless, as of 1967, this automatic response varied from a low of 0.7 percent (Nebraska) to a high of 1.4 percent (Oregon) for each one percent change in State personal income. The main reason for this varying response is the absence or presence of an individual income tax; those States with the income tax have, by and large, built a greater degree of “automatic response” into their tax system.

Survey of State and Local Government and Intergovernmental Relations Courses in College Curricula

Late in 1968 the Commission staff completed a survey of the extent to which introductory intermediate and advanced courses in the fields of American State and/or local government and intergovernmental relations were offered in college and university political science

curricula. The resulting information report examines the proportion of lecture time and course related reading allocated to State and local government and intergovernmental relations and the text and reference books used for reading assignments in these areas. The report was based upon a questionnaire survey which ACIR conducted in cooperation with the American Political Science Association. The questionnaires were distributed in May and August to relevant departmental chairmen of 150 colleges and universities in which the Ph.D. in Political Science is offered and 820 institutions in which Political Science is included in the curriculum but no doctoral program is offered.

Nonfederal Financial Support of the Commission's Work

Following the review of Commission operations by the House and Senate Subcommittees in 1965, Congress enacted Public Law 89-733, which, among other things, amended the Act establishing ACIR to authorize the Commission to accept contributions from State and local governments. This action was in line with recommendations of the Commission and views expressed by members of Congress and others that a modest measure of joint financing would strengthen the Commission's independence and emphasize its unique status as an intergovernmental agency whose major responsibilities

are to identify sources of intergovernmental tension and to recommend ways of improving intergovernmental relations. Accordingly, early in 1968, Commission Chairman Farris Bryant wrote to the governors of all States calling their attention to the new statutory provision and suggesting that each State consider making voluntary annual token contributions to the Advisory Commission. During the 1968 calendar year, contributions totaling \$21,000 were received from 14 States. Another \$8,000 to \$13,000 is anticipated during the remainder of the current fiscal year and the governors of most of the other States have indicated that they will recommend specific legislative authorization for such contributions at their 1969 legislative sessions.

Public Law 89-733 also authorized the Advisory Commission to accept contributions from nonprofit organizations. Pursuant to this authorization the Advisory Commission sought and received a grant of \$25,000 from the Ford Foundation to cover partially the cost of preparing and publishing a one-volume review of the findings and recommendations relating to urban problems that the Commission has enunciated in its reports to date. In addition, the Commission received approximately \$5,000 from a number of other nonprofit organizations during 1968; most of it in the form of contributions in lieu of honoraria for participation by ACIR staff members in symposia, conferences, and similar activities conducted by those organizations.

APPENDIX A

OBLIGATIONS OF THE ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS FOR FISCAL YEARS 1968 AND 1969

Object Classification
(in thousands of dollars)

	FY 1968 Actual	FY 1969 Estimated
Personnel compensation	341	424
Personnel benefits (retirement, health, insurance, FICA)	27	31
Travel and transportation of persons	24	32
Rent, utilities and communications	8	9
Printing and reproduction	74	70
Other services	72	30
Supplies, materials	7	8
Equipment	4	2
	<u>557¹</u>	<u>606²</u>

¹Total includes \$11,428 from non-Federal sources.

²Total includes \$55,000 from non-Federal sources.

APPENDIX B

PUBLICATIONS OF THE ADVISORY COMMISSION ON INTERGOVERNMENTAL RELATIONS

Reports Published During 1968

- * *Fiscal Balance in the American Federal System*. Report A-31, October 1967. Vol. 1, 385 pages, offset. (\$2.50); Vol. 2. *Metropolitan Fiscal Disparities*, 410 pages offset. (\$2.25).
- * *Urban and Rural America: Policies for Future Growth*. Report A-32, April 1968. 186 pages, printed. (\$1.25).
- Intergovernmental Problems in Medicaid*. Report A-33, September 1968. 122 pages, offset.
- Annual Report, Ninth*. Report M-36, January 1968. 43 pages, offset.
- * *State and Local Taxes, Significant Features, 1968*. Report M-37, January 1968. 212 pages, offset. (\$1.00).
- State Legislative and Constitutional Action on Urban Problems in 1967*. Report M-38, May 1968. 29 pp., mimeographed.
- New Proposals for 1969: ACIR State Legislative Program*. Report M-39, June 1968. 120 pages, offset.
- Sources of Increased State Tax Collections: Economic Growth vs. Political Choice*. Report M-41, October 1968. 19 pages, offset.

Reports Published in Previous Years (Currently available)

- Coordination of State and Federal Inheritance, Estate and Gift Taxes*. Report A-1, January 1961. 134 pages, printed.
- Investment of Idle Cash Balances by State and Local Governments*. Report A-3, January 1961. 61 pages (out of print; summary available).
- Investment of Idle Cash Balances by State and Local Governments—A Supplement to Report A-3*. January 1965. 16 pages, offset.
- Governmental Structure, Organization, and Planning in Metropolitan Areas*. Report A-5, July 1961. 83 pages; U.S. House of Representatives, Committee on Government Operations, Committee Print, 87th Cong. 1st Sess.
- State and Local Taxation of Privately Owned Property Located on Federal Areas*. Report A-6, June 1961. 34 pages, offset (out of print; summary available).
- Intergovernmental Cooperation in Tax Administration*. Report A-7, June 1961. 20 pages, offset.
- Periodic Congressional Reassessment of Federal Grants-in-Aid to State and Local Governments*. Report A-8, June 1961. 67 pages, offset (reproduced in Appendix of *Hearings on S. 2114 Before the U.S. Senate, Subcommittee on Intergovernmental Relations of the Committee on Government Operations*. January 14, 15 and 16, 1964. 88th Cong. 2d Sess.).
- Local Nonproperty Taxes and the Coordinating Role of the State*. Report A-9, September 1961. 68 pages, offset.
- Alternative Approaches to Governmental Reorganization in Metropolitan Areas*. Report A-11, June 1962. 88 pages, offset.
- Intergovernmental Responsibilities for Water Supply and Sewage Disposal in Metropolitan Areas*. Report A-13, October 1962. 135 pages, offset.

- Transferability of Public Employee Retirement Credits Among Units of Government.* Report A-16, March 1963. 92 pages, offset.
- **The Role of the States in Strengthening the Property Tax.* Report A-17, June 1963. Vol. I (187 pages) and Vol. II (182 pages), printed. (\$1.25 ea.)
- Industrial Development Bond Financing.* Report A-18, June 1963. 96 pages, offset.
- The Role of Equalization in Federal Grants.* Report A-19, January 1964. 258 pages, offset.
- Impact of Federal Urban Development Programs on Local Government Organization and Planning.* Report A-20, January 1964. 198 pages; U.S. Senate, Committee on Government Operations, Committee Print, 88th Cong., 2nd Sess.
- Statutory and Administrative Controls Associated with Federal Grants for Public Assistance.* Report A-21, May 1964. 108 pages, printed.
- The Problem of Special Districts in American Government.* Report A-22, May 1964. 112 pages, printed.
- The Intergovernmental Aspects of Documentary Taxes.* Report A-23, September 1964. 29 pages, offset.
- State-Federal Overlapping in Cigarette Taxes.* Report A-24, September 1964. 62 pages, offset.
- **Metropolitan Social and Economic Disparities: Implications for Intergovernmental Relations in Central Cities and Suburbs.* Report A-25, January 1965. 253 pages, offset. (\$1.25).
- Relocation: Unequal Treatment of People and Businesses Displaced by Governments.* Report A-26, January 1965. 141 pages, offset.
- Federal-State Coordination of Personal Income Taxes.* Report A-27, October 1965. 203 pages, offset.
- Building Codes: A Program for Intergovernmental Reform.* Report A-28, January 1966. 103 pages, offset.
- **Intergovernmental Relations in the Poverty Program.* Report A-29, April 1966. 278 pages, offset. (\$1.50).
- **State-Local Taxation and Industrial Location.* Report A-30, April 1967. 114 pages, offset. (60¢).
- Factors Affecting Voter Reactions to Governmental Reorganization in Metropolitan Areas.* Report M-15, May 1962. 80 pages, offset.
- **Measures of State and Local Fiscal Capacity and Tax Effort.* Report M-16, October 1962. 150 pages, printed. (\$1.00).
- The Advisory Commission on Intergovernmental Relations.* A Brochure. Report M-17, August 1968. 95 pages, printed.
- **Performance of Urban Functions: Local and Areawide.* Report M-21, September 1963. 281 pages, offset. (\$1.50).
- State Technical Assistance to Local Debt Management.* Report M-26, January 1965. 80 pages, offset.
- **A Handbook for Interlocal Agreements and Contracts.* Report M-29, March 1967. 197 pages, offset. (\$1.00).
- Metropolitan America: Challenge to Federalism.* Report M-31, August 1966. 176 pages, offset.
- Metropolitan Councils of Governments.* Report M-32, August 1966. 69 pages, offset.
- 1968 State Legislative Program of the Advisory Commission on Intergovernmental Relations.* Report M-35, September 1967. 629 pages, offset.

¹Single copies of reports may be obtained without charge from the Advisory Commission on Intergovernmental Relations, Washington, D.C. 20575.

*Multiple copies of items may be purchased from the Superintendent of Documents, Government Printing Office, Washington, D.C. 20402.

