

*The  
Commission  
On  
Intergovernmental  
Relations*



A REPORT TO THE PRESIDENT  
FOR  
TRANSMITTAL TO THE CONGRESS

JUNE 1955



*The  
Commission  
On  
Intergovernmental  
Relations*



A REPORT TO THE PRESIDENT  
FOR  
TRANSMITTAL TO THE CONGRESS

JUNE 1955

# COMMISSION ON INTERGOVERNMENTAL RELATIONS

---

## MEMBERS APPOINTED BY THE PRESIDENT

MEYER KESTNBAUM

*Chairman*

ALFRED E. DRISCOLL,  
*Vice Chairman*

WILLIAM ANDERSON  
LAWRENCE A. APPLEY  
JOHN S. BATTLE  
JOHN E. BURTON  
MARION B. FOLSOM  
CHARLES HENDERSON

OVETA CULP HOBBY  
SAM H. JONES  
CLARK KERR  
ALICE K. LEOPOLD  
VAL PETERSON  
ALLAN SHIVERS  
DAN THORNTON

## MEMBERS APPOINTED BY THE PRESIDENT OF THE SENATE

HUBERT H. HUMPHREY  
ALAN BIBLE  
WAYNE MORSE  
ANDREW F. SCHOEPEL  
JOHN M. BUTLER

## MEMBERS APPOINTED BY THE SPEAKER OF THE HOUSE

JOHN D. DINGELL  
BROOKS HAYS  
JAMES I. DOLLIVER  
HAROLD C. OSTERTAG  
ANGIER L. GOODWIN

---

G. LYLE BELSLEY, *Executive Director*  
GEORGE C. S. BENSON, *Director of Research*  
HUGH L. ELSBREE, *Deputy Director of Research*

## LETTER OF TRANSMITTAL

COMMISSION ON INTERGOVERNMENTAL RELATIONS,  
WASHINGTON, D. C., *June 20, 1955.*

DEAR MR. PRESIDENT:

The Commission on Intergovernmental Relations, established pursuant to Public Law 109, approved July 10, 1953, herewith submits its Report which includes the Commission's findings and recommendations. Supplemental materials, including study committee and staff reports, are being submitted separately.

The Commission benefited from the rich and varied experience of its members and from their intense devotion to the task assigned to them. They labored long and earnestly to reach constructive conclusions with respect to the problems and complexities of intergovernmental relations inherent in a federal system, particularly one which is responsive to the needs and opportunities of modern society.

The members of the Commission came to their task with widely varying views on many issues. Were they to express themselves individually, there would undoubtedly be many differences in emphasis and in phraseology. Where it was not possible to reach satisfactory agreement, members of the Commission have expressed their individual comments in footnotes or in dissenting statements. The Report as a whole reflects the composite views of the Commission and a remarkably broad area of agreement.

Many of the problems to which we have addressed ourselves have been with us since the founding of the Republic. They are likely to concern us for many years to come. No inquiry of this kind could possibly provide universally satisfactory answers to all of the difficult questions that are under discussion at any particular moment. We are hopeful that this Report will be regarded as the beginning rather than the end of a contemporary study of the subject of intergovernmental relations, and that it will stimulate all levels of government to examine their respective responsibilities in a properly balanced federal system.

Respectfully,



MEYER KESTNBAUM,  
*Chairman.*

THE PRESIDENT,  
THE WHITE HOUSE.



## PREFACE

During the past several decades demands for a reappraisal of our federal system have become increasingly insistent. They have come from Governors' Conferences, National and State legislators, the first Hoover Commission, civic groups, and many other quarters. In 1953 they culminated in the establishment of the Commission on Intergovernmental Relations to conduct an intensive study of National-State-local relationships—the first official undertaking of its kind since the Constitutional Convention in 1787.

President Eisenhower in a message to Congress on March 30, 1953, observed:

In the state of the Union message I expressed my deep concern for the well-being of all of our citizens and the attainment of equality of opportunity for all. I further stated that our social rights are a most important part of our heritage and must be guarded and defended with all of our strength. I firmly believe that the primary way of accomplishing this is to recommend the creation of a commission to study the means of achieving a sounder relationship between Federal, State, and local governments.

The act creating the Commission on Intergovernmental Relations<sup>1</sup> directed the Commission to examine the role of the National Government in relation to the States and their political subdivisions.

The duties of the Commission were both general and specific. Section 1 declared that "it is necessary to study the proper role of the Federal Government in relation to the States and their political subdivisions" with respect to fields which may be the primary interest and obligation of the States, but into which the Federal Government has entered, "to the end that these relations may be clearly defined and the functions concerned may be allocated to their proper jurisdiction," and that "it is further necessary that intergovernmental fiscal relations be so adjusted that

---

<sup>1</sup> Public Law 109 (83d Cong., 1st sess.), approved July 10, 1953, with subsequent amendments, appears in appendix A.

each level of government discharges the functions which belong within its jurisdiction in a sound and effective manner.”

Section 3 (a) of the act directed the Commission to “carry out the purposes of section 1 \* \* \*.” Section 3 (b), dealing more specifically with Federal grant-in-aid programs, read:

The Commission shall study and investigate all of the present activities in which Federal aid is extended to State and local governments, the interrelationships of the financing of this aid, and the sources of the financing of governmental programs. The Commission shall determine and report whether there is justification for Federal aid in the various fields in which Federal aid is extended; whether there are other fields in which Federal aid should be extended; whether Federal control with respect to these activities should be limited, and, if so, to what extent; whether Federal aid should be limited to cases of need; and all other matters incident to such Federal aid, including the ability of the Federal Government and the States to finance activities of this nature.

Finally, section 3 (c), as amended, directed the Commission, not later than June 30, 1955, to submit to the President for transmittal to the Congress its final report, including recommendations for legislative action.

### *The Commission's Plan of Work*

In view of the comprehensive character of its assignment, the Commission undertook to study the origins of our federal system and the views of those who established it; the forces that have influenced its growth and development; the place of the States and their political subdivisions in the federal system, and the factors, fiscal and nonfiscal, that limit their competence, acting singly or in cooperation; the extent of the National Government's responsibilities and the conditions that justify National action; and the nature and workings of the many forms of National-State cooperation.

The scope of the Commission's work has in some fields been related to, but is distinguishable from, the responsibilities of the Commission on Organization of the Executive Branch of the Government. The Hoover Commission has been concerned largely with the organization, efficiency, propriety, and cost of activities carried on by the executive branch of the National

Government, while the Commission on Intergovernmental Relations has centered its attention on the functional and fiscal relationships among National, State, and local governments.

Aided by a relatively small staff <sup>2</sup> which has prepared analyses and reports, the Commission conducted its studies in several ways. Information and counsel were sought from subcommittees named from the Commission's own membership. Especially helpful was the work of the Subcommittee on Principles and Historical Development of the American Federal System of Government. The work of that subcommittee has influenced the entire Report. Another subcommittee examined the role of the National Government in assisting States and localities stricken by natural disasters.

The Commission also established study and advisory committees <sup>3</sup> to help assess the allocation of functions between National and State governments, as well as specific programs of Federal aid, in certain areas marked by significant degrees of intergovernmental relationships (agriculture, natural resources and conservation, welfare, education, employment security, public health, highways, local government, Federal payments in lieu of taxes, and shared revenues). The committees generally consisted of 10 to 15 members, comprising representatives from widely varying fields of endeavor chosen to provide a broad cross section of experience and opinion on the subjects under consideration. To assure adequate basic information, these committees sought facts and advice from many organizations and individuals.

The Commission employed the services of several management consulting and research organizations to make special studies of the fiscal and administrative impact of Federal grant-in-aid policies upon the governmental institutions of the States. Individual studies were made for Connecticut, Kansas, Michigan, Mississippi, South Carolina, Washington, and Wyoming. An additional group of 25 States was covered in a separate study of the overall impact of Federal grant-in-aid programs on State and local governments.

---

<sup>2</sup> A roster of the Commission's staff appears in appendix B.

<sup>3</sup> A roster of the Commission's study and advisory committees appears in appendix C.

Nationwide public interest in questions of intergovernmental relations led the Commission to encourage the organization of State study groups. Official commissions were set up in 21 States; citizens' committees were formed in several of these States and in 9 others. Altogether, more than 40 groups in over 30 States were established. Their reports were of great value in helping to direct the attention of the Commission to some of the fundamental problems of intergovernmental relations. A meeting held in Chicago gave the Commission a special opportunity to hear the views of representatives of many of these State groups.

The Commission was greatly encouraged by the widespread interest in its work. Through interviews, conferences, questionnaires, and correspondence, it obtained valuable assistance from many individuals and organizations. Business and professional groups, agricultural and labor organizations, and civic, municipal, county, and State personnel have all participated.

Although greatly assisted by this wide variety of resources, the Commission arrived independently at its findings and recommendations—sometimes accepting, sometimes rejecting the recommendations contained in studies prepared for it.

In order to facilitate public understanding and study of the principal subjects of its inquiries, the Commission is publishing a collection of materials ancillary to this Report, including reports from its study committees and members of its own staff.<sup>4</sup> The Commission emphasizes, however, that its views and recommendations are confined to this Report. Failure of the Commission to comment upon specific recommendations in committee or other reports does not imply Commission approval or disapproval of such recommendations.

In undertaking to carry out its legislative mandate, the Commission was faced with a range of governmental activities so varied and complex as to defy adequate examination by any temporary body. Consequently, the Commission concluded that it could most adequately discharge its responsibilities within the terms of Public Law 109 by undertaking two lines of inquiry: a general review of the history and present status of our federal

---

<sup>4</sup> A list of publications issued by the Commission appears in appendix D.

system; and an inquiry into certain specific areas of governmental activity characterized by grants-in-aid or other highly significant intergovernmental relationships.

Throughout the conduct of its studies, the Commission has been deeply aware of the fact that problems of intergovernmental relations, by their very nature, involve fundamental issues of policy and philosophy. The division of powers and responsibilities in a federal system cannot be considered in a vacuum. The problems are political, in the best sense of the word. Differences of opinion arising out of differences in political philosophy and perspective were to be expected in a group as broadly representative as this Commission.

At the same time, the members of the Commission testify to the fact that in concentrating on the intergovernmental aspects of a number of hotly debated policy issues, their outlook has frequently undergone substantial modification. Herein, the Commission believes, lies the true value of a greater emphasis on problems of intergovernmental relations. They are not isolated problems to be completely surveyed or solved at one point in time. They are part and parcel of evolving public policy, requiring continuous study. In our pragmatic tradition, solutions to specific problems are debatable and impermanent. This kind of debate will continue as long as our federal system endures. At the same time, there is a basic and permanent obligation to give proper attention to the intergovernmental aspects of specific policy issues. This was the task of the Commission, and must continue to be a major concern of all thoughtful citizens.<sup>5</sup>

---

<sup>5</sup> See page 277 for separate statements by Congressman Dingell and Senator Morse.



## CONTENTS

	Page
COMMISSION MEMBERSHIP.....	ii
LETTER OF TRANSMITTAL.....	iii
PREFACE.....	v
INTRODUCTION.....	1

### PART I

CHAPTER 1. EVOLUTION OF THE AMERICAN FEDERAL SYSTEM....	9
CHAPTER 2. THE ROLE OF THE STATES.....	36
CHAPTER 3. NATIONAL RESPONSIBILITIES AND COOPERATIVE RE- LATIONS.....	59
CHAPTER 4. FINANCIAL ASPECTS OF THE AMERICAN FEDERAL SYS- TEM.....	90
CHAPTER 5. FEDERAL GRANTS-IN-AID.....	118

### PART II

INTERGOVERNMENTAL FUNCTIONAL RESPONSIBILITIES.....	145
CHAPTER 6. AGRICULTURE.....	150
CHAPTER 7. CIVIL AVIATION.....	167
CHAPTER 8. CIVIL DEFENSE AND URBAN VULNERABILITY.....	176
CHAPTER 9. EDUCATION.....	185
CHAPTER 10. EMPLOYMENT SECURITY.....	198
CHAPTER 11. HIGHWAYS.....	212
CHAPTER 12. HOUSING AND URBAN RENEWAL.....	221
CHAPTER 13. NATURAL DISASTER RELIEF.....	233
CHAPTER 14. NATURAL RESOURCES AND CONSERVATION.....	237
CHAPTER 15. PUBLIC HEALTH.....	248
CHAPTER 16. VOCATIONAL REHABILITATION.....	256
CHAPTER 17. WELFARE.....	266
APPENDIX A—TEXT OF PUBLIC LAW 109, EIGHTY-THIRD CONGRESS, AND AMENDMENTS.....	281
APPENDIX B—STAFF OF THE COMMISSION.....	285
APPENDIX C—MEMBERS OF STUDY COMMITTEES, ADVISORY COM- MITTEES, AND SUBCOMMITTEES.....	287
APPENDIX D—PUBLICATIONS ISSUED BY THE COMMISSION.....	295
APPENDIX E—STATISTICAL TABLES.....	296



## INTRODUCTION

The United States has made a major contribution to the art of government by its successful operation of a federal system. This success has been especially noteworthy in view of the enormous strains on the system caused by military and economic emergencies of the sort that have occurred during the past quarter-century, and by the cumulative effect of the more gradual changes brought about by a dynamic and expanding economy.

In recent years, the almost continuous presence of a crisis, either economic or military, has accounted for vast expansions of National activities. Many of these programs have been of an emergency nature; a great many others, however, have lastingly influenced the division of governmental responsibilities between the National Government and the States.

Profound as their impact has been, war and economic crisis have not been the only major causes of the growing pressure for National action. Equally insistent pressures have been brought about by intensified industrialization and population shifts from rural to urban areas; new advances in transportation and communications; and, flowing from these developments, greatly accelerated mobility of people and interchange of ideas.

These changes have been reflected in part in a growing governmental concern with the economic and social welfare of the individual. And many individuals who once looked no further than their city hall or State capitol now turn toward Washington when problems arise. We are doing today as a Nation many things that we once did as individuals, as local communities, or as States.

The extensive readjustment of National and State responsibilities in recent decades was bound to stir questioning of the continued vitality of our federal system. Candor would probably compel many thoughtful Americans to admit having experienced some fear or occasional doubt on this score, at one stage or another of this momentous period.

To many, the expanding powers of the National Government seemed destined to reduce the States to mere administrative provinces. This prospect was sharpened by Supreme Court decisions which appeared to have the effect of removing almost all significant constitutional limitations on the expansion of National activities. It was often aggravated by the conviction that many of the newer activities constituted invasions of individual freedom and ought not to be undertaken by any level of government. Thus the fear of usurpation of State rights was frequently combined with the fear of undue paternalism.

On the other hand, many who had welcomed the expansion of National authority began to wonder if our system of federalism had become an obstacle to effective government. Their fear was that our form of government would prove too slow-moving and cumbersome to deal with the intricate social and economic problems of an increasingly interdependent society and to cope with authoritarian regimes of the Fascist, Nazi, and Communist varieties. Our governmental system must be remodeled, many thought, if it is to be adjusted properly to 20th-century conditions.

The Commission views both positions as extremes. The National Government and the States should be regarded not as competitors for authority but as two levels of government cooperating with or complementing each other in meeting the growing demands on both. Chiefly because of war and the recurring threat of war, the expenditures of the National Government have grown much larger than those of the States and localities. But State and local activities also continue to expand. Equally significant is the increased interest in and recognition of the importance of State and local governments as essential elements in an effective federal structure.

The continuing vitality of State and local government affords the most solid evidence that our federal system is still an asset and not a liability. To be sure, it is not a neat system, and not an easy one to operate. It makes large demands on our sense of responsibility, our patience, our self-restraint. It requires toleration of diversity with respect to taxes, roads, schools, law enforcement, and many other important matters. Those who have a passion for streamlining can easily point to awkward features.

Nevertheless, the federal principle, along with the principle of checks and balances, remains one of the great institutional embodiments of our traditional distrust of too much concentrated authority in government or, to state it positively, of our traditional belief in distribution of authority among relatively independent governing bodies. Experience has demonstrated the wisdom of the view of the Founding Fathers that individual freedom is best preserved in a system in which authority is divided and in which diverse opinions are reconciled through the processes of representative government.

Living in an age of peril, we could perhaps not afford the extra margin of individual freedom which our federal system makes possible if the price were the weakening of national security. We should not think of government only in terms of the scope it leaves for the individual; we must think equally of its capacity to govern. Individual freedom depends on preserving representative government. If division of authority between the National Government and the States should impede our efforts to preserve our Nation and the rest of the free world, it would jeopardize the freedom of the individual.

But experience amply justifies the view that our federal system, with the degree of flexibility that it permits, can be adapted to crises of the present and future as successfully as it has been to those of the past. As an instrument of positive government, it possesses—at least for a nation as large and diverse as ours—a clear advantage over a strongly centralized government. In helping to bolster the principle of consent; in facilitating wide participation in government; in furnishing training grounds for leaders; in maintaining the habit of local initiative; in providing laboratories for research and experimentation in the art of government; in fostering competition among lower levels of government; in serving as outlets for local grievances and for political aspirations—in all these and many other ways, the existence of many relatively independent and responsible governments strengthens rather than weakens our capacity for government. On the whole, therefore, the enduring values of our federal system fully warrant every effort to preserve and strengthen its essence.

Out of the trying events of this past quarter-century, and out of the accompanying doubts and fears, has come a deeper understanding of what is required to maintain a proper division of activities between the National Government and the States. As with all governmental institutions in our society, the basic purpose of the division of powers is to provide a climate that favors growth of the individual's material and spiritual potential. Power will not long rest with any government that cannot or will not make proper use of it for that end. Our system of federal government can be in proper balance, therefore, only when each level is effective and responsible.

Responsibility implies restraint as well as action. The States have responsibilities not only to do efficiently what lies within their competence, but also to refrain from action injurious to the Nation; the National Government has responsibilities not only to perform, within the limits of its constitutional authority, those public functions the States cannot perform, but also to refrain from doing those things the States and their subdivisions are willing and able to do.

People in the United States, as elsewhere, have looked more and more to government for assistance in solving their social and economic problems. The National Government has sometimes responded more readily than have the State and local governments. The Commission does not deal with the issue of whether or not governments rather than individuals should satisfy these needs. What it faces is the fact that the National Government has gradually undertaken some new activities which are susceptible of a larger measure of State and local handling. The Commission does not essay a judgment as to whether unreadiness on the part of the States and localities or overzealousness on the part of the National Government, or both, may have caused the existing division of activities. It merely emphasizes the fact that the more effectively our State and local governmental structures, procedures, and policies can be adapted to present-day governmental objectives, the less occasion there will be for bypassing State action in the future.

Far from weakening the National Government, the strengthening of State and local government would increase its effectiveness. The responsibilities that unavoidably must fall on the

National Government are formidable. The fullest possible utilization of the resources of the State and local governments is desirable both to supplement National action where National action is necessary, and to relieve the National Government of having to divert its resources and energies to activities that could be handled as well or better by the States and their subdivisions.

The National Government has therefore an interest, as well as a responsibility, in scrutinizing with the greatest care the degree of National participation in existing or proposed programs. It is not enough to ascertain that the contemplated activity is within the constitutional competence of the National Government and that there is a national interest in having the activity performed. In the light of recent Supreme Court decisions, and in our present highly interdependent society, there are few activities of government indeed in which there is not some degree of national interest, and in which the National Government is without constitutional authority to participate in some manner.

The degree and limits of National participation must therefore be determined by the exercise of balanced judgment. In addition to appraising carefully in each instance the need for National participation, the National Government should hold essential participation to the minimum required for attaining its objective. In all of its actions the National Government should be concerned with their effects on State and local governments.

The preservation and strengthening of our federal system depend in the last analysis on the self-restraint and responsibility, as well as the wisdom, of our actions as citizens. If we are not willing to leave some room for diversity of policy, to tolerate some lack of uniformity in standards, even in many matters which are of national concern and about which we may feel strongly, the essence of federalism, even if not the legal fiction, will have been lost. We must also realize that it can be lost, or its vitality sapped, by nonuse of State and local initiative as well as by overuse of National authority. We have therefore as citizens a responsibility to see to it that those legitimate needs of society that could be met by timely State and local action do not by default have to be met by the National Government.

Precise divisions of governmental activities need always to be considered in the light of varied and shifting circumstances; they

need also to be viewed in the light of principles rooted in our history. Assuming efficient and responsible government at all levels—National, State, and local—we should seek to divide our civic responsibilities so that we:

*Leave to private initiative all the functions that citizens can perform privately; use the level of government closest to the community for all public functions it can handle; utilize cooperative intergovernmental arrangements where appropriate to attain economical performance and popular approval; reserve National action for residual participation where State and local governments are not fully adequate, and for the continuing responsibilities that only the National Government can undertake.*

WHD

# Part I



## *Chapter 1*

### EVOLUTION OF THE AMERICAN FEDERAL SYSTEM

#### THE PROBLEM OF FEDERALISM

The proper division of labor and authority between the Nation and the States is the key to maintaining the federal nature of our system of government. The lines of division are not static. They have been controversial from the beginning of our life as an independent country. They remain so today.

The American federal system began as an experiment. It was the third try for a solution on this continent to the age-old problem of striking a satisfactory balance between the needs for central strength and central regulation on the one hand and the values of local freedom of action on the other. The framers of our Constitution had joined in a revolution that cut them loose from the old British imperial system, because that system imposed unwelcome controls from a remote center. They had also lived under the "league of friendship" established by the Articles of Confederation. They met under the reluctant auspices of the Congress of that Confederation, to seek "a more perfect union," and began their work by discarding the Articles.

The federal system devised by the framers of the Constitution was the product of necessity rather than doctrine. There was no dictionary definition of federal government to apply nor any working model to copy. They found the classical examples from Greece and the medieval unions of European cities too remote in time and circumstance to be suitable. Their experience under the Articles of Confederation had taught them what to strive for and what to avoid. They were content to keep the States substantially as they knew them, but they deplored certain economic and fiscal tendencies in some States. Chiefly, they

felt a very practical need for a central government of much greater strength and potentialities than the Articles provided.

### *Middle Course Chosen*

Characteristically, they took a middle course to meet that need—in retrospect probably the only course that was both “adequate to the exigencies of government and the preservation of the union” and capable of winning majority support. They rejected summarily the advice of those few, like Hamilton, who sought to build a unitary authority, to abolish the States as autonomous units, and to provide for the appointment of governors from the National Capital. They also overruled decisively the considerably greater number who wanted to keep the union a mere confederation, with a few strengthening amendments to the Articles. Instead, they adopted in substance the Virginia Plan.

The Virginia Plan left the States unchanged so far as their domestic institutions were concerned, though the new Constitution expressly forbade some practices the framers thought would be undesirable—State taxes on exports and imports, the issuance of State currency, the impairment of contract obligations, separate agreements with foreign nations or with each other unless with National consent, and other matters now mainly of historical interest. But the Virginia Plan envisaged and the Constitution erected a new National Government, deriving its powers also from the people, capable of dealing with the people directly rather than exclusively through the State governments, and fitted out with a full complement of executive, legislative, and judicial institutions, with powers delegated by the terms of the Constitution. By implication the States were excluded from regulating interstate and foreign commerce and other subjects thus committed to National control. The framers spelled out a list of enumerated powers, including the “necessary and proper” clause, in order to give the National Government what the Virginia Plan had broadly described as:

power to legislate in all cases to which the separate States are incompetent or in which the harmony of the United States may be interrupted by the exercise of individual legislation.

In a secondary series of decisions the framers modified the Virginia Plan somewhat to compromise, in the composition of the two Houses of Congress, the rival claims of the large States and the small. They also hit upon a device, the electoral college, for extending that compromise while notably increasing the strength and independence of the executive. By means of the "supreme law of the land" clause they introduced a National judicial control over unconstitutional State action. But in leaving the States to define the voting franchise, to conduct National elections along with their own, to choose Senators, and to pass on constitutional amendments, they guaranteed the indispensability of the States to the National Government. And in leaving to the States all powers not delegated to the National Government or otherwise prohibited to them, the Constitution recognized their vital role in the domestic affairs of government.

Before the campaign for ratification was well under way, the supporters of the new arrangement were labeled "Federalists," and the fruits of their labors gave a fresh and more precise meaning to the term. The federal system they devised was one of the great innovations in the art of representative government. In building a nation out of diverse elements, the urgent need in the formative stages is to create a viable measure of union where unity is impossible. The dangers of overcentralization may be foreseen and feared, but they do not materialize until later stages of national development. It was the invaluable merit of the proposed federal system that it promised a means of reconciling the need and the fear.

This system has characteristically been very flexible, leaving a great deal of room for argument and adjustment. The division of powers between the Nation and the States leaves substantial authority with each, but the use and relative importance of powers may shift. The Constitution cannot be formally amended by either level of government without the participation of the other, but interpretation and usage may expand or contract the powers at either level. The National Government deals with the people directly, but it may also utilize the States to reach them indirectly. The States can write and change their own constitutions, but they must meet minimum requirements of the National Constitution. The States are equal in

legal status, but not in size, wealth, and influence. In all these essentials the federal relationship is adjustable, within limits. It is affected by controversies over what any government in the system should do, as well as by concepts of what no government should do. Historically, the invocation of States rights has sometimes been as much a sign of opposition to a specific National policy as of attachment to local action as such.

### *The Handiwork of Millions*

As we know it today, the federal system is no longer solely the work of the original framers, or indeed the result of any single act or authority. It is rather the product of thousands of decisions in which millions of people have taken part over the years, facing and resolving concrete problems as they deemed best at the time. Each participant, according to his lights and his influence, has been a latter-day framer of the Constitution.

The initial success of our federal system brought high prestige to the work of the original framers, and the flattery of imitation elsewhere in the world. Yet of necessity many questions of principle and detail either could not be foreseen or were deliberately left unanswered by the framers. Even in the country of its origin, our federal system may still be regarded as an experiment, although we have the oldest representative republic in the world.

Age and success develop a tendency toward conservatism. In a time of relative peace and prosperity, readjustments in inter-governmental relations are likely to be modest in scope and moderate in tempo. This Commission is especially concerned with that marginal area of policy where changes in direction are practicable. For perspective in reappraisal, it is instructive to look first to the past to identify the dynamic forces that have shaped our constitutional development, to recognize settled doctrine, and to discern emerging trends.

## THE CHANGING ENVIRONMENT OF FEDERALISM

A realistic view of the prospects for a continuing federal balance compels notice of the changes that have come over our society since 1787. The changes have been physical, techno-

logical, economic, cultural, intellectual, and political. Most obvious of the main trends affecting the federal system are those, accentuated in recent decades, that have led to a great expansion in the National Government and its activities, in the proportion of national income passing through the Treasury, and in the degree of attention focused on Washington. Less obvious but equally relevant is the very significant expansion of State and local governments in recent years.

### *Population Changes*

The most elementary fact is the growth in total population, now over forty times what it was in 1787. This has come about through large-scale immigration, a fairly high birth rate, and a rapidly declining death rate. The remarkable rise in longevity, which in a century has perhaps doubled the average life expectancy, has helped push the population figures up. Greater population density has resulted in the multiplication of governmental functions.

More significant in some respects than the numbers are the changes in composition—the submergence and later revival of the Indians, and the introduction and gradual dispersion of people of many races, creeds, and colors. No other major power in history, working under the conditions of a free society, has breathed a common loyalty into such a vast and varied mixture of peoples.

Ethnic groups sometimes accentuate the geographic diversities in the country, and thereby increase the justification for a decentralized system of government. On the other hand, such groups, usually in the minority nearly everywhere, are also sometimes targets of local discriminations. The protection of their basic rights has therefore on occasion been a ground for National action in matters otherwise left to the States.

### *Effects of Industrialization*

The growth of population has been accompanied by a continually rising standard of living, thanks mainly to the progress of science, technology, industrialization, and specialization. In

the decline of the relative self-sufficiency that so conspicuously characterized the agricultural and handicraft economy of our forefathers lies a principal explanation of our demands, not only for more government services to supply what private enterprise does not provide, but also to regulate many of the complex relations among the individuals and groups of an industrial society.

These demands have affected the activities of all levels of government. It was when the great industrial enterprises of the latter part of the 19th century outgrew the jurisdictions of their home States that the era of National economic regulation was ushered in. The Interstate Commerce Act of 1887 and the Anti-Trust Act of 1890 showed the way. Next to the Fourteenth Amendment, the growth of National economic regulation marked the most fundamental alteration in the federal balance prior to World War I. The Federal Departments of Commerce and Labor found their origins in this movement. Seventy years of legislation have not exhausted the impulses toward National regulation brought about by the dynamics of industrialization.

Industrialization made the corporate form of business organization indispensable and required large-scale capital investments, raw material sources, and markets. The past 75 years have accordingly witnessed a huge growth in the number and size of corporations, the provision of a vast and fluid money supply, the expansion of stock exchanges and credit facilities, the rise of mass advertising, and the development of natural resources and markets at home and abroad. The States through general incorporation laws continue to issue and regulate corporate charters; they charter and supervise many credit institutions; they license occupations; their courts get the bulk of commercial litigation; they regulate insurance and they prosecute frauds. But the depression of the 1930's drove home the lesson that the industrial economy is a national economy whose main instruments, whether of money, credit, prices, or labor relations, are often beyond the effective reach of the States acting separately.

Industrialization has spurred, and in turn been stimulated by, research and invention. In this field it is hard to disentangle the contributions of private initiative and government policy.

Corporations, universities, and foundations have contributed to the achievements of individual inventors and scientists. The patent laws lend encouragement. Tax policy may advance or retard technological progress. Governments maintain laboratories, collect and publish statistics and other scientific data, and contract for research. In some areas, such as nuclear physics, research is almost wholly government supported.

### *Dilemma of the Cities*

Industrialization has made city dwellers or suburbanites out of most Americans. In 1790, 19 people lived on farms for every one who lived in a town. Today, the farm population is less than a sixth of the total, and 2 people out of 3 live in urban areas. Cities need water supply and sewage disposal, police and fire protection, zoning and building and sanitary codes, street paving and lighting, mass transportation and off-street parking, libraries, schools, parks, and the like. City governments are commonly expected to furnish many of these services and facilities and have grown correspondingly.

If local powers and jurisdictions were equal to these tasks, fewer problems might be pushed upward for solution. But the steady drift of the population to cities has run far ahead of the needed adjustments in municipal authority. Many metropolitan areas overrun State borders; State lines are apparently immutable; and cities have trouble consolidating with their suburbs. Meanwhile, city voters form the heavy battalions in State-wide and National elections, and can make their influence partially felt in that way even though they may be frustrated by outdated municipal boundaries or legislative districts at home. Urbanization has thus added to the scope and complexity of both State and National responsibilities.

### *Agriculture and Natural Resources*

For the 1 in 6 who still lives on a farm, an agricultural revolution has transformed life, too. Free schools and all-weather roads, mechanization and electrification, fertilizers and hybrid and purebred strains, have brought remarkable increases in pro-

ductivity and changed both the farm and the farmer. With more cultivated land but fewer people working it than in 1900, farmers supply food for twice as large a total population at a far higher living standard. Subsistence farms are still numerous, but many farms are factories, and their proprietors are businessmen as well as farmers, with investments and records to keep. They provide a sharp contrast to the still surviving pattern of sharecropping agriculture.

State and county governments have played a role in this transformation of rural life, with schools and land-grant colleges and highways and fairs. They have encouraged the significant influence of such youth organizations as 4-H Clubs and Future Farmers of America. Agricultural producer co-ops, fostered by the State and National governments, have contributed, too.

It is partly cause and partly consequence that the era of the agricultural revolution matches very closely the period of greatest expansion in the manifold programs of the Department of Agriculture. Farmers use the National Government freely, and regard the Department as essential to their welfare. The network of agricultural experiment stations and county extension activities is one of the leading examples of National-State cooperation.

Closely allied to the revolutions in industry and agriculture is the emphasis on natural resource development and conservation which began to be felt about 1900. Land use and water use since that time have claimed much governmental attention, with programs for soil conservation, irrigation, reclamation, flood control, hydroelectric power, and stream pollution abatement. Forests are coming to be treated as tree farms. Wildlife, parks, and recreation facilities have become public concerns. Mineral and petroleum resource conservation and development have become increasingly important objectives of public policy.

Changes in our foreign trade likewise reflect our economic growth. Where coffee, bananas, and tin once comprised our main imports, today we look abroad for such items as iron ore, copper, bauxite, nickel, manganese, and tungsten, in addition to commodities which were never a part of our natural resources. Some of these goods are imported because the increase in consumption of all types of raw materials has sharply reduced our

reserves, and made it more economical to draw on foreign sources. As the population of this country grows and its standard of living rises, pressure on certain raw materials will grow even greater. A profound change in public attitudes toward foreign trade and national defense is implicit in these developments, which impose added responsibilities on the National Government.

### *Transportation and Communications*

Revolutions in transportation and communications have been a fundamental factor in the changes already noted, and have had a far-reaching effect on the activities and conduct of government. When the Jay treaty of commerce and friendship with Great Britain was arranged in 1794, the Chief Justice of the United States was induced to resign in order to undertake the long and dangerous sea voyage and the delicate negotiations: so much was at stake in the outcome, and so much discretion had to be confided to the ambassador who, when he had set sail, was beyond the reach of further instructions.

Modern rapid and large-scale transportation and communications facilities have helped make the population more mobile and better informed. They have helped to create national markets and have been the means of reaching them. They have transformed election campaigns. No more profound influence has been at work in changing the world the framers knew than the ability of the people to move themselves and their goods over great distances quickly, and to exchange information and ideas at a distance.

### *Changes in Social Outlook*

Changes in social outlook have accompanied the economic and technological. Many early Americans, for all their dislike of monarchy, held a definitely stratified view of society. This view was manifest in their preference for indirect election of the President and Senate, even at a time when property qualifications sharply limited the franchise for the direct election of the House of Representatives. It was this attitude that fixed a lowly social status for laborers, indentured servants, and apprentices,

and, in many minds, seemed to justify slavery. People of quality in the seaboard towns were apprehensive about statehood for the territories west of the Appalachians, inhabited by pioneers.

But the early 19th century saw a wave of democratization—some called it vulgarization—in American society and politics. This was its outstanding characteristic when the French visitor de Tocqueville wrote on democracy in America, in Andrew Jackson's time. Social distinctions were relaxed, property qualifications for voting were generally dropped, and many appointive State and local offices were made elective. At midcentury the idea of free public elementary education was making practical headway.

By the end of the century, industrialization and immigration had formed a new and larger working class around the mines and mills and in the cities. Efforts to ameliorate the lot of these people through social legislation and education formed a staple of political controversy in the early 1900's. More recently, similar controversy has attended the progress of unionization, desegregation, and various welfare programs. These developments have involved shifting and expanding concepts of the general welfare with the net effect of adding to the responsibilities of government at all levels.

No aspect of this expanded role of government is more conspicuous in domestic policy than the enlarged public concern for social security and economic stabilization. For nearly two decades after the Federal Reserve System was established, the indirect credit controls it provided were the principal peacetime means of stabilizing the national economy to avoid the extremes of inflation and deflation. But since the depression of the 1930's, governments have experimented with a variety of direct as well as indirect measures to prevent or alleviate economic distress. In this field plainly the National Government alone has the sufficiently extended jurisdiction and necessary fiscal powers to take the lead and carry the main burden in a time of severe economic hardship; the States then have a supporting role. Similarly the National Government has taken the responsibility for action to stabilize the economy in periods of inflation. All levels of government, however, owe each other full cooperation, mutual trust, and an opportunity to plan together programs de-

signed to meet economic emergencies. The responsibility assumed by the National Government in the Employment Act of 1946 also leaves the States an important role. Some programs that are designed to provide economic security are managed exclusively by the States, such as general assistance. In others, such as old age assistance, employment security, and vocational rehabilitation, cooperative arrangements in which both States and National Government participate are the rule.

These activities have been accompanied by a greatly expanded use of Federal grants-in-aid to the States. In principle, grants-in-aid are as old as the authorization of grants of school sections in each township to local governments by the Congress of the Confederation in the Ordinance of 1785. Down to the time of the depression, however, their use had been confined largely to programs to help the farmer and, after World War I, to stimulate highway construction. These programs continue, but the major use of the grant-in-aid during the past two decades has been in programs established to provide social and economic security.

### *The United States in World Affairs*

Overshadowing all domestic occasions for governmental action today is the new position of the United States in world affairs. George Washington warned his countrymen to avoid permanent foreign alliances: sound advice when they could not influence the outcome of events overseas, and could hope to escape involvement if they gave no provocation. Jefferson and Monroe thought it still good advice, and so it remained through the 19th century.

Economically and politically, we played for more than a century of our national life a relatively inactive role in international relations. Before World War I our exports were chiefly agricultural commodities, and our imports were manufactured goods. As a debtor nation in the balance of international payments, the United States sent abroad immigrant remittances and interest and dividends to European investors. Now, as a creditor nation, military and economic assistance to other governments, together with private investments in foreign

countries, loom large in the balance of payments that sustain American exports. A substantial share of our imports is made up of raw materials, and more and more of our exports are of finished goods. Not only agricultural exports, but also the level of employment in many domestic industries therefore depend importantly on the maintenance of dollar purchasing power abroad.

The familiar story of events from the Spanish-American War to the Korean invasion need not be retold here to make the point that we are at present a different country playing a different role in a different world. National defense, war, diplomacy, and foreign aid have been the province of the National Government from the beginning. It is a striking change in degree, responding to a change in need, that makes expenditures for these functions now exceed all other expenditures of all governments in this country put together.

It is a testimony to the durability and flexibility of our federal system that its basic pattern has survived almost a century and three-quarters of changes of the magnitude and variety that have been sketched here. It should be no cause for surprise that in the processes of adaptation strong differences of opinion over constitutional doctrine and administrative practice have arisen.

## CONSTITUTIONAL DOCTRINE AND PRACTICE

The structure of the new National Government established in 1789 reflected closely the intent of the framers of the Constitution, for the Federalists controlled the Congress during the first decade. Issues of National-State relations that had been fought out in the Convention were re-opened, however, in the very first Congress. Anti-Federalists urged that the National Government should have little administrative machinery of its own, outside the realm of foreign affairs, and instead should use the State courts, the county tax collectors and law enforcement officials, and the State militia to serve its needs. The key vote in Congress in 1791, defeating the tax collector proposal, was close but decisive. The principle was confirmed that where the National Government had constitutional power it would act through

its own agents. The division of power, in other words, would determine the division of labor.

This proposition was generally accepted, and in the main governed the administrative relations between the Nation and the States through the 19th century: the post office, the revenue services, and the United States district courts were National establishments. But the principle was never absolute. A major exception from the beginning was the States' control of elections. Minor ones followed. For example, when the first prisoner was convicted and sentenced by a Federal court under Federal law, there was no place to keep him but in a county jail.

The principle soon came to be subtly but significantly modified in another way that the framers could scarcely have foreseen. Senators were generally appointed by the State legislatures. After the rise of political parties, Senators found that in dealing with the President they could take advantage of their power over the confirmation of his appointments. The rule of senatorial courtesy developed, and with it the practice of making appointments to Federal posts outside Washington on the recommendations of the Senators immediately concerned, that is, on the basis of local party endorsements. Not through official State action, therefore, but through the medium of the party organizations that influenced State legislatures and Senators alike, the field establishments of the National Government were often brought under local control. Andrew Jackson learned to dominate much of the local party machinery and to turn it against his adversaries in the Senate. But often the local party influence prevailed. Lincoln found in 1861 that he could not trust many of his subordinates in field offices, for they owed their places to influences arrayed on the Confederate side.

### *The Issue of National Supremacy*

The basic constitutional question for the federal system from 1789 to 1865 was the issue of National supremacy: whether the National Government was entitled to enforce, over State objections, decisions reached through its own constitutional processes. At bottom this was the same issue posed by the Virginia Plan,

and apparently settled by the framers, but it kept reappearing. The first open challenge after 1789 came in 1798 when Jefferson and Madison inspired the Virginia and Kentucky resolutions denouncing the alien and sedition acts. They invited the other State legislatures to instruct their Senators to vote for repeal of the acts, and went on to intimate that the States had a right to resist the enforcement of Federal acts they deemed unconstitutional.

In 1814, at the Hartford Convention, New England leaders talked of secession if the Embargo Act were enforced. A few years afterward, Maryland and Ohio took official action to prevent branches of the Nationally-chartered Bank of the United States from operating within their borders; Ohio went so far as to seize the office and the cash on hand. In Jackson's administration, Georgia defied the Supreme Court and the requirements of a Federal treaty by convicting and hanging a Cherokee Indian under State law. South Carolina threatened nullification over the tariff issue. Among the efforts of northern States to nullify the Fugitive Slave Act of 1850 was the action of the Wisconsin courts in issuing a writ of *habeas corpus* to free a man convicted in a Federal court, after the Supreme Court had specifically denied their authority to do so.

All these challenges from various parts of the country were disposed of peaceably, except for the slavery controversy. Over that issue and secession the North, behind Lincoln's leadership, finally settled by force the ultimate issue of National supremacy. After the war it could no longer be maintained that the Union was only a creature of the States, or a compact among them, liable to be thwarted or dissolved at the will of any of them. From then on, the interpretation of National powers was to be determined, in the main, by some National authority.

### *Who Fixes the Boundaries?*

What those powers were, and which National authority was to be the judge of them, were questions not so conclusively settled. Chief Justice Marshall asserted emphatically in 1803 that it was the power and duty of the judiciary to say definitively what the law—including the Constitution—means, when a question

is raised in a proper case. But his successor, Chief Justice Taney, found in the doctrine of "political questions" some limits on the judicial power to interpret the supreme law. Further limits are inherent in the nature of the process of judicial review over legislation, confined as it is to cases and controversies. Andrew Jackson and Abraham Lincoln expanded the role of the President in ways the Court could not control, ways that sometimes give that office a decisive voice in determining the scope of National power as well as the direction of National policy. Finally, there are occasions when a congressional enactment is the dominant fact in the settlement of a constitutional controversy, at least for a period of years. This may happen because the congressional action is never subjected to a judicial test; or because the test comes only after the enactment has been in force for a long period of time; or because even when the courts bar one method of achieving an end, Congress finds another way. The Compromise of 1850, the Reconstruction Acts, the Agricultural Adjustment and Fair Labor Standards Acts of 1938, and most recently the legislation leaving the regulation of insurance with the States and the settlement of the Tidelands dispute illustrate such congressional determinations.

From time to time all three branches of the National Government have shown varying attitudes on issues of federalism. On the record of over a century and a half the Supreme Court, except when dealing with slavery, has probably taken the most consistently Nationalist position. While Congress has extended the sphere of National action, it has in many ways responded to locally held sentiments. Mindful of the impact of National action on the institutions of State and local governments, Congress has frequently taken affirmative action to protect their interests. Successive Presidents have taken sharply contrasting positions; some have been forthright advocates of strong National action, while others have been at pains to protect what they thought were the prerogatives of the States.

### *National Supremacy Upheld by Marshall*

Supreme Court doctrine on the boundaries of National and State powers illustrates judicial flexibility. Chief Justice Mar-

shall took a strong Federalist line in vindicating National supremacy and in developing the doctrine of implied powers. He marked out a broad area for exclusive National jurisdiction. He sustained congressional authority when it was used, as in chartering the Bank of the United States or in regulating the coast-wise trade. Even in the absence of congressional action, he blocked State entry into the National sphere, as by a tax, non-discriminatory though it might be, on imported goods in their original packages. Marshall also took a stern view of State acts that violated the spirit, if not the letter, of express constitutional restrictions, or that threatened vested property rights. On the other hand, he found no difficulty in concluding on historical grounds that the Bill of Rights (the first eight amendments) was a restraint only on the National Government and not on the States, despite the ambiguity in phraseology of all but the First Amendment.

*Barron v. Baltimore* →  
Chief Justice Taney, who came to the Court in 1835 from Jackson's Cabinet, did not depart radically from Marshall's positions. Nevertheless, he found noticeably more leeway for State action. A corporate charter was a contract not to be impaired, but its terms would be construed strictly to give the State the benefit of any doubt about the extent of the privileges conferred in the charter. A State could not issue paper currency, but it could charter a State-owned bank empowered to issue notes for circulation. And in a variety of situations where Congress had not legislated, he sanctioned a concurrent power in the States to regulate aspects of interstate commerce that were of special local concern. But when he ruled that Congress had no power to regulate slavery in the territories, popular opinion refused to accept the Court's word as final. This particular controversy had to be resolved by resort to arms.

New administrative undertakings of the war and postwar years introduced the National Government permanently into fresh areas of activity. Among these were the first Morrill Act of 1862, which made land grants for agricultural and mechanical colleges in each State; the establishment of a Commissioner (later Secretary) of Agriculture in the same year, and of a Commissioner of Education in 1867; and in 1870 the creation, under

the Attorney General, of a Department of Justice to supervise from Washington the activities of the United States attorneys in the field. More important for the business world was the establishment of a National banking system in 1863. This created for the first time a corps of National bank examiners. In a follow-up move, Congress used the taxing power to oust the States from the field of chartering banks of issue. Soon thereafter there was a uniform currency.

### *The Fourteenth Amendment*

The adoption of the Fourteenth Amendment in 1868 overshadowed all these moves in its long-term significance for National-State relations. It announced a national definition of citizenship, something the framers in 1787 had studiously avoided. Many thought the amendment authorized Congress to regulate civil rights generally all over the country, but the Congress soon lost its relish for that assignment. As it turned out, the amendment subjected to the possibility of judicial review in the Federal courts a broad range of State legislation over which the State courts had previously had the final word. By implication, it portended, too, a social revolution in the South. Many years passed, however, before judicial review afforded Negroes much of the protection that was the first and principal object of the amendment. Indeed, for a decade and a half the amendment seemed to have made surprisingly little change. The Supreme Court invalidated the last Civil Rights Act, but was otherwise at pains to stay aloof from most of the constitutional controversies over Reconstruction; and it declined at first to expand the field of its review of State legislation. Indeed, except for the abolition of slavery and of the supposed right of secession, the Reconstruction period ended with the federal balance apparently not far from its position in 1860.

Drastic constitutional changes, nevertheless, were just over the horizon. They had little to do with the issues of the war. They were directed instead to adapting an 18th-century document, written for a decentralized agrarian society, to the political demands of an urban industrial nation.

## *Restrictions on Economic Regulation*

The details of constitutional interpretation since Reconstruction are too complex for recital here. One persistent trend was the judicial protection of property rights against the growing volume of State legislative and administrative action that attempted to regulate railroads, grain elevators, and other forms of business enterprise. The Supreme Court first recognized corporations as "persons" with standing to invoke the Fourteenth Amendment, and then broadened the meaning of the due process clause of the amendment to give it a substantive, and not merely a procedural, content. What had once been a phrase in the Bill of Rights intended to guarantee the historic forms of trial in criminal cases became by the end of the 19th century a significant constitutional barrier against legislation restricting the liberty of adults to make business contracts. The issue of constitutionality turned on the Court's views as to the reasonableness of the legislation. So a law limiting hours of labor was valid if applied to underground mining, but not to a bakery. Anti-union stipulations in labor contracts could not be outlawed. Price regulations were restricted to public utilities, and subject to a judicial review of their reasonableness.

State regulation was cramped by the commerce clause, too. Illinois was prevented from limiting railroad transportation charges on interstate traffic (1886), and Iowa from stopping the sale of intoxicating liquors coming in from neighboring States (1890), although Congress had not yet expressed a national policy on either subject.

Judicial interpretation of the commerce clause and of the due process clause of the Fifth Amendment also put limits on congressional regulation of business activities. The Sherman Anti-Trust Act of 1890 was constitutional, but for a long time it was held not to apply to manufacturers, on the ground that manufacturing was not commerce; its regulation was, therefore, the province of the States. An attempt to outlaw the "yellow dog" contract in railroad employment was an unconstitutional deprivation of liberty without due process.

To the same general end the Tenth Amendment, reserving to the States or to the people all powers not delegated to the National Government, was sometimes made the basis for a nar-

row construction of congressional powers. Since child labor and agriculture were not mentioned in the list of enumerated powers, their regulation, it was said, was reserved to the States and could not be reached indirectly by the taxing or commerce powers of Congress.

A corollary doctrine led to the recognition of intergovernmental immunities from taxation, both on the salaries of public officials and on the interest on government bonds.

### *Where Regulation Was Allowed*

While the lines of interpretation just sketched tended to limit both State and National regulation of economic enterprise, other regulations during the late 19th and early 20th centuries were receiving the Court's approval. Public health grounds justified compulsory vaccination of people and sanitary inspection of food. Public safety supported building codes and fire precautions. Humanitarian considerations justified limits on work hours for women in factories. Welfare and social justice sustained workmen's compensation laws altering the common law liabilities of master and servant. The need to protect real estate values supported zoning regulations. Revenue needs validated license taxes on carriers. Thus a considerable area was kept open for the States in spite of the Fourteenth Amendment.

Similarly, the powers of Congress were not always narrowly construed. The Court allowed use of the Federal taxing power to drive out colored oleomargarine and to control narcotics. After 1895 and until the Sixteenth Amendment, an income tax was unconstitutional, but a tax on corporate income was permitted when it was called an excise. During the first two decades of this century, the commerce power was extended to cover railroad holding companies, to enable the Interstate Commerce Commission to bring discriminatory intrastate railroad rates into line, to hamper lotteries, and to attack the white slave traffic. Later, the Court sanctioned the use of this power to pursue kidnapers, stolen property, and fugitives from justice across State lines. To use judicial figures of speech, Congress could "clear interstate commerce of obstructions," could

“cleanse it of harmful use,” and could control anything in “the stream of commerce.” Congress also found a way to divest interstate liquor shipments of their immunity from State law. The treaty power opened the way to the regulation of migratory gamebird hunting. The war power was enough to sustain the first National prohibition law, as well as selective service. The postal power became the basis for fraud orders and bans on obscene publications.

### *Recent Changes*

Two related premises regarding the federal system underlay the judicial interpretation of National and State powers for a full half century after 1880. One was that workably clear and distinct boundaries between their respective realms of activity could be drawn in terms of constitutional powers. The other was that the Supreme Court was the final arbiter of the system. Experience showed both assumptions to be illusory. So many judicial precedents of contrary tendency accumulated that the boundary lines became unpredictable and, indeed, a zone of governmental no man’s land sometimes appeared to lie between them. On the major issues of National and State power, the Supreme Court during the early 1900’s often had a free choice in decision. Having such a choice, the Court was exposed again, as it had been on some earlier notable occasions, to a cross-fire of political criticism. The clash culminated in 1937 when the Court began a series of sweeping reversals or modifications of former decisions.

Since 1937, judicial doctrine has recognized the emergence of a new concept of National-State relations, sometimes labelled “cooperative federalism” in contrast with the separatism of the previous era. The concept rests constitutionally on a broad view of National authority, on the abandonment of the due process clause as a source of substantive restraints on State regulation of economic affairs, and on the Court’s refusal to entertain taxpayers’ suits challenging exercises of the spending power. Coming full circle after 125 years by the route of implied powers, the Supreme Court now gives to the list of powers delegated to Congress in Article I, Section 8, of the Constitution approxi-

mately the same broad sweep of meaning conveyed by the Virginia Plan, as quoted earlier. At the same time, the Court has generally refused to invoke the prerogative of review over economic policy that it exercised for 40 years prior to 1937. State and National laws touching economic affairs are no longer held to be deprivations of due process because they conflict with natural rights of property or liberty of contract. The Court has accepted a reading of the general welfare clause that places no discernible judicial limits on the amounts or purposes of Federal spending, although it does not follow that the power to spend carries with it unlimited power to regulate. The potentialities of the spending power were only dimly apprehended before the income tax and the Federal Reserve System opened up new reservoirs of Federal revenues and credit. Grants-in-aid are only one characteristic use of the power, along with many other direct spending and lending programs. Finally, the Court has directed the lower Federal courts to follow State law in handling litigation based on diversity of citizenship, so as to minimize conflicts in the applicable rules of decision.

### *Judicial Review Today*

Under judicial doctrine since 1937 the Supreme Court has largely removed itself as a practical factor in determining the economic policies of the States and the Nation. It has not, however, eliminated the historic role of judicial review in our federal system. Two remaining functions are noteworthy here, apart from its task of promoting uniformity of interpretation and filling in the gaps in Federal law. One is the duty of judging when the States have overstepped and encroached on whatever area should be the exclusive domain of Federal regulation, if any, or have actually legislated in conflict with Federal law. The exercise of this function is as old as the Court itself and as recent as the 1955 decision that only the Interstate Commerce Commission, and not a State, can revoke the license of an interstate trucking concern to use the highways.

The other function is very recent in its present-day significance, dating only from 1925, though its roots go back to the Fourteenth Amendment. This is the guardianship of civil liberties. In

the face of its withdrawal from supervision over economic policies, the Court during the past 30 years has become noticeably more stern in construing State responsibilities under the Fourteenth Amendment to protect civil and political rights. Beginning in 1925, earlier doctrine has in effect been reversed, and the guarantees of freedom of speech, press, and religion, as well as some (but not all) of the procedural safeguards in criminal cases written in the Bill of Rights against the National Government, have been read also into the due process clause of the Fourteenth Amendment against the States. More recently, racial discriminations have been brought further under the ban of the equal protection clause of the same amendment. In this whole area, in contrast to the field of economic affairs, the Congress has moved slowly, and the Supreme Court has become the principal instrument of Federal surveillance. There is a surface paradox in this extension of National judicial power at the very time the Court is emphasizing its deference to State legislative policy. But the paradox disappears in a view of the purposes of our federal system which puts the strengthening and preservation of basic personal freedoms among the first objects of the Union.

### *Constitutional Doctrine Today*

What, then, is the present position of constitutional doctrine as it bears on National-State relations? Reviewing current Supreme Court interpretations in the light of their historical development, the following generalizations appear to be warranted:

First, the constitutional restrictions now applicable to any government in the United States are chiefly procedural, are quite similar in their admonitions to the Nation and to the States, and consequently under the philosophy of these decisions exert no major thrust on the working division of labor and authority between them one way or the other.

These restrictions are found chiefly in the Bill of Rights and the Fourteenth Amendment. They put important limits on the permissible ways of using the coercive powers of government, and on some policies related to the provision of certain services and to the conduct of elections. In the main they have been

left to the judiciary to enforce. In the sense that they subject State policies and procedures to a National judicial review, they are a significant feature of our federal system. Court enforcement of them may cut across time-honored policies and deeply felt beliefs. But they do not have the effect of transferring activities from one governmental level to another. Nor do they prevent either level from pursuing substantive programs of any kind likely to be adopted in this country. The federal balance might be different if there were major disparities in the procedural restraints applied at one level in contrast with the other; or if the Congress showed any disposition to make full use of the powers conferred on it by the Fourteenth Amendment.

Second, the prohibitions on the States, express and implied, that keep them from actions deemed to encroach on powers delegated to the National Government have only a minimal effect on the capacity of the States to discharge their functions.

These prohibitions set the lower limits of the zone of National responsibility for governmental action. So far as they have a nationalizing tendency, it comes chiefly from the judiciary in the form of Court review of State action. In general, these limitations keep the States out of interstate commerce, admiralty, bankruptcy, and currency matters, and prevent them from imposing burdens on Federal instrumentalities. It does not follow that these prohibitions on the States automatically or necessarily compel the Congress to act in these fields; this depends on the will of Congress. They do, of course, present some borderline problems that have nevertheless proved manageable. For one thing, the trend of recent judicial opinion outside the civil liberties field has on the whole been tolerant and accommodating to State policy: the States, for instance, can tax some interstate commerce, or set up quarantine inspections at their borders, or fix weight limits for trucks, or enforce highway traffic regulations, provided they do not discriminate against interstate commerce or burden it "unduly." Moreover, congressional waivers or administrative cessions of a National jurisdiction staked out by the Court can make flexible room for State action; this is the pattern made familiar by the Twenty-first (Repeal) Amendment. It is also illustrated in the Tidelands Act, and in the refusal of the National Labor Relations Board to hear

some local cases. Even where action by the States is precluded by virtue of positive congressional action, as in some aspects of labor relations, the boundary adjustments are within congressional control. Broadly speaking, the working division of duties is not determined by rigid constitutional limits on the States.

Third, the range of activities that lie primarily within the power of the States by reason of the lack of any coercive authority in Congress to deal with them, is substantial. While the National Government has extensive authority to regulate, especially under its tax and interstate commerce powers, there is still a broad field of regulatory activity beyond its reach. The limits of the delegated and implied National powers fix the maximum range of National action. The existence of such constitutional bounds is probably more important than their exact location for the purpose of maintaining the federal nature of our governmental system. It is important that National powers be adequate to all truly national needs; it is also important that they do not jeopardize the proper functioning of the States. The former object is a matter of power and hence of constitutional law; the latter is primarily a matter of policy. It is improbable that judicial action would be needed to prevent the National military or taxing power, for example, from being used directly on the State governments to destroy or cripple them. The more likely danger is that the National Government will dissipate its energies and prestige, or discourage the States from developing their talents, by taking on matters that lie in the field of concurrent powers and that the States can handle acceptably.

Fourth, the possibility of a significant constitutional no man's land in our federal system has been disposed of by judicial reinterpretations. The early child labor cases, and the decisions invalidating the Municipal Bankruptcy Act and the Bituminous Coal Act during the depression, pointed for a time to subjects beyond the reach of any legislation. But apparently there are no longer any areas of economic policy barred to Congress for want of delegated power, on the one hand, and impractical or unconstitutional for the States to enter, on the other. The States are accorded more latitude now, and National powers are broadly available for all the great exigencies of government for which the Union was created: to "establish Justice, insure do-

mestic Tranquility, provide for the common defence, promote the general Welfare, and secure the Blessings of Liberty \* \* \*

Fifth, it follows that the basic problems of maintaining our federal system today lie in those areas of National and State power where both Congress and the States have real choices to make, and where many alternative courses of action are open. It is in these areas that practical issues arise and tensions between interested groups and organizations are felt. Legislatures and administrative agencies within their assigned jurisdictions provide the appropriate forums for settling these issues.

Under our federal system, the division of responsibilities between the National Government and the States was once thought to be settled mainly in terms of power: either one level, or both, or neither, had the authority to move; and that was enough to settle their functions. Such a decision was usually one for the judiciary. Under current judicial doctrine, there are still limits on the coercive powers at both levels, but the National powers are broad and the possibilities by means of spending are still broader. The crucial questions now are questions of policy: Which level ought to move? Or should both? Or neither? What are the prudent and proper divisions of labor and responsibility between them? These are questions mainly for legislative judgment, and the criteria are chiefly political, economic, and administrative, rather than legal. The emphasis is on mutual and complementary undertakings in furtherance of common aims. The task of this Commission, accordingly, is to determine, within the constitutional limits of National and State powers, and in the light of 165 years of practical experience, what division of responsibilities is best calculated to sustain a workable basis for intergovernmental relations in the future.

## SUMMARY

Our federal system is a unique phenomenon, without an earlier model and bearing only a general resemblance to later federal systems established elsewhere. It is the product partly of human purpose, partly of unconscious adaptation to the circumstances and the felt needs of our people. It has survived the vicissitudes of over a century and a half of our history to become now the old-

est federal system. It has met the test of civil war. It has accommodated vast territorial expansion to the significant principle that the new States shall enjoy constitutional equality with the old. It has furnished a governmental environment compatible with unparalleled economic growth and social advances. It has shouldered an increased degree of responsibility for social security and welfare. It has enabled the mustering of resources for waging two world wars and developing atomic energy.

At the same time, it has preserved a degree of local autonomy unmatched among the world's other great powers. The States make their own constitutions, and the laws that govern elections, crimes, property, contracts, torts, domestic relations, and the like. Most States in their turn have tended in practice to establish a virtually federal division of powers and responsibilities between themselves, their counties, and their municipalities. This autonomy has kept under local controls most of the schools, the police, the ordinary administration of criminal and civil justice, the local taxes, and the provision of most municipal services. It has kept in local hands also the machinery of elections and with it, in the main, the control of the party system. It has enabled local option to prevail on a wide range of domestic concerns. It has furnished local bases of power and refuge for political leaders, parties, and policies in opposition to those for the time being dominant in Washington. It has made possible a large degree of popular participation and consent.

These are results—most citizens would call them achievements—in keeping with the original purposes, as set forth in the Preamble to the Constitution. With the passage of the years, the federal division of powers has involved a highly complex distribution of governmental tasks and responsibilities. Because the results are generally approved, the system itself enjoys high prestige. But approval in general should not necessarily imply endorsement of all the details of a going system. Where the problem of our federal system once appeared to be one of creating sufficient strength and authority in the National Government, today contrary concerns have aroused anxiety. The National Government now has within its reach authority well beyond what it requires for ordinary use; forbearance in the

exercise of this authority is essential if the federal balance is to be maintained.

Yet prudent limitation of National responsibilities is not likely by itself to prevent overcentralization. A realistic program of decentralization in our contemporary society depends too on the readiness and ability of the States and their subdivisions to assume their full share of the total task of government.

## Chapter 2

### THE ROLE OF THE STATES

The American federal system was founded on the general principle that the National Government should act only where the States would be incompetent to act, or where action by the individual States might be injurious to the harmony of the United States. The changes in our society reviewed in the preceding chapter have deeply influenced the application of this principle, but have not affected its validity.

The success of our federal system thus depends in large measure upon the performance of the States. They have the primary responsibility for all government below the National level. The States and their subdivisions bear directly more than two-thirds of the growing fiscal burdens of domestic government. In recent years their activities have been increasing faster than the nondefense activities of the National Government.

Some activities of government are of such a nature that only the National Government is competent to perform them. By and large, however, the ability of the States to perform governmental activities is flexible, depending in part on the nature of the activity, and in part on the way in which the States and local governments organize and utilize their governmental resources. Even where a vital national interest requires National action, the initiative, energy, and competence of State and local governments may help to determine whether the National role is to be minor or major, cooperative or dominant. There is, therefore, a direct relationship between the ability of the States to perform their functions adequately and the duty of this Commission "to study the proper role of the National Government in relation to the States and their political subdivisions."

To be sure, under our constitutional system as currently interpreted, the National Government can, if it wills, undertake to

perform certain activities regardless of the competence of the States to perform them. This makes it even more important to develop the capacity of the States to handle a larger share of the total task of government. It means also that the National Government has a responsibility on its part to leave room for and not to frustrate such development.

The strengthening of State and local governments is essentially a task for the States themselves. Thomas Jefferson observed that the only way in which the States can erect a barrier against the extension of National power into areas within their proper sphere is "to strengthen the State governments, and as this cannot be done by any change in the Federal constitution \* \* \* it must be done by the States themselves \* \* \*." He explained: "The only barrier in their power is a wise government. A weak one will lose ground in every contest."<sup>1</sup>

There is a growing knowledge and understanding of the means available to strengthen State and local governments. For example, the Council of State Governments, an organization founded and supported by the States, has called upon them to revise their constitutions, to modernize their legislative processes and procedures, to reorganize their executive branches, to make more extensive use of interstate compacts and other methods of interstate cooperation, to reorganize their tax systems, to maintain adequate planning and resource agencies, and to extend home rule to their political subdivisions.

### *State Constitutions*

Early in its study, the Commission was confronted with the fact that many State constitutions restrict the scope, effectiveness, and adaptability of State and local action. These self-imposed constitutional limitations make it difficult for many States to perform all of the services their citizens require, and consequently have frequently been the underlying cause of State and municipal pleas for Federal assistance.

It is significant that the Constitution prepared by the Founding Fathers, with its broad grants of authority and avoidance of

---

<sup>1</sup> Letter to Archibald Stuart, Dec. 23, 1791, *The Writings of Thomas Jefferson*, ed. Paul L. Ford, New York, 1892, vol. V, pp. 409-410.

legislative detail, has withstood the test of time far better than the constitutions later adopted by the States. A due regard for the need for stability in government requires adherence to basic constitutional principles until strong and persistent public policy requires a change. A dynamic society requires a constant review of legislative detail to meet changing conditions and circumstances.

The Commission finds a very real and pressing need for the States to improve their constitutions. A number of States recently have taken energetic action to rewrite outmoded charters. In these States this action has been regarded as a first step in the program to achieve the flexibility required to meet the modern needs of their citizens.

## THE STATE LEGISLATURE

In the early history of our country, State legislatures were the most powerful and influential instruments of government in the Nation. It was to them that the average citizen looked primarily for initiative and wisdom in the formulation of public policy on domestic issues. They overshadowed the other branches of State government. In power and influence they are no longer as dominant as they were, partly because of the ascendancy of the National Government, partly because of the increased influence of the State executive, but primarily because they have not found effective solutions to problems that become more chronic and more difficult to cope with in a rapidly changing society.

### *Importance of Reapportionment*

One of these problems is to maintain an equitable system of representation. In a majority of States, city dwellers outnumber the citizens of rural areas. Yet in most States the rural voters are overwhelmingly in control of one legislative house, and overweighted if not dominant in the other.

In a majority of State constitutions, population is the sole or principal basis of representation in both houses. But this basis is in many cases modified, at least for one house, by provision for

a certain minimum or maximum number of representatives per county or other district. As cities have grown more rapidly than rural areas, these systems of apportionment have tended to create an increasing imbalance in legislative representation in favor of rural areas.

The constitutions of 43 States call for some reapportionment in at least one house as often as every 10 years. In nearly half of these States, reapportionment lags behind schedule. Ten States provide for reapportionment of one or both houses by some agency other than the legislature, either initially or in case the legislature fails to act. In these States, some reapportionment takes place on schedule—a fact worthy of study by States whose legislatures have been reluctant to obey the constitutional mandate to reapportion themselves.

Revising an outmoded pattern of representation is, to be sure, a difficult act for a legislative body, each of whose members has a vested interest in the *status quo*. Many States would need a constitutional amendment to redistrict, for at least one house, as well as legislation to carry out the constitutional intent of periodic reapportionment. Since both require action by the legislature, except in States where they may be initiated by petition, a heavy premium is placed upon the farsightedness of legislators and upon the willingness of citizens to reconcile their special interests with the general good.

Reapportionment should not be thought of solely in terms of a conflict of interests between urban and rural areas. In the long run, the interests of all in an equitable system of representation that will strengthen State government is far more important than any temporary advantage to an area enjoying overrepresentation.

The problem of reapportionment is important in the area of study of this Commission because legislative neglect of urban communities has led more and more people to look to Washington for more and more of the services and controls they desire. One of the study reports prepared for the Commission makes this very clear:

If states do not give cities their rightful allocation of seats in the legislature, the tendency will be toward direct Federal-municipal deal-

ings. These began in earnest in the early days of the depression. There is only one way to avoid this in the future. It is for the states to take an interest in urban problems, in metropolitan government, in city needs. If they do not do this, the cities will find a path to Washington as they did before, and this time it may be permanent, with the ultimate result that there may be a new government arrangement that will break down the constitutional pattern which has worked so well up to now.

One result of State neglect of the reapportionment problem is that urban governments have bypassed the States and made direct cooperative arrangements with the National Government in such fields as housing and urban development, airports, and defense community facilities. Although necessary in some cases, the multiplication of National-local relationships tends to weaken the State's proper control over its own policies and its authority over its own political subdivisions.

Paradoxically enough, the interests of urban areas are often more effectively represented in the National legislature than in their own State legislatures. Originally there was no substantial difference between the representativeness of Congress and of State legislatures, but history and population shifts have affected these bodies differently. Reapportionment in the House of Representatives has occurred after nearly every census; since 1929 it has been automatic. The same shift of population which has resulted in State legislatures becoming less representative of urban areas has had the effect of making the United States Senate more representative of these areas, because Senators, elected at large, must depend heavily upon urban voters, even in predominantly rural States.

For these and other reasons, the Commission has come to the conclusion that the more the role of the States in our system is emphasized, the more important it is that the State legislatures be reasonably representative of all the people. This conclusion is in line with the view of the Commission's Advisory Committee on Local Government that the States could help "to minimize the pressure for greater centralization or greater Federal participation in State and local affairs," by making sure that representation in their legislatures is "on a fair and equitable basis."

## *The Need for Flexibility*

In addition to reapportionment, there are a number of other measures that would enable State legislatures to become more effective instruments of policy formation. In this age of rapid change, legislative bodies are called upon to deal with an increasing number of complex and technical issues. Most State legislatures are not, however, in a position to give the time and study that many of these issues should have. Most of the States impose constitutional limitations on the frequency and length of sessions. Only ten State constitutions provide for annual sessions and several of those limit every other session to fiscal matters. The low pay of most legislators and their inadequate physical and staff arrangements accentuate the effect of limited sessions.

There is a discernible movement to correct these conditions. A few States have recently provided for annual sessions, at least for action on the budget. More than two-thirds of the legislatures have equipped themselves with legislative councils to develop objective information as a basis for policy decisions. A smaller number of States have reorganized their committee systems and revised their rules. Legislative pay is improving, though slowly and moderately.

Perhaps the chief obstacles to legislative flexibility are those created by over-detailed provisions of State constitutions, designed to correct specific actions of past legislative sessions. Some of these provisions rigidly prohibit certain forms of legislative action; others contain elaborate restrictions and prescriptions of an essentially statutory nature. Some of them attempt to regulate in detail such rapidly changing or technical matters as the powers of corporations, the routes of the State highway system, and the conduct of State and county administration. Some interfere with the full use of modern tools of budgeting, accounting, auditing, and personnel administration.

In a number of States, the constitution earmarks so high a proportion of the tax revenues that the legislature's power to appropriate money applies to less than half of the State's expenditures. This tends to undermine the principle of responsible representative government and limits the ability of the

legislators to adapt the spending policies of the State to changing needs and conditions. Chapter 4 will discuss constitutional limitations on State and local taxing and spending powers in somewhat more detail and show how they tend to build up pressures for National spending for essentially State and local purposes.

It is abundantly clear that restrictions and limitations of the type described have engendered at least as many errors and excesses as they have prevented. Removing these limitations would be an important step toward strengthening State government.

### THE STATE EXECUTIVE

The American system of separation of powers works best when all branches of government are strong, energetic, and responsible. Men of such diverse points of view as John Adams, Alexander Hamilton, and Thomas Jefferson recognized that the successful operation of a government based on the separation of powers depends on provision for adequate executive authority as well as for a representative legislature and an independent judiciary. Jefferson saw the need for a governor bearing the "whole weight" of executive responsibility. Hamilton insisted that "Energy in the executive is a leading character in the definition of good government." Adams looked upon a strong, independent executive as "the natural friend of the people," the chief defender of their rights and liberties.

Today, few States have an adequate executive branch headed by a governor who can be held generally accountable for executing and administering the laws of the State. State constitutions provide in principle for three equal branches of government, but most of these constitutions and numerous laws based on them include provisions that tend to undermine this principle. Early fears of royal governors and the natural preference for the legislative bodies that had spoken for the colonies in their contests with the crown have left their mark on the development of the State executive. The growth of State functions in the last half century and the increasing importance of National-State cooperative relations have created the need for a governor who is in

a position to provide executive direction to the State's business, and to see to it that grant-aided programs dovetail with other State programs and operate under State supervision.

### *Limitations on the Power of the Governor*

Typically, though not universally, the governor is the nominal chief of a sprawling State administration consisting of scores of separate departments, commissions, and agencies. Department heads, many of them boards or commissions, are often selected or appointed for long or overlapping terms. This enables them to be more or less independent of normal executive controls. Still other agency heads may be separately elected, or may be appointed by the legislature or by someone other than the governor. In most States, the governor's removal power over many of his "subordinates" is so restricted that it is of little value as a tool of administrative control. Few governors have been supplied with modern staff agencies and tools of management adequate to the administrative responsibility presumed to be vested in them. Furthermore, constitutional limitations on tenure frequently weaken their leadership in policy and administration. More than one-third of our governors still have only 2-year terms, while of the 4-year governors, more than one-half may not succeed themselves.<sup>2</sup>

The separate election of other State administrative officers deserves special attention. In 40 States, the people elect from 5 to 12 administrative officials or agency heads, in addition to the governor. Since the agencies are in some cases headed by boards, the actual number of persons elected may run even higher, being over 20 in 4 States. This arrangement seriously divides or hides responsibility and makes difficult the achievement of unity of command and consistency of action within a State administration.

Experience in the administration of Federal grants-in-aid emphasizes the need for effective gubernatorial supervision of State

---

<sup>2</sup> Governors Jones and Battle and Congressman Hays do not believe that the fact that a governor serving a four-year term may not succeed himself weakens his leadership in policy or administration.

administration and for effective review by both governor and legislature of policies carried out by all State agencies. In the absence of such supervision and review, there is a tendency for groups of professional administrators in a single, specialized field, working at National, State, and local levels, to become a more or less independent government of their own, organized vertically and substantially independent of other State agencies. Programs may be agreed upon, State as well as Federal money may be committed, and important public projects may be carried out without even a review by the governor's office to determine how they relate to other State activities or requirements. On the other hand, States with fairly strong governors served by active budget and other staff aids have reported relatively little difficulty of this sort.

### *Movement for Reorganization*

The movement for reorganization of State administration has produced some concrete results. It has also revealed the nature of the difficulties to be overcome and pointed to directions in which further progress can be sought. A few States, notably New Jersey, New York, and Virginia, have achieved substantially integrated administrations under governors constitutionally equipped to be chief executives in the full sense of the term. More States have brought about appreciable reductions in the number of separate departments and have curtailed somewhat the use of boards and commissions as department heads. Approximately half of the States now have civil service systems applicable to all employees, while the rest have partial coverage.

Probably the greatest progress in State administration has been in the field of budgeting and fiscal management, although the usefulness of these tools is often seriously impaired by constitutional limitations and by the existence of officials independent of the chief executive. A number of States have developed departments of finance or of administration that bring management functions together in an agency directly responsible to the governor.

## *The Task Ahead*

While there is no unanimous agreement on a precise pattern of administrative organization applicable to all States, there is substantial agreement on certain arrangements which, if generally applied, would greatly strengthen State administration. The following statement reflects the consensus of some 20 State reorganization commissions:

\* \* \* In general it was felt that reorganization movements should result in strengthening the office of the governor; reducing the independent agencies and administrative boards and commissions and grouping them into major departments; extending the gubernatorial power over appointment and removal of department heads; and strengthening executive controls over budgeting, accounting, purchasing, state property, etc. At the same time, it was pointed out, it is of the utmost necessity to revise legislative procedures in the direction of greater efficiency, and to provide the legislature with more effective reporting and auditing controls—in order that the executive may be held to proper accountability.<sup>3</sup>

Deficiencies in National administration sometimes hinder prudent policymaking and responsible administration by the States. Among these deficiencies are the inflexibility of rules affecting State participation in joint programs, uncertainty as to the location of responsibility for decisions within a National agency dealing with the States, and competition or duplication between different National agencies concerned with the same or similar State programs. Some of these conditions tend toward further splintering of State administration and weakening of the governor's authority. The National Government has an obligation to overhaul policies and administrative arrangements that impede action by the States to strengthen their own administration.

## INTERSTATE COOPERATION

Interstate cooperation extends the scope of State action. Wisely employed, it can greatly increase the people's satisfaction with their State governments and reduce the demand for

---

<sup>3</sup> Summary of Conference on State Government Reorganization, Council of State Governments, September 1949.

National action. Through uniform and reciprocal laws and interstate compacts nationwide in scope, such as those on probation and parole, it helps to promote uniform action by the States. Through regional compacts, it can minimize the need for regional administration by the National Government.

There has been during this century a substantial development of regional governmental activity based upon interstate compacts of varying formality, yet their potentialities have hardly been tapped. Development of terminal and transportation facilities, maintenance of an interstate park, forest fire protection, water supply, control of water pollution, marine fisheries, conservation, aspects of higher education—this is but a random list of present activities. The recently adopted Water Front Commission Compact, by which New York and New Jersey regulate hiring practices affecting longshoremen and stevedores in the Port of New York, may point the way toward wider use of interstate compacts for regulatory purposes. If the States do these and other things for themselves on a cooperative basis, there will not be as strong a case for National action.

The Council of State Governments, established by the States in 1933 to promote interstate cooperation and improve National-State relations through a program of research, publication, and information, can be made even more effective by expanding its research and clearinghouse activities and its services as convener and staff agency for national or regional conferences and committees. Each State could help by reviewing its procedures for recording and passing on information and experience that might be useful to other States.

Uniform laws strengthen the States and increase the confidence of the people in State government by improving the quality of State legislation. Uniform laws and model acts are promoted by the Council of State Governments, with the cooperation of the National Conference of Commissioners on Uniform State Laws. The subjects covered include various aspects of commercial law, crime control, national defense, traffic and motor vehicle regulation, health, welfare, and absentee voting.

These laws have proved to be effective instruments of interstate cooperation, even though the rate of adoptions has been

slow, and despite the fact that the courts do not interpret uniform laws uniformly. More vigorous prosecution of this approach would enable the States to meet widely recognized needs which, if neglected, will invite increasing attention from the National Government.

The National Government can help to promote interstate cooperation in various ways. Congress can facilitate interstate cooperation by wider application of its policy of giving advance authorization for interstate compacts, as it does in the civil defense program. In chapter 3, the Commission recommends the establishment of a Presidential staff agency on intergovernmental relations. Such an agency could assist the States in connection with interstate compacts and other cooperative arrangements.

## STRENGTHENING LOCAL GOVERNMENT

The objective of decentralization cannot be attained by a readjustment of National-State relations alone. It will be fully achieved only when carried through to the lowest levels of government, where every citizen has the opportunity to participate actively and directly. The strengthening of local governments requires that activities that can be handled by these units be allocated to them, together with the financial resources necessary for their support.

The local government map of the United States discloses a maze of approximately 109,000 governmental units, many of them overlapping. This figure includes some 3,000 counties, 17,000 incorporated municipalities, 17,000 towns and townships, 60,000 independent school districts, and 12,000 special districts. It is not uncommon for the same area to be served by a municipality, a school district, a county, and one or more special districts. A considerable number of metropolitan areas embrace over 100 separate local government units.

More or less hidden in this picture is a paradox that constantly plagues the States and bars an easy solution of the problem of achieving the decentralization of government—too many local governments, not enough local government.

## *Finding the Right Size*

The amount of local self-government, or home rule, that can be exercised effectively depends partly upon the community's size and resources. If the country were divided into fewer local units, they could assume complete or substantial responsibility for a larger share of government. For example, an adequate public health program, according to public health authorities, is hard to sustain in a community of less than 50,000 people. On that basis, only 232 of the municipalities and only 476 of the counties are adequate home rule units for public health purposes.

The inability of many small local units to satisfy modern service standards, in public health and other specialized fields, has caused higher levels of government to take over all or part of an increasing number of services. A State, in meeting its responsibility to supervise the organization of its local subdivisions, must consider the relationship between the size of local units and the distribution of functions up and down the ladder of government.

The attempt to match size and function has produced varying results. The number of school districts, for example, has been sharply reduced. Facilitating legislation, fiscal inducements, and publicity campaigns by both public and private agencies have brought about a reduction in the number of school districts from 109,000 in 1942 to 60,000 in 1954.

Meanwhile, there has been virtually no progress in reducing the number of other units of local government. In fact, the number of special districts and authorities organized to provide services along functional lines continues to increase, and this increase is taking place within the already chaotic pattern of overlapping local governments.

The States have the constitutional responsibility for the future development of local government. This responsibility has two important aspects. One is to create local units of government that are efficient units for providing governmental services. The second is to maintain a system of local government that achieves the traditional American goal of extensive citizen participation in the affairs of government. The States must be alert to the reality that modern technology continuously creates new techniques that give rise to new demands for public services and new

methods of rendering them as well as new channels and patterns of communication and common action among citizens. These in turn alter the optimum size and shape of local units. Although the effects of these factors are not necessarily the same, they all point to the need for a bolder use by the States of their powers over the incorporation, annexation, elimination, and consolidation of units in order to promote both efficiency and citizen participation in local affairs. The National Government can help the States in this task. It should carefully scrutinize its grant-in-aid and other expenditure policies to make sure that it does not improvidently prolong the lives of local units that have no excuse for being, or inadvertently add to the complexity of the existing patchwork of overlapping local jurisdictions.

### *Broadening Home Rule*

While moving toward a more rational pattern of local governments, much can be done with those that exist. There are many States in which even the smallest local units could perform better if given greater discretion to choose their own form of government and to supply themselves with desired local services. The road to greater home rule has already been partially mapped by States that have successfully used constitutional home rule, flexible optional charter systems, and liberal legislative grants of municipal powers. There has been enough experience in such home rule States as Wisconsin, New York, and Texas to demonstrate that as long as the State retains the right by general law to proscribe or supersede local action that might have an adverse effect on other communities, there is much to gain and nothing to lose in leaving a wide range of discretion and initiative to local governments.

Experience in States with liberal constitutional home rule provisions or optional charter laws indicates that more general adoption of such measures would undoubtedly lead to better charters and consequently to more effective performance in many cities and other incorporated municipalities. The rate at which communities have seized existing opportunities to improve their

charters is evidence of widespread interest in improving local government.

An important value of home rule is that it is potentially a means of strengthening State government. It enables State capitals to concentrate on statewide as distinguished from purely local matters. In general, the less home rule a State allows its local units, the more the State legislature must divert its time and energy from statewide concerns to the details of local problems. Where local governments do not have the freedom to make their own decisions, State legislatures are called upon to enact special laws applicable to only one local unit, laws that would be better handled as local ordinances. This not only diverts State legislators from State business; it also enables local officials to evade responsibility for acts and policies for which they alone should answer. Unworkable or unsatisfactory State-local relations are of concern to the Commission because they tend to push on to Washington matters that are not adequately handled at the State or local level of government and to complicate the necessary dealings among all levels.

### *Metropolitan Areas*

The most intricate aspect of State-local relations is the problem created by the modern metropolitan area. As indicated earlier, some of these areas contain more than 100 local government units. A standard metropolitan area, as defined by the Census Bureau, is a complex community that includes a central city of 50,000 population or more and an urban fringe. There are 170 such areas. The metropolitan problem is not confined to them, however; it exists also in many other incipient metropolitan areas.

Metropolitan areas are not organized as governmental units; they are economic and social complexes that have yet to be integrated into the governmental structure of the States and the Nation. Such integration is confronted with major obstacles.

One is that metropolitan areas, creatures of an economy that is still expanding rapidly, continue to grow at such a rate and in such a variety of forms that their ultimate size and shape are unpredictable. Studies of their problems tend to become ob-

solete before they are finished. There is no simple or constant formula that can be applied in reorganizing local government, such as the one day's horse-and-buggy drive to the courthouse that was the criterion used to organize counties in an earlier period of American history.

Another obstacle is that many metropolitan areas cross State lines. Of the 170 standard metropolitan areas, 23 extend across States boundaries, and 28 others extend up to a State line. Forty-three million persons—one out of every four—live in metropolitan areas that are now or may soon become interstate.

The impact of metropolitan area development upon intergovernmental relations was a major consideration of the Commission's Advisory Committee on Local Government:

The metropolitan areas of the United States are the most important focal points for intergovernmental relations \* \* \* In the metropolitan areas, the relations between the Federal and local governments are numerous and intense. Here, too, not only the counties and cities are involved with the Federal Government, but also the school districts and hosts of highly important special districts and authorities whose interests may revolve around Federal more than State relations \* \* \*

They [the metropolitan areas] are more concerned than other areas about the broad range of Federal and State grants-in-aid.

Modern needs and demands for government to provide services in such fields as welfare, education, transportation, housing, and civil defense, among others, are often most intensely felt and expressed in metropolitan areas. National-State-local programs of cooperation to meet these needs and demands, as in the grant-in-aid programs discussed in Part II of this Report, have in most instances assigned to the States the major responsibility for establishing whatever State-local relations are necessary to implement the programs. Reversal of the trend toward direct National-local relations cited by the Commission's Advisory Committee on Local Government depends to a considerable extent upon how well the States and their subdivisions meet the need for government in metropolitan areas through exercise of their own initiative and powers.

Perhaps the most striking example of the National Government's direct concern with local government in metropolitan areas is civil defense. Project East River, a study of civil defense

made for the National Government, pointed to the lack of an overall government in the typical metropolitan area as one of the most serious handicaps to an effective civil defense program. The following observations were made:

The use of traditional municipal corporate and/or county lines creates extraordinary complications when normal governmental functions are involved. The observance of the same boundaries creates even greater difficulties when an effort is made to develop an integrated operational plan for civil defense of a metropolitan area.<sup>4</sup>

The report stresses the need for metropolitan-wide planning as a basis for directing future development in a manner that not only would reduce urban vulnerability but also would make cities and suburbs more livable. It recommended that "the States, with Federal encouragement and financial aid, if necessary, create and finance metropolitan district planning commissions to prepare, in cooperation with existing local planning authorities, metropolitan land-use plans."<sup>5</sup> National agencies dealing with economic stability, public works, and housing and urban renewal have made similar recommendations.

The time is long overdue for an intensive nationwide study of governmental areas with special attention to metropolitan communities. The study should engage the cooperation of National, State, and local governments, as well as universities, private foundations, and civic agencies. Political invention in this field is greatly needed.

There are good leads to start from: the development of the metropolitan county as in Los Angeles and of the consolidated city and county as in Baton Rouge, the realignment of city and county areas and responsibilities as in the Atlanta Plan of Improvement, various forms of interlocal contracts and cooperation, the interstate metropolitan authority as in the Port of New York area. These approaches are not mutually exclusive.

It is clearly the responsibility of the States to assume leadership in seeking solutions for the problems of metropolitan government. These solutions will require constitutional revision as well as legislative and administrative action. In cases where

---

<sup>4</sup> Associated Universities, Inc., *Project East River*, part I, General Report (1952), p. 32.

<sup>5</sup> *Project East River*, part V, Reduction of Urban Vulnerability, p. 43.

metropolitan areas overlap State boundaries, new forms of interstate cooperation and action may be needed. The Commission suggests as a possibility worth exploring, the authorization of a bi-State municipal charter supported by an interstate compact. This is an illustration of the kind of political adaptation or invention that this problem calls for.

The National Government has an obligation to facilitate State action with respect to metropolitan problems. It should begin by analyzing the impact of its activities on metropolitan areas and by working with the States for better coordination of National and State policies and programs in such areas.

### *County Government*

The intermediate position of the county between the State and municipal governments in some areas, and its position as the primary area of local government or administration in others, have steadily enlarged its importance in intergovernmental relations. It continues to serve in its traditional role as an agent of the State for law enforcement, judicial administration, the conduct of elections, and other important functions. At the same time, county governments have gradually been acquiring functions and powers of a municipal character, some of them transferred from municipalities with inadequate area and resources. The result is that in most States the responsibilities of local government are increasingly being divided between municipalities and counties. This movement has been accelerated in recent years by the fact that the National Government has found the county more convenient than the municipality as a base for a number of grant-aided programs.

The county seat is commonly the headquarters for officials administering certain Federal programs, and the county government is often the only available local unit with which the National Government may cooperate. In three fields where Federal grants-in-aid directly affect large numbers of people—welfare, health, and agriculture—the county is involved in varying degrees. Welfare is administered at the county level, sometimes by the State and sometimes by a county welfare board

that is a substantially independent agency. In public health, it is the National policy to encourage local administration by county or intercounty health units. The National agricultural programs, except for soil conservation technical assistance, are based on the county, either as an administrative area or as a unit of government, and as a matter of fact about 80 percent of the soil conservation districts are coterminous with the county. Counties, of course, participate in the highway program and are sometimes involved in other National programs.

The Commission's Advisory Committee on Local Government had these situations in mind when it recommended that "the National and State Governments should seek more effective coordination of such of their programs as are conducted at the county level by encouraging county governments to set up an office responsible to the elective head or chief executive officer of each county \* \* \*." The Committee observed that "as counties assume more and more responsibility for carrying out programs for the State government, or for the National-State Governments, the need for improved county government becomes more urgent."

The States could advance the cause of local self-government by giving all counties the opportunity to obtain modern charters, to use modern methods of administration, and to exercise more home rule powers. The strengthening of rural counties especially would take some of the load off State administration and simplify the task of administering National programs based upon the counties.

### *State Supervision and Leadership*

The principle of home rule should not be carried to an extreme. It defeats the purpose of home rule to resist needed consolidation of local units by interpreting home rule as a right of perpetual self-determination. Self-determination in one isolated local unit of a large community often restricts the opportunity for genuine home rule in the whole community.

Unfettered local control can be injurious to local as well as to broader interests. For example, it is generally agreed that

houses cost more than they need to because local building codes, sanitary regulations and inspections, licensing requirements for artisans, and zoning and subdivision controls are often inadequate, outmoded, or conflicting. Complete home rule with respect to these matters by ill-equipped local units has been frustrating for the building industry and the public, and has produced complications for National and State housing programs.

The statewide enforcement of some degree of uniformity where uniformity is in the common interest may in the long run strengthen, rather than weaken, home rule by ensuring that local action will be more satisfying to the public. State direction and guidance are entirely compatible with the generous grant of home rule on matters of local concern where the State has not already acted affirmatively in the interest of the State as a whole.

The exercise of energetic and imaginative State leadership to carry decentralization as far as it can properly go need not result in an enlargement of the body of State law affecting local government. In fact, reliance on detailed legal limitations, controls, and prescriptions could be supplanted by emphasis on more flexible administrative supervision, consultation, cooperation, and technical assistance. There are in different States enough varied examples of this approach to State-local relations to serve as precedents for a full-scale program of State leadership and guidance. Some States give invaluable help to local fiscal officers. Others promote local planning, zoning, and community development. Still others furnish particularly useful assistance in functional fields. The State of Tennessee through its Municipal Technical Advisory Service has pioneered an exceptionally broad program to help municipal officials. More and more States are raising levels of performance by extensive in-service training programs for local officials, usually conducted by the State university.

The States can strengthen local government by concerted efforts to find or create the right areas of local government, equip them with the powers they need, and maintain an appropriate balance of supervision and leadership. Efforts along these lines will go a long way toward meeting the problem of too many local governments, but not enough local government.

## NEW STRENGTH FOR THE STATES

Nearly 50 years ago Elihu Root observed:

It is useless for the advocates of states' rights to inveigh against the supremacy of the constitutional laws of the United States or against the extension of national authority in the fields of necessary control where the states themselves fail in the performance of their duty. The instinct for self-government among the people of the United States is too strong to permit them long to respect anyone's right to exercise a power which he fails to exercise. The governmental control which they deem just and necessary they will have. It may be that such control would better be exercised in particular instances by the governments of the states, but the people will have the control they need, either from the states or from the national government; and if the states fail to furnish it in due measure sooner or later constructions of the constitution will be found to vest the power where it will be exercised—in the national government.<sup>6</sup>

By using their power to strengthen their own governments and those of their subdivisions, the States can relieve much of the pressure for, and generate a strong counterpressure against, improper expansion of National action. Thereby they can increase their chances of enjoying an enlarged participation in the total task of governing the Nation.

Since there are 48 States with widely varying problems, no single set of measures can be pointed to as comprising the ideal program for strengthening State and local government. The structure and operating methods of State and local governments are preeminently the concern of the States, and some variety is to be approved rather than condemned. The suggestions put forth by the Commission in this chapter, therefore, are in the form of broad objectives rather than detailed blueprints.

### *Guidelines for Action*

The Commission believes that most States would benefit from a fundamental review and revision of their constitutions to make sure that they provide for vigorous and responsible government, not forbid it. The constitutional provisions that currently limit the effectiveness of both State and local governments are

---

<sup>6</sup> Elihu Root, address before the Pennsylvania Society, September 1906.

in many instances not easily revised. The Commission hopes, however, that the citizens' awareness of the need for new strength in the States will prompt them to undertake the task.

The Commission emphasizes the need in many States to fashion a system of fair and equitable representation; to take action to improve the efficiency of the legislature; and to reorganize State administration to provide the governor with the authority as well as the title of chief executive.

The further development of the techniques of interstate cooperation can help the States extend the scope of State action to more matters on which some degree of regional or even nationwide uniformity is required.

The Commission directs attention to the need for more State leadership, for more local home rule, for fewer and stronger local units, for the better utilization of the counties, and for the development of solutions to the crucial problems of metropolitan areas.

### *Popular Support Needed*

The Commission's emphasis on strengthening State governments stems from its belief in the increasing importance of the States in our federal system. The larger the national and international responsibilities of the government in Washington become, the more important it is to have State and local governments able to carry out their proper responsibilities.

This, then, may be an appropriate time for a nationwide examination of the readiness of the States to discharge greater responsibilities. This stock-taking should be more comprehensive and more searching than any that has attended recent efforts to revise State constitutions, reorganize State administrations, modernize State tax systems, or improve State-local relations. Each State should determine the scope of its own study and the procedures for carrying it out. In every case, one or more official bodies of able and representative citizens will need to be selected to plan and guide the study and to formulate specific conclusions and proposals for action. Real success, however, will require the whole-hearted cooperation of State and local officials, of agencies and persons with special knowledge, and of citizens and citizen organizations generally.

While the strengthening of each State must be brought about according to its need by its own citizens, the people and leaders of the several States should help one another to the fullest extent possible in this essentially common effort. There should be extensive interchange of plans, studies, proposals, and experience. A certain amount of research as well as general public education on the importance, functions, nature, and problems of State and local government could best be accomplished through cooperation among the States. National organizations both of State and local officials and of citizens could perform important services along these lines and could help State and local groups with tasks in their own States and communities. A voluntary nationwide citizens' committee might be organized to facilitate the cooperation of diverse groups and to keep public attention firmly fixed on the ultimate goal.

Many good citizens and well-intentioned groups that respond readily to an appeal to improve the efficiency of the National Government have not shown an equal interest in similar proposals for improving and strengthening State government. Citizens who fail to understand the essential conditions of effective government in their home States may unintentionally promote the centralization they deplore. More attention should be given to the education of citizens with respect to their responsibilities as citizens of their own States. The federal system and decentralization in government cannot be improved and strengthened without special effort to maintain adequate sources of information, channels of communication, and forums for discussion of State and local issues.

If the States carry on a successful program of self-improvement as suggested in this chapter, still further decentralization of government to the States and their local units should be widely acceptable. The Commission wishes to emphasize that the National Government itself has a clear obligation to do everything it properly can to assist in this effort to strengthen the States.

## Chapter 3

### NATIONAL RESPONSIBILITIES AND COOPERATIVE RELATIONS

The maintenance of a healthy federal system has two aspects. The States must be alert to meet the legitimate needs of their citizens, lest more and more of the business of government fall upon the National Government. At the same time, the National Government must refrain from taking over activities that the States and their subdivisions are performing with reasonable competence, lest the vitality of State and local institutions be undermined.

The division of responsibilities between Nation and States is not and cannot be set by any authority over and above both, apart from the Constitution itself and the people. The organs of the National Government determine what the Constitution permits the National Government to do and what it does not, subject to the ultimate consent of the people. And under present judicial interpretations of the Constitution, especially of the spending power and the commerce clause, the boundaries of possible National action are more and more subject to determination by legislative action.<sup>1 2</sup> In brief, the policymaking authorities of the National Government are for most purposes the arbiters of the federal system.

---

<sup>1</sup> Governor Peterson makes the following statement in which he is joined by Governors Battle, Jones, Shivers, and Thornton, Senator Schoeppel, Congressman Dolliver, and Mayor Henderson:

"It is a matter of regret that the Supreme Court of the United States in sustaining legislation designed to alleviate the effects of the depression of the 1930's has weakened the constitutional concept that the National Government is one of delegated and enumerated powers and that 'the powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people.'

"The effect of these decisions (*Helvering v. Davis*, 301 U. S. 619, and others) has been to create a situation under which the Congress may by the expenditure of money enter virtually any sphere of government. There exists little restraint on

The National Government has therefore a double duty: to protect and promote the national interest by adopting such substantive policies as are necessary and proper under the powers delegated to the National Government; and to protect and promote the national interest in the preservation of the federal system. The proper discharge of this dual responsibility calls for vigorous and effective National action where National action is required and, along with this, a discriminating sense of when not to act.

There are several major aspects of the responsibility of the National Government to preserve and strengthen the federal system.

1. The Constitution sets only maximum limits to National action and these are conjectural. The National Government need not do everything that it can do. It needs some sort of guidelines marking out the conditions and circumstances calling for National action. Much attention has always been given to speculation and debate about the constitutional limits of National action; too little attention has been paid to the develop-

---

Congress other than that which it determines to exercise over itself. These decisions have fundamentally altered the balance of power designed by the architects of the Constitution.”

<sup>2</sup> Governor Driscoll makes the following statement in which he is joined by Governors Battle, Jones, Shivers, and Thornton and Mr. Burton:

“Since 1920 a number of decisions of the Supreme Court have drifted in the direction of an increasing liberalization of the power of Congress to spend money and impose controls in fields theretofore reserved to the State and local governments.

“We regret that in some of these decisions the Supreme Court failed to indicate any restrictions on the use of the Federal expenditure power in areas historically within the jurisdiction of the States. Thus the Supreme Court in this field has largely abandoned its role as the arbiter of the respective constitutional rights and responsibilities of the State and National governments.

“The result of these decisions is a fundamental change in the balance of power between the States and the National Government as devised by the architects of the Constitution.

“Where there is an overriding special national interest we have approved grants-in-aid that did not involve a basic impairment of the traditional powers and obligations of the States. We cannot approve, however, the present situation in which Congress has very nearly become the sole judge of the activities of State and local governments it may choose to enter.

“While we are confident that Congress will exercise great restraint in the use of the power that has become available to it, we are mindful of the pressures that are inevitably brought to bear upon the National Government to expand its activities. We express the hope that the Supreme Court at the first opportunity will reconsider its position and its decisions and clearly redefine constitutional restrictions on the use of the National expenditure power consonant with the principles of our federal system.”

ment of a general theory or a set of principles to assist in deciding what the National Government ought and ought not to do as a matter of policy. The Commission recognizes that no set of principles can eliminate the necessity for the exercise of sound judgment in deciding particular matters. It will be helpful, however, to formulate a general concept of the types of conditions and circumstances that warrant National action. The Commission advances a few such concepts as guides.

2. Where National action is desirable, greater attention should be given to minimizing its extent and to leaving room for and facilitating cooperative or independent State action. In this chapter, the Commission discusses the choice between direct National performance and administration through the States; the need for more care in drafting National regulatory laws to indicate selectively the boundaries of National and State control; the kind of State action, if any, that is appropriate in connection with different types of National regulatory laws; administrative cooperation in regulatory activity; the use of State facilities in carrying out National laws; and National legislative and other support of State and local law-enforcement. The discussion will show at how many points it is desirable to employ a strategy that will preserve State initiative and release the full resources of the federal system.

3. The organization of the National Government does not at present afford adequate recognition of the national interest in State and local government. Each administrative agency and legislative committee is primarily concerned with protecting and furthering the national interest in the functional area over which it has jurisdiction. This in itself is quite proper. However, some machinery is needed that will help to provide more conscious, continuous, and overall attention to the relation of National action to State and local government. This chapter includes recommendations for such machinery.

The Commission recognizes that inadequate administrative coordination at the National level often places formidable barriers in the way of State dealings with National agencies. Any steps that can be taken to improve the organization and procedures of the National Government—as well as those of the States, of course—will tend to facilitate good relations between the two

levels. The Commission calls attention in Part II to a number of unsatisfactory situations—for example that in the field of water resource development—which could be remedied in part by improved organization. In general, however, it has considered that recommendations on the administrative structure and procedures of the National Government should be the responsibility of the Commission on Organization of the Executive Branch of the Government.

### ACTIVITIES APPROPRIATE FOR THE NATIONAL GOVERNMENT

It is of the essence of the federal system of the United States that public powers are divided by the Constitution between two levels of government—the National Government and the States. The powers of the National Government are delegated and enumerated; the powers of the States are reserved. Each level works within the context of what the other does and can do. Consequently, extensive as some of the powers of the National Government are, they are usually incomplete in themselves except in the fields of foreign affairs, defense, and a few others such as currency and the postal service. Outside of these fields, National action is exceptional in nature; frequently the National Government is a participant rather than the sole performer. When it acts coercively, it relies on relatively restricted grants of authority, especially the power to regulate interstate commerce, which is an element in a multitude of things but is hardly the whole of anything. The power to dispose of property and the power to spend money for the common defense and general welfare are more extensive. Here, however, the National Government's coercive power is limited.

The question of the proper scope of National action can be approached in three ways: (1) in terms of subject-matter fields of primary National responsibility; (2) in terms of conditions that justify direct National action; (3) in terms of needs that justify National participation in functions where it does not have primary responsibility. These approaches are not mutually exclusive.

## *Fields of Primary Responsibility*

The main fields of primary National responsibility are obvious. Foremost is management of foreign relations in peace and war. The international dealings of the United States have taken cautious account of the limitations inherent in the federal structure—as illustrated by the unwillingness to enter into conventions on commercial law and in the guarded policy on international labor standards. But today the country's international position has far-reaching consequences both in foreign commitments and in defense and internal security. The peacetime range of the war power is shown by central control of atomic energy.

The National Government is the natural manager of the monetary and credit system. Equally obvious is the duty of protecting freedom of trade and facilitating movement and communication within the market place. Leadership in countercyclical fiscal policies must come from Washington, and so must regulation of certain business structures that lie beyond the reach of any one State or even any group of States. This type of need was signaled by the declaration in the Holding Company Act that the activities of these companies “extending over many States are not susceptible of effective control by any State and make difficult, if not impossible, effective State regulation of public-utility companies.” Even when the regulated activities are localized but widespread it may be not only inconvenient but also unfair to apply controls without some degree of uniformity. In the sensitive medium of a wholesomely competitive private enterprise economy, minimum elements of uniform treatment are a measure of justice to business as well as a protection to the States themselves.

At bottom much of the need for National action stems from some kind of movement, not necessarily physical, which carries the effects of local activity or inactivity beyond the local or State borders. These extraterritorial consequences are increased by the mobility of modern industrial society.

## *Conditions Justifying National Action*

The Commission believes that, in situations warranting action by some level of government, the following conditions justify

National action within the National Government's delegated powers, when the lower levels of government cannot or will not act:

(a) When the National Government is the only agency that can summon the resources needed for an activity. For this reason the Constitution entrusts defense to the National Government. Similarly, primary responsibility for governmental action in maintaining economic stability is given to the National Government because it alone can command the main resources for the task.

(b) When the activity cannot be handled within the geographic and jurisdictional limits of smaller governmental units, including those that could be created by compact. Regulation of radio and television is an extreme example.

(c) When the activity requires a nationwide uniformity of policy that cannot be achieved by interstate action. Sometimes there must be an undeviating standard and hence an exclusively National policy, as in immigration and naturalization, the currency, and foreign relations.

(d) When a State through action or inaction does injury to the people of other States. One of the main purposes of the commerce clause was to eliminate State practices that hindered the flow of goods across State lines. On this ground also, National action is justified to prevent unrestrained exploitation of an essential natural resource.

(e) When States fail to respect or to protect basic political and civil rights that apply throughout the United States.

### *Informational and Financial Support*

Two kinds of reasons make it proper for the National Government to play a limited role as a participant in various service and regulatory functions that rest primarily with the States.

(a) Some of the underlying reasons for National participation flow from the simple fact that some types of information may not be available or usable at all unless gathered at a central point. A simple example is a fingerprint file. Other related reasons for National participation result from the way in which ideas are generated and diffused in the development of

policy. Good ideas are likely to be discovered locally on the firing line of practice, but they do not reach fruition unless means exist to clear them centrally and spread them. In addition, much creative thinking is possible only at levels where comparison is feasible or the wider range of relationships is visible.

Finally, certain technical resources, including special equipment and men with specialized training, can sometimes be made generally available only by the National Government. Some of the smaller units are not able to afford or obtain them, and in any case their provision by many units separately would entail costly duplication.

(*b*) Money is the focus of another set of reasons for National participation in certain fields of service where a strong national interest is identified. The most inclusive areas of government may properly take account of the uneven distribution of local resources when the desirability of universal minimum levels of service is established.

As a limitation on the foregoing grounds for National action, the Commission emphasizes that in the federal system action should be proportionate to need. The National Government should take over an activity only when lesser measures will not suffice. If the need can be met by some form of National support for State action, the National Government should stop there. Support may take many forms, including encouragement of interstate action, passage of National laws to facilitate State action, help by means of information or training, and financial aid through cash grants, loans, and other means.

An important question when activities are identified as the proper concern of the National Government is the choice between direct National performance and some arrangement for the handling of administrative responsibilities by the States.

## DIRECT NATIONAL PERFORMANCE VS. ADMINISTRATION THROUGH THE STATES

There is seldom a clean-cut choice between the direct and indirect methods. Traces of implicit dependence on the States exist even when the National Government ostensibly uses none but its own employees. And when work is shared according to a

plan, the sharing takes any one of many forms. But there are some broad considerations to guide the choice of emphasis between exclusive and joint methods.

In line with the doctrine that neither level of government may place burdens upon the other, the National Government is not generally allowed to impose mandatory duties on State and local officials. There are two main exceptions apart from the National Guard, one being the conduct of National elections, the other lying in the judicial field.

### *Use of State Courts*

State courts may be compelled to try cases arising under National laws when the type of controversy falls within the court's jurisdiction. The Supreme Court emphasized this obligation when it directed State courts to serve as alternative tribunals for suits under the employers' liability act for interstate railroad workers and under the emergency price control act. Federal use of State courts is uniquely supported by the supremacy clause of the Constitution, which declares: "This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the Contrary notwithstanding."

### *Limited Control Over State Administration*

National supervision of action by State courts exists in the Supreme Court's power to review cases that involve Federal questions. But there is no comparable blend of obligation and control in National-State administrative relations. This lack justifies direct administration of National regulatory laws that must be enforced with a high degree of uniformity. And the choice is consistent with the main tradition of American federalism, the tradition of separateness.

This tradition, however, is being modified increasingly by the practice of intergovernmental cooperation. Direct National

action should not and seldom can be carried out in isolation. It usually must assume and frequently must lean heavily upon State legislation or common law. It may also profit from the formal or informal aid of State and local governments. Moreover, in view of the constitutional limits on National regulation, it is necessary to face the question of the desirability of complementary or varying (but not conflicting) State action. It is also necessary to consider the forms State action may take and how the National act can be phrased so as both to conserve the values of federalism and to achieve the objective in view.

### *Reasons for Preferring Joint Action on Service Functions*

In the field of service—as opposed to that of regulation—the choice between direct National performance and a joint effort will be influenced by different factors. On the one side, some argue that efficiency and uniformity favor National operation. This argument is reinforced by factors of convenience when the long-run mobility of the population is involved, as in old-age and survivors insurance.

But there are four potent considerations on the other side which, the Commission believes, normally tip the scales in favor of joint action even when the National Government bears much of the burden. First, the success of even a voluntary program may require incidental aid from compulsory State law. Second, variation and accommodation may be more important than uniformity; indeed, they are frequently ingredients of true efficiency. Third, it is easy for a State, if it wishes, to amplify or extend a service beyond the point at which the national interest in a joint program stops. Finally, joint action is more likely to conserve and promote the vitality of State government than would extensive National performance of a program or segment of a program.

To be sure, there is a risk that State participation in joint schemes, while bolstering the States as going organizations, may induce habits of subordination and deference to external initiative and guidance. In the long run this risk is less serious for the States than the effects of being bypassed.

Joint arrangements are consistent with the sound pattern of interlevel relationships which recognizes that in any broad field of activity—such as health or highways—the problem is the allocation of duties rather than of whole functions. These relationships involve various combinations of legislative and administrative interdependence and varying contributions by the National and State partners, depending on the nature of the work. The National share may amount to no more than investigation and information provided by a technical bureau, perhaps incidentally or even unintentionally. At the other extreme, the State may contribute nothing beyond a permanent law which routinely supports the National objective. Between these extremes are many types of shared responsibility, with much depending on whether the enterprise is a permissive service or a mandatory regulation.

## DIVIDING JURISDICTION IN REGULATORY ACTIVITIES

National regulatory action must be based upon an enumerated power in the Constitution. The enumerated powers do not confer authority in terms of complete segments of the economy, such as transportation, manufacturing, or mining; they deal with phases, not wholes. Generally they leave some related powers in the States. These characteristics contribute to the incompleteness of National action and the inevitability of related bodies of National and State law.

The National Government is further limited by the fact that most coercive laws (except in such fields as banking and credit, supported by a combination of monetary and borrowing powers, or patents and copyrights, reached through minor enumerated powers) are based on the power of Congress to regulate interstate and foreign commerce. The other main enumerated powers—the taxing power, the war power, and the treaty power—do permit pervasive action without regard to State lines. There are constitutional as well as administrative reasons, however, why taxation should be used only incidentally for regulatory purposes; there are compelling reasons why the war power and the treaty power should be confined to the necessities inherent in the great purposes for which they exist, defense and effective partici-

pation in international negotiation and agreement. Nor should the power to provide postal service be loaded with extraneous tasks. The main constitutional foundation of regulatory measures must continue to be the commerce power.

### *What Is Needed in Regulation*

This fact raises in many different settings the question of the intrastate aspects of any matter that is dealt with by the National Government. Nor is this problem lessened by the breadth of discretion conceded by the courts to Congress in deciding why and how it will regulate interstate commerce. The problem calls today for a more conscious overall but selective policy suited to the spirit of the federal system, with calculated modifications of the policy in the handling of various functions. The Commission believes that increased attention to this matter in the drafting of statutes would improve both National and State action. It would point the way to variations when they are desirable and, where consistently comprehensive coverage is in order, it would promote good working relations through similar or interdependent laws and administrative collaboration.

Working out an overall policy has two phases. The first is the reach that is possible under the Constitution and assumed in the statute. Here the practical question is the exact phrasing used by Congress in any law to guide administrators and courts in drawing the line between National and State jurisdictions. The second phase is what happens below that line. It includes the basic question whether any State action is needed, the survival or revision or fresh enactment of State legislation, its relation to the National law and the laws of other States, and the types of administrative cooperation that should be encouraged.

Both phases vary with the nature of particular functions, as later illustrations will show. Nevertheless, certain principles may be stated. In part they are apparent in tendencies already in progress. The Commission is aware, however, that these principles also constitute a criticism of haphazard elements in past tendencies.

The Commission advocates a more deliberate facing of the requirements for using regulatory powers in a federal system. A

more conscious and considerate policy will protect the vitality and promote the viability of federalism by preserving the opportunities for State action while respecting the need for congressional discretion in the exercise of National power.

### *Principles for Guidance*

Accordingly the Commission recommends these principles as broad guidelines, to be applied with due regard to special conditions in each field of regulation:

*First*, the fact that the National Government has not legislated on a given matter in a field of concurrent power should not bar State action.

*Second*, National laws should be so framed that they will not be construed to preempt any field against State action unless this intent is stated.

*Third*, exercise of National power on any subject should not bar State action on the same subject unless there is positive inconsistency.

*Fourth*, when a National minimum standard is imposed in a field where uniformity is not imperative, the right of States to set more rigorous standards should be carefully preserved.

*Fifth*, statutes should provide flexible scope for administrative cessions of jurisdiction where the objectives of the laws at the two levels are substantially in accord. State legislation need not be identical with the National legislation.

### *Conditions That Justify Complete National Coverage*

Technological realities will help to determine how completely the National Government should cover any field of regulation. One extreme is shown in the almost exclusively National control of radio and television under the commerce power. The basic act covered transmission "within any State when the effects of such use extend beyond the borders of said State \* \* \*."

Economic factors may sometimes justify comprehensive coverage. For example, the Supreme Court upheld application of a quota under the agricultural adjustment legislation even as to produce consumed on the producer's own farm, noting that

“one of the primary purposes of the Act in question was to increase the market price of wheat, and to that end to limit the volume thereof that could affect the market.”<sup>3</sup>

### *The Problem of Intrastate Commerce*

The courts have provided a flexible doctrine under which the National Government may regulate intrastate matters because of their effect upon interstate commerce. Judges have been properly reluctant, however, to project this doctrine—the historic doctrine of the *Shreveport Case*—into fields other than common carriers unless Congress has shown expressly that it wished to do so. Even in the transportation field, the Supreme Court has required the Interstate Commerce Commission to show in each instance that the facts justify an order bringing intrastate rates in line with interstate charges.

National intervention is still subject to the ideal voiced by the Supreme Court after the Transportation Act of 1920 had broadened and incorporated into the law the doctrine concerning the interdependence of interstate and intrastate rates. The Court observed that National concern with intrastate rates should be confined to removing “a substantial disparity” and “must leave appropriate discretion to the state authorities to deal with intrastate rates as between themselves on the general level which the Interstate Commerce Commission has found to be fair to interstate commerce.” Then, proposing a form of National-State collaboration, the Court suggested that “conference between the Interstate Commerce Commission and the state commissions may dispense with the necessity for any rigid Federal order as to the intrastate rates, and leave to the state commissions power to deal with them and increase them or reduce them in their discretion.”<sup>4</sup>

This Commission believes that the logic of these attitudes may usefully be extended and applied by a Court that has shown its sympathy for the survival of State initiative and experimentation under modern conditions and by Congress, to which the Court

---

<sup>3</sup> *Wickard v. Filburn*, 317 U. S. 111, 128 (1942).

<sup>4</sup> *Railroad Commission of Wisconsin, et al., v. Chicago, Burlington, and Quincy Railroad Co.*, 257 U. S. 563, 591 (1922).

has given increased responsibility for a selective allocation of duties between Nation and States.

The historic line of distinction between interstate and intrastate commerce has provided a rough basis for dividing responsibility within broad fields of regulation. But a more refined division is often desirable, sometimes drawn above and sometimes below that line. On some matters the National Government's jurisdiction may be made virtually complete, while in other phases State control may be allowed to extend upward even though interstate commerce is involved. The development of constitutional doctrine and practice have opened the way for deliberately selective allocations by Congress.

#### STATE LEGISLATIVE RESPONSIBILITY FOR COMPLEMENTARY OR OTHER ACTION

The existence of a National regulatory law requires both the States and the National Government to consider what complementary or other action is needed at the State and local levels. This is particularly true of laws with broad coverage, for the public is apt to assume that protection is already complete. Neglect by the States may be more than a self-inflicted injury to the people of the State. Inaction could eventually weaken State government by inviting more sweeping exercise of National jurisdiction.

Not every National control, of course, need be paralleled by State legislation. Caution is especially appropriate when the National law rests upon a constitutional basis (such as the war power) that does not leave a field of intrastate jurisdiction but applies everywhere. In some cases State action may be a redundant complication. The Supreme Court found this defect in State efforts to deal with alien registration in 1940.

The nature of appropriate State legislation in regulatory fields entered by the National Government varies with the subject. For example, in a domain like aeronautics the States may fittingly lean their requirements on the National Civil Aeronautics Act, which in effect applies to all air commerce. The fact that even in this realm of swift and incessant movement over State boundaries there are many opportunities for collateral action by States

and localities (as in zoning systems around airports) does not justify restrictions and variations that would unduly burden air commerce.

In the safeguarding of food, drugs, and cosmetics, where three-quarters or more of the products move in interstate commerce, the States act appropriately when they pass parallel laws and promulgate similar standards. State employees should be available for commissioning as aides in enforcing the National law and today are almost universally so commissioned. The fact that the State control follows the National law and regulations does not preclude the States from emphasizing certain items, such as dairy products, and fresh fruits and vegetables. Such cooperation to ensure more complete coverage would be desirable even if the National inspection force were many times greater than it is. After the last general revision of the Federal law, the Association of Food and Drug Officials sponsored the Uniform State Food, Drug, and Cosmetic Act. Thirty States have followed this model, including the extension of their controls in the field of cosmetics and therapeutic devices.

In meat inspection, the National system of premortem and postmortem examinations seeks to cover every animal in establishments subject to inspection. It is not limited to spot-checking or to investigation of complaints. But at least one-fifth of commercial slaughtering is of intrastate character and there is no Federal control of poultry slaughtering. Precisely because most consumers think that all meats are inspected, there is greater need for supplementary systems of control within the States. As things stand, only a few States operate meat inspection systems patterned on the National program and in many there is no statewide scheme of control; in some places no organized inspection of any kind is provided.

### *Temporary National Control*

In certain cases National control may be provided only as a temporary substitute for prospective State regulation. Then the State agency, where one exists, can absorb the task in its normal work while the National minimum requirement of some form of orderly control is satisfied.

The National law for the licensing of hydroelectric projects provides for regulation of rates and services by the Federal Power Commission only in States which have no regulatory commission. National control ceases as soon as the State creates a commission. Another example of substitute administration derives from the congressional act for regulating interstate transmission of electricity, which applies "only to those matters which are not subject to regulation by the States." The act stipulates that National jurisdiction over security issues "shall not extend to a public utility organized and operating in a State under the laws of which its security issues are regulated by a State commission."

There is a distantly analogous arrangement in the regulation of insurance. After the Supreme Court ruled that the insurance business was commerce and subject to the antitrust laws, Congress acted to keep control of insurance in the States. The law gave the States time to amend their own laws as necessary but warned that after a designated date the Sherman, Clayton, and Federal Trade Commission Acts would apply to all insurance business not regulated by State law. The States used the interval to enact or tighten provisions for regulating rates of fire and casualty insurance.

### *Exceptions Allowed by Congress*

Congress sometimes expressly provides for deviations or exceptions from National standards by giving priority to State legislation. In 1952 Congress directed that the antitrust laws exempt agreements for price-fixed commodities when the contracts are "lawful as applied to intrastate transactions under any statute \* \* \* in effect in any State \* \* \*." The Federal law that forbids interstate transportation of gambling devices stipulates that it will not apply in any State or in any subdivision of a State which has a State law providing for exemption from the National act.

### *Mutual Adjustment of National and State Regulation*

These examples illustrate the need for closer attention to varying ways of State action in regulatory fields partly occupied

by the National Government. Each field has different problems. Congress should be more alert in clarifying the exact reach of the National laws, and State officials and citizens should be more alert to the possible need to attend to the gaps left by most National regulatory enterprises.

Much depends on discriminating judgment at the State level. The States must avoid the extremes, on the one hand, of indifference and inaction where complementary coverage is desirable and, on the other hand, of undue activity and unreasonable variation where the problem calls for uniform treatment.

## ADMINISTRATIVE COOPERATION UNDER PARALLEL LAWS

The common objectives of Nation and States may be advanced through administrative agreements that cede jurisdiction to agencies of interested and active States. The Commission believes that a selective plan of cession can extend the field of State control, probably relieve the National agency, and lessen the risk of a jurisdictional no man's land. Statutory authorization for these agreements is useful, but collaboration may be frustrated if the statute requires the State law to conform too closely to the National act. This happened when the Labor-Management Relations Act authorized cession to State agencies "unless the provision of the State or Territorial statute \* \* \* is inconsistent with the corresponding provision of this subchapter or has received a construction inconsistent therewith." In the labor relations field the need for a workable method is increased by the tendency of the National agency (notably signaled by changes in its standards announced in the summer of 1954) to refrain from taking jurisdiction over many types of concerns even where interstate commerce is affected.<sup>5</sup>

---

<sup>5</sup> Senators Humphrey and Morse and Congressman Dingell desire to make clear that this paragraph does not in any way necessarily endorse the Labor-Management Relations Act or the tendency of recent NLRB decisions discussed in the paragraph. It is their feeling that National jurisdiction in the interstate labor-management relations field should be superior to State jurisdiction in the light of the interstate character of the modern economy.

## *Joint Boards Help in Regulation*

Joint boards, representing regulatory agencies on two levels, are authorized by law in the control of motor carriers, communications, electricity, and natural gas. The Commission recognizes their suitability where controls are similar and the activities have both interstate and intrastate bearings. The pioneer provision for joint boards was in the 1935 act for motor carrier regulation by the Interstate Commerce Commission. Operations involving not more than three States must be referred to a joint board; more extensive operations can be so referred in the National agency's discretion. The boards have jurisdiction over such matters as applications for certificates and their suspension and revocation; applications for approval of mergers and acquisition of control or operating contracts; and complaints about violations of rate schedules and fares. A joint board has the same power as a member or examiner of the National agency in conducting hearings and recommending an appropriate order. Under the National agency's rules, each board chooses its own chairman. Its service ends when it makes a report, or when all the members fail to appear, or when a majority cannot agree, or when the nominating authority (utility commission or governor) in each State sends a written waiver of its right to appoint a member.

Under the foregoing mandatory provisions, about 400 joint boards have been set up in the motor carrier field. This Commission is aware of some complaints of declining participation, while from the State side it is said that often not enough advance notice is given to permit attendance on joint boards to be fitted into the crowded calendars of the State utility commissions. The zeal of some States, moreover, is doubtless affected by the fact that under the law the recommendations of joint boards are not final. Despite these difficulties, the Commission believes that it is in the interest of both levels to continue and to improve the use of the joint boards. As much care as possible should be taken to schedule hearings with an eye to the convenience of the States, while the latter need to take pains to provide full representation.

In the case of electricity, natural gas, and communications, the statutory provisions for joint boards are merely permissive. Thus the Natural Gas Act of 1938 says broadly that the Federal Power Commission may refer any matter "to a board to be composed of a member or members, as determined by the Commission, from the State or each of the States affected." Similar language is found in the Federal Communications Act as amended in 1952. The Federal Communications Commission is empowered to refer matters "to a joint board to be composed of a member, or an equal number of members, as determined by the Commission, from each of the States" involved in the proceeding. The act also declares that in acting upon any referred matter the joint board "shall have all the jurisdiction and powers conferred by law upon the Commission, and shall be subject to the same duties and obligations." The breadth of this language is said to discourage the National agency's reference of matters to joint boards. In general, the device has been used infrequently in electricity, gas, and communications. Cooperation has tended to come in other ways. On the basis of the interchange of information, notification of proceedings, and the like, interested States may ask for a conference, for a joint hearing, or for the establishment of a joint board. Frequently, however, the arrangement by which a State becomes a party to a case or enters as *amicus curiae* is the preferred substitute for a joint board.

This Commission is aware of the great variety as well as value of informal methods. Nevertheless, it repeats its approval of the spirit represented in the statutory provisions for joint boards. It is hoped that both sides will cultivate the opportunities for regularized cooperation afforded.

Joint hearings are another form of cooperation, though they show less fusion than joint boards. In railroad regulation, the Transportation Act of 1920 authorized the Interstate Commerce Commission to "confer with the authorities of any State having regulatory jurisdiction" and also to "hold joint hearings \* \* \* on any matters wherein the Commission is empowered to act and where the rate-making authority of a State is or may be

affected.” The 1942 law for regulation of freight forwarders also provided for joint hearings and specified that States be given advance notice of proceedings likely to interest them. These arrangements for joint hearings merit approval, as do the informal committees in general rate cases which bring together Federal examiners and a panel from the National Association of Railroad and Utility Commissions. Nevertheless, even in railroad transportation, where so much is interstate in nature, this Commission would like to see more fusion of effort and devolution of responsibility under parallel laws.

### *Joint Drafting of Regulations and Use of Common Standards*

Joint action in drafting regulations under National laws is a helpful device where overall uniformity is desirable and comparable State laws are passed for intrastate commerce. This Commission favors the pattern of a drafting committee that includes State officers, perhaps drawn as virtual representatives from an association of State officials. This sort of joint drafting board goes a step beyond the arrangements—desirable in themselves, of course—for notification of all State officers that the regulations will be changed, for conferences with them, and for receiving their comments on proposed changes at hearings or otherwise. The formal plan for a continuous joint drafting body is especially suitable to work that favors a nearly automatic recognition of common standards at all levels of government. In the field of pure food regulation, the joint Food Standards Committee consists of 2 Federal and 4 State officials, the latter serving 4-year staggered terms. The Commission notes with regret that this long-standing committee has become relatively inactive.

On technical matters like definitions, forms, and testing methods, a uniform result may be reached by recognizing the standards promulgated by public and semipublic associations. This approach to uniformity will be helped by a liberal judicial attitude toward statutory adoption by reference of extrinsic standards, including future changes.

## *Joint Inspections*

The possibilities of formal systems of joint National-State inspection are illustrated by the National coal mine inspection act of 1952. Supplementing an earlier law for Federal inspection and advisory recommendations, it provides for mandatory orders designed to prevent serious accidents. The law is limited to mines that regularly employ 15 or more men underground. As an alternative method of inspection, the law authorizes any State to arrange for inspections by a National and a State inspector working together. If the two disagree, the courts designate an independent inspector. Although few National-State plans have so far been signed pursuant to this provision, the idea of regularized joint action is praiseworthy. At the same time the Federal law properly declares that any State requirements for higher standards shall apply fully, as shall any State provisions on matters not touched by the National act. The States, with technical aid from the Bureau of Mines, still have the main responsibility for preventing the day-to-day accidents that are the chief source of coal mine injuries and deaths.

## *Interlevel Exchanges of Information*

Interlevel exchanges of information take place informally almost everywhere. The Commission believes that in many functions more systematic exchanges would be distinctly valuable. Such routines are not less necessary in regulation and taxation than in service fields. States with income tax laws have been helped by information from the Internal Revenue Service. Where laws exist to be enforced on one level or another, it is especially important that the flow of information be quick and comprehensive.

There is need, for example, for regularized reciprocal reference of situations that may require prosecution under the National and State antitrust laws. The far-reaching National act is properly the main resort in enforcing wholesome competition. But it is limited to cases affecting interstate commerce. All but three of the States have laws prohibiting monopoly or restraint of trade or penalizing specific unfair competitive acts. There is a need and an opportunity for more effective work at the State

level. The Department of Justice has referred complaints to State authorities from time to time. In 1954 the Attorney General announced that the practice would be regularized. He assured the convention of the National Association of Attorneys General in December that "from now on it will be the Department's policy in cases where we determine that the trade restraining practices are exclusively local, to forward to your respective offices confidential summaries of information developed by our inquiries."

A commendable step in opening the way for a quick and easy flow of information to interested State agencies was the arrangement made in 1953 by the Securities and Exchange Commission under which the responsibility is devolved upon its regional offices. This includes the duty of bringing to the attention of the State agencies the full facts that indicate a situation more readily handled under State law than by National action.

A system of cross-reference should be a two-way communication. Whether matters are referred by the States or to them, the process is a summons to the energy of both levels. The Commission commends this practice to the appropriate Federal agencies with the hope that they will take the initiative in developing and maintaining simple but systematic procedures.

## STATE AID IN ENFORCING NATIONAL REGULATORY ACTS

As pointed out earlier, our constitutional system limits the National Government's power to use State governmental facilities as it wills; yet the Commission is impressed by the extent to which both levels gain from the voluntary use of State machinery. Further development of cooperative arrangements is desirable because they economize administrative resources and help rather than burden the States. From both standpoints a number of practices offer important possibilities.

### *State Initiation*

Where statutes are ultimately enforced by prosecutions, State personnel may lodge complaints with the United States district

attorney. Thus in regulating caustic poisons, the National law requires prosecution by any district attorney to whom the Food and Drug Administration or "any health, medical, or drug officer or agent of any State, Territory, or possession, or of the District of Columbia presents satisfactory evidence."

A more direct method is that of commissioning or deputizing State officials to carry out a National law. Food, drug, and cosmetics investigations may be conducted by State or local officials when commissioned by the Federal agency. Such commissioning is general except in a few instances where State or local law prevents it. The commissioning of the individual officer (evidenced by a certificate of appointment) is ordinarily preceded by an interview. The commission continues in force as long as the individual remains in the specified position. No salary is paid, but the officer or the jurisdiction he represents may be reimbursed for travel, purchase of samples, and other necessary expenses. He may delegate his authority to subordinates. Another example is the provision in the National grain standards act that in any State with a grain inspection department, the Secretary of Agriculture "shall issue licenses to the persons duly authorized and employed to inspect and grade grain under the laws of such State."

In the programs aimed at livestock diseases and plant pests, it is not infrequent for employees to hold appointments under both the United States Department of Agriculture and a State regulatory agency. The advantages are mutual, but especially in point here is the fact that the use of State officials in enforcing Federal plant quarantines is estimated to save several hundreds of thousands of dollars annually, measured in terms of what the cost would be if the work were performed entirely by Federal employees.

### *Acceptance of State Inspection*

The acceptance of State inspection to satisfy Federal law represents a desirable use of State facilities when National and State requirements overlap. The Commission believes that it is possible to go much further in learning how to avoid duplication in the conduct of inspections and related phases of regu-

latory work. It is true that informal cooperative understandings about the timing of inspections can lessen the inconvenience of double visitations; so, too, can the use of uniform reporting forms. But the working ideal is an arrangement in which one inspection suffices. Wherever possible, it should be the State inspection.

In the inspection of agricultural products, considerable progress has been made through numerous National-State agreements, but the situation is far from ideal. The need is for more cross-certification so that one level or the other will be responsible in any State for inspecting a given commodity under the requirements of both Nation and State.

Bank inspection under the partially interlocking National and State systems illustrates some of the possibilities in the movement toward this ideal. Many informal contacts exist along with interlevel as well as interagency agreements, such as an important joint statement subscribed to by the executive committee of the National Association of Supervisors of State Banks, the Federal Deposit Insurance Corporation, the Comptroller of the Currency, and the Board of Governors of the Federal Reserve System. A substantial number of State banking departments follow the examination form of the Federal Deposit Insurance Corporation. In nearly every State where publication of a report of condition is required, it can be satisfied by a single joint publication.

The enforcement of the National wage and hour legislation gives more examples of the use of State facilities; likewise it illustrates the failure thus far to achieve the full measure of devolution that is expressly invited by the law. Federal officers almost universally accept the work certificates required by State school attendance laws. Agreements are made on such matters as exchange of information and timing of inspections. Other agreements provide for joint inspection or, in some cases, for the acceptance of State certificates. But only two National-State plans for general cooperation in carrying out the law have been adopted under the provision in the 1938 act that authorizes the Federal department to proceed through State and local agencies, with their consent, and to reimburse them and their employees for services rendered in enforcing the Federal statute. The Commission believes that the National agency should assume

more initiative in seeking to give effect to this feature of the law in ways that will tend to strengthen State labor departments.

The foregoing examples illustrate situations where the emphasis is upon State and local administrative cooperation in carrying out National regulatory legislation. Later attention will be given to arrangements in which the stress is upon National services in aid of State and local activities. Meanwhile it is appropriate to comment on National legislation and other action to help State and local criminal law-enforcement.

### NATIONAL AID FOR STATE AND LOCAL LAW-ENFORCEMENT

With police administration in the United States conducted in many thousands of local jurisdictions, it is increasingly apparent that effective control of crime requires a larger degree of participation on the part of both the States and the National Government. Each level must provide technical aids, methods of interchange, and other forms of assistance.

Support by the National Government is provided in part under the power to regulate interstate commerce in a series of laws intended mainly to help local communities when criminals cross State borders. Under other powers, incidental aid may be given in rounding up violators of laws on counterfeiting, narcotics, postal affairs, banking, and taxation.

The laws under the commerce power are passed to backstop the local authorities. Statutes of this type should be enacted only when the necessity for such backstopping is clearly shown to exist. Furthermore, so far as possible, these laws should not be invoked in ways that will needlessly bring petty criminal matters into the Federal courts.

The States and localities also receive different kinds of administrative help. The Department of Justice is well known for its fingerprint file. The aid of its crime detection laboratory may be had on request. The National police academy, although intended mainly for training the National Government's own agents, also instructs members of State and local forces in improved methods. Federal agents are able to make suggestions locally on questions of organization and procedure. Federal

institutions for the cure and custody of prisoners who are narcotic addicts (and of self-committed patients) serve virtually as laboratories for the States. Law-enforcement at all levels is stimulated by central collection and publication of statistics. It is galvanized by the occasional mobilization of public opinion through investigations and conferences under the auspices of Congress or the President.

National constitutional standards must sometimes be brought firmly to bear against local infringements on civil and political rights. The checks are mainly judicial and may involve appeals to the Supreme Court, which follows a middle course between insisting upon the fundamentals of due process while allowing State judicial procedures to vary.

### NATIONAL SERVICES-IN-AID

National-State relationships in the dovetailing of regulatory legislation at the two levels and administrative contacts and working understandings in these matters have been noted in preceding sections of this chapter.

Even more varied types of administrative cooperation are found when action—whether in regulation or service—is primarily at the State and local levels. The National Government's role in these cases is not coercive, but many services useful to States and localities appear as byproducts in fields where it has mandatory power. Such byproducts result when the National Government conducts research, formulates standards, publishes technical reports, trains experts, and evolves patterns in the internal management of its own establishment, in the conduct of defense, in the regulation of interstate commerce, in governing the public domain, and in its responsibility for the District of Columbia and certain other areas. An additional and very broad constitutional basis for National services-in-aid is the congressional power to spend for the general welfare.

#### *Variety and Importance*

The variety of National services-in-aid defies classification. The National Government may collate facts about fields of State

legislation and publish them. It supplies advisory leadership, as in the drafting of a model milk ordinance by the Public Health Service. It helps to improve local building codes through the technical work of the National Bureau of Standards. It assembles comparative information about State and local governments, as in the Governments Division of the Census Bureau. The Commission recognizes that in sum these services-in-aid contribute substantially to the quality and effectiveness of State and local action. It agrees with its Advisory Committee on Local Government that they should be strengthened on a selective basis.

Often the National Government trains State and local personnel, and sometimes Federal employees are lent to the local levels. Ordinarily there is no statutory basis for these personnel arrangements. The Natural Gas Act, however, authorizes the loan of rate, valuation, and other experts as paid witnesses to State regulatory bodies. Some types of Federal employees become incidental agents of the States. A Federal law has long provided that Forest Service officials shall "aid in the enforcement of the laws of the States and Territories with regard to stock, for the prevention and extinguishment of forest fires, and for the protection of fish and game." State laws frequently endow Federal employees with the powers of peace officers.

### *Agreements*

Although much interlevel cooperation through National services-in-aid takes place without agreements, there is a tendency to have a written understanding of some kind. The extent of this practice is indicated by the fact that the Agricultural Marketing Service in the United States Department of Agriculture has about 700 cooperative agreements with State and local agencies, partly for the conduct of regulatory work, partly for research, and all involving many kinds of services-in-aid. A wide variety of agreements exist in many other functional fields. Specified amounts of services-in-aid—such as personnel or equipment or both—may come from one level to another for temporary merger in a common undertaking. The relative share of each level depends upon the function and the project. In

geological mapping, for example, the National Government not only provides the technical leadership but also pays most of the bills. In other areas the Federal contribution through services-in-aid may be slight. The basis of such relationships in either case is *ad hoc* as well as voluntary. Nevertheless, these relationships frequently become general and continuous, since the National Government is apt to offer the same terms, embodied in a more or less standard contract or memorandum, to any interested State.

### *Difference Between Services-in-Aid and Grants-in-Aid*

National services-in-aid differ in important ways from grant-in-aid programs. Grants are characterized by more statutory formality, comprehensiveness, and permanence. They emphasize money rather than services-in-aid, although they also involve the latter. The utilization of a grant-in-aid should imply an unusual national interest in stimulating or supporting a minimum level of performance of the activity in question. Policy decisions regarding grants raise issues of evaluation and choice that are given special attention in the following chapters of this Report.

## CONTINUING ATTENTION TO INTERLEVEL RELATIONS

The proper functioning of the federal system requires that concerted attention be given to interlevel relationships. The Commission finds, however, that many governmental decisions are made without adequate consideration of these relationships. This occurs partly because the legislative and executive branches are both organized primarily along functional lines.

The Commission believes, therefore, that provision should be made for a permanent center for overall attention to the problems of interlevel relationships. This conclusion is supported by a considerable number of findings set forth in this and other chapters in this Report. The proposed center should be in the nature of a staff agency, located in the executive branch of the National Government, but charged with the responsibility for maintaining effective contact with both legislative and adminis-

trative agencies at the National level and with responsible officials in the States.

An appropriate staff agency at the National level should facilitate the further development of the kind of guidelines for determining the conditions and circumstances justifying National action that are outlined in this Report. It should also help policymakers in confining National commitments within the limits of clearly conceived National purposes and assist administrators in harmonizing their decisions and working relationships with the requirements of responsible general government at each level.

Linked to other agencies of overall planning, such a staff agency would supplement, not replace, existing highly useful arrangements for departmental and congressional committee planning. Its primary responsibility would be to advance a strategic sense of federal relations in the formative stages of many types of legislation and administrative action. It only emphasizes the importance of this objective to observe that some complications in planning and carrying out interlevel activities (as in the field of land and water resources) reflect organizational difficulties which call for some general improvement in the structure of the National Government.

The Commission believes that whatever agency is created should be conceived modestly. It will be good only if it is simple enough to fit in practical operations. It will be helpful only if it is used. To say that it should be simple, however, does not belittle its importance.

In this spirit the Commission suggests:

(1) There should be a Special Assistant in the Executive Office of the President to serve with a small staff as the President's chief aide and adviser on State and local relationships. He should give his exclusive attention to these matters throughout the government. He would be the coordinating center.<sup>6</sup>

---

<sup>6</sup> Mr. Burton does not believe that such a Special Assistant would answer the need for an effective coordinating center:

"The importance of the matter warrants a more formal permanent agency—a small board, council, or commission. Such an agency would be in a position to carry on continuing investigations of intergovernmental relations, on its own initiative

(2) An Advisory Board on Intergovernmental Relations would be appointed by the President after such consultation as he deemed appropriate with associations that represent various levels. In addition to calling regular and special meetings of this board, the Special Assistant would act for the President in convening meetings of governors, mayors, and others. He would collaborate with the Treasury Department in arranging conferences for the overall consideration of National-State-local fiscal adjustments.

(3) The existence of the Special Assistant in the Executive Office would not preclude the creation of interlevel coordinating machinery for particular fields where a number of National agencies are involved in State relations which are partly interdependent and potentially conflicting. The complex realm of land and water resources is an outstanding instance of such a field.

(4) The Bureau of the Budget could profitably intensify its concern with overall fiscal aspects of National-State-local relations, and also maintain cooperative relations with the National Association of State Budget Officers.

(5) In certain of the departments, at least, Assistant Secretaries should be designated to deal with broad questions of National-State-local adjustments arising in the department's work. This arrangement is already in effect in several departments.

(6) To promote sharper attention to problems of intergovernmental relations in the drafting of statutes, the Special Assistant (aided by the Legislative Reference Division of the Bureau of the Budget) would maintain appropriate contacts throughout the government, including the Office of Legal Counsel in the Department of Justice, as well as with drafting groups at the State level.

(7) The Special Assistant in the Executive Office and the Advisory Board should be prepared to cooperate in appropriate ways with other agencies, private as well as public, that may be

---

or upon reference by Federal, State, and local agencies. It should report regularly and as the need arises to the President."

Governors Driscoll and Thornton, Congressman Ostertag, Mayor Henderson, and Mrs. Leopold concur in this view.

studying special problems or focal points of intergovernmental relationships, such as are found in metropolitan areas.

(8) Congress is urged to provide the funds necessary to accomplish these objectives. It is hoped that Congress, even more than in the past, will give attention to the overall aspects of intergovernmental relations when considering particular measures, and will systematically invite representatives of State and local levels to participate in all relevant hearings. It may be helpful to maintain active subcommittees on intergovernmental relations in the Committees on Government Operations.

## *Chapter 4*

### FINANCIAL ASPECTS OF THE AMERICAN FEDERAL SYSTEM<sup>1</sup>

The strength of our federal system is no greater than the strength and vitality of the many governments which compose it. Fiscal capacity is both an essential ingredient of this strength and one measure of it.

In other chapters, the Commission discusses the division of governmental activities and stresses the desirability of maximizing State and local responsibility for carrying out governmental functions. It also expresses the view that in the future State and local governments should assume an expanded share of governmental responsibility.

If State and local governments are to absorb additional functions or to take on an increasing share of emerging governmental responsibilities, the question arises whether they are financially able to carry the load. States, and more particularly local governments, are said to lack resources adequate for the discharge of the duties and responsibilities required of them. If it is impossible for them to satisfy the demands of their citizens for governmental services, traditional local self-reliance may be weakened and pressures may increase for Federal participation in services hitherto regarded as primarily State and local responsibilities. The Commission believes that fiscal imbalances among levels of government must be reduced if our federal form of government is to endure and if government as a whole is to be responsive to the will of the governed.

There are many obstacles in the way of expanding State and local revenue to enable these governmental levels to assume their proper responsibilities. The Commission does not believe that there is any single solution. It is of the opinion that a com-

---

<sup>1</sup> Supplementary statistical materials relating to this chapter appear in appendix E.

bination of measures must be used in order to make possible a proper allocation of activities and to ensure adequate financing of these activities.

## SCOPE OF THE PROBLEM

Agitation for fiscal readjustment between the components of the federal system is neither recent nor novel. It recurs with every significant expansion in governmental activity and, in one form or another, has been a continuing problem since the formation of the Republic. To be sure, the problems that confronted earlier generations seem not too difficult in retrospect, but they loomed large to those who had to deal with them.

Governments existing by the will of the governed are destined to be confronted with fiscal problems, since free peoples seem to have both a large appetite for governmental services and the means of expressing their instinctive aversion to taxes.

Finance was one of the central issues which delayed agreement at Philadelphia. The problem in 1787 was how to ensure the coexistence of two levels of fiscally autonomous governments—the National Government and the States. What was needed, in view of the financial defects of the Confederation, was greater fiscal strength in the National Government. Today, by way of contrast, the problem of revenue sources is less acute for the National Government than for the State and local governments. The National Government's chronic deficits are not due to inadequacy in tax resources.

### *One Economy, Many Governments*

In a fundamental sense, there is one economy from which all governments in our federal system derive their financial strength. The aggregate fiscal capacity of all levels of government involves many factors beyond the purview of this Commission's studies. The Commission has not attempted to find whether there is an absolute limit of total taxation. We are dealing here with the division of tax resources and expenditures among levels of government.

The problem of preserving a fiscal balance among the governments comprising the federal system arises because of the unequal distribution of tax resources. The problem is actually threefold: (1) Some imbalance exists between the National Government and the States. The latter are handicapped, relative to the National Government, in tapping available resources. (2) There is an imbalance among States; the geographical distribution of resources is uneven and places some States in disadvantageous positions as compared with others. (3) Further imbalances arise within individual States as a result of concentration of resources in certain areas.<sup>2</sup>

### *Fiscal Advantages of the National Government*

The National Government has greater financial powers than State or local governments. It has broader taxing resources and superior borrowing powers. Since the enactment of the Sixteenth Amendment, it is constitutionally limited only in regard to property taxes and export duties. It has access to the combined resources of the entire Nation and is not restricted by the interstate and intercommunity competition which limits the taxing freedom of smaller governments. It has control over the monetary and banking systems. Moreover, it has greater budgetary flexibility for, unlike many States, it is not restricted to annually balanced budgets.

This is not to suggest that the National Government's resources are unlimited. Witness its large debt (table 1) and the burden of financing the high cost of national security. Moreover, Congress and the Executive have a continuing responsibility to be on guard lest taxes repress the economy or deficits lead to infla-

---

<sup>2</sup> Governor Driscoll observes:

"We have too many governments in this country. Their activities are frequently overlapping, occasionally conflicting. The result adds to the harassment of the taxpayer and the burden he must bear. National-State tax and fiscal policies, including grant-in-aid programs, should be designed to encourage and promote a reduction in the number of governments and an increase in cooperation among the remainder. Some grants-in-aid, however, tend to subsidize and keep alive inadequate and relatively costly governments that should be consolidated, merged, or in some instances eliminated. If we accept the thesis that a principal use of the grant-in-aid is to stimulate State and local activity, then its use to promote a more effective pattern of local government is surely indicated."

Governor Thornton and Mr. Burton concur in this view.

tion, with adverse effects both on the general welfare and on the fiscal well-being of State and local governments.

### *Financial Problems of State and Local Governments*

The States and their subdivisions, especially the latter, are restricted in the exploitation of revenue resources. The States are limited in a few ways by the Federal Constitution; but most restrictions at this level are self-imposed through State constitutions, statutes, and practices. The actions of local governments, in contrast, are limited mainly by State controls rather than by self-imposed restrictions. Aside from considerations of interstate and intercommunity competition, State and local governments are inhibited, even in prosperous times, by the memory of the depression of the 1930's when, with wholesale tax delinquencies, foreclosures, and tax moratoria, revenues contracted while spending requirements increased. Of course, the National Government is even more vulnerable to rapidly falling

TABLE 1.—*Governmental Debt,<sup>a</sup> Selected Years 1929–53<sup>b</sup>*

Year	GROSS DEBT				Percent of net national product			
	Amount (billions)							
	Total	Federal	State	Local	Total	Federal	State	Local
1929.....	\$34.7	\$17.5	\$2.3	\$14.9	36.21	18.26	2.40	15.55
1932.....	42.4	22.8	2.9	16.7	83.38	44.84	5.70	32.84
1942.....	142.9	123.2	3.2	16.5	95.92	82.70	2.15	11.08
1945.....	309.2	292.6	2.4	14.2	153.82	145.57	1.19	7.06
1946.....	288.1	272.1	2.4	13.6	145.81	137.72	1.21	6.88
1947.....	286.6	269.8	3.0	13.8	131.40	123.70	1.38	6.33
1948.....	276.7	258.0	3.7	15.0	114.89	107.13	1.54	6.23
1949.....	287.0	266.1	4.0	16.9	120.15	111.40	1.67	7.07
1950.....	290.6	266.4	5.4	18.8	109.85	100.70	2.04	7.11
1951.....	297.3	270.2	6.4	20.7	97.55	88.66	2.10	6.79
1952.....	308.9	279.3	7.0	22.6	96.29	87.07	2.18	7.04
1953.....	322.0	289.3	8.0	24.7	95.37	85.69	2.37	7.32

Year	NET DEBT <sup>c</sup>				Percent of net national product			
	Amount (billions)							
	Total	Federal	State	Local	Total	Federal	State	Local
1929.....	\$29.7	\$16.5	\$1.6	\$11.6	31.00	17.22	1.67	12.11
1932.....	37.9	21.3	2.0	14.6	74.53	41.89	3.93	28.71
1942.....	117.6	101.7	1.7	14.2	78.94	68.27	1.14	9.53
1945.....	266.4	252.7	1.4	12.3	132.53	125.72	.70	6.12
1946.....	243.3	229.7	1.6	12.0	123.14	116.26	.81	6.07
1947.....	237.7	223.3	2.2	12.2	108.98	102.38	1.01	5.59
1948.....	232.8	216.5	2.9	13.4	96.67	89.90	1.20	5.56
1949.....	236.8	218.6	3.1	15.1	99.13	91.51	1.30	6.32
1950.....	239.5	218.7	4.0	16.8	90.53	82.67	1.51	6.35
1951.....	241.9	218.5	4.9	18.5	79.37	71.70	1.61	6.07
1952.....	248.7	222.9	5.6	20.2	77.53	69.48	1.75	6.30
1953.....	256.7	228.1	6.4	22.2	76.03	67.56	1.90	6.58

<sup>a</sup> State and local debt are presented on a fiscal year basis; Federal debt on a calendar year basis.

<sup>b</sup> Data for 1950–53 are not strictly comparable with 1949 and earlier years.

<sup>c</sup> Net debt excludes interagency debt.

Source: Department of Commerce, *Survey of Current Business*, October 1950 and October 1954.

revenues in periods of depression because of its dependence on income taxes.

Stated positively, the States and localities have to overcome greater disabilities than does the National Government in raising revenues. Among the problems faced by the States are the possibility of interstate tax competition, jurisdictional conflicts associated with the allocation of tax bases, and the need for avoiding interstate trade barriers. The growing complexity of our industrial economy places the larger units in a relatively stronger position in the imposition and collection of taxes.

Another factor is a difference in the relationship between expenditures and taxes at the National and the State-local levels. Congressional appropriations are rarely identified with specific tax increases. In State capitols and city halls, on the other hand, the direct relationship between expenditures and taxes is more clearly and quickly identified by both legislators and taxpayers. In consequence, the advocates of spending programs tend to drift toward Washington, where programs may be more easily saleable, since spending and taxing need not be packaged in the same container.

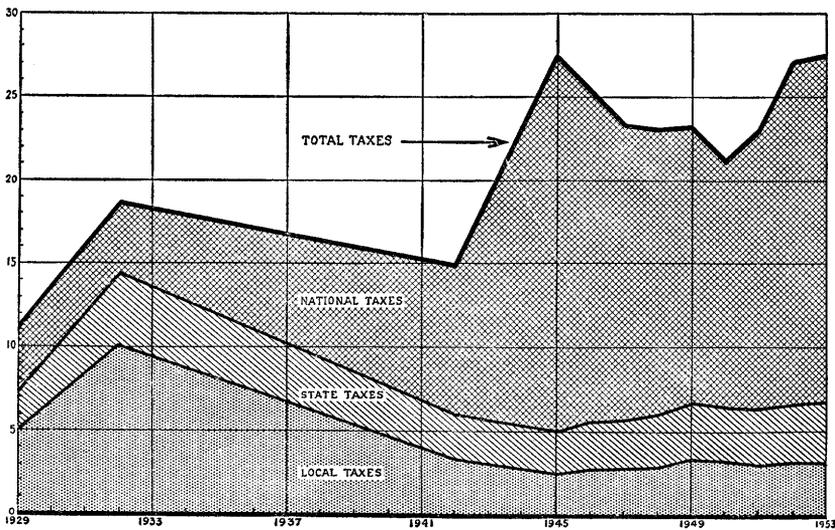
The recognized relationship between State and local taxes and expenditures promotes careful scrutiny of proposed programs. However, it also generates pressures that sometimes prevent effective State and local action. This has the makings of a dilemma, in that some who profess a sincere dislike of centralized government inadvertently contribute to its expansion by opposing necessary action at home. Such a result may be inevitable in our federal system, where the electorate may not be alert to a fundamental conflict. On the one hand, there is the traditional preference for government close to home; on the other hand, the unwillingness to forego the superior revenue-raising power of the National Government. Ever present is the hope that if Washington does it someone else will pay for it.

In the coming years, State and local governments will be required to cope with increasingly larger problems. Recent population increases and migration have left unsolved problems in their wake. Anticipated further increases in population to perhaps 200 million by 1970 will add to all of them. The need for capital outlays is particularly acute. To the backlog accu-

mulated during depression and war must be added the needs created by our increasing population and its changing age composition. It is likely also that new needs for governmental service will develop as science progresses and the economy expands. These are some of the factors expected to increase further the claims on State and local resources. Fortunately, expansion of the economy will provide resources which will help mitigate the problems.

State and local tax difficulties are made more troublesome by the sheer weight of present-day taxation. In the last quarter century, Federal, State, and local taxes increased from about 11 percent of national income to over 27 percent. The National Government's taxes climbed from 4 percent of the national income in 1929 to almost 21 percent, while State and local taxes remained around 7 percent (chart 1).

*Chart 1.—Taxes as Percent of National Income, 1929–53*



Source: Tax collections, 1929–52, from Treasury Department, *Overlapping Taxes in the United States*. Tax collections, 1953, from Bureau of Census, *State and Local Government Revenue in 1953*, plus later revisions by Bureau of Census. National income from Department of Commerce, *Survey of Current Business*, July 1954.

In recent years State and local taxes have increased faster than Federal taxes for civilian needs. Today, excluding requirements for war and defense (such as national security expenditures, veterans' benefits, international affairs and finance,

and interest on debt created during time of war and defense activities), the taxes of each of the three levels of government are in the neighborhood of \$10 billion. However, the magnitude of Federal taxation, due largely to defense requirements, still bulks so large in the total that it materially affects public attitudes toward taxation at all government levels.

### *Evidences of Increased State Participation*

Despite many obstacles, States and localities are making progress in handling additional activities. The increase in State and local revenues and expenditures since the war has been spectacular. Total tax revenues of State and local governments increased from \$10.1 billion in 1946 to \$20.9 billion in 1953, or over 100 percent.

Although there is some relationship, the reduction of Federal taxes does not mean a corresponding increase in the tax resources of State and local governments. But these governments do benefit from such reductions as those made in 1954 and will benefit from further Federal tax reduction made possible by additional cuts in spending and by expansion of the Federal tax base due to growth in the economy. The Commission does not imply that the additional capacity resulting from reductions in Federal taxes should necessarily be tapped by the States and their subdivisions. However, concern about the \$275 billion National debt and about the effects of increases in the debt may bring pressures for holding down National expenditures and may result in a corresponding increase in the responsibilities of State and local governments.

### MEASURES NEEDED TO STRENGTHEN STATE AND LOCAL FINANCES

The Commission believes that a combination of measures must be used to enable States to assume and finance added activities. Measures must be varied, some gradual and others immediate in their application.

## *Maintenance of a High-Level Economy*

The National Government can take many steps to strengthen State and local finances. These include the stimulation of the economic growth of the Nation and of a high level of employment. Economic development will expand the tax bases of States and their subdivisions and thereby help them to meet emerging responsibilities. The adoption of sound fiscal policies by the National Government will help maintain the value of the dollar and the fiscal well-being of all levels of government. Inflationary movements present particularly difficult problems to State and local governments. Moreover, Federal revenue raising and spending activities must be judicious; because of their vast scale, they can and generally do have significant and diverse impacts on the economic situation within individual States.

## *Moderation in Taxes and Expenditures*

All levels of government are confronted with great demands for services and with resistance to taxes. The cumulative costs of all public services demanded of the National, State, and local governments are far in excess of the total amount of taxes the taxpaying public appears willing to place at the disposal of government. The Nation can look to a growing economy, the use of new taxes, and greater efficiency to help meet its fiscal needs. But the problem of keeping spending within the limits of available revenues confronts all governments.

Only through concerted restraint at all levels and at all times can expenditures be kept within the bounds of foreseeable revenues. Reciprocal forbearance must be exercised in the selection and use of tax sources and in the spending processes. Because such a large share of total taxes and total expenditures results from activities of the National Government, it is especially important for the National Government to exercise moderation in its financial activities. The level of Federal taxes and expenditures has a pronounced effect upon State and local finances.

## *Strengthening State-Local Fiscal Systems*

Some of the fiscal problems facing State and local governments today stem from failure of the States to remove constitutional and statutory limitations that circumscribe their freedom of action. It is often because of these limitations that State and local governments turn to the National Government for assistance. The States have restricted themselves in the use of taxing and borrowing powers, and they have earmarked revenues for specific purposes in ways that deprive legislatures and executives of budgetary control and fiscal flexibility. The adverse effects of these practices are not lessened by the fact that their original enactment was often motivated by unhappy experiences with careless management of public funds.

Even more restrictive are the limitations on the fiscal powers of local governments. In many States, constitutional and statutory provisions limit taxing and borrowing by local governments to a prescribed proportion of the assessed value of taxable property. Moreover, local governments are denied access to many kinds of nonproperty taxes and to the full use of real property taxes.

Despite constitutional and statutory restrictions, many States and localities have made progress in developing balanced, diversified, and productive revenue structures. Early in this century, the State governments relied primarily on property taxes. Today, sales, income, and automotive taxes, none of which were in existence at the turn of the century, produce almost 80 percent of total State tax revenue. Property taxes now provide only a small part of State revenues, having been relinquished to supply the revenue needs of local governments.

The emphasis on different tax sources varies markedly among the States, with wide variations in rates, coverage, exemptions, and other details.

The most important revenue producer in State tax systems is now the general sales tax. Of the 31 States that imposed a general sales tax, 24 relied upon it for 25 percent or more of their total tax revenues in fiscal 1953. Eight States derived as much as 40 percent of their revenues from the sales tax and 10 others obtained 30 percent or more.

Nine States derived 25 percent or more of their total revenues from individual and corporation income taxes. Three States which rely most heavily on income taxes obtained nearly 50 percent from them.

Automotive taxes (gasoline and motor vehicle taxes and fees from operators' licenses) constitute more than 30 percent of the revenue of 30 States and more than 25 percent in 41 States. In no State is their contribution as low as 15 percent.

Death taxes are levied by all but one of the 48 States; gift taxes by 12. Death and gift taxes account for as much as 5 percent of the revenues in 4 States and in 39 States produce less than 3 percent of tax collections. For the States as a whole, these taxes supply about 2 percent of tax revenue.

The property tax is an important source of revenue in only 1 State, where it contributes 36 percent of the revenue. Only 4 other States derive more than 10 percent from this source.

Four States raise significant amounts from severance taxes. One derives one-third of its revenues from this source, and another, 23 percent.

#### UNUSED STATE REVENUE RESOURCES

In the long run, there is no more reliable guide to the economic justification of governmental expenditures than the willingness of the people to pay for them in the form of taxes. The Commission has already mentioned the important limitations on the ability of the States to increase their revenues; the job of raising money is not an easy one. However, substantial potential for additional revenue exists in almost all, if not all, States.

Nearly every State has access to revenue sources commonly used in other States which it is not using, or which it is using less intensively than other States. The Commission, of course, does not undertake to suggest specifically how States might raise additional revenues, and there may be States that do not feel the need for additional revenues. Such choices are for each State to make for itself, and the discussion that follows is not intended to imply a preference for any particular form of tax.

The potentials of revenue sources can be indicated in a general way. For example, gasoline taxes in 1953 were used by all 48

States and yielded \$2 billion. The State taxes ranged from 3 cents to 7 cents a gallon. An increase of 1 cent a gallon in all States would yield an additional \$400 million.

Among the important sources of tax revenue available to the States for general governmental purposes are net income and general sales taxes. In 1953 four States imposed neither income nor general sales taxes. Twelve additional States did not have general sales taxes. Nine other States had neither individual nor corporation net income taxes. Four additional States did not have income taxes on individuals. In all, only 19 States were using both of these major revenue sources (chart 2).

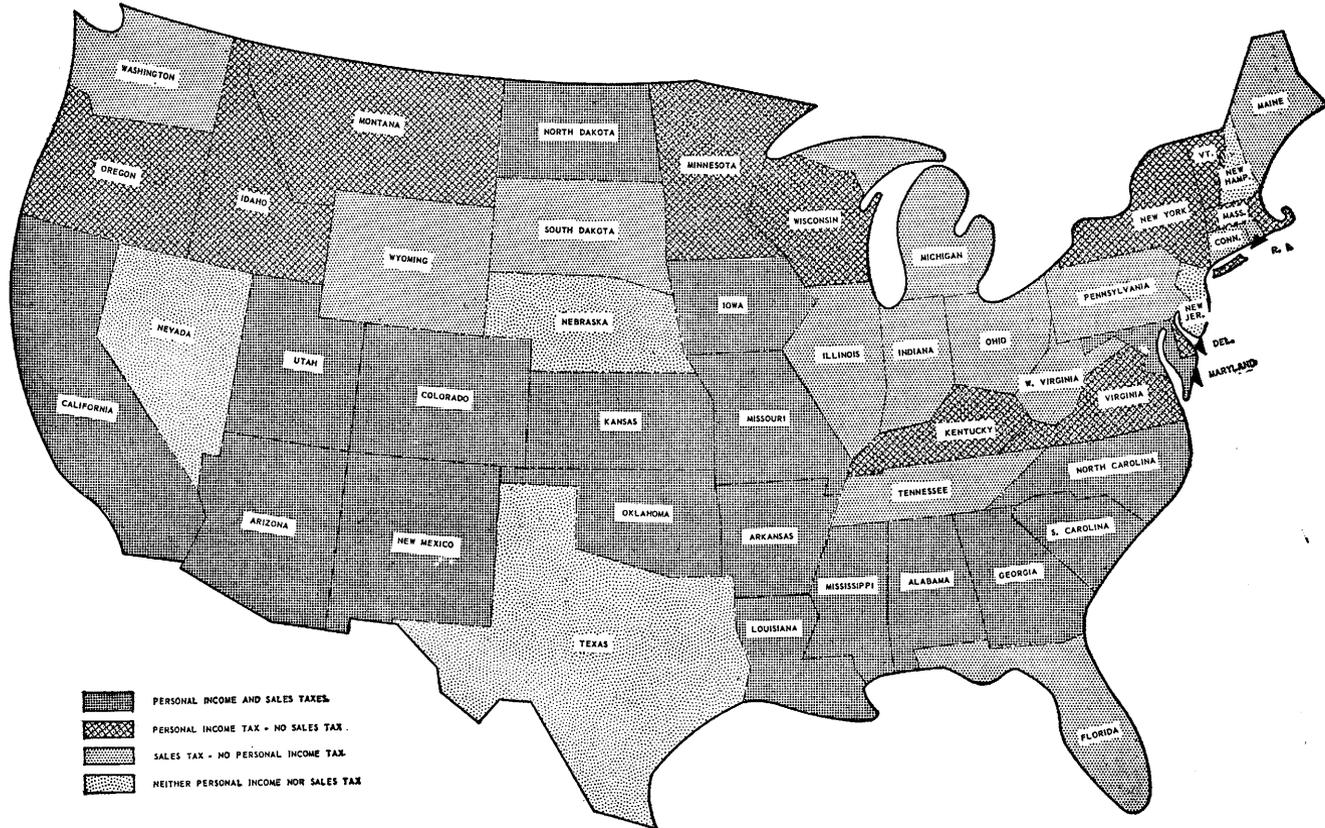
Individual income taxes were levied by 31 States in 1953 and produced about \$1 billion, which is equal to somewhat less than 1 percent of taxable net income as computed for Federal income tax purposes. Because the yield is determined so largely by the rates and exemptions, it is difficult to estimate the amounts that might be produced by the imposition of income taxes in States which do not levy such taxes. However, some indication of the revenue potential may be found in the receipts of States that do levy individual income taxes. For instance, New Mexico received \$2 million in 1953; Minnesota received \$47 million, Massachusetts \$75 million, and New York \$337 million.

General sales taxes, imposed in 31 States in 1953, yielded \$2.4 billion, which is equal to about 1 percent of personal consumption expenditures in the entire United States. In Wyoming the yield was \$8 million, in Mississippi \$32 million, in Ohio \$189 million, and in California \$462 million. The rate of tax was usually 2 or 3 percent.

Admittedly, none of the States can obtain additional revenue from all these taxes; and none of these taxes has potential for expansion in all of the States. Each tax source, however, has some potential for at least some of the States. It is clear that taxes currently in use by the States have untapped revenue-producing capacity, in amounts limited mainly by the willingness of the public to tax itself.<sup>3</sup>

<sup>3</sup> Detailed data on State tax collections are shown in appendix E, table 2.

Chart 2.—State Personal Income and Sales Taxes, 1953



Source: Bureau of the Census, *Compendium of State Government Finances in 1953*.

## LOCAL GOVERNMENTS NEED MORE REVENUE

As the Commission has previously indicated, much of the present concern over intergovernmental relations stems from the fiscal difficulties of local, as distinguished from State, governments. The Commission makes this observation with full appreciation of the hazards involved in distinguishing between the two in a system of government in which local government is the creature of the State and fiscal relationships vary so widely among the States. However, there is no denying the plight of local governments, especially urban governments, caught between the relative inflexibility of revenue sources and rapidly rising demands for those services acknowledged to be primarily the responsibility of local governments.

Less than a quarter century ago, local governments were collecting more taxes than the National and State governments combined—in 1932, 53 percent of the total. Now, local governments collect only 12 percent of all tax revenues. Local property taxes have increased substantially, although not so rapidly as other taxes. In 1932, local property tax collections were \$4.2 billion; during the depression they remained fairly constant. Since World War II they have climbed steadily to a new high of \$9 billion in 1953, but in relation to national income they remain below the prewar ratios.

During the recent period, there have also occurred substantial increases in State grants to local governments and in State revenues shared with local governments. These transfer payments increased from \$764 million in 1932 to \$5,384 million in 1953. Urban areas in a number of States have made use of payroll, income, sales, and other nonproperty taxes.

It is for each State to develop its own arrangements for enabling local governments to discharge their obligations adequately. Some States are placing nonproperty taxes at the disposal of their local governments. Nonproperty revenue sources hold some promise for the larger units of local government. Where enforced with efficiency and economy, these taxes can provide a more balanced and diversified local tax structure.

Most local governments, however, could derive substantial amounts from nonproperty tax sources only at considerable cost

of administration and with much annoyance to taxpayers. In general, the solution of the revenue problems of local governments lies largely in strengthening the property tax and in greater assistance from State revenues.<sup>4</sup> Often the States can help by promoting better assessment practices and more effective equalization of assessments.

The \$9 billion produced in 1953 by local general property taxes probably represents little more than 1 percent of the current value of privately owned land, structures, and equipment—the elements in tangible national wealth that comprise the bulk of property assessed for local taxation. While the effective rates of these taxes vary widely, they are equal to substantially less than 1 percent of appraised values in many parts of the country in most pressing need of additional local revenue.

Special problems exist in States where political subdivisions have been placed in financial straitjackets by unwise and currently unrealistic property tax exemptions, and tax rate and debt limitations. Related problems are created by the inequitable allocation of State funds between rural and urban areas. The solution of these problems would provide substantial relief to many hard-pressed local governments. They can be solved, however, only by each State working within the framework of its own institutions.

### *Greater Separation of Tax Sources Desirable*

Prior to World War I, there was general separation of revenue sources among the various levels of government. Today many tax categories are employed by both Federal and State governments and to some extent by local governments. This is true of the individual and corporate income taxes; inheritance, estate and gift taxes; and liquor, tobacco, and gasoline taxes. The principal exceptions are customs duties, levied only by the National Government, and property, general sales, and motor vehicle license taxes, used by States and localities but not by the

---

<sup>4</sup> Mayor Henderson observes:

“Many municipalities, both large and small, have found the city income tax to be the solution of their revenue problems. This tax has not been unduly costly to administer, and has met with general acceptance by taxpayers.”

National Government. Also, State and local governments make exclusive use of a variety of business and professional license taxes, various nonincome taxes on general and special classes of corporations, and special levies on such activities as parimutuel wagering. Although the National Government does not levy a general sales tax, the present Federal excise structure consists of a variety of selective excises on commodities and services which are also subject to State general sales taxes (table 2).

The disadvantages of overlapping are numerous. From the taxpayers' viewpoint, the effect is an increase in costs of compliance, as well as accompanying inconvenience and annoyance. From the standpoint of the governments concerned, the result is an increase in costs of tax administration. In addition, public and legislative attitudes toward use of particular taxes may be affected by overlapping.

The Commission believes that full elimination of tax overlapping is not feasible under present-day conditions, when many levels of government, operating in the same geographical area and within a complex economic structure, require so large a total share of the national income. Moreover, some overlapping may have positive advantages in providing governments at all levels with more balanced and stable tax structures than would be possible if each level were limited to fewer types of taxes. Also, as will be noted below, cooperative arrangements between governments can in part minimize the problems created by overlapping.

A rigid program to achieve neat separation of sources might be developed but would violate the Commission's conception of a vital and responsible federal system. Full tax separation would probably require determination of policy by a single Federal agency with the power to enforce its decisions on a continuing basis. Thus States would be denied the right to determine their own tax structures. An extensive program of tax sharing under which one government would collect certain taxes for the other would involve similar problems. The independent taxing powers of the States are basic in sustaining their freedom of action and governmental strength. Overlapping reflects in part the exercise of initiative and autonomy by governmental units with differing tax bases, natural resources,

TABLE 2.—Distribution of Governmental Tax Collections, by Source and by Level of Government, Fiscal Year 1953<sup>a</sup>

Tax	Amount (millions)				Distribution by government (percent)				Distribution by source (percent)			
	Total	Federal	State	Local	Total	Federal	State	Local	Total	Federal	State	Local
Total.....	\$83,709	\$62,796	\$10,552	\$10,361	100.0	75.0	12.6	12.4	100.0	100.0	100.0	100.0
Individual net income.....	30,881	29,816	969	96	100.0	96.6	3.1	.3	36.9	47.5	9.2	.9
Corporate net income.....	22,055	21,238	810	7	100.0	96.3	3.7	(b)	26.3	33.8	7.7	.1
Inheritance, estate and gift.....	1,107	881	222	4	100.0	79.6	20.1	.4	1.3	1.4	2.1	(b)
Tobacco.....	• 2,124	1,655	469	(a)	100.0	77.9	22.1	(a)	2.5	2.6	4.4	(d)
Alcoholic beverage.....	• 3,326	2,781	545	(d)	100.0	83.6	16.4	(d)	4.0	4.4	5.2	(d)
Motor fuels.....	• 2,925	906	2,019	(a)	100.0	31.0	69.0	(a)	3.5	1.4	19.1	(d)
Amusement.....	• 435	416	19	(a)	100.0	95.6	4.4	(a)	.5	.7	.2	(d)
Other selective excises.....	• 6,106	• 5,010	809	287	100.0	82.0	13.2	4.7	7.3	8.0	7.7	2.
General sales.....	2,864	-----	2,433	431	100.0	-----	85.0	15.0	3.4	-----	23.1	4.2
Property.....	9,381	-----	365	9,016	100.0	-----	3.9	96.1	11.2	-----	3.5	87.0
Other.....	2,505	92	1,894	519	100.0	3.7	75.6	20.7	3.0	.1	17.9	5.0

<sup>a</sup> Detail will not necessarily add to totals because of rounding.

<sup>b</sup> Less than 0.05 percent.

<sup>c</sup> Exclusive of local governments.

<sup>d</sup> Distribution not available; amounts included in "Other selective excises."

<sup>e</sup> Includes customs (Federal) \$596 million.

Source: Bureau of the Census, *Summary of Governmental Finances in 1953*. State alcoholic beverage collections from Bureau of the Census, *Compendium of State Government Finances in 1953*.

and political preferences. The best chance of reducing tax overlapping probably lies in a major reduction of the overall level of taxation, since this may result in the full repeal of certain taxes by one jurisdiction or another.

The National Government has a wider selection of productive tax sources at its disposal and can generally utilize the taxes it retains more extensively than the States and localities. Accordingly, tax overlapping can best be reduced by action of the National Government, although some State action also is needed. When further tax reduction is possible, the Commission urges the Congress to give full consideration to the problems of tax overlapping along with the other factors—political, economic, and administrative—which must also be weighed in tax reduction decisions. While the Commission believes that complete separation of revenue sources is not practical at this time, it sees merit in reducing the overlapping which now exists.

While commending these views to the Congress and the President, the Commission desires to make it clear that it does not consider that separation of revenue sources alone would solve the financial problems of State and local governments.

### *Achieving Greater Tax Coordination*

Over the years, this country has developed a variety of techniques which lessen the impact of tax overlapping and enable two or more levels of government to employ the same revenue source without jeopardy to one another or to the taxpaying public. The deduction of State and local taxes from income for Federal income tax purposes is an important coordinating device. Uniformity of tax bases and of methods of tax computation minimizes conflicts by simplifying the taxpayers' work in preparing returns and by making possible intergovernmental exchange of tax information which results in more efficient and less expensive administration at all levels. Administrative cooperation has been most notable in the income tax field, where it is facilitated by some degree of standardization of tax bases and methods of tax computation. This kind of coordination should be expanded. In enacting or revising tax laws,

the Congress and State legislatures should avoid as far as possible statutory provisions that hinder efforts to achieve greater tax coordination.

A high degree of cooperation among the States themselves is required to mitigate interstate tax conflicts. Serious problems result from the lack of an accepted uniform base for the allocation of business income, property, and sales among the States. Greater reciprocity in the administration and enforcement of tax laws is desirable.

A step by step attack upon the problem of tax coordination is needed. An excellent chance for progress lies in developing more opportunities for cooperation among governments.

In the preceding chapter of this Report, the Commission recommends the creation of a Presidential staff agency on intergovernmental relations. Consideration of fiscal problems should be an important part of its activities. It can serve as an effective vehicle for developing and disseminating facts on possible improvements in fiscal relations of the various levels of government, including administrative cooperation in standardizing tax forms and regulations, and for reducing further the cost of duplicate tax compliance.

### *Intergovernmental Tax Immunities*

One aspect of the tax relations among governments requiring urgent attention is the immunity of the National Government from State and local taxation and the immunity of State and local governments from Federal taxation. In this area the problem of greatest concern to local governments is the tax status of Federal property. The immunity of Federally-owned property from State and local *ad valorem* taxation has reduced the tax base of many communities which rely on property taxes as their chief source of revenue. The impact of this immunity is uneven; it is particularly severe in areas where the value of Federal property is a large part of total property values.

This problem has increased in importance with the acceleration of property acquisitions associated with the war and defense efforts and with diverse other Federal programs, including urban

housing, power production, resources conservation, and regional development and reclamation.

The Congress has not considered constitutional immunity as freeing the National Government from all responsibility for paying State and local taxes or their equivalents. Over the years, it has developed a variety of financial arrangements between the National and State-local governments. At present, the National Government's payments to local governments on its extensive property holdings vary widely. It pays taxes on some, like any other property owner; on others, it makes payments in lieu of taxes; and on still others, a percentage of revenues from Federal operation of the property is paid to State and local units. In many cases there is no payment at all.

#### PAYMENTS IN LIEU OF TAXES

The Commission recommends that the National Government inaugurate a broad system of payments in lieu of property taxes to State and local governments. The most important class of properties on which such payments should be made is commercial or industrial properties. Special assessment payments and transitional payments in lieu of taxes should be made in certain cases.

The Commission believes that these payments are necessary to help preserve financially healthy local governments. Present tax immunities of Federal property have weakened many local governments. The States and the National Government share in the responsibility for avoiding actions which impair the financial ability of local governments. Equity as between Federal and local taxpayers requires the National Government to make appropriate payments. These should be based largely on the property tax system, which is the main source of local revenue.

The Commission does not believe that equity requires initiation of payments in lieu of taxes on properties held by the National Government where their noncontributory status has already become integrated into the economic and fiscal patterns of the community. Therefore, no in-lieu payments should be made on any properties acquired prior to a specified cutoff date. Perhaps September 8, 1939, would be the earliest date

and July 1, 1950, the latest date. These dates marked the beginning of periods of large-scale acquisition of properties for defense purposes—the properties which have been largely responsible for this problem. The Commission, recognizing that any selection must be arbitrary, is not prepared to recommend a specific cutoff date. In addition to a cutoff date, some type of arbitrary limitation on Federal payments is necessary to prevent excessive payments or windfalls to some local governments.

In the Commission's opinion, the exhaustive report of its Study Committee on Payments in Lieu of Taxes and Shared Revenues will provide the Congress with a solid foundation upon which to build a sound program of payments in lieu of taxes on Federal properties and make such adjustments in shared revenue arrangements as may be needed.

The States sometimes contribute to the financial difficulties of their subdivisions by exempting their own properties from taxation. They may therefore want to consider the use of broad payment-in-lieu arrangements at the State level.

#### OTHER IMMUNITIES

Other areas of intergovernmental immunities, such as the exemption of interest on State and local bonds from Federal taxation and the exemption of interest on Federal bonds from State and local taxation, need further attention. The Commission recognizes that complicated issues outside the realm of intergovernmental relations are involved.

However, the Commission believes that exemption of interest on State and local bonds from Federal taxes should be continued. Removal of the exemption would adversely affect the financial capabilities of States and their political subdivisions at a time when they are already hard-pressed to meet emerging fiscal responsibilities.<sup>5</sup>

<sup>5</sup> Mr. Folsom observes:

"The National Government should consider establishing limitations on exemption, applicable either to the Federal, State, and local governments, or to taxpayers, which will keep the tax exemption problem within reasonable bounds. Some limitation is needed in order to reduce diversion of investment from risk-taking to tax-exempt channels and to improve the fairness of the tax structure. Adjustments should be made gradually as part of a carefully conceived, long-term program and in any case should apply only to future issues."

Dr. Anderson joins in this view.

## *Methods of Overcoming State Fiscal Disparities*

Fiscal adjustments along the lines suggested in this chapter will mitigate but not eliminate disparities between the distribution of tax resources (chart 3) and the need for governmental revenues. The Commission is fully aware that in the federal system the result of the uneven distribution of fiscal resources is that some States and localities can provide a high level of services with a relatively low tax burden, while others can provide even limited services only through very heavy taxation (chart 4).

At least partly as a result of fiscal considerations, some States are unwilling or unable to support minimum levels of governmental activities in certain functional areas. This situation need not always justify National action, but when it does the Commission believes that in most cases a limited grant-in-aid system offers the best method of transferring Federal funds to other governmental units.

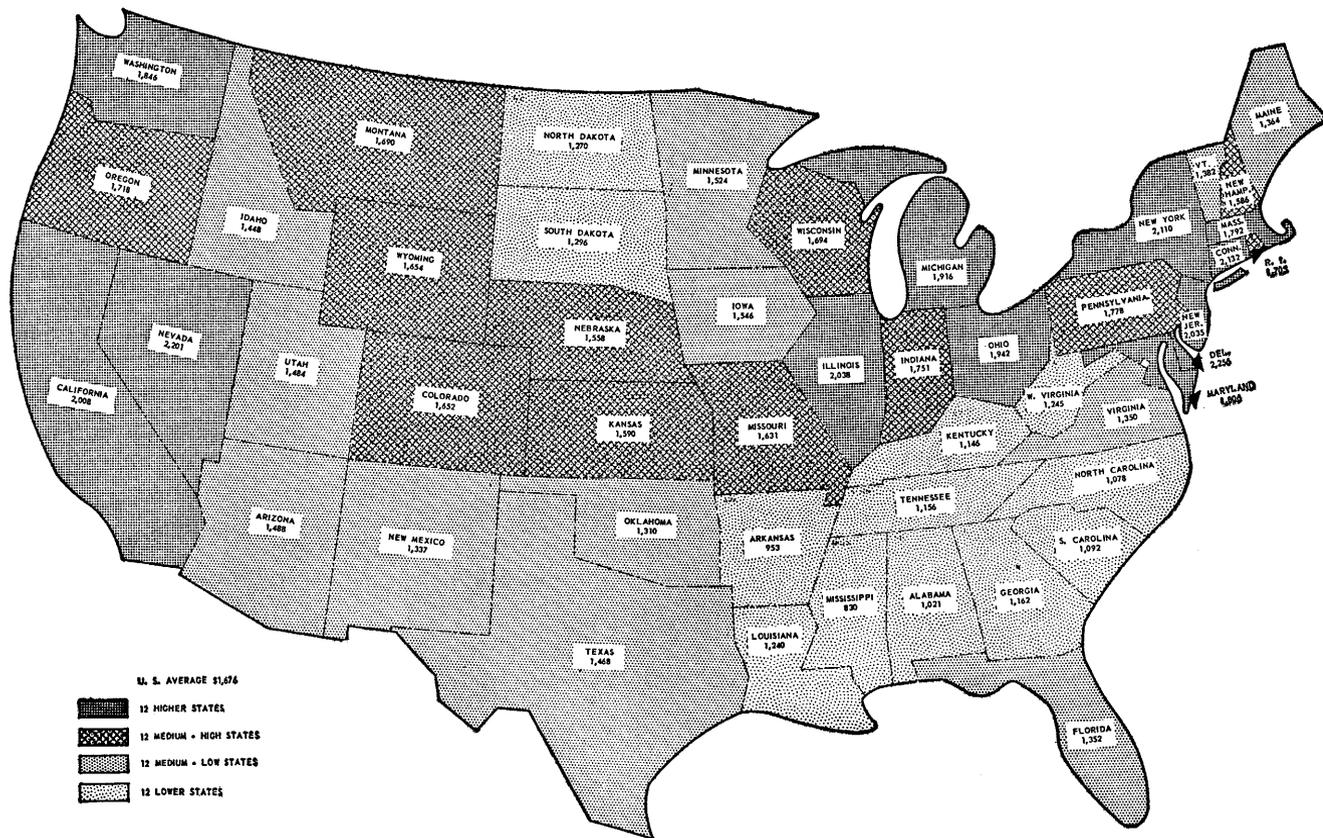
### GENERAL EQUALIZING MEASURES UNDESIRABLE

Proposals have been made for Federal grants to equalize interstate variations in tax resources. Objections have been raised, however, that general equalizing grants might lessen State and local tax efforts. The grants themselves and the higher Federal taxes necessary to finance them might interfere with the dynamic forces in the economy that tend to reduce differences in State fiscal capacities.

The Federal Government does not and should not attempt to equalize fully State fiscal capacities. Equalization for its own sake might involve the National Government in all manner of governmental activities. Once embarked on such a comprehensive governmental program, it would be difficult to establish a logical stopping point.

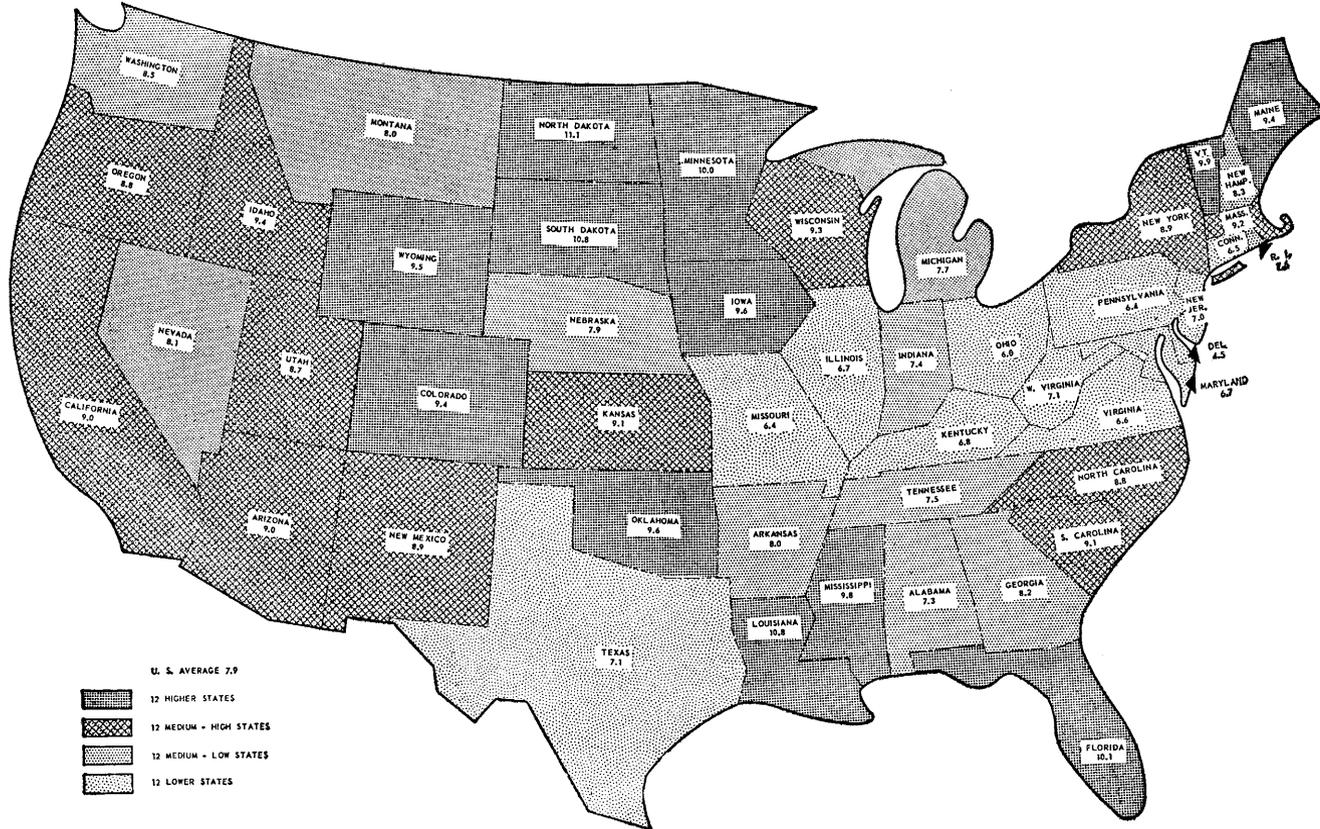
Fortunately, we may look forward in this country to economic developments which may be expected to narrow the relative income disparities among the States. A dynamic economy offers our best hope for the future, as has been evident in the narrowing of these disparities in recent years. Among the other

Chart 3.—Per Capita Income of Individuals—Fiscal Year 1953



Source: Department of Commerce, *Survey of Current Business*, August 1954.

Chart 4.—State and Local Taxes as Percent of Income Payments—Fiscal Year 1953



Source: State and local tax collections from Bureau of the Census, *State and Local Government Revenue in 1953* plus later revisions. Income payments from Department of Commerce, *Survey of Current Business*, August 1954.

forces at work, the progressive income tax has had a powerful equalizing effect.

The National Government has never set up a formalized system of grants-in-aid or subventions that has equalization as its controlling objective. Grants have been established to accomplish specific purposes in which there are deemed to be important national interests. Ordinarily they are designed to provide only minimum levels of essential service. The States and localities are left free to provide higher levels of service through their own tax efforts. Proved State effort, generally evidenced by matching expenditures, is a sound condition of eligibility for Federal grants-in-aid. This approach does not preclude National Government aid without matching in costly emergencies which cannot be foreseen or planned for, such as unusually severe natural disasters or extreme economic distress.

In some grant-in-aid programs, especially in recent years, equalization has been made a limited secondary objective by the inclusion of equalizing factors in allotment formulas and matching requirements. Larger specific grants in relation to needs are given to the low-income than to the high-income States.

As a matter of fact, the \$3 billion now transferred by the National Government to States and localities tends to equalize the tax efforts of States and localities. For the Nation as a whole, State and local taxes would have had to be increased more than 13 percent to replace the revenues derived from Federal grants. For individual States, increases ranging from 6 percent to 34 percent would have been required (table 3).

The Commission's opposition to general equalizing grants is fully consistent with its support of the use of grants for specific functional purposes and of the use of equalizing factors in such grants. Grants to the States can be a desirable and appropriate means of stimulating and supporting specific programs of national concern. The use of equalization factors when new grants are initiated or when existing grants are expanded enables the National Government to provide more stimulation and support where it is likely to be most needed with less expense than is required in programs that ignore differences in fiscal capacities.

TABLE 3.—*Relationship of Federal Grants and State and Local Taxes, Fiscal Year 1953*<sup>a</sup>

[Amount in millions]

States ranked by fiscal 1953 per capita income payments	Federal grants	State and local tax collections	Federal grants as percent of State and local taxes
United States <sup>b</sup> .....	\$2,722	\$20,914	13.0
12 Higher.....	1,047	10,818	9.7
Delaware.....	6	36	15.6
Nevada.....	11	35	29.8
Connecticut.....	24	299	7.9
New York.....	199	2,855	7.0
Illinois.....	124	1,219	10.2
New Jersey.....	45	729	6.2
California.....	260	2,176	11.9
Ohio.....	104	975	10.7
Michigan.....	101	1,003	10.0
Washington.....	64	387	16.5
Maryland.....	31	308	10.2
Massachusetts.....	80	797	10.0
12 Medium-High.....	497	3,937	12.6
Pennsylvania.....	107	1,205	8.9
Indiana.....	49	542	9.0
Oregon.....	29	241	11.9
Rhode Island.....	14	106	13.3
Wisconsin.....	51	550	9.3
Montana.....	19	82	22.7
Wyoming.....	10	48	21.0
Colorado.....	46	221	21.0
Missouri.....	97	419	23.1
Kansas.....	44	289	15.1
New Hampshire.....	9	70	12.6
Nebraska.....	22	165	13.6
12 Medium-Low.....	546	3,299	16.6
Iowa.....	45	387	11.6
Minnesota.....	56	461	12.1
Arizona.....	24	121	20.0
Utah.....	21	95	21.8
Texas.....	156	859	18.2
Idaho.....	15	81	18.5
Vermont.....	8	51	15.5
Maine.....	17	116	14.2
Florida.....	57	441	12.9
Virginia.....	47	315	14.8
New Mexico.....	23	89	26.1
Oklahoma.....	78	282	27.5
12 Lower.....	625	2,748	22.8
South Dakota.....	19	92	20.8
North Dakota.....	17	86	19.7
West Virginia.....	37	173	21.5
Louisiana.....	101	379	26.6
Georgia.....	84	338	24.8
Tennessee.....	63	287	22.1
Kentucky.....	55	232	23.7
South Carolina.....	43	216	19.7
North Carolina.....	59	398	14.9
Alabama.....	57	230	25.0
Arkansas.....	48	143	33.8
Mississippi.....	42	176	23.9

<sup>a</sup> Detail will not necessarily add to totals because of rounding.

<sup>b</sup> Includes District of Columbia.

Source: Federal grants from *Annual Report of the Secretary of the Treasury, 1953*. Shared revenues are excluded. State and local tax collections from Bureau of the Census, *State and Local Government Revenues in 1953*.

## COMPREHENSIVE SUBVENTIONS FOR GENERAL GOVERNMENTAL PURPOSES REJECTED<sup>6</sup>

An alternative to a program of general equalizing grants to reduce fiscal disparities would be the use of a comprehensive subsidy program for general governmental purposes. The Commission rejects this approach. It would doubtless relieve the States of pressing financial obligations, but it would also relieve them of fiscal autonomy. The Commission believes that, whenever possible, decisions to spend and decisions to tax should be made at the same governmental level, thus encouraging financial responsibility.

Subvention-type grants would have to be safeguarded by prescribed standards to ensure efficient performance and equitable distribution of funds. This could entail a high degree of conformity and uniformity on the part of all recipients. And it is not realistic to believe that a program of this nature could be limited to a relatively few States. Since taxpayers in all States would supply the funds to be distributed by the National Government, each State would believe itself entitled to a share. The more States that participated in the program, the higher would be the necessary tax contributions and the more each State would insist upon its share of the funds since it would have more difficulty financing its own activities. The spiral would lead only to ever-increasing centralization.

## SIMULTANEOUS REDUCTION OF GRANTS AND TAXES CONSIDERED

The Commission has explored the suggestion that States would be assisted by a simultaneous reduction in Federal grants and certain Federal taxes. This approach would be inadequate in the current situation, since grants serve an essential purpose by assisting in the support of specific functional programs.<sup>7</sup> Moreover, any general or selective reduction or repeal

<sup>6</sup> See also chapter 5, pp. 121-124.

<sup>7</sup> Mr. Burton and Governors Driscoll, Thornton, and Battle comment:

"We believe that there is merit to the proposition of relinquishing National tax sources to the States, wholly or in part, and of reducing grants-in-aid in the aggregate, with the reduced grants being more heavily equalized. Relinquished tax sources would tend to benefit the higher-income States, while the reduced but

of Federal grants coupled with an equivalent reduction in Federal taxes would intensify the fiscal problems of the lower-income States, which would lose far more in grants than they would gain in taxes. On the other hand, a tax cut of sufficient magnitude to indemnify fully every State would result in a total loss of Federal revenue that would far exceed the grant reductions.

An alternative would be to reduce grants to the richer States and increase grants to the poorer. But since the purpose of grant programs is to stimulate and support particular activities in which there is deemed to be an important national interest, the question would arise as to whether the national interest would be fulfilled if changes of this kind were made.

Then, too, it cannot be assumed that taxes surrendered by the National Government would be fully utilized by either State or local governments. For example, recent experience with the Federal admissions tax (which was cut two-thirds in 1954) is inconclusive but not reassuring, despite the fact that its suitability for local use has often been stressed.

## CONCLUSION

As the Commission has said so often in this Report, a fundamental objective of our system of government should be to keep centralization to a minimum and State-local responsibility to a maximum. The fiscal resources available to the National and State governments are adequate for the needs of a federal system responsive to the people. If States are to assume a larger share of governmental activities in the future, however, changes will have to be made to help overcome serious financial problems.

The Commission recognizes that there is no grand solution of our intergovernmental fiscal problems. Rather, what is

---

more equalized grants would tend to benefit the lower-income States. Of course, no nice balance is to be expected; tax and grant reductions should not even be respectively earmarked. But the overall proposition moves in the right direction—more fiscal and administrative autonomy would be gained in many States. We are unimpressed by the argument that so much of so many National grants is required to stimulate or support respective activities, particularly in the higher-income States.”

needed is a pragmatic but consistent and sustained attack at all levels of government. Of prime importance is economic expansion, coupled with a stable price level and restraint in tax and expenditure programs. Improved coordination of fiscal policies through greater separation of revenue sources and administrative cooperation is needed. A system of in-lieu payments and careful use of grants-in-aid will help meet the problem.

The Commission believes that each State should undertake a searching reappraisal of its fiscal policies, including the constitutional and statutory limitations on its taxation and borrowing activities, the limitations on the fiscal powers of local governments, the systems of property tax administration, and the financial aids it is providing its subdivisions. Such a study might well be undertaken as part of the more comprehensive review of what might be done to strengthen State and local governments, suggested by the Commission in chapter 2.

Fiscal studies have been made in a few States and the Commission believes that all States would find such reviews helpful. These studies should look beyond the next few years and face up to the impact on State and local finances of such developments as population growth and urbanization.

Failure to come to grips with fiscal problems may undermine the very strength of our governmental system which it is our purpose to preserve and improve.

## Chapter 5

### FEDERAL GRANTS-IN-AID

The grant-in-aid device is used by central governments to assist smaller governmental units in practically all political systems, whether federal or unitary. Grants are found in a wide variety of forms. The common characteristic of all forms is that the central government provides aid without supplanting smaller units as the governments which bring the aided services to the public.

Grants made by the United States Government to the States are usually in the form of money,<sup>1</sup> although the earliest grants were in land and at present some grants of agricultural commodities are being made. Most grants-in-aid are continuing arrangements; there have, however, been a few one-time grants. Table 6 in appendix E shows the grants now available to States or their subdivisions, and the chief statutory characteristics of each.<sup>2</sup>

At first glance existing Federal grant programs look like a hodgepodge. Purposes are not always clearly stated, the choice of activities seems haphazard, apportionment methods and controls vary widely. The Commission's study of past and present Federal grant-in-aid programs showed plainly that the grants do not constitute a system, and indeed that they were never intended to make up a system. Their varied characteristics are largely the natural outgrowth of their varied objectives and

---

<sup>1</sup> In this Report, grants-in-aid are distinguished from loans and certain other kinds of payments made by the National Government to the States such as shared revenues (fixed percentages of revenues from specified sources); contractual payments for services (for example, payments for housing Federal prisoners in a State prison); and payments made under certain cost-sharing arrangements (for example, payments to help meet the cost of shore erosion control).

<sup>2</sup> Additional tables relating to grants-in-aid also appear in appendix E.

piecemeal development. This conclusion becomes apparent in examining the historical development of grants.<sup>3</sup>

## EVOLUTION OF THE GRANT-IN-AID

The National Government has used the grant-in-aid primarily to achieve some National objective, not merely to help States and local governments finance their activities. Specific objectives have been as varied as getting the farmer out of the mud, assisting the needy aged, providing lunches for school children, and preventing cancer. As a condition of financial assistance the National Government establishes requirements and provides administrative supervision.

The trend has been toward sharper definition of objectives, closer attention to conditions and requirements, more extensive administrative supervision, and, recently, greater attention to relative State fiscal capacity.

### *Few Conditions in Early Grants*

The early land grants to the States specified the broad objective for which proceeds from sales were to be used (generally education or internal improvements), but had no other conditions and almost no plan for supervision or control. The Morrill Act of 1862 tightened the definition of objectives and introduced new conditions and some supervision. Each State had to maintain a college with a curriculum emphasizing "such branches of learning as related to agriculture and the mechanic arts." Funds had to be invested in safe securities and only the interest could be spent. State matching was indirectly required since the Federal money could not be used for construction. Annual reports were prescribed.

The second Morrill Act, in 1890, provided an annual cash grant for instruction in the land-grant colleges. The law em-

---

<sup>3</sup> Mr. Burton and Governors Driscoll and Thornton comment:

"The historically haphazard growth of the present grant programs is not a justification for an unsystematic continuance; while the grants emanate from many National departments and agencies, they have a single impact in a particular State, and in such respect should be viewed for some semblance of fiscal system."

powered Federal officials to withhold money from any institution not fulfilling its obligations.

The first provision for Federal audit was in an 1895 amendment to the Hatch Act of 1887, which had authorized grants for agricultural experiment stations as adjuncts of the colleges. The Weeks Law of 1911, authorizing Federal-State cooperation in forest fire protection, and the Smith-Lever Act of 1914, providing for cooperative agricultural extension work between the land-grant colleges and the Department of Agriculture, contained further innovations. These acts introduced apportionment formulas, dollar-for-dollar matching, and the requirement for advance approval of State plans by the National Government.

### *The Grant Attains Maturity*

As a result of many developments, the grant has become a fully matured device of cooperative government. Its elements are well established: the objectives are defined; apportionment and matching formulas are laid down; conditions, minimum standards, and sanctions are prescribed; and provisions are made for administrative supervision. The maturing of the grant as a means of stimulating and shaping particular programs, as distinct from a subsidy device, is reflected not only in increasing legislative attention to conditions, standards, sanctions, and methods of supervision, but also in the evolution of National administrative machinery and procedures. The conditions attached to grants have not remained mere verbal expressions of National intent; National agencies have generally had funds and staff to make them effective.

In establishing grant-in-aid programs, the Congress has apparently regarded the disparities in fiscal capacity among the States as a matter of secondary importance. Almost all grants are available to all States, even the wealthiest; the formulas for allotting funds among the States and prescribing their matching expenditures do not usually reflect differences in State resources; and, further, many programs offer relatively small amounts of money.

During the past decade, however, the grant structure has been modified to recognize varying State fiscal capacity. In grants for hospital construction, school lunches, and public health, for example, the National Government assumes more of the financial burden in States of lesser fiscal capacity than in more prosperous ones. Thus Mississippi, with the lowest per capita income, receives for hospital construction four and one-half times as much per capita as New York does.

This marks a significant change in the character of grants-in-aid. It appears that relative State fiscal capacity will receive greater attention in future legislation. Even so, there will remain a wide gap between conditional grants, which combine fiscal objectives and the functional objectives of specific programs, and the outright subsidy or subvention type of grant, which is purely a fiscal device. In an evaluation of Federal grants-in-aid, it is helpful to compare these two types.

## SUBSIDIES VS. CONDITIONAL GRANTS

Many central governments—including those of the federal systems of Canada and Australia—and some of our State governments make grants in the form of broad subsidies. The Commission has considered whether a similar policy by the National Government might be preferable to the use of the conditional type of grant.

It has been argued that a subsidy policy would provide maximum help to the States that most need funds, give all States an opportunity to use money where they feel their need is greatest, preserve for them a larger and more independent governing role, and relieve the National Government of administrative burdens and of the difficult task of selecting specific objects of aid. The National responsibility would be limited to the minimum supervision needed to prevent fraud.

Experience with different types of grants, however, suggests that subsidies would not materially relieve pressures for National action for specific objectives. Other factors that are responsible for the establishment of existing grant programs would still remain. Among them are such conditions within the States as the fear of being placed at a competitive disadvantage by fully

exploiting their own taxable resources, insufficient interest in certain programs of concern to the Nation, and lack of technical skills and information. Even in New York, where fiscal capacity has not been wanting, the Temporary Commission on the Fiscal Affairs of State Government found that in many fields Federal grants had helped to stimulate activity and to raise standards.<sup>4</sup>

In short, if a system of subsidies were adopted, there is no assurance that the funds would be used to provide all the services thought necessary by the National Government. There would still be pressure for National programs for specific objectives. The end result would be a piling of conditional grants on top of subsidies, as in Canada and Australia, or enlargement of the field of direct National provision of services, or both.

There are other objections to unconditional subsidies. National authorities would have inadequate control over the use of appropriated funds. On the State and local side, a policy of unconditional subsidies with no matching requirements would be likely to undermine the sense of financial responsibility. The tendency would be for States and localities to look more and more to the National Government to perform the disagreeable task of extracting money from the taxpayer.

### *Continued Use of Conditional Grants*

Where aid is determined to be necessary, the National Government's conditional grants represent a basically sound technique, despite their piecemeal development and hodgepodge appearance. It is the only technique that is in any sense self-limiting, both as to objectives and amounts of expenditure and as to the extent and nature of National control. When Federal aid is directed toward specific activities, it is possible to observe the effects of each grant, to evaluate the progress of aided activities, and to relate the amount of financial assistance to needs. There is more assurance that Federal funds will be used to promote the Nation's primary interests. Finally, the direct control exercised

---

<sup>4</sup> *A Program for Continued Progress in Fiscal Management*, Feb. 1955, vol. 1, pp. 214, 217-219.

by the National Government is confined to limited and well-defined governmental activities, leaving other areas of State and local responsibility relatively unaffected.

While the traditional type of grant-in-aid is to be preferred to the subsidy, substantial improvement is desirable in determining both when and how to use it. The Commission advances the following broad principles for guidance:

1. A grant should be made or continued only for a clearly indicated and presently important national objective. This calls for a searching and selective test of the justification for National participation. The point has been made in chapter 3 that existence of a national interest in an activity is not in itself enough to warrant National participation. Related questions are the relative importance of the national interest and the extent to which it may be served by State and local action. Consequently, where the activity is one normally considered the primary responsibility of State and local governments, substantial evidence should be required that National participation is necessary in order to protect or to promote the national interest.

2. Where National participation in an activity is determined to be desirable, the grant-in-aid should be employed only when it is found to be the most suitable form of National participation. It is important to compare the strong and weak points of the grant-in-aid device with those of other forms of National-State cooperation as well as with those of direct National action. It is likewise important to consider the types of objectives and situations for which the grant is best adapted. The probable effect on State or local governments is an important consideration.

3. Once it is decided that a grant-in-aid should be made, the grant should be carefully designed to achieve its specified objective. This requires careful attention to the shaping of apportionment formulas and matching requirements, the prescription of standards and conditions, and the provision for administrative machinery and procedures. Objectives as varied as cancer control, old-age assistance, highway construction, and forest fire prevention call for imaginative use of varied types of standards, controls, and fiscal formulas. It is more important to shape these elements of the grant to a particular purpose than to

achieve complete uniformity among the programs. At the same time, in order to ease the impact of grants-in-aid on State and local government, as much uniformity should be striven for as is compatible with the achievement of specific objectives.

The areas of possible improvement, then, lie in developing more searching tests of the desirability of National participation in activities for which grants are proposed or already being made; in more discriminating understanding of the possibilities and limitations of the grant; and in more conscious and skillful adaptation of legislative provisions and administrative supervision to grant-in-aid objectives. The first of these is discussed elsewhere in this Report;<sup>5</sup> the others are the concern of the remaining part of this chapter.

## THE USES AND LIMITATIONS OF THE GRANT-IN-AID

Assuming the desirability of some form of National participation in a governmental program, in what situations is the grant-in-aid device most appropriate?

There are two general considerations to be weighed. One is the degree of National participation required to achieve a given objective. The other is the nature of the activity.

As to the former, the principle of minimal action applies. If, for example, a given National objective can be achieved by supplying information, consultation, research, or some other form of assistance involving a relatively minor assumption of responsibility, a grant-in-aid would be an unnecessary and undesirable extension of National authority. But if the only effective alternative to the grant-in-aid is direct National administration, the grant-in-aid, if appropriate on other grounds, may actually conserve State responsibility. The question is one of the degree of National participation. Assuming the desirability of some form of National action, the grant-in-aid's strong and weak points can be realistically assessed only in the light of the alternatives available.

---

<sup>5</sup> The general considerations which warrant some kind of National action are discussed at the beginning of chapter 3; the need for National participation in specific functional areas is dealt with in Part II.

As to their appropriateness for different types of activities, grants in the past have been used for services rather than for regulatory activities of government. This is illustrated by the six programs that absorb more than 90 percent of the Federal-aid dollar: public assistance, highway construction, employment security, school lunch, school construction and operation in Federally-affected areas, and hospital construction.

There are two reasons why the grant-in-aid has been confined to fields of service. On the positive side, service programs generally cost more than regulatory ones, so that financial aid is a more effective inducement to the States to undertake or increase the desired activity. On the negative side, uniformity—a prime need in regulatory activities—cannot be ensured as adequately by the grant-in-aid. Direct National action can achieve uniformity much more readily than a device that has to depend on the cooperation of 48 States and perhaps thousands of smaller units of government.

### *Grants as a Stimulating Device*

The grant's widest use has been in stimulating the States to launch or expand services for which State and local governments are generally regarded as primarily responsible. National funds and leadership have stimulated State and local activity in agricultural education and research, welfare services, public health services, and vocational education, to cite some prominent examples. In some of these fields the States or localities had already made a start before the grant was made. Generally, though not always, the grants have produced notable spurts in State and local action, and the proportion of State and local expenditures to Federal aid has shown a steady and substantial overall increase.

Stimulation has been understood by many to imply termination of National aid after a limited period of time and has been frequently so used in this Report. Grant-in-aid legislation does not ordinarily specify a termination date. Some programs may have been initiated with the understanding that National grants would pass out of the picture, but in the absence of a

specific expression of intent, there has been little concerted attention in and out of Congress toward bringing to a close those grants which have adequately stimulated State and local activity. In practice, the objectives of stimulation and support have been merged, and continued Federal aid has been claimed necessary in many instances to stimulate States to maintain desired programs. It is sometimes argued that a temporary grant would fail to stimulate State activity, on the ground that many States, particularly those with low incomes, would naturally hesitate to undertake Nationally-aided programs where the National support is clearly temporary. The Commission recommends, however, that wherever practicable Congress declare in the statute establishing a grant-in-aid the concrete goals which the grant is designed to achieve, provide for periodic evaluation of the progress achieved toward these goals, and indicate the conditions which could justify the termination of the grant.

Where used effectively, the grant not only has increased the volume of State and local services, but also has promoted higher standards both in service and in administration. These gains have come through the conditions attached to the grants and from the administrative leadership and supervision of National agencies. Thus a study made for the Commission on the impact of grants-in-aid in one State concluded:

Grant-in-aid programs have had a significant effect upon the administrative practices of the State departments \* \* \*. Personnel management is distinctly better in Welfare, Health, Employment Security and Highways than in the non-federally aided departments. Again, the necessity of preparing annual work programs for the review of Federal agencies has developed a concept of the work program which makes for more effective and better organized administrative performance within those departments. Similarly the necessity of preparing monthly and annual reports for the review of the responsible Federal agency has improved the reporting practices of the State agencies concerned. This would appear to be in distinct contrast to the rather loose and general reporting practices of the non-federally assisted State agencies.

Comparable findings were reported from other States.

A good illustration of these effects is afforded by the highway grants that were first authorized in 1916. Automobiles were

then swarming onto roads designed for the horse and wagon. Federal grants served both to increase the volume of construction and to introduce minimal standards and some interlocking of State systems. One of the major results was the speedy establishment of State highway departments in all States; before the grant became available, only a few States had set up this type of agency. Without the National standards, the States and localities in this early period could hardly have served the national interest in an adequate highway system.

Many of the grants have produced beneficial National-State and National-local cooperation. Both services and administrative relationships have been improved by free exchange of information and ideas and by the provision of technical guidance. Levels of government drawn together in ventures financed by grants have become increasingly aware of the mutuality of their interests. These gains are perhaps as important as more tangible results.

### *Other Uses of Grants*

The grant-in-aid can be used for purposes other than the stimulation of State activity in fields where States are already at work. It may be used, for example, to transfer an activity from the National to the State or local level. Some of the programs included in the Social Security Act of 1935 provided for State and local operation of grant-aided programs to replace certain emergency activities which had been carried on directly by the National Government. Two years later the low-rent housing program was shifted to State and local operation by this method.

Again, a grant may be used to compensate local (and perhaps State) governments for unusual burdens placed upon them as a direct result of National action. When National action imposes on a locality the burden of speedy and substantial expansion of local governmental services, the National Government has an obligation to render financial assistance while the locality adjusts itself to the new demands. A grant-in-aid of the type now being made for education in Federally-affected areas is one way of discharging such an obligation.

## *Limitations of the Grant*

Notwithstanding its obvious usefulness, the grant-in-aid is not a panacea. Its limitations should be recognized along with its potentialities.

When only a few States are not providing reasonably adequate services, the grant-in-aid may be a costly way to stimulate these States. The National Government has not as yet developed a method of making grants that is flexible enough to meet such a limited objective. In this situation it remains to be explored whether National contractual services or loans, or direct National action on a limited basis, may be preferable alternatives to a grant.

Other limitations of the grant-in-aid are inherent in its complexity. It divides responsibility and offers ample opportunity to dodge it. There is joint provision of policy, finances, and administration, but National and State action do not mesh perfectly. The States must wait for Federal appropriations to plan their budgets for grant-aided activities; State policy must be geared to National standards and conditions; and State administrators must accept National supervision. In such a situation some friction cannot be avoided.<sup>6</sup>

---

<sup>6</sup> Governor Driscoll observes:

"The complexity of the grant-in-aid device probably results in higher costs of administration on the average than would be incurred were the programs wholly administered by one level of government. Reliable data on the costs of administering these programs are unavailable at either the National or the State level.

"The Commission attempted to secure estimates of administrative costs from the Federal grant-administered agencies. The estimates range from 0.05 percent of the annual grant for one program to 39.9 percent of the annual grant for another. It is apparent that the estimates submitted by the various departments are not comparable. Accordingly, it would be unwise to draw conclusions with respect to the relative efficiency of the various departments. It is evident that each department of the National Government, as well as the States and many of their departments, prescribes its own accounting rules and that these are lacking in uniformity. It is important for an adequate evaluation of the grant-in-aid programs that complete and comparable data of administrative costs be available.

"It is strongly recommended that the Bureau of the Budget prescribe uniform specifications for calculating administrative costs of the grant programs by both National and State-local agencies and maintain a public record of such costs. The combined cost of administration at the State and National levels is substantial. In the interest of economy as well as efficiency the costs should be brought under reasonable control."

Mr. Burton, Dr. Anderson, and Governor Thornton join in this view.

## *Effect on State Budgets*

The Commission notes with concern that a number of State budget officers believe that grants-in-aid have distorted State budgets. Neither the nature nor the extent of the distortion, however, is entirely clear.

Almost of necessity, grants-in-aid in their early stages will induce State and local governments to adopt a pattern of expenditure in which the emphasis is somewhat different from that which would prevail in the absence of grants. Such an effect is indeed one of the major objectives of grants-in-aid, for the grant is intended to stimulate States and their localities to exert greater effort in aided programs than they presumably would exert without financial inducement from the National Government.

To say that States are not required to accept grants-in-aid is not a completely satisfactory answer. Although State authorities are not legally required to accept grants, they are under strong practical compulsion to do so.

It is questionable whether any State, today, spends more of its own funds on major activities supported by grants-in-aid than it would were there no Federal support of these activities. However, restrictions attached to the use of some Federal grants, particularly those in the fields of public health, vocational education, and highways, probably do affect the relative support of various special programs in some State budgets. This element of distortion could be eliminated or greatly reduced by giving the States more discretion in the allocation of grant-in-aid funds, as later recommended by the Commission.

Grants-in-aid may also hamper the budgetary flexibility of the States—their freedom to shift their own resources from one governmental activity to another in response to shifting needs. When Federal grants are made for too narrowly defined objectives, flexibility is still further impaired.<sup>7</sup>

On the basis of reports made to the Commission, it is apparent that the distortion and attendant inflexibility vary from State

---

<sup>7</sup> The Commission recognizes that there are other impediments to budgetary flexibility besides grants-in-aid. For some States excessive earmarking of taxes is a more serious threat. Yet the part played by grants-in-aid in impairing flexibility, though a secondary one, cannot be ignored.

to State. There is a potential danger that could become serious, particularly for low-income States, in the event of any considerable expansion of grants-in-aid requiring substantial increases in State matching expenditures.<sup>8</sup>

There is unanimous agreement that effective budgeting of grants is hampered by poor timing on the part of Congress and State authorities. States now prepare budgets without being sure how much money they will get from most grant-in-aid programs. They are sometimes embarrassed when Congress fails to vote the anticipated amounts. Much of this trouble would be cured if Congress made more grants for two years in advance, as it does with grants for highway construction.

### *Summary*

To sum up, the grant-in-aid is first of all an instrument used by the National Government to reach its objectives.<sup>9</sup> The grant

---

<sup>8</sup> Some might see danger signals in the present relationship between "required" State matching expenditure (that is, required in order to qualify for the amount of the Federal contribution received) and total State expenditure in some States. In the fiscal year 1953 Federal grants-in-aid and "required" State matching funds constituted 25 percent of the total expenditures of the 48 States and rose as high as 46 percent of total State expenditure in Missouri. In terms of State and local tax and grant-in-aid revenues, grants and "required" matching funds constituted 17.9 percent of the total, accounting for 36 percent in Arkansas.

<sup>9</sup> Mr. Burton observes:

"The Commission has not emphasized sufficiently an inherent danger in the grant device. By this device the National Government spends money and exercises controls for programs which might not be supported if the National Government proposed to spend the money directly and exercise the control. In other words, the National Government does things indirectly which the public might not support if it attempted to do so directly."

Governors Driscoll and Thornton join in this view.

Governor Driscoll adds the following comment:

"Woodrow Wilson once observed that we ought not to pit power against weakness. In the relationship between the National Government and the States, it is important that we maintain, as nearly as circumstances will permit, a reasonable balance between the collective powers and responsibilities of the States on the one hand and the National Government on the other.

"A grant-in-aid program should be the exception rather than the rule. Federal grants are not cloaked in magic. They derive their support from the same taxpayers that provide the wherewithal for all levels of government. If grants should become a part of every governmental activity, there is good reason to believe we would lose some of the substance of our present republican form of government and federal system. President Andrew Jackson foresaw this result in 1833, when he stated that

always entails some National control, as well as assistance and cooperation. Because the control is indirect and the execution of the program is given to the States, the impact of a proposed grant on State and local responsibility may not be fully taken into account. The Commission believes that a healthy safeguard here is for the Congress to consult representatives of State governments—those with overall responsibility as well as heads of functional agencies—on the need for and the form of National participation.

Once a determination has been made that National action is desirable for a given objective, however, the fact that the grant-in-aid involves some diminution of State autonomy is not in itself a compelling argument against its use. Against a direct National program that would give the States no role whatsoever, the grant-in-aid may often be preferred.

## THE BOUNDARIES OF GRANT-AIDED ACTIVITIES

When use of a grant-in-aid has been decided upon, the problem arises as to how precisely to define the scope of the activities

Congress should not be the tax gatherer and paymaster for State governments. 'It appears to me,' he said, 'that a more direct road to consolidation cannot be devised. Money is power, and in that government which pays all the public officers of the States will all political power be substantially concentrated.'

"It is conceded that grants-in-aid have upon a number of occasions performed a useful service. This fact, however, does not invite indiscriminate expansion. It has been suggested that grants to support specific programs may be made without strings and that controls need not be a conspicuous feature of these grants. An examination of the facts discloses that the grant has frequently been used to establish the authority of the National Government over State policies. For example, in the Hayden-Cartwright Act the National Government seeks to compel the States to dedicate gasoline taxes—one of their major tax resources. The Hatch Act uses the grant as a device to prohibit reasonable, as well as unreasonable, civic and political activities by a major proportion of all State employees. In addition, the grant has been used as an entering wedge for a wide variety of administrative controls over State policies and administration.

"I do not question the right of the National Government to attach reasonable controls to its grants-in-aid. I do question the wisdom of adopting the costly and frequently confusing grant device as standard practice in government. A grant-in-aid program to all States, irrespective of relative need and ability to pay, is a cumbersome and expensive method of administration which negates many of the values of our American system of political decentralization.

"I find that grants-in-aid in practice result in a much greater impact of National policy on State budgets, administration, and policies than the Commission report indicates."

Governors Battle, Thornton, and Peterson and Mr. Burton join in this view.

for which aid is to be given. Usually these activities are described in considerable, though varying, detail. Grants for vocational education are subdivided into 13 categories, including such restricted objects as teachers' salaries in part-time schools for trades and industry. Highway and public assistance grants have four categories each. Public health grants include one for "public health general" and five more for specific diseases.

The highly specialized nature of grant programs is the source of many difficulties. Frequently the amount of money granted for each specific object is relatively small. The States, and especially the local units through which most grant funds are actually expended, at times find it difficult to account for expenditures made for one special program as distinct from expenditures made for other special programs, or for State and local programs of a more general character. Yet the National agency administering the grants is responsible for seeing that each fund is used only for the purpose authorized. Hence the subdivision of grants into specific categories brings in its train detailed plan requirements, restrictive regulations, and what State and local authorities often regard as excessive supervision and expense.

Elaborate subdivision of grant objects may sometimes thwart the best use of funds. In a field of such rapidly advancing scientific progress as public health, for example, concentration of Federal aid on enumerated disease control activities may divert funds and attention—National and State—from more rewarding public health programs.

To avoid the defects of highly specialized grants, the use of more general grants has often been urged. According to the usual proposal, funds would be given for such broad objectives as public health or welfare, for example. Each State would determine what emphasis to give within each broad field. The tasks of supervising, recordkeeping, and reporting would be greatly simplified.

The Commission is cognizant of the inconveniences caused by highly specialized grants. But to get rid of specialized grants merely because they involve administrative inconveniences may not be the best solution of the problem. The matter to be settled first in each case is whether the degree of specification is worth what it will cost.

## *Why Limited Areas Are Chosen*

There are strong reasons for confining grants-in-aid to fairly small segments of broad activities. For one thing, stimulation of one part of a State or local program will often be communicated to the whole program without further National action. And since grants are nearly always made in fields where States and localities bear major responsibilities, the National Government should leave the largest possible portion of the fields to them. In short, National action should be the least that will ensure results. If State and local initiative is to be preserved, the National Government should not try to accomplish specific objectives with broad grants.

Not that some broadening of definitions would be undesirable in all cases. In public health, the specific objectives of disease control might be better achieved by support of general research, for scientific discoveries are not amenable to classification before they are made. A narrow definition of objectives here may defeat the purpose of the grant. In the case of agricultural research, existing separate grants merely create difficulties in administration and ought to be consolidated.

## *Flexible Allocations Needed*

More serious than the precise definition of objectives is the problem of precise allocation of funds among objectives. Ordinarily no flexibility is permitted. Each State gets a specified amount for each program and each dollar must be accounted for in its classification.

Here is where some flexibility would help. Let us assume that grants totaling \$10 million are to be made for five specific activities in public health. Instead of specifying the precise amount to be spent on heart disease, cancer, and so on, Congress might well specify a minimum sum for each, leaving the balance to be allocated administratively among the five programs in whatever manner is deemed most promising. Under this plan, discretion should be extended to State officials, although their allocations might be subject to approval by the appropriate National agency.

Another way to obtain flexibility is by continuing the precise allocations to each program but permitting transfer of funds from one program to another on a limited basis. This is done under the Federal highway act of 1954 and the medical facilities act of 1954. Either of the two suggested devices would reduce detailed controls and supervision and would make the program as a whole adaptable to the needs of individual States. National participation would be confined to specific objectives, as at present, and ample controls would remain to see that none of these was neglected.

### APPORTIONMENT OF FUNDS AND MATCHING REQUIREMENTS

The formulas for allotting Federal funds among the States vary from program to program. In one minor program a flat sum is granted to each participating State. Under most others the amount varies, depending on such factors as population, area, and per capita income. In the public assistance programs, the National Government simply provides a fixed percentage of the benefits paid out by the States to needy persons. Thus the amount of aid given under these open-end grants fluctuates with economic conditions and the rigor with which the States apply the concept of need.

Prior to World War II, most grants were intended to distribute funds among the States according to the amount of service needed in each State (the "program need"). The more recent equalizing grants combine this test with one which weighs a State's ability to meet its program need from its own resources.

Obviously the amount of Federal aid should be governed in part by program need. It would be absurd to offer equal sums for agricultural education to Rhode Island and Kansas, or the same amount of highway aid to California and Delaware.

There are difficulties, of course, in finding an accurate measure of the volume of service needed. When grants are made for limited and specific activities, however, the difficulties are reduced. Under the limited purpose type of grant which this Commission prefers, the allotment of Federal funds among the

States should be governed, at least in part, by an index which closely reflects quantitative differences in program need.

### *Objective Must Be Plainly Defined*

A prerequisite for applying this principle is a clear definition of the objective of the grant. Allotment of funds to combat a particular disease, for example, would depend on whether the objective was to treat victims of the disease, or to foster research in connection with it. If the former, allotments should be related to the incidence of the disease; if the latter, the basis of allotment might well be the location of research facilities.

In the absence of a specific index, population is a rough guide. The needed volume of many aided services varies from State to State more or less directly with population.

### *When Equalizing Is Called For*

The Commission, as it has already indicated, does not believe that the "equalization" of the general fiscal capacities of the States is by itself a proper objective of National policy. But where disparities in fiscal capacity make it unlikely that the grant's objective will be attained in low-income States without an equalizing formula, it seems only reasonable to grant more funds in relation to program need. Equalizing seems most appropriate in large grants.

Where equalization is found desirable, both the allotment formula and the matching requirement should be related to fiscal capacity. Equalization is achieved only when the National Government assumes a greater share of total program expenditure in low-income States than it does in high-income States. This objective ordinarily cannot be attained simply by offering more Federal funds to low-income States. If such States are required to match the Federal grant at the same rate as high-income States, they must impose on their taxpayers a heavier burden than that borne by the taxpayers of the high-income States in order to take advantage of the grant. Consequently, when equalization is desired, low-income States should be

granted more Federal dollars in relation to program need than high-income States and should at the same time be required to spend proportionately fewer dollars of their own for matching purposes.<sup>10</sup>

In summary, the Commission believes that while the equalization of the fiscal capacities of the States is not in itself a proper objective of Federal grants-in-aid, the incorporation of equalizing features in grants is desirable whenever reasonably necessary for the achievement of specific program objectives.<sup>11</sup>

### THE ADMINISTRATION OF GRANTS-IN-AID

The administrative framework for a grant-in-aid program must reconcile certain conflicts. On the one hand, the desire to achieve a specific program objective points toward fairly stringent conditions and intensive supervision. On the other hand, the concept of the grant as a cooperative device with administration entrusted to the States suggests a minimum of supervision by the National Government.

In brief, the problem is to have enough control and supervision to ensure results—yet not so much that the States virtually become administrative agents of the National Government, applying a uniform National policy.

---

<sup>10</sup> There are many variations of equalizing formulas which take into account both program need and relative fiscal capacity. There is no equalizing formula of universal applicability. Which of the possible formulas is most appropriate for any individual grant-in-aid depends on the nature of the program and the degree of equalization desired.

<sup>11</sup> Mr. Burton takes a somewhat different view. His statement is as follows:

“Equalizing features should be incorporated in a grant-in-aid unless they would impede the achievement of the program objective. Equalization minimizes some of the dangers that accompany use of the grant-in-aid device. It reduces the danger that grant-in-aid funds will be spent with less prudence and economy than funds raised solely by the level of government which spends them. The most effective way of averting this danger is by requiring those levels of government which do the spending to invest substantial sums in the aided programs. Although equalization means that a smaller share of the total program expenditure is required of lower-income States, they need less dollar incentive to exercise economy. One dollar of revenue in a low-income State may assume as much importance as several times that sum in a high-income State. Equalization similarly minimizes the adverse effects which grants-in-aid may have on State budgets. By offering more Federal money and requiring a smaller matching expenditure from lower-income States where need exists, equalization helps to prevent distortion and inflexibility in the pattern of State expenditure.”

## *How Standards Vary*

Since Federal grants are used for program objectives, the conditions and requirements that apply specifically to grants are not purely fiscal. Their nature varies with the nature of the objective, but generally they will include standards relating both to the services being provided, and to the method of administering these services.

Sometimes the standard is part of the basic law governing National participation in the program. For example, in old-age assistance no Federal funds may be paid to a person who is not yet 65. The line between what is permissible and what is not is perfectly clear. If records are available, there can be no difference of opinion as to the propriety of the State's action. No interpretation or regulation is necessary.

Other conditions are more loosely defined. Again in old-age assistance, the Federal law requires the State, in determining the need of an applicant, to take into account any other income and resources he may have. This type of standard is more in the nature of a criterion for judgment. Income and resources may be "taken into account" in various ways and to varying extents. Many States exempt a limited amount of property, for example small life insurance policies. This appears entirely reasonable and is so accepted. But there is no clear line between what is reasonable and what would be so excessive that the purpose of the provision would be defeated. The dividing line is that only "needy" people may be aided. It is in areas such as these that questions arise regarding the extent of control and supervision.

The basic legislation is usually very general, leaving details to be covered by regulations promulgated by the National administrative agency. But the agency's regulations are necessarily general, too, because they must accommodate States with varying conditions. Even the most carefully drawn standard or regulation in areas where judgment operates will leave much to instruction and consultation and review, and to the discretion of the State agency administering the program.

## *The Federal Dilemma*

Under such conditions the National agency faces a dilemma. If it exercises judgment on individual cases without guidance from detailed regulations, its decisions appear arbitrary. If it tries to cover every condition with a regulation, there is no end to the rules. Regulations that are specific will often be too restrictive. Regulations that are general will permit diverse interpretations by the National agency's own staff and by State authorities.

The Commission believes that National standards and requirements should be limited to those needed to attain the objective of the grant. Legislative requirements should be written clearly and precisely. Administrative regulations should be drafted only after thorough consultation with State executives or their designated representatives, as well as with State administrators of the programs concerned.

The desirability of avoiding ironbound requirements deserves emphasis. When a program is administered through 48 States, each with different laws and organization, considerable leeway must be permitted. In the case of the merit system requirement which appears in many of the grant-in-aid laws, the National Government has not generally made specific rules on the qualifications, tenure, pay, promotion, and other conditions of State personnel. Instead, these details are left to the State wherever it follows the customary practices of a civil service or merit system.

Studies made for the Commission indicate that the results of this approach have been generally satisfactory. The Commission suggests that every effort be made to develop similar general standards in other areas of administration, and in program requirements.

The conditions that accompany some grants-in-aid are needlessly rigid. The clearest example is the requirement, imposed in effect by three grant programs, that States earmark revenues from specified sources for the support of the programs.<sup>12</sup> In

---

<sup>12</sup> The three are fish restoration and management, wildlife restoration, and highway construction (under the Hayden-Cartwright Act of 1934). The earmarking of the payroll tax for the payment of benefits and administrative costs under

general, the Commission regards earmarking of tax sources as unsound financial policy. The issue raised by this requirement in grant-in-aid statutes, however, is not the wisdom of earmarking revenues but the wisdom of using the grant to compel States to do so. At a time when many States are seeking to establish more flexible revenue systems, it is particularly important that the National Government offer no hindrance to their efforts.

Similarly, particular care should be taken that Federal requirements extending to matters of State administrative structure and organization do not impede responsible and efficient State administration. The common requirement that the State designate a single agency for the administration or the supervision of a given program has proved generally satisfactory. In two instances, however, grant-in-aid statutes have required States to administer programs through State commissions designated by National legislation. This is at least unnecessary and may do positive harm by preventing some States from organizing their activities in a way that promotes greatest efficiency. In general, the National Government should exercise caution in imposing requirements affecting State organization.

When related grant programs are administered by different National agencies, there is a danger that the interrelationships of the programs will be overlooked. Unless there is careful administrative coordination at the National level, the programs may produce confusion at the service level. They may fail to provide mutual support, or, in extreme cases, may work at cross purposes so that one partially nullifies the effect of the other. There is some evidence that these results have occurred in the past because of inadequate coordination among grant-administering agencies of the National Government. One of the benefits that can be expected from the establishment of the Presidential staff agency on intergovernmental relations, recommended in chapter 3, is the avoidance of such results, which are due to preoccupation with individual programs.

---

the employment security program is another matter, since this program is one of insurance and the tax is in the nature of a premium. In a program of this type, a device to build up and maintain reserves is necessary.

## *Techniques for Supervision*

A major purpose of National supervision is to make sure that requirements are observed within the States. But supervision is more than checking. Advice and guidance are given to State and local administrators of aided programs by National administrators with greater information resources and broader experience. The Commission has been impressed by testimony to the value of this cooperation.

Although the nature of National supervision is likely to vary from program to program, experience suggests that four techniques will usually be adequate.

1. A State plan or a project agreement should be submitted to the National agency before a grant is made. The plan should be brief and simple, confined to showing that the State in using granted funds will observe the conditions specified in the National law. Acceptance of the State proposal by the National agency should bar any later denial of funds to the State for action conforming to the plan.

2. A periodic report (usually annual) should go to the National agency. It should list accomplishments of the aided program and give other information that would help the National agency evaluate the need for and success of the program.

3. A periodic audit should be made of State and local use of Federal funds. To avoid grave inconvenience to the States, audits should be made promptly after the close of the period covered.

4. Inspections should be made of work in progress and in completed form, and reviews should be conducted of field administration. Except for projects covered by special agreements, occasional spot checks should be sufficient.

The legislative framework of most existing programs accords with those provisions.

## *Types of Administrative Difficulties*

Difficulties in the administration of grants have been rooted in details, not in the larger objectives. For example, it is sometimes required that the State plan be written and reviewed so

comprehensively that it becomes a burden—and tends to transfer authority over detail from State and local to Federal officials.

Recordkeeping and reporting may range from the simple to the exhaustive. In some fields there is virtually no limit to the amount of potentially useful information which might be provided through various reports, but the value of the product should always be weighed against the burden of production. The Commission is confident that if the States are regularly consulted on these matters, procedures to achieve Federal aims can be developed with a minimum of State dissatisfaction.

Difficulties with audits stem mainly from the detailed requirements for use of funds. When money is given for highly specialized purposes, the accounting, recordkeeping, reporting, supervision, and auditing must all be correspondingly detailed. Some of these requirements could be eliminated if, in accordance with the Commission's recommendation, more flexibility were allowed in transferring funds for closely related objects, as in the case of public health grants.

Not surprisingly there are human problems, too. Although Federal law and regulations nominally leave to the States a large measure of autonomy in deciding details, the Federal officials who review State laws and regulations and other materials sometimes veto proposals not in accord with their ideas. Primarily concerned with promoting a particular program, these officials may not give enough weight to State situations. This kind of trouble occurs more particularly in the early years of a program before standards have been developed and State conditions understood.

Federal officials have a twofold responsibility. They must see that Federal requirements are met and disallow any unauthorized expenditure. But they are also expected to cooperate with the States to promote and improve the various programs. In this area they are only consultants and advisers; they have no authority to impose their own ideas.

In their dealings with State agencies, Federal officials must distinguish clearly between what is required as a condition of Federal aid and what is merely recommended or suggested. Occasional formal consultations with all State agencies should help to minimize difficulties.

In this chapter the Commission has considered in general terms some of the uses, limitations, and characteristics of the grant-in-aid as a governmental device. The Commission's recommendations with respect to particular grant-in-aid programs are presented in Part II.

## **Part II**



## INTERGOVERNMENTAL FUNCTIONAL RESPONSIBILITIES

Among the tasks given the Commission under Public Law 109 was that of studying the role of the National Government with respect to the States and their political subdivisions in order to determine where various governmental functions properly belong. The scope of governmental activities in the 20th century is so wide and complex that to examine thoroughly each major field is far beyond the resources of a temporary body. Consequently, the Commission has concentrated on fields that involve both a significant degree of intergovernmental relationship and sizable financial assistance from the National Government to the States or their subdivisions. The Commission has assumed that it was expected not only to recommend general principles for a Federal grant-in-aid policy, as set forth in Part I, chapter 5 of this Report, but also to submit specific findings and recommendations on each grant program, and to consider whether there are additional fields in which grants-in-aid might be appropriate.

Accordingly, the Commission has endeavored in the following chapters (1) to describe briefly the intergovernmental relationships in each field, (2) to recommend divisions of responsibility among the different levels of government, and (3) to analyze grants-in-aid and make recommendations for future assistance, with special attention to the questions on grants-in-aid set forth in section 3 of Public Law 109. The Commission has not dealt with questions of whether particular functions should be performed by government at all, nor has it dealt with substantive questions of policy in the various fields. It has confined its attention to problems of National-State-local relations prevailing in each field, the focal question being which level of government should have the primary responsibility for performance of each function. For example, the Commission has not considered the question of whether governmental activity in the field of housing is justified; rather, it has dealt

with the question of relative responsibilities and activities of National, State, and local governments in this field.

The Commission has drawn upon a variety of resources, including the reports of special study committees created in each of several fields and specific reports prepared by the Commission's immediate staff. It must be emphasized that the findings and recommendations of this Report are those of the Commission and are not necessarily based upon, in conformity with, or confined to, the reports of its study committees or staff.

There is an essential difference between the findings and recommendations in this part of the Report and those of the chapters in Part I which deal with the nature of our federal system and with those principles and conditions the Commission regards as important to the continued success of that system. There, special emphasis was placed upon those elements that need to be strengthened in order to preserve the essential ingredients of decentralization and to maintain vigorous State and local institutions capable of performing their own functions more satisfactorily and of working effectively with the National Government. Despite certain differences of emphasis, the members of the Commission generally agreed on most of these fundamental matters, including the principles for dividing labor among levels of government and the criteria for testing the soundness of grant-aided programs.

In this part of the Report, the Commission has necessarily taken a more pragmatic approach. In the first place, a set of principles, no matter how carefully and logically developed, cannot furnish answers to all of the detailed and complex questions of intergovernmental relationships that surround many of the existing fields of governmental activity. It is one thing to say that those grants-in-aid which have as their primary objective the stimulation of State and local activity should be terminated when their stimulating purpose has been achieved; it is quite another to decide whether a particular stimulating grant, such as that for school lunches, has reached the point where no further stimulation is required in the national interest.

Secondly, it is usually difficult to undo what has been done, particularly where the interests and welfare of millions of people are concerned. The Commission has noted instances where

responsibilities for a program appear to have been inadvisedly allocated to a particular level of government when it was initiated originally. However, the problems involved in its later reassignment to a different level—especially if such reassignment will result in a cessation or serious impairment of services which the people have come to rely upon—frequently lead to the conclusion that no change should be made. This conclusion may be reached despite the fact that, were a fresh start being made, a markedly different assignment of responsibilities would be recommended.

Therefore, in arriving at its conclusions and recommendations, the Commission has been guided not only by the principles and criteria for the allocation of responsibilities among the levels of the federal system outlined in earlier chapters, but also by considerations of whether a reallocation of responsibilities would aid or hamper existing programs. The Commission is confident that the adoption of its recommendations will in no case retard the achievement of program objectives; on the contrary, the Commission believes that in the great majority of cases, the implementation of these recommendations would bring about a definite improvement in the performance of governmental services.

The Commission's approach was not calculated to, and in fact did not, produce findings and recommendations pointing uniformly in any one direction. In some areas, for example in welfare and in certain phases of agriculture, its recommendations call for a relative increase in State and local responsibilities. In other fields, notably civil defense, the direction is toward increased National responsibility. In still others, including civil aviation and housing, the Commission's findings generally support the existing division of responsibilities, at least for the immediate future.

As might be expected, the members of the Commission have not always been unanimous in making recommendations on specific functions and programs. Different interpretations of the facts and somewhat different emphases in matters of general principle have led to different conclusions about some of the programs.

This is as it should be. Grants-in-aid are instruments of public policy. No matter how firm their attachment to basic principles, citizens are bound to differ when they translate their individual and common beliefs into public policy and programs of action. The Commission feels that it will have performed a useful service if it succeeds in marking out the areas of general agreement among its members, thus narrowing the area of controversy with respect to issues upon which it is reasonable and wholesome to differ.

The facts and issues involved in every functional field are extensive and complicated. Some members have felt reluctant to recommend firmly the drastic modification or curtailment of grants-in-aid that apparently continue to receive the support of Congress, State legislatures, and the National and State administrators concerned. Similarly, some members have felt equally reluctant to recommend the initiation of new grants-in-aid in the absence of overwhelming and conclusive evidence that the national interest in the particular field could not be met in any other manner. In the conduct of its inquiries the Commission has benefited from the reports of its advisory and study committees and staff, supplemented by the written views of many interested organizations and individuals. It has also had the benefit of the wide experience and special knowledge of many of its members, and the opportunity to take a broad and unified view of the many fields that it has covered. Many sessions have been devoted to intensive study and discussion. It has not been possible for the Commission to hold many hearings, and its proceedings have not been subject to open public debate. By not holding public hearings the Commission may have deprived itself of useful information and viewpoints. On the other hand the Commission has endeavored, with considerable success, to conduct its deliberations in an atmosphere of objectivity and to avoid the public and political pressures which frequently attend legislative consideration of controversial questions.

When it came to deal with the many fields in which Federal grants-in-aid are important, the Commission had to consider a wide array of facts and policy considerations. It was exceedingly difficult to formulate specific recommendations that expressed precisely the views of all members. As the recommenda-

tions made herein are reviewed in legislative halls and by other public bodies in the future, members of the Commission who serve in public policymaking positions may properly feel impelled to clarify and even to modify the positions taken herein, particularly if new evidence and points of view are brought to bear upon the issues involved. It is to be emphasized, however, that all members who subscribe to this Report presently accept its recommendations except where their dissents are specifically noted.

As far as the members of this Commission are concerned, the area of controversy has been narrowed. In applying the principles developed in the earlier chapters of this Report to the major functional programs, the members of the Commission were able to arrive at a much greater measure of agreement than would have been the case at the outset of their deliberations.

## Chapter 6

### AGRICULTURE

A strong national interest in the promotion of agriculture has been a characteristic feature of our history. This has been especially true of three general areas: (*a*) education, research, extension, and other forms of informational and technical assistance; (*b*) inspection and grading of agricultural commodities; and (*c*) economic support activities. Cooperative National-State relations in the first two areas began relatively early in our Nation's life; in the third, mainly during the agricultural depression of the 1930's.

The first United States Commissioner of Agriculture was appointed by President Lincoln in 1862. In the same year, National-State cooperation began with grants of National public lands to the States, the proceeds from such lands being used by the States to endow colleges of agriculture and mechanic arts, or "Land-Grant Colleges." Since 1890, the National Government has appropriated an annual sum of money to be used for resident instruction in the land-grant institutions. In 1887, a series of grants-in-aid was initiated to aid scientific investigation and experiment in agricultural science at the land-grant institutions. This was followed by the Smith-Lever Act in 1914, which authorized grants-in-aid for the purpose of conveying the knowledge acquired through agricultural research directly to the farmers through agricultural extension activities. The Smith-Hughes Act of 1917 marked the initiation of a major effort by National and State governments to encourage and support the teaching of vocational agriculture, including home economics, in the public schools. Based upon the above legislative acts, both National and State governments have furnished continued and active support to agricultural education in the United States—through vocational teaching at the secondary school

level, through instruction and experimentation at agricultural colleges, and through extension activities directed to farm men and women.

Late in the 1800's, cooperative relationships began to evolve in the general area of commodity inspection, with both the National Government and the States beginning to police the movement of agricultural products through commercial channels. National activities were designed originally to prevent the entry into interstate commerce of products that might be injurious to animals, crops, or human health. The States undertook similar measures for intrastate commerce. The purposes and coverage of inspection and grading activities have steadily expanded over the years, as new pests and diseases have entered the country and as marketing and distribution systems have become more complex.

During the depression of the 1930's, a number of new Federal programs were launched to alleviate economic distress among farmers, stabilize agricultural markets, and encourage soil conservation. These programs were characterized by production adjustment, acreage allotment, and price support activities, and involved large-scale financial operations by the National Government. They have been Federally-administered, but have utilized, for purposes of local administration and control, a broadly based system of farmer-elected committees at the community and county levels. The county and State governments as such have not participated directly in these programs, the channel of policy and administration running directly from the Department of Agriculture to State and county committees. Within the regulations established by the Department, however, the State, county, and community committees have enjoyed a considerable degree of flexibility in adapting Federal policies to State and local situations.

### *Agricultural Activities of the National Government*

Many agricultural activities of the National Government involve significant intergovernmental relationships. These include financial grants-in-aid to the States in behalf of resident instruction at land-grant colleges and universities, agricultural exten-

sion services, agricultural research at State experiment stations, and agricultural marketing services.<sup>1</sup> In addition, large stocks of surplus agricultural commodities are donated to State and local agencies and institutions. The National Government also gives technical assistance to soil conservation districts and in certain cases to individual farmers; makes payments to individual farmers for part of the cost of soil and water conservation practices undertaken; imposes acreage controls and/or marketing quotas upon several major crops; conducts price support operations, including price support loans to farmers; and conducts, both directly and in cooperation with the States, a large number of separate plant and animal disease and pest control programs and a wide variety of inspection, grading, and other service activities.<sup>2</sup>

Except for aid to the land-grant colleges for resident instruction, which is administered by the Office of Education of the Department of Health, Education, and Welfare, these agricultural activities are administered at the National level by the Department of Agriculture. At the State level, programs of agricultural extension and research are administered usually by the land-grant college, while regulatory, inspection, and marketing services are generally handled by the State department of agriculture.

### *Agricultural Grants-in-Aid*

The Commission recognizes the importance of National-State action in providing essential services to agriculture. Technical assistance, including research, extension, and marketing services, comprises an expanding area of Federal participation

---

<sup>1</sup> Grants-in-aid for vocational agricultural education and for school lunches are discussed in the chapter on education (chapter 9).

<sup>2</sup> Appropriations for certain of these activities during fiscal year 1955 are: financial assistance to land-grant colleges, \$5,051,500; agricultural extension grants, \$39,675,000; agricultural research grants, \$19,453,708; agricultural marketing service grants, \$900,000; soil conservation technical assistance, \$59,085,671; and soil conservation incentive payments, \$191,700,000. The estimated value of commodities donated to States and localities in fiscal year 1954 was \$60,000,000, exclusive of the school lunch program.

as production, marketing, and distribution become increasingly complex and interstate in character. The Commission has noted the intergovernmental implications of certain conflicts of economic policy between related agricultural programs. For example, increased plantings in hazardous production areas are encouraged by agricultural production policies; at the same time conservation policies are directed toward the stabilization and improvement of soil in those same hazardous areas.<sup>3</sup> The Commission has not inquired, however, into the substantive merits of support programs. Rather, it has merely sought to determine whether the proper level of government has been made responsible for executing the various programs. For example, the Commission has not considered the question of fixed versus flexible price supports. But it did consider whether production control and price-support activities could be decentralized to a lower level of government and whether soil conservation payments to farmers should be placed on a National-State, grant-in-aid basis.

---

<sup>3</sup> Governor Thornton comments:

"Important problems in intergovernmental relations can result from failure of the National Government to coordinate its own policies. An example is afforded by the execution of the programs of agricultural price supports and of soil conservation.

"Price supports have been so handled as to lure farmers and others into cultivation of marginal land, to plow up brush and prairie, and eventually to create a desert where once there was good grass cover.

"What has taken place in Kiowa and Baca Counties in southeast Colorado is typical of the 200 counties that comprise the Dust Bowl area. Those two counties had 35,100 acres devoted to the cultivation of wheat at the end of World War II. In seven short years their wheat acreage has jumped to 800,100 acres. Much of this added acreage should never have been cultivated.

"The National Government is working at cross purposes when by one program it encourages the creation of a Dust Bowl and, by another, it attempts to promote conservation of the soil. Its contradictory policies bear harshly on Colorado and other States by weakening the economy from which the States must draw financial support and by compounding the problems of safeguarding the health and the welfare of today's citizens and of future generations—problems which are the responsibility of the States.

"Assistance could be rendered to the States by congressional reexamination of the conflict between the results of the administration of price support programs and the aims of soil conservation. To bring the two into harmony, Congress might consider a classification of land which would deny the benefits of price supports to farmers who produce crops on land which should not be plowed or cultivated."

Governors Driscoll, Peterson, and Shivers and Mr. Burton concur in the principles laid down in the foregoing statement by Governor Thornton.

*The Commission recommends that existing agricultural grant-in-aid programs be continued with the modifications suggested below.*

The great bulk of agricultural grants-in-aid are for extension, research, and marketing activities. While the States properly have primary responsibility for conducting these activities, the National Government has a significant secondary responsibility. The Commission is of the opinion that the following changes should be made in the authorizing legislation and in the administration of the grants.

*It is recommended* that the various statutes which authorize grants-in-aid to State experiment stations for research be consolidated into a single law. The Commission also favors greater use of State research facilities, by both grants-in-aid and National-State contractual arrangements, and less emphasis upon strictly Federal research facilities.<sup>4</sup> The Commission recognizes the outstanding success achieved by the grants to land-grant colleges in support of resident instruction. But in the large majority of land-grant institutions, these Federal grants are only a minute fraction of State expenditures. In the fiscal year 1953, Morrill Act funds comprised 10 percent or more of total expenditures for resident instruction in only 8 land-grant institutions. The Commission believes that the way should be opened for using Morrill Act funds in closely related National-State agricultural activities administered by the land-grant colleges. Therefore, *it is recommended* that Congress authorize the use of Morrill moneys for agricultural research, as well as resident instruction, when the recipient State so desires.<sup>5</sup> Because of the

---

<sup>4</sup> Senators Humphrey and Morse do not agree that there should be less emphasis on Federal research:

"All research should be expanded rather than cut back, and there is a definite realm of activity where the national interest is best served at less cost and less duplication by research at Federal facilities such as the Agricultural Research Station at Beltsville and regional research laboratories meeting needs of groups of States. A comparison might well be drawn with work of the National Institutes of Health. Need for increasing State health activity does not necessarily imply any justification of cutting down centralized National health research."

<sup>5</sup> Governors Driscoll, Peterson, and Thornton do not concur in this recommendation, believing that this grant has fully served its purpose and that in view of the very small amounts involved, the grant should be terminated. However, they wish to make clear that this dissent does not imply any lack of concern for adequate financial support to higher education in this country.

small size of the present grant, the Commission does not recommend that State matching requirements be introduced.

In regard to grants to the States for agricultural extension and research, *it is recommended* that the legislation put more emphasis, in the apportionment of funds, upon factors of need, including per capita farm income, farm population, and the extent of each State's dependence upon agriculture, and that matching formulas for these two grants be placed upon a sliding scale based upon State fiscal capacity. Those primarily agricultural States with lowest farm income and greatest need for improved technology are handicapped by generally low fiscal capacity. The importance of agricultural extension activities justifies a further increase in the already sizable State and county contributions.<sup>6</sup>

*It is recommended* that the Department of Agriculture maintain for the present its program of grants to certain States in behalf of agricultural marketing services on a quasi-contractual basis. But if later developments should justify a considerable expansion, the Department of Agriculture and the Congress should act to place the program on a formal grant-in-aid basis.

*It is recommended* that agricultural grant-in-aid legislation be amended to require that State legislation and budgetary practice and procedure be followed in the channeling of agricultural grants to State agencies and land-grant institutions. For example, State law and budgetary practice may provide that Federal grants flow through the office of the governor and be subject to the same processes of budgetary review as are applied to other State expenditures. In such cases, Federal legislation or administrative regulations thereunder should not direct or encourage the bypassing of such regularly constituted executive and budgetary channels at the State level. Current Federal procedures, based upon the language and intent of governing legislation, require that certain agricultural grants-in-aid flow directly to recipient institutions and agencies, State fiscal procedures to the contrary notwithstanding.

---

<sup>6</sup> Senators Humphrey and Morse feel that encouragement of increased State and county contributions for the extension service should be accompanied by a prohibition against contributions to this program from private or farm organization funds as not being in the public interest—such prohibition is favored by the Association of Land Grant Colleges and more recently has been accepted as administrative policy by the Secretary of Agriculture, yet it is not observed in all instances.

The Commission notes the anomaly created by the existing requirement that State and county professional extension personnel carry cooperative Federal appointments and the further requirement that appointments be subject to review and approval of the United States Department of Agriculture. These requirements are unique among existing grant-in-aid programs conducted by the National Government. The Commission makes no specific recommendation, but points out that this arrangement tends to becloud National-State lines of authority over extension personnel. On the other hand, the Commission recognizes that the quasi-Federal status of county extension and home demonstration agents may have tended to attract and retain well qualified personnel.

The Commission believes that the foregoing recommendations would simplify the basic structure of agricultural grants-in-aid, relate Federal aid more closely to need, and eliminate undesirable budgetary complications.

### *Soil Conservation Programs*

National programs aimed at the encouragement of soil conservation are of two types, both initiated during the 1930's. First, financial incentives are offered in the form of payments to farmers for part of the cost incurred in adopting certain soil and water conservation practices. This program has not only stimulated the adoption of sound practices but has also supplemented farm income importantly in some cases. Secondly, the National Government, through the Soil Conservation Service of the Department of Agriculture, gives technical and other assistance to soil conservation districts and individual farmers in the planning and installation of soil and water conservation programs, with particular emphasis upon such engineering-type practices as contour cultivation, terracing, and the erection of water retardation structures.

#### SOIL CONSERVATION SERVICES (SCS)

*It is recommended to the Congress that the present program of soil conservation technical assistance to farmers be continued*

*as presently organized and operated; with the provision, however, that in any State which, in order to improve, expand, and participate more fully in the program, submits a plan of operation satisfactory to the Secretary of Agriculture, and which agrees to appropriate funds sufficient to provide for such expansion and improvement of the program in such State, the program may be placed upon a grant-in-aid basis, with State administration of the program under the supervision of the Soil Conservation Service.*<sup>7</sup>

The above recommendation arises from the Commission's recognition of the need for a larger and better program of soil conservation. The Nation's future food supply is dependent in large measure upon the effectiveness with which soil and water resources are protected and improved. The conservation and wise use of these resources is of vital concern to all citizens, both urban and rural. Soil conservation is of obvious national concern, and the National Government must continue to have underlying responsibility for ensuring the conservation of the Nation's soil resources. On the other hand, the States and their political subdivisions should carry a large share of the responsibility, and their financial and other resources need to be utilized more fully if soil conservation efforts are to bear full fruit. Furthermore, the operating responsibility for furnishing technical assistance to farmers through research, extension, soil conservation advice, and other means may properly be lodged with States and their political subdivisions wherever and whenever the States are ready, willing, and able to discharge such responsibility in a manner appropriate to safeguard the national interest.

The Commission therefore recommends that States be afforded the opportunity to assume greater responsibility for the program of soil conservation technical assistance, which at present is directed, manned, and almost 100 percent financed by the National Government. Although all of the States have enacted enabling legislation to provide for the formation of soil conser-

---

<sup>7</sup> The following members of the Commission do not concur in this recommendation: Senators Humphrey and Morse, Congressmen Dingell, Dolliver, and Hays, and Governors Battle, Peterson, and Shivers. Dissenting opinions and other comments appear at the end of this chapter.

vation districts, and although districts now organized cover on a formal basis about 90 percent of the Nation's agricultural land, State and local support of the program still leaves much to be desired. It has been estimated that only 25 percent of all farmers and ranchers can be listed as active "cooperators" in soil conservation district programs. Financial support by the State governments amounts only to some \$2 million annually, as compared to National Government expenditures of \$60 million. A considerable part of the \$2 million is appropriated in three States—Iowa, Louisiana, and Oklahoma. The rate of soil and water conservation progress in these three States is evidence of the importance of State financial support.

The Commission is convinced that opening the door to further activity and participation of State governments in soil conservation programs will result in increased financial and technical assistance to soil conservation districts and consequent greater final accomplishments in behalf of soil conservation generally. Furthermore, to the extent that States avail themselves of this opportunity, intergovernmental arrangements more consistent with those prevailing in other cooperative National-State-local programs in the field of agriculture become possible. However, the Commission is equally convinced that any shift in responsibilities for this program among levels of government must be accomplished in such a way as to preserve unimpaired all of the gains which have been made under Federal operation, including the structure of soil conservation districts as distinct local units of government, and at the same time to exploit the potentialities of increased State and local financial participation in behalf of soil conservation and to provide future emphasis upon those areas in greatest need of the service.

With the foregoing points in mind, the Commission recommends that:

- (1) The National Government take legislative and administrative action to encourage the States to complete the organization of all agricultural land in the country into soil conservation districts, followed by administrative action by all levels of government to increase the proportion of farmers and ranchers actively cooperating in district programs.

(2) The Congress enact legislation to provide for shifting the soil conservation program from a National to a National-State grant-in-aid basis in any State which submits a plan of operation deemed satisfactory in all respects by the Secretary of Agriculture, and makes available State funds sufficient to match Federal funds otherwise available for expenditure in that State for soil conservation technical assistance. The legislation should provide the following additional framework for the preparation, submission, and review of State plans: (a) the plan be fully consistent with the soil conservation district enabling law of the State concerned and provide fully for meeting the needs of local soil conservation districts within the State; (b) the plan be fully consistent with National and National-State-local programs of watershed protection and flood prevention; (c) appropriation by the State legislature of the required matching funds; (d) approval of the plan by the State governor and submission by him to the Secretary of Agriculture; and (e) approval by the Secretary of Agriculture. The amended legislation should provide for a transfer of the operating responsibility for the program back to the National Government should State operation under a previously approved plan fail to meet any of the foregoing standards or any additional standards prescribed by the Secretary of Agriculture.

(3) Any State qualifying under (2), above, assume operating responsibility for the program in accordance with the amended legislation and with whatever further conditions the Secretary of Agriculture might prescribe. The soil conservation technicians employed by the National Government in that State would be taken onto State rolls; any not employed by the State would be redeployed by the Soil Conservation Service into other States where the program was operating on a National basis. The Commission notes that the principal problem here would be a shortage rather than a surplus of technicians, because with augmented funds due to State matching, more, not fewer technicians would be required. The Federal retirement credits and other rights acquired under Federal service by technicians joining State rolls should be protected by extended Federal leave without pay or some other appropriate device. In this connection, the Federal grant-in-aid should carry conditions that would assure

the maintenance by the State of high qualifications standards for professional soil conservation personnel.

(4) Grants-in-aid be allocated under a formula which gives weight to such factors as area and type of farm land, population, and per capita farm income, with matching on a sliding scale related to State fiscal capacity. This formula would apply to those States electing and qualifying for a transfer to a grant-in-aid basis.

(5) Congress provide in the amended legislation for appropriate organizational arrangements for the type of State agency to carry out the program in a State shifting to a grant-in-aid basis. The Commission's recommendation does not contemplate or imply in any sense that soil conservation functions would be assimilated or merged into the agricultural extension program at the State level. Provision could be made to leave this decision regarding organizational arrangements to mutual agreement between the United States Department of Agriculture and the State concerned.

(6) The Soil Conservation Service carry out the following responsibilities: (a) operating the program as at present in those States not electing to shift to a grant-in-aid basis under the conditions outlined above (except that in certain States or parts of States the Soil Conservation Service might choose to employ State facilities and personnel on a contractual basis); (b) furnishing National leadership and coordination of the grant-in-aid program in those States in which a shift in responsibility had been effected; (c) carrying out, as at present, the responsibilities of the United States Department of Agriculture with respect to authorized watershed projects and flood prevention work.

(7) Those State governments not electing to apply for grant-in-aid participation as outlined above, nevertheless take action to increase substantially their financial and other support to State soil conservation committees (boards and commissions) and local soil conservation districts. Such funds would be used in the administration and functional operations of these agencies. Soil conservation districts need additional employees to carry out district activities which complement the technical services of the National Government. Labor and managerial

type employees are needed to introduce and operate new district-owned conservation equipment until such time as there is sufficient work for private conservation contractors to take over.

The Commission believes that adoption of the foregoing recommendations would result in expanded and improved programs of soil conservation in those States evidencing willingness to assume increased financial and operating responsibilities; on the other hand, no diminution in scope or quality of the program would occur in those States not able or willing to undertake such responsibilities. The Commission's recommendations do not contemplate any reduction in total Federal expenditures for soil conservation; on the contrary, if any substantial number of States avail themselves of the opportunity to participate, we would witness an encouraging increase in total public expenditures in this vital field.

#### SOIL CONSERVATION PAYMENTS (ACP)

*It is recommended that the Secretary of Agriculture implement as rapidly as possible those provisions of the basic legislation governing agricultural conservation payments that call for State administration of the payments. Under these provisions, Federal payments would be rendered to the States, based upon State plans approved by the Secretary of Agriculture. More basically, however, the Commission recommends that as soon as practicable, legislative action be taken to place agricultural conservation payments on a grant-in-aid basis, with the States assuming a part of the cost.<sup>8</sup>*

Agricultural conservation payments are now made directly to farmers. It would be both practicable and desirable to administer this activity through State and local machinery, and the Commission so recommends. This method was envisioned by Congress when the payments program was authorized originally; in fact, the present statutes set forth the specific mechanism by which the States would handle the payments. The

---

<sup>8</sup> Senators Humphrey and Morse and Congressman Dingell dissent; their views are contained in their statement at the end of this chapter.

Commission recommends that the Department of Agriculture begin shifting this program to a State-administered basis as soon as one or more States have submitted satisfactory State plans, as defined in the legislation. As provided in the existing law, the designation of the State agency to administer the payments would be left to the discretion of each State, provided the State meets all of the requirements for a satisfactory State plan as defined by law and as further determined by the Secretary of Agriculture.

The principal substantive criticisms directed against the payments program are: (a) conservation payments continue to be devoted to the so-called recurring-type practices (for example, application of lime and fertilizer and the planting of cover crops) which would be employed in any event under intelligent farm management; and (b) pressure from economically distressed areas for continuation of payments for recurring-type practices as a prop to farm income results consistently in the extension of such "continuation" to all agricultural areas of the country, regardless of need. The Commission believes that Federal funds now going into recurring-type practices could better be devoted to soil conservation technical assistance as described in an earlier portion of this chapter and to Federal participation in watershed protection projects.

As for permanent-type practices ("terrain protection" as contrasted with recurring-type "crop production" practices), the Commission recommends that States be required to match a part, though not necessarily an equal part, of the cost (for example, a contribution ratio of 50-15-35 on the part of the farmer, the State, and the National Government, respectively, as against the present 50-50 ratio between the farmer and the National Government). The extent of State financial participation in, or support of, soil conservation technical assistance programs might be one consideration in the apportionment of agricultural conservation payments among the States.

The Commission makes the foregoing recommendations in the belief that State governments have an inescapable obligation to share in efforts to conserve the Nation's soil resources. To place the sole burden upon one level of government weakens the entire

endeavor and is inconsistent with successful cooperative National-State efforts in many other agricultural fields.

### *Duplicate Inspection Services*

*It is recommended that legislative and administrative action be undertaken at both the National and State levels to clarify intergovernmental responsibility for agricultural inspection and grading activities; this action should include the use of cross certification between, or joint commissioning of, National and State enforcement authorities. It is further recommended that both levels of government undertake a detailed study of responsibilities and cost sharing in programs for the eradication and control of pests and diseases.*

The Commission has noted frequent National-State duplication of inspection, grading, and other agricultural service activities. The Commission proposes that action be taken by both National and State governments to ensure that there are not in any State both Federal and State personnel engaged in inspection, grading, and service activities in the same commodity field. Specifically, it is proposed that the device of "cross-certification" be employed, whereby Federal certification would be accepted for State purposes, or, conversely, State certification accepted for Federal purposes, provided of course that whichever level of government assumes responsibility with respect to a given commodity or subject matter area in a given State would apply the prevailing provisions of both National and State legislation.

The Commission is aware of considerable confusion of responsibility and inequitable cost sharing between the National Government and the several States in the wide variety of programs for combating plant and animal diseases and pests. The arrangements differ for each kind of pest or disease involved. The Commission has not been able to evaluate these programs and problems in detail. Consequently, we can only urge that the United States Department of Agriculture and the States (perhaps working through the Council of State Governments) undertake a detailed study of each specific program with a view to establishing a firmer basis for allocating responsibility and sharing costs.

## *Commercial Handling of Food Surplus Donations*

*It is recommended that the Department of Agriculture and the Department of Health, Education, and Welfare jointly explore the possibility of distributing surplus agricultural commodities through commercial instead of governmental channels.*

The Commission has not examined the agricultural price support operations of the National Government. However, the Commission believes that so long as large stocks of foodstuffs continue to be acquired as a result of these operations, such foodstuffs should be made available for human consumption in preference to letting them go to waste. The Commission further believes that such donations and distributions should be accomplished with a minimum of complexity at all levels of government. At present, National, State, and local governments are deeply involved in the physical handling of these foodstuffs, with accompanying complex intergovernmental fiscal and administrative relationships.

The Commission is of the opinion that intergovernmental relationships in this area would be greatly simplified if distribution of foodstuffs destined for donation to individual recipients could be effected through commercial channels, through some such device as a locally operated certificate plan. Such a device would replace present complicated and expensive intergovernmental transactions in physical foodstuffs with a system of clerical and accounting transactions confined to certificates and funds; in other words, it would substitute a "fiscal" system for a "physical" system.

---

Senators Humphrey and Morse and Congressman Dingell dissent as follows from the recommendations dealing with Soil Conservation Technical Assistance and Soil Conservation Payments:

"We dissent from both of the Commission's recommendations relating to soil conservation programs. It is our opinion that under the grant-in-aid features of those recommendations, the paramount national interest would not be adequately protected and, if carried out, the recommendations would eventually weaken rather than strengthen the soil and water conservation movement in the United States.

"We are pleased to see that the majority report expresses a desire for a larger and better program of soil conservation. We agree heartily with that objective, but disagree with the Commission's methods of seeking to achieve it. We cannot agree with the conclusion of the Commission that 'opening the door to further activity and participation of State governments . . . will result in increased financial and technical assistance to soil conservation districts.' We believe that the 'door' has always been open and is now open for such State participation. We have not been per-

sued by any evidence submitted to the Commission that the States wanted to take over administration of these programs and were willing to provide additional funds to gain that objective. On the contrary, we have reason to believe many governors and State legislatures are opposed to any change in the present administrative patterns. It is our opinion that the objectives sought by the Commission can better be met with present organizational arrangements for conservation under a Federal program working through locally-organized soil conservation districts established under State laws, with which States are urged to cooperate and assist in every way possible. We feel that basic arrangements currently in use have proved effective and should not be tampered with. We believe it is significant that this view is shared by most of those who have worked closest with soil conservation activities in our country, particularly the dedicated voluntary local leaders organized into the National Association of Soil Conservation Districts. It is apparently shared by the majority of Members of Congress on the Commission.

"Numerous factors have been influential in the determination of our convictions, but we shall summarize only four of them.

"1. Conservation and wise use of the land, water, timber, and wildlife resources are national problems, just as military defense is a national problem. Any fragmentation of soil conservation programs along State lines is incompatible with the proposition that soil and water are strategic national resources, the conservation and wise use of which are matters of vital concern to all citizens, both urban and rural, wherever they may live in the United States.

"2. The water element cannot be separated from the soil element in a successful conservation effort. Watershed protection work, which crosses political boundaries of counties and States, obviously must be an integral part of the National Government's soil and water conservation program. Because technical assistance is an essential element of both soil conservation and watershed protection work, the administration of the two programs cannot be effectively separated.

"3. Segmenting the soil conservation program into individual State parcels could leave the Nation without an effective mechanism for controlling wind erosion in the dust bowl area of the Southern Great Plains. Wind and dust storms do not stop at State boundaries.

"4. The Commission's recommendation could set the stage for confused administrative patterns, with the National Government administering the program in some States and the States themselves in others—with some States taking over just one or the other of the two conservation programs and leaving conflicts within the State between Federal and State administrations.

"Our views opposing State administration apply to the Commission's recommendations for both conservation programs—the agricultural conservation incentive payments and the technical assistance guidance of the Soil Conservation Service. Great progress has been made in integration and closer coordination of these programs. This advance could suffer a distinct setback by division of administration and by offering to turn these programs over to the States independent of each other. The conservation payments program is being related more and more to the problem of wiser use of diverted acres not needed for food and fiber production under our production adjustment programs, which the Commission wisely recognizes must remain under Federal direction. Turning the ACP program over to the States, however, would make it all the more difficult to use conservation incentives as a means of encouraging proper production adjustments needed on a national scale."

Congressman Dolliver dissents as follows from the recommendation dealing with Soil Conservation Technical Assistance:

"I do not believe the recommendation of the Commission is in any way practical. Soil conservation is by its very nature and scope of primary national interest. Any

attempt to put it under local control fails to recognize that most if not all watersheds are interstate in character, and the erosion of soil and fertility by water or wind pays no attention to State lines.

"The Federally-operated action program of the Soil Conservation Service, which gives technical assistance to farmers and ranchers to assist them in conserving their soil and water resources, has encouraged the most far-reaching and greatest voluntary effort in the history of American agriculture. A fragmentation of soil conservation along State lines could easily, and probably would, result in deterioration or even destruction of the whole program.

"I do not mean to imply or suggest that no State or local effort should be involved. Under the present program, it is encouraged. The formation of soil conservation districts, now numbering more than 2,650, makes it possible for the farmer or rancher to decide if he wants to conserve his soil and when and where it is to be done. Each of the soil conservation districts develops its own program and requests the assistance it needs not only from Federal but from State and local sources as well, but there is overall encouragement and help from the Soil Conservation Service. It is efficient, has precision, and is coordinated.

"As to making soil conservation into a Federal program with Federal funds to be matched by the States or localities, that would result in making this program dependent on the varied decisions of 48 State legislatures and several thousand local groups. Such division of responsibility in the field of soil conservation would not strengthen, and ultimately might destroy, the entire program."

Congressman Hays dissents as follows from the recommendation dealing with Soil Conservation Technical Assistance:

"I regret that I cannot subscribe to the recommendations with reference to transferring authority from the United States Department of Agriculture to the States in the administration of the soil conservation program. I do subscribe to the point that there should be greater participation on the part of the States in soil conservation activities and I trust that the discussions of this Commission will stimulate action on the part of the States. It is conceivable that over a period of years a more cooperative relationship can be developed leading to the States assuming the burden of additional practices which are needed for the conservation of our basic physical resources. The Commission's recommendations, however, do not embrace essential safeguards, and I believe that a further study of methods by which State programs can be related to the overall National program would be required.

"Nevertheless, I feel that the Commission's study of soil conservation problems has been constructive and I do not wish my dissent to indicate any lack of appreciation of this fact."

Governor Battle dissents as follows from the recommendation dealing with Soil Conservation Technical Assistance:

"Although the recommendation relative to a State option program is appealing, I do not believe it is workable from an administrative point of view."

Governor Shivers dissents as follows from the recommendation dealing with Soil Conservation Technical Assistance:

"I believe the soil conservation technical assistance program should not be shifted to the States at any time in the immediate future. Such good progress has been made to date in this important field as to make any change which might retard progress undesirable at this stage."

## Chapter 7

### CIVIL AVIATION

Governmental interest in civil aviation arose after World War I. A considerable number of military flying fields had been constructed, but this number decreased sharply following the Armistice. The Army, alert to the importance of civil landing fields, helped to organize civic support for airport construction and offered technical advice to cities on the selection and development of airport sites.

The Post Office Department's airmail services, begun in 1918, gave a major stimulus to civil aviation during the postwar period. Cities, vying with one another for these services, began to provide airport facilities. Airports became prestige factors in intercity rivalries, as well as instruments for economic expansion. By 1925, there were 601 civil airports—310 municipal, 225 commercial, and 66 airmail fields.

Down to 1933, civil airports were developed almost entirely by private sources and municipal governments. State and Federal financial aid was virtually nonexistent. The depression brought the first significant Federal assistance, in the form of emergency work relief measures. Federal financial contributions under the various relief programs in the 1930's totaled nearly \$400 million, and until 1940 constituted the most significant factor in airport development.

#### *The Origins of Federal Aid to Airports*

The Air Commerce Act of 1926 and the Civil Aeronautics Act of 1938 defined the role of the National Government in civil aviation as including regulation, safety enforcement, operation of air navigation facilities, and dissemination of information, but recognized no financial responsibility in furthering airport

construction. The 1938 act, however, authorized an investigation of whether the National Government should participate in the construction, improvement, development, operation, or maintenance of a national system of airports and the manner and extent of Federal participation. The report, which was filed with Congress in 1939 upon completion of the survey, concluded that the development of an adequate system of airports was a matter of National concern and a proper object of Federal expenditure. The report further recommended that annual appropriations be based on the current status and future requirements of a national airport system, that expenditures be concentrated on projects of the greatest national importance, and that no direct Federal contributions be made for airport maintenance. The outbreak of World War II delayed indefinitely any congressional action upon these recommendations.

In the course of the vast expansion of aviation facilities during the war, an effort was made to anticipate postwar civil aviation requirements in the construction and location of permanent military facilities. In 1944, a report to the Congress by the Civil Aeronautics Administration recommended a program of National-State-local cooperation to develop airports. Similar programs in the highway field were cited as precedents. These recommendations formed the basis of the Federal Airport Act of 1946, under which the present programs are carried on. The act authorized appropriations of \$500 million over a 7-year period; in 1950 the period was extended 5 years.

### *Activities of the National Government in Civil Aviation*

The current activities of the National Government in civil aviation include: fostering the development of civil aeronautics and air commerce; encouraging the establishment of civil airways, landing areas, and other facilities; designating civil airways; operating and maintaining air navigation facilities along designated airways; controlling and protecting air traffic; initiating technical development work; and coordinating the national system of airports, including the direction of the Federal aid airport program.

Responsibility for civil aviation at the National level is vested in the Department of Commerce. Within that Department, the Civil Aeronautics Board prescribes civil air regulations dealing with competency of airmen, airworthiness of aircraft, and air traffic control; certifies routes and regulates air carriers; and exercises various functions of adjudication and independent investigation. Responsibility for operating the system of civil airways is vested in the Civil Aeronautics Administration, headed by an Administrator who functions under the Secretary of Commerce.

At the State level, organization for civil aviation varies widely. A number of States have departments of civil aeronautics which are responsible for the promotion and coordination of civil aviation, including airport development, while in others the department engages principally in promotional and information-gathering activities. Not all of the States have established departments of civil aeronautics. Municipal governments are extensively involved in airport construction and operation under widely varying types of legal, financial, and organizational arrangements.

### *How Federal Airport Aid Is Distributed*

Intergovernmental relations in civil aviation are most significant in airport development, construction, and operation. Under the Federal Airport Act of 1946, the National Government makes grants to States and localities for developing public airports as part of a nationwide system of public airports adequate to meet the present and future needs of civil aeronautics. The Civil Aeronautics Administrator is responsible for preparing, and for revising annually, a national airport plan, taking into account the needs of air commerce and private flight, technical aeronautical developments, the probable future growth and needs of civil aeronautics, relationships to national defense, and other considerations.

Federal grant-in-aid funds are apportioned among the States on the basis of area and population, with a reserve portion subject to allocation at the discretion of the Civil Aeronautics Administration. The Federal share of the costs for any particular

airport is usually 50 percent; in States with large areas of public lands the percentage is higher. Usually the local share is borne by the local unit of government, although some State governments share in the costs, generally on the basis of a 50-25-25 ratio of National, State, and local participation.

Federally-aided airports must conform to a variety of technical specifications laid down by the Civil Aeronautics Administration. There is close technical supervision over the progress of the project, as well as financial control and audit.

Since 1947, Federal grants for airport development have approximated \$200 million. In the fiscal year 1953 (no appropriation was made for the fiscal year 1954), Federal obligations under the program totaled about \$11 million; obligations of sponsoring public agencies totaled \$10 million. Appropriations for Federal expenditures during the fiscal year 1955 are \$22 million.

### *Continuance of Airport Grants Recommended*

The Commission finds that considerations of interstate commerce and national defense call for the active and continuing participation of the National Government in airport development. The Commission believes that the national interest may be appropriately expressed through positive leadership and stimulation by the National Government, including the planning of a national system of public airports geared to needs of interstate commerce and national defense, and technical and financial assistance to State and local civil aviation and airport authorities on a substantial scale. Guided by these general conclusions, the Commission submits its recommendations.

*The Commission recommends, with one modification, that Federal aid for airport construction be continued on the present basis of National-State-local cost sharing.*

There is a continuing need for public financing of public airports. The development of civil aviation has been integrated with a system of public financing. A switch to private financing would radically affect the economics of civil aviation, as presently constituted, and would hinder its growth. Any shift from public to private financing of airport developments has the

effect of transferring the burden of airport construction costs from the general taxpayer to the aircraft user and can be made only gradually, if at all.

Termination of the Federal aid program in favor of a system relying entirely upon State and local financing would not be in the national interest or in the interest of most State and local governments. A collection of individual State programs would not guarantee the maintenance of a national system of adequate public airports dovetailed to the needs of interstate commerce and national defense. Furthermore, the device of Federal grants-in-aid facilitates central control of airport design, thus contributing to the safety of civil aviation. In addition, the National Government enjoys free landing rights for military aircraft on airports Federally assisted. Occasionally this arrangement makes it unnecessary to build additional military airfields.

Aside from the above factors, it is clear that States are generally unwilling to assume the full burden of airport financing. The withdrawal of Federal aid could very well retard airport development, in view of the weight of many other claims upon State and local funds which might take precedence over airport needs.

Regular apportionments to the States, based upon a formula that is generally accepted as fair, are a prime requisite for the successful operation of a joint National-State-local program of airport development. The present area-population formula for apportionment to the States does not provide a perfect basis for directing grants to projects most required in the national interest, since the distribution of airport needs does not necessarily conform to political boundaries. However, the formula has the advantage of simplicity and has operated reasonably well over the years.

The Commission suggests one modification in the existing structure of Federal airport grants—namely, the stimulation of airport development on a regional basis.

Air transport is an essential ingredient in our transportation system. The economic well-being of our metropolitan areas and the entire Nation are dependent upon it, as they are dependent upon all major methods of mass transportation. Airport planning and development is frequently regional in character. Experience indicates that this problem may best be solved on a

regional basis through the medium of State and regional authorities. Accordingly, the Commission recommends that the States consider the creation of regional airport authorities (such as the New York Port Authority now operating and supporting four major airports), where no such authorities exist, these authorities to be endowed with the following powers and responsibilities, among others:

(a) To construct major airports from funds derived from the sale of their bonds, from grants by either the National Government or the States, such bonds issued by these authorities to be tax exempt and to be paid from revenues derived from the operation of the airport.

(b) To operate or lease airports so constructed where the latter is deemed desirable.

(c) To receive such loans or grants as the Congress or the State or interested municipalities may authorize.

### *The Discretionary Fund Should Be Continued*

*The Commission recommends that the present system of apportioning 75 percent of Federal aid among the States on the basis of area and population and distributing the remaining 25 percent through the Civil Aeronautic Administrator's discretionary fund be continued.*

Plausible arguments can be advanced both for distributing all Federal aid through the discretionary fund and for eliminating the discretionary fund entirely. Actually, the present 75 percent and 25 percent funds may be viewed as constituting separate programs, each to be judged on its own merits. Each fund serves definite purposes. The discretionary fund permits flexibility in channeling Federal aid to airport developments which Federal officials consider most urgent. As contrasted with the regular State apportionments, however, it produces by its very uncertainty some onerous budget and fiscal planning problems for State and local governments seeking to match the Federal contributions. Because States and localities should know how much Federal aid to expect, discretionary grants should be held to the smallest percentage of total aid consistent with special Federal requirements for airport development.

## *Which Airports Merit Federal Aid?*

*The Commission recommends that the Federal Airport Act be amended to clarify congressional intent regarding the distribution of Federal airport grants as between smaller and larger airports.*

Standards are needed for determining which airport developments warrant financial aid from the National Government. The present standards based on "tangible aeronautical necessity" and "demand modifiers" are reasonably adapted to this end. Whether the more specific new criteria predicated on 30 based aircraft or 3,000 enplaned passengers are suitable is an open question. Insofar as these criteria tend to divert Federal aid from smaller airports serving private flying, their compatibility with the original intent of the Federal Airport Act is subject to challenge. It will be difficult to find suitable criteria, however, until Congress clarifies its intent on distribution of grant-in-aid funds between the smaller and larger airports.

*The Commission recommends that both congressional and Presidential action be taken to reevaluate the adequacy of Federal appropriations for airport grants-in-aid.*

A considerable body of informed opinion holds that congressional appropriations have been far below the level required to establish and maintain an adequate national system of airports. The orderly and progressive development of airports ready to serve the Nation in any emergency may well spare the taxpayer expensive costs associated with emergency construction programs. Whether the program is lagging must await an authoritative determination of airport needs from the national point of view. The Commission is not able to supply such a determination.

While the National airport plan issued annually by the Civil Aeronautics Administration attempts to state the Nation's needs, it has not had much influence upon Congress, as evidenced by an uncertain pattern of congressional appropriations and by appropriations at a level far below that contemplated by the Federal Airport Act. An impartial body of experts should be commissioned to inquire into the Nation's airport needs and to recommend the level of airport development required for the

present and future. The report of a group having no operating interest in any governmental airport program could help provide the basis for a stable program of Federal assistance heretofore lacking.

### *Lengthening of Appropriation Periods for Airport Aid*

*The Commission recommends that Congress authorize appropriations for airport aid for at least two years in advance. The funds so authorized should be available for expenditure after the close of the fiscal year for which authorized.*

The problem arising from the timing of annual Federal appropriations and biennial State appropriations is treated in Part I of this Report. Conditions peculiar to the airport program, such as the long lead time required for fiscal and construction planning, make the general recommendation particularly applicable here and justify an arrangement similar to that contained in Federal highway acts.

### *Channeling of Airport Aid*

*The Commission recommends retention of the present provision of the Federal Airport Act which allows each State to determine whether Federal financial assistance should be channeled through State agencies or directly through Government airport sponsors. However, the Commission also recommends that the Secretary of Commerce take administrative action to broaden the participation of State and local officials in the development of airport plans and grant-in-aid programs.*

The Commission believes that the present provision of the Federal Airport Act for channeling financial assistance is satisfactory both to the States and to the municipalities. On the one hand, the State governments, if they choose, are free to enact legislation providing for substantive participation by the State in municipal airport developments, and ensuring that Federal aid flows through the State government and not directly to the municipality. On the other hand, the interests of the municipalities are protected by affording a direct relationship with the

National Government on airport matters, in the event the State government chooses to take no action, as is sometimes the case.

The Commission also believes that the entire airport aid program would be strengthened by increased participation of State and local officials. While State approval of projects should not be made a condition precedent to either the National plan or the annual program, consultation by Federal officials with appropriate officials of each State should be an invariable practice in shaping the plan and program. This kind of consultation has been the practice of the Civil Aeronautics Administration in some States. In addition to soliciting the views of the States, the Civil Aeronautics Administration should inform the States of the reasons for rejecting State recommendations in cases where they have been found unacceptable. No new legislation is required to put such administrative practices into effect.

### *Faster Audits Needed*

*The Commission recommends that the Civil Aeronautics Administration review its procedures with a view to expediting its fiscal audits of Federally-aided airport projects.*

The Commission believes that the audit of airport project costs should be expedited with a view to speeding up the final payment of the Federal share. Acceleration of Federal payments will contribute to reduction of construction costs and tend to alleviate frictions and misunderstandings among National, State, and local airport authorities.

## *Chapter 8*

### **CIVIL DEFENSE AND URBAN VULNERABILITY**

Experience with civil defense in the United States began in a very limited way in World War I. During the early days of the war the Secretary of War, as Chairman of the Council of National Defense, exercised supervision over civilian protection. At the State and local levels, defense councils were established to direct volunteers serving in such areas as public health, welfare, Americanization, morale, and conservation of critical materials.

With the beginning of World War II in 1939, the Council of National Defense and many State and local defense councils were revived. An Advisory Commission to the Council included a Division of State and Local Cooperation. The Division was replaced by the Office of Civilian Defense in 1941. The activities of the Office of Civilian Defense included organization of a volunteer group known as the United States Citizens Defense Corps, establishment of a communication system, training of volunteer firemen, formulation of shelter policies and programs, issuance of informational material on protection from gas attack, organization of black-out drills, and organization of units to handle evacuation, welfare, public health, and the restoration of essential services. The Office of Civilian Defense was abolished by Presidential directive on June 30, 1945.

The current program of civil defense was established by Executive Order in 1950 and was located in the Office of Emergency Management. The Federal Civil Defense Administration became an independent agency under the Federal Civil Defense Act of 1950 (Public Law 920, 81st Cong.). In Public Law 920, Congress declared that the responsibility for civil defense is vested primarily in the States and their political subdivisions. The responsibility of the National Government is to provide coordination, guidance, and assistance.

## *What the Law Provides*

To carry out the purposes of the act, the Federal Civil Defense Administrator is authorized to prepare national plans and programs for civil defense; delegate, with the approval of the President, appropriate civil defense responsibilities to departments and agencies of the National Government; make provision for civil defense communications and warnings of enemy attacks; procure and arrange for stockpiles of emergency supplies and equipment; study and develop measures to protect life and property, including such subjects as shelter design, effects of atomic weapons, treatment of casualties, and the development and standardization of equipment and facilities; provide training programs; disseminate civil defense information; encourage the States to enter into interstate civil defense compacts; and make financial grants to the States for civil defense purposes.

In the event of a civil defense emergency, as declared by the President or the Congress, the Administrator has vast additional powers including those of coordinating and directing, for civil defense purposes, the activities of Federal departments and agencies; providing emergency shelter by construction or otherwise; making emergency repairs to and temporary replacements of essential public facilities; procuring materials and performing services for civil defense purposes without regard to the limitations of existing law; reimbursing States rendering aid beyond their own borders; and providing financial aid for the temporary relief of persons injured or in want as the result of attack.

The authority and functions of the Federal Civil Defense Administration in peacetime were expanded by Executive Order in 1953 to include responsibility for administering the Federal disaster act of 1950 (Public Law 875, 81st Cong.), as amended. Under this act the additional functions of the Federal Civil Defense Administration are basically those of providing plans for disaster relief, coordinating the relief activities of Federal agencies in natural disasters, and administering Federal grants to States and local governments for disaster relief.

Public Law 920 defines civil defense as "all those activities and measures designed or undertaken (1) to minimize the effects

upon the civilian population caused, or which would be caused, by an attack upon the United States, (2) to deal with the immediate emergency conditions which would be created by any such attack, and (3) to effectuate emergency repairs to, or the emergency restoration of, vital utilities and facilities destroyed or damaged by any such attack.” In other words, civil defense includes nonmilitary measures to reduce the effects of attack and to rehabilitate the people and their communities immediately after an attack.

The current program of civil defense involves a number of elements. The first of these is self-help. The individual must be taught in the very first instance how to help himself, and, similarly, the individual community must make plans for its own protection. The devastation of attack, however, is likely to be so vast that any stricken city will need assistance from neighboring communities. Plans for mutual aid must, then, be developed. Cities will need the support of adjacent communities in terms of such aid as fire engines, rescue trucks, medical supplies, doctors, nurses, and other trained personnel and facilities. In addition, the States themselves must have mobile support groups which can be dispatched to points of damage anywhere in the State. Finally, arrangements must be made with other States to send in assistance, and to provide housing and care for people evacuated from devastated areas. It is evident that each State and city, regardless of the likelihood of its being attacked, needs a civil defense organization.

Civil defense authorities regard all standard metropolitan areas as target areas (most probable targets for attack). By definition, each of these areas contains at least one city of 50,000 population or more and includes the most closely linked adjacent areas. Standard metropolitan areas containing high concentrations of industry and people—40,000 or more industrial workers—are designated as critical target areas. In addition, all State capitals, whether or not they are standard metropolitan areas, are listed as target areas, and Washington, D. C., is classified as a critical target area. There are now 185 target areas in the continental United States; 92 of these are classified as critical target areas.

## *Civil Defense Organization and Financing*

The operating chain of command of civil defense begins at the State level. State and local governments utilize their existing governmental agencies as the core of their civil defense organizations, supported by new services required for civil defense and by substantial numbers of volunteers. In establishing their organizations, State and local governments have given initial emphasis to the civil defense training and education of the people, and the dissemination of warning signals. In addition, local civil defense organizations provide for a trained corps of wardens and augmented services in such activities as fire-fighting, rescue, engineering, emergency welfare, evacuation, communications, transportation, supply, and plant protection. Provision is also made for doctors, nurses, and medical supplies and equipment.

During the period January 12, 1951–June 30, 1955, the National Government authorized \$241 million for all civil defense activities, including grants-in-aid. During the period beginning in 1951 and ending June 30, 1954 (1955 data are unavailable), it is estimated that the States authorized \$67 million, excluding funds set aside for emergency use. These emergency funds approximated \$100 million and were not available for peacetime use. (Typical is the provision by Utah of \$1 million to be used only in case the United States is actually attacked.) These State figures also do not include a New York appropriation of \$25 million to be spent for shelters if equally matched by a grant from the National Government.

A comparison of Federal and State funds shows that during the period in which the States made available \$67 million (fiscal years 1952–54), the National Government spent \$164 million. State appropriations for each year have become successively less. This trend was particularly marked in the case of State funds available for matching grants from the National Government. It is quite clear that an increasingly large proportion of Federal funds for grant-in-aid purposes is being matched by local governments rather than by the States.

## *Need for Reallocation of Responsibilities*

A fundamental conclusion of the Commission is that responsibilities for civil defense are inappropriately defined and assigned; consequently, the Nation's civil defense program is handicapped and rendered less effective. The States and local governments have been made primarily responsible for a function over which they are denied, by the realities of the problem, any significant degree of real policy formulation and technical leadership, and for which they are therefore unwilling to bear the preponderant financial burden.

*The Commission recommends that Congress amend the Federal Civil Defense Act as follows: (a) to reallocate responsibility for civil defense from a primary State and local responsibility to a responsibility of the National Government, with States and localities retaining an important supporting role; (b) to provide that the National Government will be responsible for overall planning and direction of the civil defense effort, development of civil defense policies and technical doctrine, and stimulation of interstate cooperation; and that States and localities will be responsible for day-to-day planning operations and the adaptation of National policies and doctrines to local situations.*<sup>1</sup>

The civil defense problem does not arise out of internal conditions which the States can control, but is a direct outgrowth of relations between the United States and other nations. Civil defense is an integral part of our national defense. It is interstate in character. Its nature, scope, and severity need National planning and direction. An effective civil defense effort requires financial resources which the State and local governments are reluctant to make available because of their feeling that the National Government should bear a large part of the burden. And if any one State fails to act, the default would do serious damage to other States and to the Nation as a whole. The Com-

---

<sup>1</sup> Governor Driscoll and Mr. Burton comment:

"We recommend that the administration of civil defense be placed in the Federal Department of Defense, and that a Secretary of Civil Defense be given a status equal to that of the Secretaries of the Army, Air, and Navy. We further recommend that the civil defense program be patterned after the cooperative Federal-State National Guard program; the Secretary to be a civilian, with the organization manned and staffed by civilians."

mission is convinced that civil defense is a National responsibility, albeit one which the State and local governments must share, and to a large extent carry out.

It is the view of the Commission that national self-interest and survival demand more intensive understanding of the problem of civil defense by the American people and by the leaders of all levels of government. The rapid advance of technological means for destroying human lives and property on an unprecedented and awesome scale makes civil defense an essential part of our national defense and security system. This requires a recognition of ultimate responsibility by the National Government.

The assumption by the National Government of a more dominant role in civil defense requires the full measure of financial responsibility and policy leadership by the legislative and executive branches of the National Government. The Congress is urged to direct its energies toward developing a realistic national program of civil defense, with provision for adequate planning and operating funds. The Federal Civil Defense Administration should be given increased authority for planning and administration so that its authority matches its responsibility.

The success of a civil defense program, however, must depend on a cooperative relationship among National, State, and local governments. Although it believes that civil defense should be primarily the responsibility of the National Government, the Commission is convinced of the necessity of continued State and local participation. The problems of civil defense are so overwhelming that the combined resources of all levels of government must be brought to bear in the civil defense effort, regardless of the increasing degree of National responsibility.

The national interest in civil defense arises in several ways. An attack upon one of our cities is an attack upon the United States, and this involves national defense, for which the National Government is responsible. Further, the magnitude of destruction might well require that the National Government participate fully in operations of relief and rehabilitation. Although it is already contemplated in Public Law 920 that the National Government should carry much of the financial responsibility

for the immediate relief of States and cities that have been attacked, the exigencies of the situation might sometimes require the National Government actually to direct the civil defense forces. It is the Commission's belief that, due to the uncertainty of these conditions, it is necessary to preserve flexibility in post-attack operations. The States and local governments should be prepared to make their facilities, equipment, and personnel available to the National Government whenever required.

*The Commission recommends that Congress amend the Federal Civil Defense Act to liberalize the financial participation of the National Government in State and critical target area civil defense administrative, planning, and training costs.*

The Commission believes that civil defense grants-in-aid will continue to be necessary unless the Congress establishes a direct National program of civil defense involving the assumption by the National Government of predominant financial responsibility for this function.

The Commission believes that civil defense activities should be financed on the basis of an appropriate division of costs or sharing of expenses among the National Government, the States, and the local governments. It is suggested that the National Government be solely responsible for the following classes of expenditure: (a) purchase of all special purpose civil defense equipment, such as radiological monitoring devices; (b) all the costs involved in training selected State and local personnel at Federal civil defense training schools; and (c) the build-up of Federal stockpiles of medical and engineering supplies to be used in supporting State and local efforts. Administrative and planning costs of State and critical target area civil defense agencies should be shared between the States and localities on the one hand and the National Government on the other, perhaps on a 50-50 basis, with the provision that organization plans and budgets of the recipient civil defense agencies be subject to the review and approval of the Federal Civil Defense Administrator and that Federal participation in personnel costs be limited to persons whose duties are confined solely to civil defense.

The Commission recommends that so long as civil defense grants-in-aid are necessary, they should be implemented on the

basis of a State or area plan, rather than on the present item or project basis. In other words, in order to be eligible for assistance, a State or critical target city should submit an overall area plan meeting requirements laid down by the Federal Civil Defense Administrator. This would not preclude the Administrator from setting continually advancing stages of refinement which State or city plans should meet in successive years.

*The Commission recommends that both legislative and administrative action be taken to modify the present practice of conducting civil defense relationships mainly through the States. Direct relations should be authorized between the National Government and critical target cities and their support areas.*

The Commission believes that direct relationships of critical target cities with the National Government are called for when the metropolitan area concerned crosses State lines and the Federal Civil Defense Administrator declares that national security requires dealing with the metropolitan area as a whole. In such a case the Administrator would be required to keep the governors of the States concerned clearly and currently informed of the steps taken. Direct relationships are also required when the State has failed to take positive action, financial or otherwise, and the Federal Civil Defense Administrator declares that the national security requires that he negotiate directly with the critical target city concerned.

In addition, it is recommended that direct relations between the National Government and "support" areas be authorized where the State has failed to take positive action and the Federal Civil Defense Administrator determines that the assistance of such areas is necessary to the civil defense of a designated critical target area. As in the case of direct relations with critical target cities, the Federal Civil Defense Administrator should keep the governor of the State clearly and closely informed of the steps taken.

### *Urban Vulnerability*

*The Commission recommends that administrative action be taken by appropriate Federal agencies to obtain the direct par-*

*ticipation of State and local governments in National planning aimed at reducing the vulnerability of our cities.*

Since a comprehensive program for the reduction of urban vulnerability has not yet been developed by the executive branch of the National Government, the Commission has not conducted an exhaustive inquiry into this problem. The national interest in this area is comparable to that prevailing in civil defense generally, and the Commission believes that vigorous leadership and action by the National Government is needed, with active support and participation by State and local governments. While not prepared to make specific recommendations regarding financial assistance in this field, the Commission believes that a clear justification exists in principle for grants or other cooperative financial devices to stimulate programs for reducing the vulnerability of our cities to enemy attack. The Commission urges that as National planning in this field proceeds, consideration be given to redirecting certain existing grant-in-aid programs (such as housing and highways) with a view to reducing urban vulnerability.

## Chapter 9

### EDUCATION

Throughout their history, the American people have adhered strongly to the philosophy of popular education for citizenship. During colonial times and the early days of the Republic, voluntary secular groups, religious bodies, and the family were largely responsible for the maintenance of schools. Very early, however, a public responsibility came to be recognized, first in New England, later in other colonies, although from that time to the present, private and religious schools have continued as a very significant supplement to publicly supported education.

Beginning in the second quarter of the 19th century, the movement for universal primary and secondary education led to a tremendous growth of public schools throughout the country. Although local school districts or similar areas assumed the responsibility for public education, most of the State governments began to give financial support and to set minimum educational standards. Although responsibility for the immediate control and support of the primary and secondary school system is still in the school district, the role of the State governments has steadily expanded.

The educational activities of the National Government have been varied and do not make up any clearly defined pattern. In the Ordinance of 1785 and in later instances, grants of public lands were authorized to help States and Territories establish schools systems. Significant as these grants were, they constituted single transactions and did not initiate a continuing National program of action for the support of education.

#### *Role of the National Government*

Of all the existing Federal programs, the activities of the Office of Education of the Department of Health, Education,

and Welfare are most directly related to the promotion of education. The Office of Education conducts research, provides information and service to school authorities and to government agencies in the United States and abroad, compiles and publishes statistics and bulletins, and performs varied service activities. It administers the temporary programs of financial assistance for school construction and operation in Federally-affected areas. It also administers grants to States in support of resident instruction at land-grant colleges and the program of aid to vocational education, started in 1917. While vocational education is now tied to general education more closely than it used to be, the Federal program grew largely from an interest in promoting certain vocational skills, and not education generally.

Most Federal activities in support of education have been incidental to other national objectives. Assistance to land-grant colleges, agricultural extension programs, and agricultural research have all been designed to improve agriculture. Aside from these specialized grants-in-aid, funds have been provided to institutions of higher education in support of ROTC and other training programs, defense research, and veterans' programs. None of these latter programs, of course, has as its object the support of education in general, and none is administered by the Office of Education. During the 1930's, the emergency public works program, established for the purpose of providing employment, included many school building construction projects. Another program—grants for construction and operation of schools in areas especially affected by Federal activities—is an outgrowth of the impact of large wartime and defense installations on certain communities.

The cash and commodity grants to the States and to private nonprofit schools for school lunch programs are intended to promote child health, encourage the consumption of farm products, and prevent waste of food surpluses. School lunch programs are not directly related to the support of education. It should be noted that this program is administered Nationally by the Department of Agriculture.

Notwithstanding the importance of these Federal programs, direct responsibility for general public education has been left with the States. Functions of primary and secondary education

are generally carried out by local units. The extent of participation by the State government varies widely from State to State.

The American people can take pride in the accomplishments of State and local governments in the continued extension of educational opportunities. Financial support has on the whole been generously provided and standards have steadily risen, even in the less wealthy States. There is ample reason to regard State and local control of education as one of our most prized traditions. The Commission is not complacent about the problems which confront our educational system as a result of the impending increase in school population and the resultant need for additional classrooms, and the existing shortage of teachers, but it believes that the American people will address themselves vigorously to their responsibilities in this matter.

That the primary responsibility for the support of general public education should continue to rest with the States and local units is not in dispute. But there are disagreements in determining the nature of National responsibility, and in deciding how that responsibility should be discharged.

Since the early years of the Republic, our citizens have insisted upon free public education. In Madison's words, "a popular government, without popular information, or the means of acquiring it, is but a prologue to a farce or a tragedy, or perhaps both."<sup>1</sup> It is beside the point and completely unnecessary to justify a national interest in education solely upon considerations of national defense or population mobility. Although organized as a federal system, ours is one nation, and there is an inherent and indisputable national interest in having an educated citizenry; only in this way can National, as well as State and local, self-government be ensured.

But there is nothing incompatible between the national interest in an educated citizenry and our tradition of leaving responsibility for general public education to the States. The national interest in education, like many other national objectives, is best served by State and local administration and control. The Commission believes that with certain exceptions, noted later, National action directly related to general public education is

---

<sup>1</sup> Letter to W. T. Barry, in *The Writings of Madison*, ed. Gaillard Hunt, New York, 1910—vol. 9, p. 104.

best confined to research, advisory, and clearinghouse functions such as those currently performed by the Office of Education.

It remains to apply these general considerations to existing Federal programs and to the present and anticipated shortages in elementary and secondary school facilities.<sup>2</sup>

### *School Lunch Programs*

Irregular emergency grants for school lunches date back to 1933. Annual donations of agricultural commodities began in 1935, and annual cash grants for balanced lunches in 1943. The primary authorization for the present program is the National School Lunch Act of 1946, under which the Department of Agriculture distributes cash and commodities to States for nonprofit school lunches, and makes cash payments directly to nonprofit private schools in the 27 States that prohibit any State payments to private schools.

In the fiscal year 1953, the National Government contributed in cash and commodities slightly more than one-quarter of the cost of the entire program. The States and local governments contributed about one-fifth, parents more than one-half. The National Government's contribution was almost equally divided between cash payments and commodity donations, so that National cash payments—just over \$67 million—constituted a little over one-eighth of the total cost of \$513 million. The program reached one-third of all elementary and secondary school children.

The value of Federal commodity purchases and donations rose to \$109 million in the fiscal year 1954 and is estimated to reach \$100 million in 1955, including expenditures of about \$20 million out of the \$50 million authorized for the milk program in 1954.

*The Commission recognizes the accomplishments of the school lunch program and recommends that States take action to expand the program to include many schools and school children presently unable to participate.*

<sup>2</sup> Chapter 6, on agriculture, has dealt with some of the Federal programs affecting agricultural research and education as carried on by the land-grant colleges. However, the Commission has had neither the time nor the resources to conduct adequate inquiries into other aspects of National-State relations in the field of higher education.

*With respect to Federal assistance to State and local school lunch programs, the Commission recommends (1) the continuation of commodity donations as long as these stocks continue to be acquired and held as surplus by the National Government; and (2) the reduction and elimination of cash grants after a reasonable period of time, with the assumption by States, localities, and parents of full responsibility for the cash financing required.*<sup>3 4</sup>

Federal cash grants and commodity donations have played a major part in developing this highly beneficial program. That these grants have largely accomplished their purpose is evidenced by the increased State and local contributions and payments by parents. It would seem that from here on the strengthening of the program depends mainly on State action to reach additional schools and more children. In any event, the support of the National Government will continue for some time through substantial commodity donations; this support should be expanded, if feasible. With such support, the States and localities should, and can, assume full responsibility for the cash payments needed to supplement commodity donations by the National Government and payments by parents. The Commission emphasizes the fact that the National Government's cash contribution constitutes only a little over one-eighth of the total cost of the program. The assumption of this portion of the program by States, localities, and parents will not involve a hardship.

---

<sup>3</sup> Dr. Anderson and Congressmen Dolliver and Hays comment:

"We would go along with the recommendation of the Commission to reduce and ultimately eliminate the Federal cash grants for school lunches if we could be sure that the elimination of these grants would not endanger the whole school lunch program. Ideally, the State and local governments and the parents should supply all the cash needed for the lunch program, but the Federal cash grant may be found to be an indispensable factor in the program's success, and we believe the program to be of national importance."

<sup>4</sup> Senators Humphrey and Morse dissent:

"National cash grants and commodity donations have together played a major part in developing this highly beneficial program. The Federal Government should, therefore, continue to supply cash grants in addition to surplus commodities so as to encourage the expansion of the program. Cash grants are necessary to achieve a balanced program and balanced diets which surplus commodities alone will not afford."

### *Schools in Federally-Affected Areas*

Since 1941 the National Government has provided money for schools in what are legally defined as "Federally-affected areas." Conditions of eligibility and allotment criteria are provided by law. Grants are made directly to eligible school districts, and matching is not required. Payments are now authorized up to June 30, 1956.

*The Commission recommends that legislative authorization be continued for grants for school construction and operation in Federally-affected areas for such time as the need exists.*

The existing legislation properly recognizes the obligation of the National Government to support education in areas where increased school enrollment arising from activities of the National Government places "a substantial and continuing burden" on local school districts. This burden is often aggravated by the tax-exempt status of Federal property in the affected areas. Special assistance for the support of schools will sometimes be unnecessary and in other cases can be substantially curtailed if the Commission's recommendations for payments in lieu of taxes are adopted. There will, however, be situations calling for continuing support from the National Government.

### *Vocational Education*

Concerned by the shortages of trained labor, the National Government in 1917 provided grants-in-aid to the States for the salaries and training of teachers of agricultural, trade and industrial, and home economics subjects in public schools. Subsequent laws have broadened the scope of Federal aid. Total grants now amount to around \$25 million, distributed among several categories.

In the fiscal year 1953, Federal grants accounted for only 17.4 percent of total public expenditures for vocational education. The States contributed 35.8 percent and local governments 46.8 percent. There are only three States in which State and local funds are not at least twice as large as Federal grants, and only 13 in which they are not three times as large. Many of the States with low per capita income are spending heavily for vocational education.

*The Commission recommends that legislative action be taken to limit Federal grants-in-aid in behalf of vocational education to subjects vested with a clear and special national interest, and to establish new categories of Federal grants only to stimulate forms of training especially important to the national interest. It is further recommended that existing grants not meeting these criteria be eliminated after a reasonable period of time.*<sup>5 6</sup>

It is apparent that the States and localities have already assumed the major responsibility for supporting vocational education. Most of the existing Federally-aided programs have matured, and might well benefit from closer integration with the general educational programs in the States and localities. The Commission recognizes, however, that revision of the program may be required from time to time to accommodate new types of training deemed vital to the national interest.

### *Elementary and Secondary Education*

Notwithstanding recordbreaking State and local expenditures for education in recent years, the Nation is faced with a current

<sup>5</sup> Dr. Anderson and Congressman Hays comment:

“We accept the recommendation, although with some misgivings. We believe that the major subjects of vocational education now partly supported by Federal grants-in-aid are vested with a sufficient national interest to justify continuation of the grants, and that Congress is most unlikely to establish a new grant in any field of vocational education unless there is a sufficient national interest.”

<sup>6</sup> Senators Humphrey and Morse and Congressman Dolliver state their position as follows:

“In view of the fact that this program was enacted with National initiative and leadership, it would be unwise at this time to abolish or taper off National participation. The 17 percent Federal contribution is a significant item budgetwise in many of the poorer school districts in rural areas.

“The vocational agriculture program, with the attendant programs of the Future Farmers of America, forms the backbone of many high school agricultural instruction systems in rural areas. It has been one of the major contributions to the development of scientific farming. It has been a major factor in increasing our food supply. The home economics, trades and industries, and distributive educational programs have to some degree brought about the same benefits.

“Since the vocational education program provides scarce vocational skills essential to national defense and the domestic economy, yet reaches less than 50 percent of the potential clientele, it should be expanded. Not until States have demonstrated their ability to administer such an expanded program should the National Government consider tapering off its leadership and participation.

“In fact, the National Government, in cooperation with the States, should explore other scarce skill areas to determine the national interest and need for expanding the program.”

shortage of school facilities arising from a backlog accumulated in years of depression, war, and material shortages. On top of this, the unusually sharp rise in the birthrate following World War II will be reflected in an increase in elementary and high school enrollment from about 29 million in 1952 to nearly 39 million in 1959. In some areas, the situation is complicated by heavy population migration; in others, by the Supreme Court decision on racial segregation.

All this adds up to a serious immediate shortage of buildings and teachers. School construction reached an all-time high in 1954, but must rise to an even higher level if the backlog is to be wiped out and coming needs met. Operating expenditures, although they too are at new heights, must be substantially increased.

#### VIGOROUS STATE ACTION REQUIRED

The Commission believes that State and local governments ought to, and can, take care of primary and secondary school needs. Its Study Committee on Federal Responsibility in the Field of Education came to the conclusion that the State and local governments can, if they will, afford adequate educational services.<sup>7</sup> The Committee's report clearly indicates, however, that whether they do or do not will depend largely on the extent to which the State governments support local efforts.

Under nearly all State constitutions, State legislatures are obliged to provide for public education of all children. In practice, a substantial portion of this responsibility is carried out through local units of government, although State support of education has steadily increased until the States now contribute, nationwide, 46 percent of total State and local educational funds.

The States would have no trouble under ordinary circumstances in meeting their responsibilities. But the circumstances are not ordinary, and State reorganization and support of the

---

<sup>7</sup> Senators Humphrey and Morse add the following comment:

"Although the Commission makes no recommendations with regard to Federal aid to education in general, we do not want to associate ourselves with the conclusions of the Commission's study committee which would imply no need for Federal aid."

educational system in a number of States must be accelerated rapidly if adequate standards are to be reached.

While the shortage of educational facilities varies widely from State to State, it varies much more widely from community to community within States. This situation intensifies the already serious problems, found in many States, that stem from marked disparities in the size and resources of local school districts.

A number of States have reorganized their school systems so as to eliminate large numbers of districts too small and too poor to do an adequate job. In the school year 1953-54, however, there were still some 62,000 school districts and other public school systems in the United States, the State totals ranging from 17 in Delaware to 6,113 in Nebraska. The consolidation of uneconomical school districts needs to be speeded in the interests of economy and the improvement of educational standards.

Consolidation should be supplemented by effective equalization procedures or other devices under which the State enables poorer districts to carry on a minimum school program. In addition, the State should help finance both current operations and capital outlays for buildings when the locality clearly lacks enough resources. These responsibilities are now recognized by some State legislatures; they should be universally recognized and discharged.<sup>8</sup>

It was pointed out in Part I of this Report that many States have severely restricted the taxing and borrowing powers of their subdivisions. Many of these restrictions, and some of the limits the States have imposed on their own taxing and borrowing powers, will, if not modified, deprive school systems of the increased capital outlays and operating revenues required during the next decade. The Commission's earlier recommendation that the States modify these constitutional and statutory limitations that impede effective State and local action is especially applicable to the financing of public education.

---

<sup>8</sup> All States currently extend financial assistance in some form to school districts for purposes of school operation and maintenance. But only 15 to 20 States aid in school construction, and in over half of these the amount of aid is insignificant.

## QUESTION OF FEDERAL AID

The proper course for State and local governments is quite clear. It is more difficult to determine what action, if any, the National Government should take to meet the serious immediate shortages that confront our elementary and secondary educational systems. The Commission, realizing that the welfare of the Nation's children is directly involved, has given intensive study to the exceedingly difficult question of Federal aid to education. No one denies that good schools are essential to the national welfare; the most important resource of the United States is its citizens—not its soil, minerals, climate, or extent of territory, important as these resources are. Every American child has a *right* to an adequate educational opportunity. The country owes to its children a suitable school plant.

That States should be responsible for providing adequate schools is unquestioned. The Commission firmly believes that they can and will properly discharge this responsibility. It is upon this premise that the following recommendation is presented.

*The Commission recommends that responsibility for providing general public education continue to rest squarely upon the States and their political subdivisions. The Commission further recommends that the States act vigorously and promptly to discharge this responsibility. The Commission does not recommend a general program of Federal financial assistance to elementary and secondary education, believing that the States have the capacity to meet their educational requirements. However, where, upon a clear factual finding of need and lack of resources, it is demonstrated that one or more States do not have sufficient tax resources to support an adequate school system, the National Government, through some appropriate means, would be justified in assisting such States temporarily in financing the construction of school facilities—exercising particular caution to avoid interference by the National Government in educational processes or programs.<sup>9 10 11</sup>*

<sup>9</sup> Governors Driscoll and Thornton concur in the Commission's recommendation and add the following comment:

"It is generally agreed that a great strength in our public school system is its grass roots support. Our citizens have evidenced their intense desire to keep the manage-

The Commission recognizes fully the paramount importance of education to the national interest. It cannot, however, blind itself to the reality that support of general public education by the National Government would present a situation quite different from that existing in grant-in-aid programs in other functional areas. There is no need to "stimulate" State and local

---

ment of their school system as close to the schoolhouse as is practical. There is evidence that indicates that when the financial support for local schools is substantially supplied by governments outside the community, local interest in the schools tends to diminish. From a practical point of view the division of responsibility for the financial support of education between two levels of government presents administrative difficulties, with support for schools occasionally being delayed while the governments involved resolve administrative differences with respect to controls or reach agreement on the share of the burden. The introduction of a third level of government in the fiscal program for the support of schools will make the task of school administration even more complicated and difficult. While it is conceded that grants-in-aid have served to stimulate local and State action, the hope for financial assistance from a higher level of government may, and in fact has, upon occasion delayed the development of important programs. Local officials, anxious to avoid the unpleasant task of raising taxes on their neighbors, may understandably be expected to wait for a grant-in-aid program to solve their dilemma. If the grant-in-aid program is not adopted or is reduced, the service may suffer. All this aside from the basic issue that controls are an essential ingredient in a grant-in-aid program.

"We believe that the control of our free public school system from Washington is wholly undesirable. The wealth of the Nation is to be found in the States. In most instances this wealth is as available to them as to the National Government. All taxes, generally speaking, come from the same pockets. When we send tax dollars to Washington that are ultimately intended for local use, we increase the power of centralized authority and the cost of administration."

<sup>10</sup> Dr. Anderson concurs with the substance and spirit of the Commission's recommendations and adds the following comment:

"I believe that the primary responsibility for the support of education should continue to remain with the State and local governments. I think they should first be given every opportunity and encouragement to finance education themselves insofar as they are willing and able. In cases of real emergency or great necessity, I see no objection to Federal aid. Whether such an emergency or state of need is now upon us, I would leave to the Congress to decide after it has held full hearings upon the subject."

<sup>11</sup> Senators Humphrey and Morse and Congressman Dingell dissent:

"We see no objection in principle and no sound reason to fear Federal aid for school construction or for the support of general elementary and secondary education. We believe that the needs of the Nation for an educated citizenry and the just claims of every child to a fair chance to get an adequate education outweigh the arguments in favor of complete State and local support for education.

"Congress recognized the interest of the National Government in the problem of school construction by passing Public Law 815 in 1950. Pursuant to the authority of this act, the Office of Education conducted a comprehensive survey concluding that there was a nationwide need for 312,000 additional classrooms in 1952 to house nearly 9 million pupils at a cost of about \$10.6 billion. Moreover, in the next 5 years, it is estimated that approximately 720,000 public elementary and sec-

activity, since education is already the largest of all State and local activities. There is not here, as in some grant-in-aid programs, a tradition of joint National-State responsibility; on the contrary, education has been controlled traditionally by local units of government, with State aid and supervision.<sup>12</sup> There is no need for Federal leadership in setting minimum standards. There is a strong desire on all sides to avoid Federal setting of standards or conditions or the application of any other form of Federal control or supervision. There is a widespread feeling that any degree of Federal control over education would be dangerous.

If adequate educational opportunities were available only through a program of Federal financial assistance, the decision would be clear. But it does not follow that Federal aid is the way to get good schools. Under any moderate program of aid, the amount going to individual States would not be large enough to count effectively. And Federal aid in an amount sufficient to mitigate the problem significantly could result in such undermining of State and local responsibility as to endanger seriously the kind of educational system that has served us so well.

There are other special conditions. Twelve percent of the school children in the United States are educated in nonpublic schools, many of them in religious schools. The inclusion of these schools in any program of Federal aid would raise difficult legal questions and policy issues. Moreover, the key unit in the public educational system is the school district. If the National Government dealt directly with the Nation's tens of thousands of school districts, it would conflict with State educational responsi-

---

ondary classrooms and related facilities will be needed at an estimated cost of about \$28 billion.

"We agree with the Commission's recognition of 'the paramount importance of education to the national interest.' In view of this importance, we do not feel that the solution to the urgent education needs should be postponed until the States correct their economic and constitutional limitations. We do not believe the Commission is justified in establishing a more rigid standard for a Federal grant-in-aid program in education than it has applied to other programs of lesser importance to the national interest."

<sup>12</sup> Senators Humphrey and Morse here want to point out that there has also been a historical pattern of some Federal aid to education since the Ordinance of 1785 and that the expression of the national interest in maintaining high educational standards by Federal legislation has ample and respectable precedent in American government.

bility and control. If it dealt only with the States, it could not achieve the objectives sought by Federal grants without imposing important and unwanted conditions.

Therefore, Federal financial assistance to any State should be resorted to only if it becomes clearly evident that such State does not have adequate tax resources to provide adequate physical facilities for elementary and secondary schools. In such cases, Federal financial assistance in the form of loans, loan guarantees, grants-in-aid, or a combination of these devices would be justifiable.<sup>13 14 15</sup>

---

<sup>13</sup> Governor Battle and Senator Schoeppel comment:

“Should it be determined that any State does not have adequate tax resources to provide proper school facilities, and thus justify assistance from the National Government, such assistance should be by a cash grant rather than by loans or loan guarantees—it is believed it would not promote the cause of education to burden such a State with loan repayments when school operating costs would probably preempt all available State resources.”

<sup>14</sup> Governor Driscoll and Mayor Henderson comment:

“If a grant-in-aid program for capital construction is adopted, it should be limited to those States where need and lack of ability are clearly demonstrated, continued for a clearly prescribed limited period, and on terms that will encourage the State or States receiving assistance to resume their full responsibilities as quickly as possible.”

<sup>15</sup> Governors Shivers and Thornton oppose grants-in-aid on any basis.

## *Chapter 10*

### **EMPLOYMENT SECURITY**

Unemployment insurance bills were introduced in Congress and in State legislatures during the 1920's, but no legislation resulted until 1932, when Wisconsin passed the first State unemployment compensation law. Widespread unemployment during the depression led to the establishment of a nationwide program of employment security. In 1933 Congress enacted the Wagner-Peyser Act, providing for a National-State system of public employment offices. This was a major step toward a national program of employment stabilization.

On June 29, 1934, President Roosevelt created the Committee on Economic Security and directed it to "study problems relating to economic security of individuals" and to "report to the President not later than December 1, 1934, its recommendations concerning proposals which in its judgment will promote greater economic security."

From the beginning, the Committee was keenly aware of the intergovernmental aspects of employment security, recognizing that both the National Government and the States had vital interests at stake. Arguments were presented both for a National system and for one administered entirely by the States. The Committee was closely divided and its recommendation for a National-State cooperative system was a compromise. The Committee summarized its position by stating that the role of the National Government should be confined to promoting State action, managing the reserve funds, and aiding the States with their problems, and that primary responsibility for the development of detailed legislation and its administration should be left to the States.

The recommendations of the Committee formed the basis for the Social Security Act of 1935. The act imposed a Federal

payroll tax of 3 percent on covered employers (employers of eight or more), with the provision that employers who paid a tax to a State with an approved law could use the State tax as an offset, up to 90 percent, against the Federal tax. This meant in practice that employers would pay a maximum tax of 2.7 percent to the State and 0.3 percent to the National Government.<sup>1</sup> The proceeds from the 2.7 percent tax were to be used by the States to pay benefits to unemployed workers, under standards established by the respective States. In the light of these provisions, no State could afford not to enact an unemployment compensation law. Indeed, every State did so by the middle of 1937.

In order to remove all possible obstacles to State action, the Social Security Act provided that the cost to the States of administering the unemployment compensation functions would be financed completely by grants from the National Government. The Congress appropriates funds out of which the Secretary of Labor makes the grants. National-State relationships in the administration of public employment services follow the same pattern as those established for unemployment compensation (a 100 percent Federal grant), although the histories of the two programs differ considerably.

### *Problems of the Unemployment Tax*

Although there was no specific earmarking, the source of funds for grants to States was usually considered to be the unemployment tax collected by the National Government: 0.3 percent of the taxable wages paid by employers. Tax collections over the years exceeded the grants for administration; the surplus went into general revenue funds of the National Government. For example, in the fiscal year ending June 30, 1954, collections exceeded grants by about \$73 million. The States were critical of this situation and contended that Federal grants were too small to permit adequate administration. As the result of State demands for the earmarking of all Federal tax collections for the program and for more flexibility in providing administra-

---

<sup>1</sup> The act also contained incentives for employers to stabilize employment by permitting additional credits through a system of experience ratings which in turn resulted in additional tax savings.

tive funds, Congress passed the Reed Act (Public Law 567, 83d Congress, 2d sess.).

The Reed Act provides that all Federal unemployment tax collections shall be earmarked for the program. Any surplus above the cost of State and Federal administration is to be assigned to a loan fund until a maximum of \$200 million is reached. States whose benefit reserves are in danger of insolvency may borrow without interest from this fund, provided that certain standards are met.

The act further provides that, after the loan fund builds up to \$200 million, additional collections in excess of the grants to States shall be distributed to the States *pro rata* according to the volume of the States' covered payrolls. Funds returned to the States are to be credited to the States' trust fund accounts. They may be used for the payment of benefits or they may be specifically appropriated, subject to certain conditions, for the administrative use of State employment security agencies. This appropriation would be in addition to the Federal grant and would be processed in the same manner as other State appropriations. Upon being allocated to the State employment security agency, it would be subject to State rather than Federal regulations and controls.

There is a clear national interest in maintaining a sound employment security system. Several factors cast the National Government in a prominent role in employment security: conditions of interstate economic competition, mobility of the labor market, and the integral relationship between the employment security system and the National Government's responsibility for promoting economic conditions conducive to maximum employment.

### *Administrative Controls and Substantive Standards*

Viewing the current functioning of the National-State employment security system, the Commission believes that the role of the National Government has been unduly extended in the area of administrative controls, whereas its role has been too restricted with respect to benefit standards, benefit financing, and other substantive areas of the program. The following recommenda-

tions have been formulated with the above considerations in mind.

*The Commission recommends that the present 90 percent tax offset and 100 percent grant provisions be retained.*<sup>2 3</sup>

The Commission believes that the present system, as supplemented by the Reed Act, is generally satisfactory except for some lack of administrative flexibility. After the reserve fund has been built up, the States will have greater leeway in appropriating additional administrative funds. The time required to reach the \$200 million level has been estimated at four to seven years.

The Commission's Study Committee on Unemployment Compensation and Employment Service examined carefully the alternatives to 100 percent Federal financing of State administrative costs, but did not make a unanimous recommendation. The majority recommended a 99 percent tax offset and termination of the Federal grant for administration. The minority advanced strong arguments for the present system, or for the present system with modified Federal controls. Proposals for a 100 percent offset were put forth by other groups and were considered by the Commission. The Commission also discussed the merits of a 50-50 matching arrangement and of a system wholly operated and administered by the National Government. In view of the recent passage of the Reed Act and the lack of experience under it, the Commission believes that it would be unwise to recommend any drastic changes in financing the employment security program.<sup>4</sup>

---

<sup>2</sup> Senators Humphrey and Morse and Dr. Anderson, although generally in agreement with the Commission's views on employment security, would prefer a system of unemployment insurance wholly operated and administered by the National Government.

<sup>3</sup> Governor Driscoll comments:

"I am opposed to the present system with its divided administrative and legislative responsibilities, and favor a nationwide system supported and administered by the National Government. If the latter is not adopted as national policy, the Federal payroll tax of 0.3 percent should be repealed and the complete responsibility for the administration of unemployment compensation should be turned over to the States."

<sup>4</sup> Governors Driscoll and Thornton do not concur in the philosophy underlying the Reed Act.

"We oppose the Reed Act for the following reasons: (1) It continues two levels of government in the operation of a single governmental business; (2) it creates a dedicated tax; (3) by its assurance that the reserve will be used to help States out

## *Proposed Amendment of the Reed Act*

*The Commission recommends that Public Law 567 (the Reed Act) be amended to permit congressional appropriation of funds from the \$200 million reserve fund in years when Federal grants required for State administration exceed collections under the Federal Unemployment Tax Act.*

The Reed Act points the way toward greater State participation in determining the amounts of funds required for good administration. It is intended to meet complaints on the part of the States that congressional appropriations have been so inadequate as to impair services to the public. While there is, of course, no guarantee of the adequacy of future congressional or State legislative appropriations, State legislatures will be responsible for authorizing funds within the limits of the amounts returned to the States. Moreover, the States will be free to experiment in deciding how these additional funds will be spent. Thus, to the extent that funds in significant amount are returned to the States under the Reed Act, States will be relieved of Federal controls over the expenditures of such funds.

The objectives of the Reed Act would be furthered by amending the law so that the \$200 million reserve fund could be used, under certain conditions, to ensure adequate administrative funds for State systems. While the 0.3 percent collected under the Federal Unemployment Tax Act should, over the years, be sufficient to finance administration, there could be a shortage, especially in years of heavy unemployment. Under the present law Congress would have to appropriate additional amounts from general revenue to cover any shortage. The proposal to draw on the \$200 million fund for temporary administrative grants would eliminate the necessity of dipping into general revenues of the Federal Treasury in bad years.

The difficulty of making accurate predictions of claims and related workloads upon which congressional appropriations are

---

of their difficulties, irrespective of how improvident they may have been, it invites irresponsible action by the States; (4) it compels full expenditure of the tax irrespective of the need; (5) since the tax is now dedicated there is less likelihood of diligent scrutiny of expenditures since no savings or tax reductions may be achieved.

“The Reed Act should be repealed. While its purpose is concededly good, the precedent that it establishes is bad.”

based is fully recognized. Studies conducted for the House Committee on Appropriations and by the Federal Advisory Council have repeatedly pointed to the need for establishing a permanent contingency fund which the Secretary of Labor could tap for emergency grants to States whose workload showed an unexpected and substantial increase.<sup>5</sup>

During the past few years, Congress has recognized this need by reserving a small percentage of the appropriation for grants to States for administration to serve as a contingency fund for the ensuing fiscal year. The Secretary of Labor, after obtaining the approval of the Bureau of the Budget for quarterly apportionment purposes, may make this fund available to the States on the basis of workloads. While this arrangement is working in a reasonably satisfactory manner, a number of difficulties have been encountered in the past, and the States have no assurance that the practice will continue. In a year of high unemployment, the contingency reserve in the annual appropriation would be insufficient to provide for State needs. This problem could be met by increasing the size of the contingency reserve in the annual appropriation.

### *The Issue of Administrative Controls*

*The Commission recommends that the merit system requirements of the Social Security Act continue to be applied to the employment security program. The Commission further recommends that existing legislation be amended to provide that where a State's auditing, purchasing, and other fiscal controls are determined by the Secretary of Labor to afford adequate protection of the national interest in the proper expenditure of Federal funds under the employment security program, these controls be accepted as a substitute for the type of controls now exercised by the Department. The legislation should also provide that the Secretary check State machinery from time to time to ensure*

---

<sup>5</sup> Governors Driscoll and Thornton comment:

"While we favor sound reserves and contingency funds, it should be recognized that there are other reasons, in addition to unexpected increases in workloads, that have contributed to the difficulties experienced by one or two of the States, that is, unrealistic benefit and unemployment tax policies."

*that controls continue to be adequate. National and State administrative action should be taken to make certain that reports of State staff agencies are submitted to the Bureau of Employment Security at the same time that they are submitted to the State employment security agency. The Commission also recommends that administrative action be taken on a continuing basis, by the Department of Labor, to simplify budget processes, time distribution systems, and other administrative controls imposed upon State employment security agencies.*

While Congress has taken steps toward increasing administrative funds, the issue of detailed administrative controls by the National Government warrants further consideration. Studies conducted by this Commission have shown that elaborate controls restrict State initiative and duplicate existing State machinery. Comprehensive regulation may have been necessary in the earlier years, but is no longer needed—at least in many States. For example, the time distribution system now imposed upon the States by the National Government could be drastically simplified.

On the other hand, the Commission finds that the merit system requirements of the Social Security Act have been beneficial both to the employment security program and to public personnel administration throughout the States. In a number of States, the introduction of the merit system under this program has resulted in statewide adoption of modern personnel programs. The Commission endorses the policy of waiving Federal personnel audits and other controls in States where the civil service system meets Federal standards. The Bureau of Employment Security is to be commended for contracting with the Division of State Merit Systems of the Department of Health, Education, and Welfare for the performance of merit system functions. This plan saves money and avoids duplication of contacts with State personnel departments.

In view of the successful application of merit system requirements, the Bureau of Employment Security should encourage States to improve budgeting, auditing, purchasing, and other staff services. The Bureau should develop broad standards, similar to those established for the merit system, which the States

could use as general guides. The Commission foresees better relations with the States and sounder administrative practice if the National Government will discontinue its minute fiscal audit and other administrative controls in States applying controls which meet Federal standards.

*The Commission recommends that the Secretary of Labor take administrative action to provide that State requests and estimates dealing with Federal grants for employment security administration flow through regularly established executive and budgetary channels at the State level, whatever such channels may be.*

The desirability of integrating Federal grants-in-aid with regular State fiscal procedures is treated elsewhere in this Report. The tendency at the State level to accord a less intensive review to grant-aided expenditures than to strictly State expenditures can be even more marked where the Federal grant comprises 100 percent of the total expenditure.

*The Commission recommends that administrative action be taken to provide that the Secretary of Labor consult the States before adopting rules, regulations, and standards materially affecting the program of the States. Consultation should include discussions with governors and other appropriate State officials as well as with directors of State employment security agencies.*

*Administrative provision should be made for a hearing board to advise the Secretary of Labor on conformity and compliance cases before he renders a decision.*

The authority of the Federal agency over State activity in this program is backed by its statutory power to adjudge compliance of State laws and administrative practices with the Federal statute. The statute includes a severe penalty for noncompliance: elimination of the 90 percent offset, which would require employers in a nonconforming State to pay the full 3 percent tax to the National Government regardless of how much they had paid to the State.

Noncompliance also means loss of administrative grants from the National Government. Section 405 (b) of the 1950 amendments to the Social Security Act modified this procedure by

prohibiting the Secretary of Labor from enforcing a finding of noncompliance in benefit cases until such cases had been passed on by the State's court of highest jurisdiction.

Although very few cases of noncompliance have arisen, the penalties are so drastic that the Commission believes the Department of Labor should establish special machinery to advise the Secretary on their imposition. The machinery should also provide a forum for the States in compliance cases. Another use would be to afford a means of consultation with States and interested groups on proposed new regulations and controls. The present Advisory Council on Employment Security might serve these purposes.

### *Issues of Benefit Standards and Coverage*

The Employment Act of 1946 marks the explicit assumption by the National Government of responsibility for using all practicable means to "promote maximum employment, production and purchasing power."

National-State responsibilities for the conduct of unemployment insurance and public employment services are closely related and, in many ways, corollary to the national objective of maximum employment. It follows that the National Government has a proper and important interest in State standards of unemployment benefits.

It has been amply demonstrated that unemployment compensation is a built-in stabilizer of the economy. By giving purchasing power to the unemployed, it helps maintain the purchasing power of the community during a recession. For example, the total amount of unemployment benefits paid out in calendar year 1953 was about \$840 million; during 1954 it was over \$2 billion. In calendar year 1954, benefit payments exceeded tax collections by \$692 million. In the preceding year, tax collections topped benefits by \$586 million.

There is a deep-rooted national interest in coverage of employees, adequacy of benefits, and solvency of State unemployment insurance systems. The recommendations which follow are intended to advance the long-range economic goals of the Employment Act of 1946.

*The Commission recommends that the President and the Secretary of Labor, from time to time as deemed appropriate, recommend to the States minimum standards for inclusion in State laws. These recommendations should cover the amount and duration of benefits and eligibility and disqualification provisions.<sup>6</sup>*

The mere existence of a nationwide unemployment compensation system is not enough. It should protect the unemployed through benefits reasonably related to wage levels, for adequate periods, and governed by reasonable eligibility and disqualification provisions.

The above recommendation would afford an opportunity for expression of the national interest and would encourage the States to keep benefits related to wage levels. At the same time, enough flexibility would be preserved to permit State experimentation.

The bigger the gap between benefit payments and the barest expenses of the unemployed worker, the more likely it is that all levels of government will have to cover the shortage by other means, including public assistance. A number of States have failed to raise benefits in proportion to increases in wage scales. The proportion of unemployment benefits to average weekly wages has dropped from about 40 percent in 1939 to 34 percent in 1954.

The duration of benefits is also inadequate in many States. Large numbers of workers exhaust their benefits before they find reemployment. During 1954, more than 1.75 million beneficiaries exhausted their benefits. When such serious deficiencies develop, the National Government should encourage the extension of benefits over longer periods.

---

<sup>6</sup> Senators Humphrey and Morse and Dr. Anderson express a preference for uniform nationwide benefit standards:

"We believe that uniform nationwide benefit standards are desirable in the Federal law to carry out effectively the national interest that is implicit in the Federal law and in the Federal tax established under that law. The Commission's recommendation in this area merely supports the existing practice, with its demonstrated inadequacies, that has been in operation for a number of years."

*The Commission recommends that Congress continue without change existing legislation which affords States the opportunity of using the present experience rating system.<sup>7</sup> <sup>8</sup>*

The Commission believes that experience rating is the best available device for making needed adjustments in revenues to the State unemployment fund without creating a serious problem of interstate competition and resulting pressure against adequate benefit protection. The present system has been in effect almost 20 years and has been working satisfactorily. Difficulties that

---

<sup>7</sup> Senators Humphrey and Morse, Congressman Dingell, and Dr. Anderson dissent from this recommendation:

"The effect of the Commission recommendation is to prevent the States from reducing their unemployment insurance tax rates by any means other than the establishment of experience rating. This is to establish an unduly rigid Federal standard, and is inconsistent with the Commission's opposition to establishing Federal standards in the area of benefit payments.

"We do not accept the Commission's conclusion that the present unemployment insurance system has been working satisfactorily. It needs to be improved and we have a responsibility to learn from the experience and mistakes of the past 20 years.

"We believe that the Federal law should allow States to establish flat-rate reductions if that is their wish. Our proposal would not prevent the States from maintaining experience rating, but would give them the added flexibility of establishing a flat-rate reduction.

"Experience rating is subject to some criticism:

"(1) It gives employers an incentive to keep costs down by keeping benefits down.

"(2) Under experience rating Federal standards now prescribe at least one year of experience before a lower rate may be granted. This places new employers at a competitive disadvantage at a time when they can least afford it.

"(3) It tends to favor the very large well-established employers and places a burden upon the seasonal employer.

"(4) It places a heavy burden upon the economy and upon the employer in that taxes are low in periods of high employment and high in periods of unemployment.

"(5) Under experience rating, tax reductions can take place without regard to the conditions of State unemployment reserve funds. For example, the State whose reserve fund is in danger of insolvency could be lowering taxes for certain employers who were fortunate enough to have no significant unemployment. This results in causing employer pressure to be placed on State legislatures to reduce taxes at the wrong time.

"A flat-rate reduction seems preferable to experience rating in that it would tend to set the tax rate on a uniform basis for all employers in the State, without threatening the solvency of the fund. It would also serve to prevent unfair interstate competition at the expense of an effective unemployment insurance program.

"For that reason, we prefer to allow the States flexibility to adjust their tax rates as follows: (a) present experience rating system; or (b) flat-rate reduction for all employers on a uniform basis; or (c) present experience rating systems plus flat-rate adjustments for all employers on a uniform flat or uniform percentage basis at the option of the State."

<sup>8</sup> Congressman Hays thinks the States should be permitted to adopt the flat-rate reduction procedure if they prefer to do so.

arose early in the history of the program have been ironed out, and the purposes of the unemployment compensation laws are being accomplished. Under present laws, each company pays a rate of tax related to its own experience: rates vary within a State, and an employer may look forward to favorable rates if unemployment among his workers is reduced.

The Commission considered but rejected the proposal of allowing the States the option of flat-rate tax reductions for all employers on a uniform basis. Since the flat-rate approach would result in a uniform rate for employers within a State, competition to attract industries to the low-rate States would be inevitable, since the rate paid by a new company in a State would be the same flat rate paid by existing businesses and would not depend on the new company's experience.

Giving States the option of flat-rate reduction might appear to enlarge the scope and latitude of State action and decrease National control. But actually States under present law may continue experience rating and at the same time incorporate a flat minimum rate into their formulas so as to permit tax increases or reductions without destroying the incentives which tend to stabilize employment. The flat-rate approach, by encouraging interstate competition and putting pressure on both benefits and tax rates, would tend to weaken the present system and could lead to less, rather than more, freedom of State action.

*The Commission recommends that consideration be given by Congress to authorizing the application of sanctions in time to prevent the insolvency of a State fund.*

Present legislation does not require a record of prudent financing policies of a State seeking a loan from the reserve fund established under the Reed Act. The Commission believes that the States should be required to maintain an unemployment tax structure likely to assure solvency of State funds. States are commonly tempted to lower taxes in good times as reserves accumulate, and then must raise taxes in bad times as increased benefits eat up the reserves. In effect, section 4 of Public Law 567 now applies sanctions to a State whose reserves have fallen so low that it must apply for a loan, by requiring employers to

repay the loan to the State through an increase in the percentage of the Federal tax they must pay.<sup>8</sup>

The Commission believes that some sort of sanction should operate prior to the Federal advance of funds. The type of sanction set forth in Public Law 567 might not be desirable if used in this way, since it would require an increase in the tax rates in a State at the very time when maintenance or lowering of rates would be desirable from the viewpoint of sound counter-cyclical policy. However, other types of sanctions should be considered. For example, there could be tests, in addition to those already required under Public Law 567, which any State would have to meet in order to qualify for advances from the \$200 million fund. One method would be to require current replenishment of benefit payments and some accumulation of reserve funds during low-cost years. This could be accomplished without requiring that a State impose any particular rate of tax. A second approach would be to require that a State start taking steps to bring its reserves up to a satisfactory level before it could qualify for Federal advances. This approach would give a State greater leeway in setting its tax rates than would the first method suggested, provided that the State reserve were adequate.

*The National Government has a proper interest in the coverage of unemployment compensation. The Commission generally favors a shift from assistance to insurance programs, and thus recommends National legislation to extend coverage to all employers of one or more persons.*<sup>9</sup>

As stated elsewhere in this Report, the Commission believes that all the major categories of social insurance should be extended to a point approaching universal coverage. At present some 11–12 million employees are not covered under the National-State system for unemployment compensation. This number includes those working for firms employing less than

---

<sup>8</sup> Thus, if a State has secured a loan, the employers in the State, commencing 4 years later, must pay 15 percent of the Federal tax instead of 10 percent (receive 85 percent credit instead of 90 percent), with the additional payments to the National Government going to repay the loan. The following year the employer must pay 20 percent of the Federal tax, the next year 25 percent, etc., until the loan is repaid.

<sup>9</sup> Governor Battle does not concur in this recommendation.

four persons, plus several other categories. The Commission believes that unemployment compensation coverage should be extended to all firms employing one or more persons.

---

Governor Shivers comments:

"I concur heartily in the general recommendation herein contained that the authority and responsibility of the States should be strengthened in the field of employment security, and that the National Government should be increasingly less concerned with administrative details as the States demonstrate their ability and willingness to handle them. I am concerned that the recommendations of the majority of the Study Committee on Unemployment Compensation and Employment Service were not given more serious consideration. Likewise, I am concerned that the Commission, apparently, is leaning in the direction of Federal benefit standards—thus threatening to invade a field which, so far, has been reserved to the States. This would represent a departure from the present system, and is not in accord with the recommendations of a majority of the Study Committee. Finally, I regret that the majority recommendation of the Study Committee advocating court review of the decisions of the Secretary of Labor in conformity issues was not given favorable consideration."

## *Chapter 11*

### **HIGHWAYS**

From the inception of our federal system, a nationwide interest in highways has been recognized. The Constitution itself gives Congress the powers to establish post-roads and to regulate commerce among the States.

During the first 40 years of the Republic, many turnpikes were constructed by private companies seeking profits through tolls. Some of the States invested in the securities of the turnpike companies. In 1806, the National Government began construction of the National Pike, or Cumberland Road, and by 1819 the road extended 131 miles from Cumberland, Md., to Wheeling, W. Va., on the Ohio River. By 1819, Pennsylvania had completed a surfaced highway from Philadelphia to Pittsburgh.

Soon after the development of the steam locomotive in 1830, the resources of the country were directed to construction of railroads, and highways entered a period of neglect. Until almost the turn of the 20th century, local governments handled such road building as was done. A good-roads movement in the late 19th century was spearheaded by a coalition of bicyclists demanding smooth roads for recreation, farmers wanting to get out of the mud, and railroad interests seeking feeders to their lines. During the 1890's, State aid to counties for road construction was begun and several State highway departments were organized. The movement spread rapidly, particularly after the automobile appeared. By 1917, all States were participating in highway development.

In the same period, the National Government developed an interest in highways that has continued to the present day. An Office of Road Inquiry, established in the Department of Agriculture in 1893, eventually became the Bureau of Public Roads

in the Department of Commerce. Federal highway activities, including aid to the States, are presently centered in this Bureau. From 1893 to 1912, the Bureau's functions were limited to investigation and research. In 1912, the Congress authorized \$500,000 for an experimental program in rural post-road construction. The Federal-Aid Road Act of 1916 continues to be a part of the basic legislation governing Federal highway aid. It authorized Federal aid funds of \$75 million over a 5-year period and, together with legislation enacted in 1921, established the principles of (1) limiting Federal aid to construction projects on designated primary highway systems, (2) apportioning funds among States by statutory formula, and (3) requiring State matching of Federal aid in fixed proportions.

During the depression of the 1930's, the National Government participated in highway construction through various emergency programs which were outside the regular channels of highway aid. As a matter of fact, in every year from 1936 to 1941, inclusive, emergency highway aid exceeded regular aid by substantial amounts.

New regular aid programs for designated urban extensions of primary highways and for a limited mileage of secondary roads were initiated under the highway act of 1944. This act also provided for selection of a national system of interstate highways limited to 40,000 miles. Authorization of aid specifically for the interstate highway system was first provided in the 1952 act.

### *Extent of Federal Aid*

Regular Federal highway aid (as distinguished from special or emergency aid) has supplied only 8.51 percent of total revenues used for all highway purposes over the 33-year period since 1921. By intervals, the percentages are: 1921-31, 5.76 percent; 1932-42, 9.19 percent; 1943-53, 9.49 percent. However, regular Federal aid has supplied much larger percentages of expendi-

tures for highway construction, as shown in the following comparison:

	Total highway construction expenditures <i>Million</i>	Regular Federal aid <i>Million</i>	Percentages
1921-31-----	\$12, 106	\$1, 075	8. 88
1932-42-----	13, 686	2, 254	16. 47
1943-53-----	18, 330	3, 328	18. 16
	<u>\$44, 122</u>	<u>\$6, 657</u>	(avg.) 15. 09

It is estimated that total expenditures for highway construction in 1954 were \$3.7 billion, of which \$2.1 billion was expended on systems eligible for Federal aid. About \$600 million, or 16 percent, of the \$3.7 billion represented Federal funds.

Federal aid authorizations for each of the fiscal years 1954 and 1955 total \$575 million; for 1956 and 1957 the total is \$875 million for each year, as follows:

	Each Fiscal Year 1954 and 1955	Each Fiscal Year 1956 and 1957
Interstate System-----	\$25, 000, 000	\$175, 000, 000
Primary System-----	247, 500, 000	315, 000, 000
Secondary System-----	165, 000, 000	210, 000, 000
Urban Highways-----	137, 500, 000	175, 000, 000

There is considerable lag between the authorization figures and actual appropriations. Payments are made only as money is needed to meet State claims for reimbursement; claims are not filed until actual construction begins.

National participation in the total highway expenditure varies greatly from State to State. When expressed in terms of all highway costs, including planning, construction, maintenance, interest, and administrative overhead, the percentages of Federal aid in 1952 highway expenditures were 3.7 percent in New Jersey, 4 percent in Maryland, and 8.6 percent in California. At the other extreme, percentages were 35.1 in Wyoming, 33.5 in Nevada, and 26.6 in New Mexico. When expressed in terms of construction costs only, the National Government's share ranged from 6 percent in New Jersey to 53.9 percent in Nevada.

Federal aid is apportioned among the States by statutory formulas which give weight to population, land area, and specified road mileage. Prior to the 1954 act, dollar for dollar matching

of all Federal funds was required in most States, an exception being made for States in which unappropriated and unreserved public lands and nontaxable Indian lands constituted more than 5 percent of the total area. In these States the matching requirements were reduced according to the amount of such lands. The 1954 Federal-Aid Highway Act reduced the State matching share from 50 to 40 percent for the interstate system, again providing a downward adjustment for States with large public land areas. State per capita income is not taken into account in either the allotment or the matching process.

### *Allocation of Responsibilities*

Large public expenditures for highways during the past three decades have produced a highway network which in many respects is the finest and most extensive in the world. But the highway system as a whole does not yet measure up to the growth of population and traffic, economic advancement and change, and imperative defense needs. If indeed the highway situation is critical, then the National, State, and local governments all have a vital stake and a large obligation in its rectification. If the United States is to maintain and advance its productive and defensive strength, which depends so largely upon the efficiency and economy of the transportation system, an acceleration of the rate of highway improvement is needed, particularly with respect to major highways. Consequently, the Commission bases its recommendations upon the necessity for a stepped-up highway construction program during the next 5 to 10 years.

In the view of the Commission, the primary responsibility for highway development rests with States and their subdivisions. A preponderant proportion of the country's total highway mileage is intrastate or primarily local in character, and State and local highway departments by and large are competent and adequate. However, the national interest in an adequate highway system is so great as to justify action by the National Government, at certain times and under certain conditions, in encouraging and supplementing State action. National-State highway relationships should be flexible, not static. Under normal conditions, States can and should fulfill their responsibilities for

highway functions with a minimum of Federal aid. But when defense needs or economic conditions disrupt the *status quo*, the National Government should expand its role.

In the light of these premises, the following recommendations are submitted:

*The Commission recommends that the actual construction and maintenance of highways be performed by the States and their subdivisions.*

The National Government should give technical assistance to and cooperate with the States on problems of highway construction and maintenance. However, only in those cases where a highway is built in a National park, reservation, or similar area, or as limited access to a Federal facility, should construction be undertaken by the National Government.

It would be a basic mistake and wasteful duplication for the National Government to embark upon a new program of actually building, maintaining, and operating any large segment of the highway network. Highway construction and maintenance have been handled by the States and localities with consistent competence.

*The Commission recommends that the present Federal aid highway program be continued and that funds appropriated thereunder be increased. The increase in funds should be so allocated as (1) to give recognition to the National responsibility for highways of major importance to the national security, including special needs for civil defense, and (2) to provide for accelerated improvement of highways in order to insure a balanced program to serve the needs of our expanding economy.<sup>1 2 3</sup>*

<sup>1</sup> Mayor Henderson believes that in carrying out the recommended highway program, greater emphasis ought to be placed upon the development of highways in urban areas.

<sup>2</sup> Mr. Burton, Governors Thornton, Jones, and Shivers, Senator Schoeppel, and Congressman Dolliver join in the following statement:

"We regretfully dissent from this major highway recommendation by the Commission. The recommendation endorses a permanent direction we believe to be unsound.

"In recent years State executives had substantially moved to a position of supporting State assumption of highway responsibilities upon the release of National highway user revenue sources for State use. This could not be done suddenly and was subject to reservations regarding Federally-impacted areas and the circumstances of States wherein there was a low ratio of population to highway mileage like the Western States with their large area of Federal land holdings .

The Commission is cognizant of existing critical highway needs and of the efforts being exerted by all levels of government to meet them. Total governmental highway expenditures for 1954 are estimated at \$6.4 billion, compared to \$4.9 billion three years earlier. Legislation enacted in 1954 increased Federal financial

---

"We likewise recognize that an important exception should be made for purposes of economic stabilization, and also for the need to 'catch up' on current highway deficiencies in the interstate system and metropolitan arterial systems. We are deeply impressed by the persuasive argument of the President that this Nation mobilize all its forces to arrest the terrible traffic toll upon human life, and that the National and State governments work together on this important task. We believe that National assistance in 'catching up' is warranted by safety, military, and civilian defense necessities.

"Nevertheless, the above reservations are minor alterations of the principle of State responsibility and the 'catch-up' needs are of an emergency nature—but a real emergency. Federal assistance can speed the time when the ultimate fiscal and administrative highway responsibilities can be returned to the States and we believe that the Commission should be definitive in recommending this.

"We believe that every effort should be made to conduct the program on a pay-as-you-go basis. We are not intransigent in this matter but stress the importance of a sound balance of urgent need, fullest possibilities of current financing, and the capacity of contractors to do the job."

<sup>3</sup> Governors Driscoll and Battle dissent as follows:

"We do not question the need for a greatly improved highway system. The States have recognized this need and have established new records for highway construction. In the development of a highway program it is unwise to pledge gasoline taxes that may be paid 10 years from now to meet today's needs. It is equally unwise during a period of comparatively full employment for the Nation to go substantially into debt to meet its highway requirements. Likewise, there must be a reasonable balance between the construction program and the ability of contractors to build roads on a competitive basis.

"The Commission's proposal, when compared with the unrealistic programs presently being considered, is moderate. Its advocacy of a pay-as-you-go program for free public highways is commendable. However, we must dissent from the Commission's recommendation for an increase in highway grants for the following reasons:

"(1) Responsibility for the construction and maintenance of a modern nationwide highway system should rest with the States. They have demonstrated their ability to cooperate with one another in the development of an interstate system. Within the various regions of this country, they are more conscious of their own and one another's needs than any agency of the National Government. If given the opportunity to do so, they may be expected to meet the national interest.

"(2) While the total contribution of the National Government for highway construction is small in comparison with the contribution of the States and their political subdivisions, its impact on State budgets and policies is substantial, because of a wide variety of administrative and policy controls. These range all the way from an attempt by the National Government to compel the States to dedicate State taxes, to a discrimination against toll roads and parkways. In addition, the Government has sought to control wages, establish national standards, choose routes, and more recently an attempt has been made to control the use of margin areas along Federally-aided highways. Any increases in highway grants may be expected to increase the budgetary impact and further curtail the fiscal independence of the States. History discloses that representatives of the Bureau of Public Roads have on more than one

assistance to the States for highway purposes by more than 50 percent. However, there is abundant evidence that the current rate of highway improvement is not sufficient to meet current emerging needs. Failure to meet these needs will seriously affect the national security and the national economy. Humanitarian considerations alone, in terms of reducing the annual toll of highway accidents, call for vigorous action in revamping the unsafe segments of the highway network.

The Commission believes that there is sound justification for Federal participation in the improvement of many highways. The Commission generally approves existing legislation, which provides Federal aid for primary highways, including interstate routes and urban extensions, and for secondary roads, including farm-to-market roads.

The Commission believes that present circumstances justify a concentration of increased Federal highway funds on a limited mileage of highways of key importance to interstate commerce and to military and civilian defense. However, this does not mean that other highways now eligible for Federal highway aid should be neglected in an expanded program.

The Commission believes that civil defense is primarily a responsibility of the National Government. This has particular relevance in the case of highways required for civil defense. Special and costly features needed to adapt new roads to civil defense needs should be financed largely by the National Government.

The Commission considers toll highways a matter of State and local policy. Present and past Federal-aid highway acts have provided, however, that no tolls may be charged on roads partly financed by the National Government. The Commission endorses this principle and recommends that no Federal aid be given for any toll road.

---

occasion advocated increased authority over State highways. An increase in the grants will tend to give the National Government a dominant vested interest, with Federal control the inevitable consequence.

“(3) The proposal continuing two or more levels of government in a single operation increases costs, retards construction, and results in wasteful duplication and overlapping of effort where none is necessary.

“(4) There is a better way to accelerate the construction of an adequate national highway system. The present Federal gasoline tax should be repealed. This may be done outright or on a tax offset basis, as in the case of the unemployment compensation tax. If the later procedure is adopted, it should be the prelude to outright repeal

## *Financing and Supervision*

*The Commission recommends that the expanded highway program be financed substantially on a pay-as-you-go basis and that Congress provide additional revenues for this purpose, primarily from increased motor fuel taxes.<sup>4</sup>*

The effect of the Commission's recommendation on highway aids will be to increase Federal expenditures substantially. Additional revenues should be provided to meet a major share of these expenditures. An increase in taxes is preferable to deficit financing as a means of supporting larger highway outlays by the National Government. The latter method would result in high interest charges and would shift the burden to citizens of a future generation, who will have continuing highway and other governmental responsibilities of their own to finance.

*The Commission recommends a reduction in the extent and degree of Federal supervision accompanying highway grants-in-aid.*

Congress should be constantly alert to prevent procedural abuses by any administrative agency to which it may delegate duties. Federal agencies should diminish controls over the

---

of the tax. The gasoline tax now being collected by the National Government was first imposed as a temporary tax to meet an emergency situation and has long been regarded by many as a tax that should be returned to the States. In a limited number of States which have large Federal land holdings and in which the need for highway aid may be demonstrated, it should be granted for a limited period out of general revenues of the National Government.

"(5) The funds required to support the grant-in-aid device are collected from the citizens of the States. The States with the greatest density of population, the greatest highway needs, and the largest number of traffic accidents are likewise the States whose citizens make the largest contribution to the Federal treasury. These are also the States to which the largest highway grants will be given. This unnecessary and wasteful 'exchange' of tax dollars inevitably strengthens the centralization of our government in Washington. In fact, the grant-in-aid programs that have been proposed are more likely to strengthen centralized bureaucracy than to speed highway construction. By requiring more dollars for administration, these programs leave fewer dollars for pavements. By the same token they weaken State and local governments. As de Tocqueville said: 'A democratic people tends toward centralization, as it were by instinct. It arrives at provincial institutions only by reflection.'"

<sup>4</sup> Mr. Folsom dissents from this recommendation:

"The Nation's needs for an improved interstate highway system are urgent. Unless taxes are increased substantially, borrowing may be needed to finance accelerated construction of this system. The borrowing needed should be done on a self-liquidating basis with the amount of debt related to anticipated highway-user revenues. Regardless of the method of financing, Federal highway expenditures should be paid for from highway-user revenues only, not from general tax revenues."

Mrs. Hobby, Mr. Burton, and Governor Thornton join in this dissent.

details of State highway planning, design, and construction. Over the years, the Bureau of Public Roads has made a notable contribution to highway improvement in this country through technical leadership and the stimulation and coordination of State activity in this field. However, in the light of the maturity and competence of most State highway departments, it appears to the Commission that the Bureau of Public Roads could relax much of its close supervision of State highway work. The Bureau has already made a good start but more can be done.

The 1954 highway act sensibly permits, under certain conditions, the substitution of certifications by State highway authorities for detailed compliance checks by the National Government. National legislation and administrative regulations of the Bureau of Public Roads might well leave the States free to carry forward their highway programs, simply certifying that they have complied with Bureau requirements. Through spot checks of performance and through complete accounting records, the Bureau could forestall misuse of Federal funds.

Although the Commission favors relaxation of Federal supervision, it believes that the National Government should continue to prescribe basic minimum standards for the construction of Federally-aided highways. Moreover, where interstate highway connections are involved, the Bureau of Public Roads should continue to exercise strong guidance.

*The Commission recommends the repeal of provisions of the Hayden-Cartwright Act requiring the States to expend certain amounts of specific taxes for highway purposes.*

The National Government may rightfully require State matching of aid which it extends, as the law already provides. Beyond this the National Government should not go. The States should be free to use their tax revenues as they see fit. Elsewhere in this Report the Commission has urged a careful reappraisal by the States of all constitutional and statutory requirements, such as earmarking of specific taxes, which fetter the ability of the States and their subdivisions to deal with their fiscal problems. Certainly the National Government should not add to the fiscal problems of the States by imposing additional and unnecessary restrictions.

## *Chapter 12*

### **HOUSING AND URBAN RENEWAL**

Public interest in housing and slum clearance has been widespread since the depression of the 1930's. Prior to that time, governmental activity was sporadic and extremely limited.

The first activity of the National Government in this field occurred in 1892, when Congress appropriated \$20,000 to be used by the Secretary of Labor to investigate slum conditions in the larger cities. During World War I, the National Government financed the construction of a few thousand dwellings for shipyard and other war workers. In 1921, a Division of Building and Housing was created in the National Bureau of Standards to investigate and test building materials.

With the onset of the depression, the National Government initiated large and varied housing programs for the dual purpose of creating jobs and of alleviating distress among tenants and homeowners. These programs included efforts to forestall mortgage foreclosures on homes through Federal refinancing, insurance of mortgage loans, construction of housing for families of low income, and the reconstruction of slum areas. It was not until considerably later, however, that the National Government actively sponsored low-rent housing and slum clearance as ends in themselves rather than as a source of employment. The United States Housing Act of 1937 provided loans and annual contributions to local public housing agencies. Twelve years later, this law was amended and broadened considerably: the 1949 act expanded the public housing goals and launched a Federal program for slum clearance and urban redevelopment. The Housing Act of 1954 substantially revised and redirected the efforts of the National Government, placing major emphasis on the prevention of slums and urban blight rather than on public housing.

Prior to 1930, the interest of State governments in housing was confined largely to Massachusetts, California, North Dakota, and New York, though none had a significant program underway before 1937. Few other States had even experimented in this field. After the National Government had shaped a housing program in the 1930's, all but five States enacted legislation to permit municipalities to build and operate public housing with the aid of the National Government.

Housing has been a striking and regrettable exception to the pattern which developed in other social legislation, such as health and welfare, where stimulating activity by the National Government brought forth strong programs at the State level. Only a few of the State governments have developed significant housing programs. One reason for lack of State activity is that substandard housing does not affect all citizens, but is concentrated in certain localities. Thus the pattern of direct Federal aid to localities for public works, started during the depression, has continued to the present time.

### *Current Programs of Slum Clearance and Urban Renewal*

The subject of slum clearance and urban renewal has been under almost continuous study since 1945. Studies by the Senate Subcommittee on Housing and Urban Redevelopment under the chairmanship of the late Senator Taft were continued by other congressional committees and provided a basis for the enactment of the slum clearance and urban redevelopment provisions in Title I of the Housing Act of 1949, under which the program of Federal financial aid was initiated. This act authorized the National Government to make loans up to \$1 billion outstanding at any one time and capital grants totaling \$500 million to enable localities to overcome the high cost of clearing slum areas for redevelopment. It required cities undertaking slum clearance projects with Federal assistance to see that suitable housing was provided for families displaced by clearance operations. The Housing Act of 1954, Title III, changed the title from "Slum Clearance and Community Development and Redevelopment" to "Slum Clearance and Urban Renewal" to indicate a broader objective.

Projects are initiated by the local public agency, under State enabling legislation, and passed upon by the National Government. They are executed by the local agency, with financial and technical assistance from the National Government. The local community must decide on its own initiative that it wants Federal help in undertaking slum clearance. To participate, it must first obtain a capital grant reservation—an earmarking of funds for expected slum clearance projects and an advance for project planning. Under State and local laws, it may then obtain loans to buy slum properties and to make necessary plans for rebuilding or redevelopment. After a workable program has been approved by the National Government and the land has been sold or leased, the community may obtain Federal grants to pay up to two-thirds of the deficit between what was spent for the project and what the city obtains for the land through sale or lease. The community pays the balance, either in cash, in donations of land, or in improvements—parks, schools, streets, and other facilities that will serve the new uses of the area. In other words, financial participation in the slum clearance program is roughly two-thirds National and one-third local. When all of the land has been sold or leased and the other obligations of the contract have been fulfilled, the project is considered completed.

As a consequence of the 1949 and 1954 acts, and of increasing efforts of public and private organizations and agencies, tangible results are being achieved for the first time in slum clearance and urban renewal projects in nearly 200 cities. As of September 30, 1954, grants of \$383 million had been earmarked by the National Government for slum clearance and urban renewal projects; of this sum, \$118 million had been obligated under contracts. But with the exception of a few States such as Pennsylvania, which has provided a \$10 million State grant for slum clearance, State aid has generally been unavailable. Congress has concluded that continued Federal aid is necessary to help municipalities combat conditions of urban blight.

### *Current Programs of Low-Rent Public Housing*

The United States Housing Act of 1937 authorized Federal financial assistance to localities for low-rent public housing.

This act, as subsequently amended by the Housing Acts of 1949 and 1954, is the current statutory basis for low-rent public housing programs. Since 1937, some 385,000 low-rent dwellings have been built under the 3 laws. Public housing for low-income families is constructed, owned, and operated by local housing authorities created under State enabling acts. Housing authorities have been established in 43 States, the District of Columbia, Alaska, Hawaii, Puerto Rico, and the Virgin Islands. States without legislation are Iowa, Kansas, Oklahoma, Utah, and Wyoming.

Under this program, the need for low-rent housing is determined by the local housing authority in conjunction with and subject to the approval of the local government. Plans for public housing must show that maximum rents will be at least 20 percent below the lowest rents at which decent private housing is available in substantial supply.

After the United States Public Housing Administration determines that the need for housing exists, it usually grants a loan for preliminary planning work, which must be approved by the local governing body. The housing authority and the municipality agree that the usual municipal services will be provided and that the authority will make annual payments in lieu of taxes. These payments are 10 percent of the rentals (excluding utilities). At this stage, the Public Housing Administration, after making the necessary final approvals, enters into an annual contributions contract with the housing authority. The contract provides that the National Government shall pay an amount sufficient to cover the difference between expenses of operation, including debt service and reserves, and the rental that low-income families can afford to pay. This subsidy is pledged for a period not exceeding forty years.

Most States have been unwilling to appropriate funds to meet the housing needs of low-income groups; they have been content to have the National Government assume this burden. Only in a few States with relatively high per capita income, such as Connecticut, New Jersey, New York, and Massachusetts, have State-aided housing programs been initiated; some of these have been directed toward veterans' housing or to middle rather than low-income groups. In 1954, New York State raised the debt

limit for housing purposes to \$935 million, of which \$641 million has been committed. More government-aided housing has been provided in New York State under the State program than with Federal aid.

### *Major Issues*

The Commission has noted the magnitude of the housing problem which confronts the Nation today. The latest census revealed that despite the efforts of private initiative, municipalities, the National Government, and some States, there were 15 million substandard homes, of which 10 million were located in urban centers. The growth of slums in the centers of cities produces a vicious circle for municipal governments. Increased poverty, crime, and juvenile delinquency necessitate increased municipal expenditures for police protection, public assistance, and other social services. At the same time, slum area properties yield less and less municipal revenue; this, in turn, requires the levy of additional taxes on other properties.

The respective housing roles of private industry and government and the extent of the need for governmentally provided housing are substantive questions which lie outside the Commission's assignment.<sup>1</sup> The Commission has confined its recommendations to intergovernmental relations in existing programs of housing, urban renewal, and related fields, including the division of functions among the levels of government and the relative financial participation of National, State, and local governments. The major intergovernmental difficulties relate to: (1) the extent to which States have not given sufficient latitude to local governments in dealing with urban blight and substandard housing, thereby causing demands for assistance from higher levels of government in the solution of local problems; (2) the extent to which the States have not provided leadership and financial aid in areas beyond the capacities of local governments; (3) the extent to which the National Gov-

---

<sup>1</sup> Senators Humphrey and Morse observe:

"Although the Commission considered the substantive merits of public housing to be outside the scope of its assignment, we believe that the facts warrant an extensive low-rent public housing program."

ernment has not cooperated with the States in both Federal and State housing programs, choosing instead a pattern of direct National-local relationships; and (4) the extent to which National, State, and local action in metropolitan area planning falls short of meeting the tremendous needs in this field.

The recommendations which follow are addressed principally to the above issues. In the consideration of these questions, the Commission emphasizes that to the extent that local and State governments fail to cope with problems of urban blight and substandard housing which are beyond the capacities of the individual and of private initiative, governmental intervention at higher levels is invited.

### *Division of Responsibilities*

*The Commission believes that responsibility for the initiation and administration of public housing, slum clearance, and urban renewal programs rests with State and local governments. States should supply guidance, and localities should take positive action (1) to develop overall city and metropolitan area plans, (2) to adopt and administer vigorously local housing codes, building codes, and zoning, subdivision, and planning regulations, and (3) to coordinate and execute neighborhood conservation plans.*

The shocking neglect of many municipal governments in failing to enforce and modernize existing housing and building codes has done much to bring about widespread conditions of urban blight and has resulted in governmental subsidies on an increasing scale. Local governments should accept responsibility for the broad goals of raising housing standards, eliminating and preventing slums and blight, establishing and preserving sound neighborhoods, and laying a foundation for healthy community development. Local governments should recognize the interrelationship of these activities and should work continuously to improve administrative and fiscal coordination among all local agencies and programs involved in planning, development and enforcement of codes and ordinances, slum clearance, public housing, and other related elements.

*The Commission recommends that State governments assume considerably increased responsibility for meeting housing needs which are beyond the combined resources of private initiative and local units of government.<sup>2</sup> Specifically, the Commission recommends that:*

*(a) States lend financial, technical, and professional assistance to localities on the basis of need;*

*(b) States provide enabling legislation to encourage their subdivisions to adopt by reference modern and uniform building, housing, and sanitary codes;*

*(c) States provide for the establishment of metropolitan planning agencies to assist in redefining city limits and in providing for the integrated design of new suburban areas;*

*(d) States assume responsibility for working out appropriate interstate compacts or agreements in the event of jurisdictional problems among them, with assistance and leadership from the National Government when required.*

The Commission believes that a positive program at the State level would reduce municipal demands upon the National Government. The Commission believes that many States have failed to meet their responsibilities in the field of housing. Federal aid for low-rent housing and slum clearance originated because of the inability or unwillingness of the municipalities, but more generally the unwillingness of States, to meet and solve their problems. Fortunately, there have been exceptions. A few States have taken vigorous action to meet the housing and slum clearance needs of their municipalities.

The Commission believes that regulatory activities and the exercise of the police power with respect to housing conditions belong solely with the States and localities. But it is both appropriate and desirable for the National Government to en-

---

<sup>2</sup> Senators Humphrey and Morse add the following comment:

"We agree with the encouragement which the Commission gives to State participation and responsibilities in housing programs. We cannot ignore the fact that most, if not all, of our States contend that they are doing everything they can to make more services available. Their experience is a record of doubled and tripled expenditures in the last several years for many public services. Many of our less wealthy States, already faced with competing demands for important programs, cannot hope to fulfill such needs on the basis of their financial ability, resources, and constitutional limitations. Only a few States, notably the more wealthy, have been able to initiate housing programs on an independent basis."

courage more State and local action by making such action a condition of Federal grants for slum clearance and urban renewal. These interconnected actions must be taken to avoid a situation whereby the National Government finances slum clearance and urban renewal projects in one area of a city, while the municipal government allows other areas to deteriorate to the point where still more Federal aid is requested.

*The Commission recommends that the National Government continue, with certain modifications noted below, technical and financial assistance to State and local governments for slum clearance and urban renewal, metropolitan area planning, and low-rent public housing.*

The Commission is convinced that action of the most vigorous sort must be undertaken by both private and public agencies to combat slum conditions and urban blight, which are creating increasingly serious financial and social problems for many of the larger municipalities and densely populated States. The Commission believes it entirely appropriate and essential for the National Government to exercise strong leadership in this endeavor, not only in consideration of the general national welfare but also in terms of furthering civil defense preparedness in the United States.

Without reference to the merits of public, as contrasted to privately constructed, housing for low-income groups, the Commission believes that to the extent that government, at whatever level, continues to provide or subsidize low-rent housing, it is appropriate for the National Government to furnish leadership, stimulation, and technical and financial assistance when needed by the State and local governments.

The Commission submits several specific recommendations and suggestions for changes in current programs of housing and urban renewal which it believes will improve the effectiveness of those programs and will facilitate National-State-local relationships in this field.

*The Commission recommends that Congress provide that National technical and financial assistance be administered on a State basis where the State establishes by law comprehensive programs of public housing and slum clearance including significant State financial aid.*

In some of the preceding recommendations the Commission has urged considerably increased State action on municipal problems of housing and slum clearance. The Commission believes that the present pattern of direct National-local relationships is clearly justified where States have failed to take positive action in the field of housing and urban renewal. The National Government, however, has deliberately sought direct relationships with local governments in the field of housing and has not endeavored to get relationships onto a State basis in the few cases where States have taken positive action (for example, New York and Pennsylvania). In these instances, State-local and National-local programs have operated side by side within a given State, resulting no doubt in less than full utilization of combined National-State-local initiative and resources. The situation in New York State is a clear example. Furthermore, particularly with respect to public housing, there has been little financial inducement to State activity, because the National Government carries most of the burden. Increased State action can hardly be expected unless the National Government consents to take into full partnership those States willing to assume increased responsibilities.

### *Financial and Administrative Relationships*

*The Commission recommends that National financial participation in the public housing program continue to be in the form of annual contributions rather than one-time capital grants.<sup>3</sup>*

It has been suggested that the public housing program be financed by capital grants, which would spread the cost of a grant over a 40-year period, instead of by annual subsidies. Although there is merit in the argument that less detailed Federal supervision would be required under an outright capital grant, the annual contribution method has proved satisfactory

---

<sup>3</sup> Governor Jones dissents:

"I believe that the recommendation of the Advisory Committee on Local Governments, that capital grants only should be made in the future so that the National Government can accomplish its purpose and leave administration and supervision to local agencies, is the proper course."

Governor Thornton joins in this dissent.

and cheaper. The President's Advisory Committee on Government Housing Policies and Programs weighed the two methods and rejected the capital grant as impracticable, noting that there is no possibility of recovery on an outright capital grant. With annual contributions, the cost is spread over the life of the project instead of being imposed upon the taxpayer at the time of construction. This gives the National Government a better chance to make certain that the low-rent character of the program is maintained.

The Commission believes that the participation of the National Government in the management of Federally-aided public housing projects should be limited to standard setting, technical assistance, and annual financial post-audits, with responsibility for day-to-day administration being placed with the local housing authority. Localities have tended to become dependent upon the National Government for the management of their programs. In part this may be due to detailed administrative supervision on the part of the National Government. Project management and operation should be a local responsibility. The National Government should discourage the referral of management decisions to the Federal housing agency, and should offset this trend by more clearly specifying areas of maximum local authority consistent with the Housing Act of 1954. The Federal agency can keep in touch with localities and their problems by maintaining effective field offices and delegating many basic decisions to them.

### *Coordination of Programs*

The need for greater coordination among the various housing programs was carefully considered by the President's Advisory Committee in December 1953. The report called for "singleness of purpose and unity of direction" in the elimination of slums and blight and in the attainment, generally, of the objective of decent housing in neighborhoods adequate for family living. If this objective is to be realized, coordination must be improved.

Public and private housing, Federal Housing Administration insurance, private insured and uninsured mortgage lending, Veterans Administration loan guarantees, slum clearance, urban

renewal, rehabilitation, and enforcement, and local public works are all related in local communities. Diverse lines of responsibility to the Washington offices of these programs tend to create confusion. Historically, many of these programs were given separate status so that new needs could be given proper attention. In general, they have been in operation for some time and have tended to become self-contained units, unrelated to one another. In many instances, the mushroom growth of independent programs in the community has resulted in overlapping jurisdictions, competitive rivalry between local units, and delay from unnecessary negotiations before projects get underway. To facilitate necessary integration of programming at the local level, it is suggested that the Federal housing agency review its administrative organization with a view to simplifying and unifying its services. State and local governments should take similar action.

To give greater recognition to State and local officials in policy planning, it is suggested that the Administrator of the Housing and Home Finance Agency establish an advisory council to function as a sounding-board for both Federal and local officials on matters affecting intergovernmental relations. A majority of the members of the council should be chosen from among local elected officials and the remainder from among persons nominated for the purpose by State governors.

In the implementation of Federally-aided housing and urban renewal programs, National housing agencies should give full consideration to the policies and programs of the local governments concerned. National aid should not be used to override local planning and zoning regulations unless National policies and standards are clearly violated.

### *Metropolitan Area Planning*

*The Commission recommends that States and municipalities give increased attention to unifying their community services through the creation of metropolitan planning authorities to deal with problems related to urban affairs. The Commission further recommends that the States provide enabling legislation as well as financial assistance and professional and technical consultation and guidance where the locality is not able to meet its own plan-*

*ning needs. The National Government should provide leadership through research on community design and layout and the dissemination of information on methods for achieving improvement in local planning. The provisions of current legislation providing Federal 50-50 matching grants to States and municipalities for metropolitan area planning should be continued.*<sup>4</sup>

As stated in Part I of this Report, the problems peculiar to metropolitan areas call for increased attention and action by all levels of government. These problems, as typified by centers of urban blight in the wake of migration to the suburbs, are particularly acute in the fields of housing and urban renewal. Promotion of metropolitan area planning by the National Government is both appropriate and desirable. Local initiative and responsibility should be relied upon to a maximum, and should be supplemented by State planning efforts, and by technical assistance from the National Government in cases where combined community and State resources are inadequate to meet the need.

### *Urban Decentralization*

*The Commission recommends that in planning future slum clearance and public housing projects, all levels of government give serious attention to the problem of urban decentralization for defense.*

The need for decentralization of congested urban centers in the interest of reduced vulnerability to nuclear weapon attack is self-evident. In each decade, normal construction volume provides homes for 30 million people, as well as the supporting shops, roads, and factories necessary to serve and supply them. At this rate, 60 million people are "relocated" over a 20-year period. Reasonable acceleration of industrial dispersion and urban decentralization would reduce materially the vulnerability of our industrial base to enemy attack.

---

<sup>4</sup> Governor Driscoll dissents from the last sentence of this recommendation, commenting:

"This small Federal grant, even though the administrative and bookkeeping costs may be small, is not necessary to accomplish the stated purpose. The States and their municipalities have the financial resources to carry the entire cost of the program."

## *Chapter 13*

### NATURAL DISASTER RELIEF

The National Government has long recognized an obligation to give relief to the States and their subdivisions in the event of great natural disasters. An "orderly and continuing means of assistance" is provided in Public Law 875, 81st Congress, as amended.

Public Law 875 authorizes the President to coordinate the disaster assistance activities of all agencies of the National Government and to direct them to utilize their available personnel, equipment, supplies, facilities, and other resources. The act does not authorize permanent restoration and rehabilitation work; rather it restricts the activity of Federal agencies to temporary or emergency types of assistance. In addition, the National Government may grant funds to the State and local governments for purposes of "performing on public or private lands protective and other work essential for the preservation of life and property, clearing debris and wreckage, making emergency repairs to and temporary replacements of public facilities of local governments damaged or destroyed in such major disaster, providing temporary housing or other emergency shelter \* \* \*."

The President is authorized to designate the agency responsible for administering Public Law 875. From the enactment of the law in September 1950 until January 1953, the Housing and Home Finance Agency had this responsibility. Since that time, the act has been administered at the National level by the Federal Civil Defense Administration. At the State level, the recent tendency has been to center disaster functions in the State civil defense agency.

Disaster assistance by the National Government is in the form of both cash and aid-in-kind. Aid-in-kind is given extensively. A number of Federal agencies are authorized by law to use their

personnel, facilities, equipment, and supplies for such purposes. The Corps of Engineers has emergency authority to repair and restore flood control works, and the Bureau of Public Roads is authorized to finance the repair and reconstruction of certain highways and bridges.

It is difficult to estimate the expenditures of the agencies of the National Government in providing assistance in the initial phase of disaster relief. When disaster occurs, such agencies endeavor first to save lives and property, with little regard for cost accounting. This is especially true when they engage in operations on the basis of their own statutory authority. However, in the case of operations under the authority of Public Law 875, specific allocations are made out of the President's Disaster Relief Fund to reimburse agencies for their disaster expenditures, as well as to provide grants to affected State and local governments.

From the adoption of Public Law 875 in 1950 through June 30, 1954, the National Government appropriated a total of \$55,800,000 to carry out its provisions. This amount is quite apart from the very substantial sums of money that Congress has appropriated directly to the Department of Agriculture for drought relief expenditures. It is significant that during fiscal year 1954, the Department drew upon the President's Disaster Relief Fund three times, in amounts totaling \$28 million. On the other hand, allocations from the Disaster Relief Fund for all other disasters during fiscal year 1954 totaled less than \$3 million.

Federal aid in drought relief is given in several forms. Under Public Law 38, 81st Congress, as amended, the Department of Agriculture can make emergency loans to farmers and stockmen who need credit but are not able to obtain it from other sources. Under Public Law 115, 83d Congress, the Department may provide feed for livestock and seed for planting to established farmers, ranchers, or stockmen. In addition, under Public Law 480, 83d Congress, the Department may make surplus farm commodities available. These provisions become effective only after a major disaster has been declared under Public Law 875.

Before assistance can be given under Public Law 875, two conditions must be met. First, the governor of the affected State must certify the need for Federal aid and assure the expend-

iture by the State and local governments of reasonable amounts for the same or similar purposes. Second, the President must make a determination that the disaster is or threatens to be of sufficient severity and magnitude to warrant Federal aid. Such a disaster may be in the nature of a flood, drought, fire, hurricane, earthquake, storm, or other catastrophe of considerable severity and magnitude.

### *National Responsibility Is Secondary*

Private welfare agencies have always played a major role in disaster assistance. Insofar as governmental activities are concerned, the Commission believes that responsibility for helping the victims of a natural disaster rests primarily with State and local governments. The responsibility of the National Government is secondary and supplementary. Although this division of responsibility is implicit in Federal legislation, the Commission finds the existing law unsatisfactory in three respects: First, those officials charged with administration of the law are given virtually no guidance for determining the amounts of Federal aid and the sums required to be expended by the State and local governments. Second, the legislation does nothing to stimulate State and local governments to engage in advance planning to cope with natural disasters, or to provide relief at the time of a disaster. Finally, the legislation does not recognize differences in fiscal capacity among the States.

### *Proposed Amendment to Public Law 875*

*The Commission recommends that Congress amend Public Law 875 so that Federal financial assistance for disaster relief will be extended to any State or to its local governments only after the State has qualified for aid by passing a law or through other action which obligates it and such local governments as the law designates to pay a proportionate share of disaster relief expenditures from State or State and local funds, in accordance with the following standards:*

(1) The State and local governments together shall provide for and agree to spend or obligate for relief in case of a disaster

or disasters within any 12-month period an amount equal to at least one-fiftieth of 1 percent of the 3-year average of the total income payments of the people in the State during the most recent years reported.

(2) The State itself as distinct from its local governments shall assume at least 25 percent of this qualifying obligation.

(3) If a State and its local governments have spent at least the qualifying amount during the 12-month period they shall be eligible for Federal aid.

(4) The manner in which a State shall qualify for aid shall be such as is approved by the Federal Administrator of Disaster Relief.

Any State that has qualified for aid in accordance with the foregoing provisions shall be eligible for aid upon matching or agreeing to match the Federal contributions. Matching requirements should be related to per capita income, with the amount of Federal financial assistance ranging from 75 percent for States with the lowest per capita incomes to  $33\frac{1}{3}$  percent for States with the highest per capita incomes. The President should be authorized to waive the requirement of a fixed State-local expenditure as a prerequisite for Federal aid when he finds the disaster to be of such magnitude that the requirement would unreasonably burden the affected State.

It should be emphasized that the foregoing recommendations of the Commission relate only to the cash payments made by the National Government in time of disaster and do not affect services or aid-in-kind rendered by National agencies to stricken areas.

## *Chapter 14*

### NATURAL RESOURCES AND CONSERVATION

During the first century of our Nation's history, natural resources were regarded as inexhaustible. Priceless acreage was transferred freely from National and State ownership to private ownership on the assumption that this policy would best promote the rapid development of the country. Around the turn of the century, this trend was gradually reversed; disposal was largely stopped, and considerable areas of private land were restored to government ownership by purchase when it became apparent that practices of private management were tending to deplete our natural resources.

Today the National Government remains by far the largest single landowner in the continental United States. Outside of urban and suburban areas, it owns nearly 400 million acres and acts as trustee for 57 million acres of Indian lands. These holdings comprise about 24 percent of the total area of the United States; most of them are in the Western third of the country. West of the Rocky Mountains, approximately half the land is Federally owned. Of the 1.5 billion acres owned at one time or another by the National Government, more than 1 billion acres have been disposed of. Land holdings of the States approximate 80 million acres; holdings of municipalities are estimated at 10 million acres.

Since the turn of the century, there have been substantial Federal acquisitions of land for watershed protection, timber conservation, wildlife refuges, and additions to the National park system. During the 1930's, large areas of eroding and submarginal farm land were purchased for rehabilitation; since World War II, extensive areas have been acquired for housing and defense purposes.

## *Evolution of National Responsibilities*

Responsibility for resource management of public lands has rested chiefly on the National Government, although the States hold substantial acreages in their own right. Forests have been managed both by the National Government and by States. The National Government administers the National forests and extends limited grants-in-aid to the States for specialized aspects of the conservation and management of non-Federal forest lands. These grants-in-aid range from \$10 to \$12 million annually. Fish and wildlife conservation has been primarily a State task, although the National Government continues to tender grants-in-aid and conducts directly a number of fish and wildlife conservation programs.

Between 1820 and 1920, the evolution of governmental policies for water resources centered primarily upon water rights of individuals and the water laws of the States. But this period was also marked by expanding Federal activities in three important respects. First, the National Government, under the commerce clause of the Constitution, assumed responsibility for providing and maintaining stream channels for navigation, and assumed limited responsibility for protection (of interstate commerce) against flood damage, primarily along the lower Mississippi. Second, a reclamation program in the West was developed for the public lands, with the expectation that costs ultimately would be repaid by the water-users. Third, the National Government began to exercise authority for licensing hydroelectric power developments on navigable streams.

Significant changes in governmental policy have occurred since 1920. Insistent demand that the National Government assume full responsibility for curbing flood damage led to the passage of comprehensive flood control legislation, beginning with the Flood Control Act of 1936. The reclamation program has been extended to projects involving navigation, flood control, and hydroelectric power as elements additional to irrigation and reclamation; conversely, programs formerly directed solely toward flood control have been extended to embrace elements of reclamation and power.

## *National-State Cooperation in Water Management*

While the National Government thus appears to have assumed principal responsibility for water resources, the States continue to have primary responsibility for pollution control, drainage, water supply, and recreation. All States have legal responsibilities in the field of water rights, and municipalities retain principal responsibility for domestic and industrial water supply, as well as an important role in pollution abatement.

Both State and National governments maintain water resource planning and operating agencies. In each case, a number of different departments and agencies have been assigned responsibility for water and related resources, with each agency tending to operate within its own orbit. Nationally, there is no effective machinery to coordinate river-basin development agencies. To date, water resource development has been furthered by Congress through essentially single-purpose devices. Agencies originally created for a single purpose have been directed to assume multiple-purpose responsibilities without corresponding change in their basic legislation. With very few exceptions, water resources planning and development are based on a series of more or less unrelated congressional acts; this has led to a piecemeal rather than a coordinated approach.

### *Allocation of Responsibilities*

Specific problems of resources conservation are too numerous for full examination in this Report.<sup>1</sup> However, in assessing generally the relative interests of National, State, and local governments in resource conservation, the Commission finds that each level has strong interests and important functions. The National Government has an ultimate responsibility, but one that should not inhibit desirable expansion of State and local activity. The Commission believes that State and local governments should as-

---

<sup>1</sup>No specific recommendations in the field of mineral resources and fuels are included, due to limitations of time and staff and to the essentially regulatory character of the intergovernmental relations involved. Similarly, specific recommendations on hydroelectric power, with the attendant problems of public versus private operation, have been omitted in view of the detailed study of this subject by the Commission on Organization of the Executive Branch of the Government.

sume a greater degree of interest and responsibility with respect to natural resource policies and programs than has heretofore generally been the case, but that there should be no diminution of the present role of the National Government in providing leadership and stimulation in this field.

### *Permanent Coordinating Body Needed*

There are certain encouraging trends in National-State cooperative relationships aimed at achieving unity of water resources planning and development at both National and State levels of government. Recent amendments to Federal flood control acts provide for some coordination among the Army Engineers, the Department of the Interior, the Department of Agriculture, and the Federal Power Commission. All flood control acts, beginning with the act of 1944, provide for State review of and comment on programs and projects. The multiple-purpose nature of water resource development was recognized by the establishment in 1943 of the Federal Interagency River Basin Committee. This Committee in turn established regional interagency committees in the Missouri, Columbia, and Colorado Basins, with provisions for State participation. In 1954, with the approval of the President, the Committee was reconstituted as the Interagency Committee on Water Resources.

Despite these efforts, confusion in intergovernmental relations, particularly with respect to water and land use, development, and control, has been generally characteristic of some areas. This confusion is accentuated by duplication in administration at both the State and National level, especially in public land policy, the control and use of water, and multiple-purpose and river basin development. Neither level can offer anything that would pass for a unified policy. Satisfactory solutions to problems of water and land management and development require establishment of a continuing medium through which a unified policy can be evolved.

*The Commission therefore recommends establishment by the Congress of a permanent Board of Coordination and Review to*

*advise the President and the Congress on a coordinated natural resources policy within the National Government and between it and the States.<sup>2</sup> The Commission further recommends that each State designate an existing agency or establish a natural resource advisory council to coordinate State policies and administration and to facilitate cooperation with Federal agencies in planning, building, and operating natural resource projects.*

Although an encouraging degree of cooperation now exists between the National Government and the States, structural improvements have become imperative. The Commission does not undertake to define in detail the structure and jurisdiction of the agencies recommended above. But it is obvious that full cooperation between the National Government and the States will be retarded until there is more coordination of resources policy and administration within the National Government and within each State.

If its responsibilities are broadly defined, the proposed Board could study and make recommendations on Federal land ownership and its administration, and also on the use, development, and control of water—including urban problems. Both land and water problems need thorough exploration. Although a special study committee might be established for each, it would seem preferable to assign these interrelated problems to a single coordinating agency.

### *Greater Initiative to States in Water Development Projects*

*The Commission recommends legislative action to extend to all water development projects initiated or proposed by the National Government the requirement now contained in the Flood*

---

<sup>2</sup> Senators Humphrey and Morse comment:

“This recommendation should be amplified to specifically call for such a board to be composed of citizens with a broad interest in proper management of natural resources in the public interest rather than being composed of governmental employees or engineers. Any such board formed within the executive branch becomes just another committee at subcabinet level that fails to go beyond already existing interagency mechanisms, and fails to provide any independent vehicle for reconciling different viewpoints of different departments of government.”

*Control Act of 1944—that the views and recommendations of State and local agencies be taken fully into account prior to the authorization of new projects.*

*The Commission further recommends that agencies of the National Government afford to the States a larger measure of initiative and responsibility in multipurpose, basinwide development of water resources. There should be a balanced division of activities between the National Government and the States moving toward individual State, interstate, National-State, or National responsibility. The Board of Coordination and Review and State advisory councils should be fully used for this purpose.<sup>3</sup>*

In the entire field of water resource development, the views of State and local agencies should receive increased attention when projects proposed by the National Government are being appraised. Flood control legislation of the past decade directs Federal agencies and the Congress to weigh State and local views regarding contemplated projects. This principle is sound and should be extended to all water development programs.

The Commission favors participation of the National Government in water development projects where a clearly definable national interest exists. However, where such interest does exist, the Commission advocates a cooperative instead of unilateral approach, and suggests that even though State and local agencies should not have veto power, the Congress should withhold authorization of projects until the opinions and recommendations of all interested agencies at National, State, and local levels have been carefully reviewed and every effort has been made to bring all parties into reasonable agreement.

---

<sup>3</sup> Senators Humphrey and Morse comment:

“Encouragement of greater State initiative in water development should not be construed as meaning any lessening of the National Government’s responsibility. We want to make it clear that we do not believe that all the self-liquidating and potentially profitable undertakings should be reserved for the States and private interests, thereby relegating the National Government’s role to financing only such projects as others are unwilling or unable to finance. We do not believe that a willingness to finance such projects should be the only criterion in determining the extent of the national interest that may be involved.”

*The Commission recommends that agencies of the National Government, as a matter of broad general policy, observe local laws governing inland waters.<sup>4</sup>*

Historically, the States have taken the position that the National Government irrevocably and unconditionally relinquished all rights to the control and use of nonnavigable streams under the Federal legislation enacted in 1866, 1870, and 1877. Recent assertions of the doctrine of National paramount rights in inland waters, in connection with water litigation, have caused unrest and uncertainty in areas where water for irrigation and domestic use is precious. The Commission recognizes that solutions to specific jurisdictional conflicts may be obtained through the courts but feels that in many cases litigation can be avoided if Federal agencies will comply with local laws. Adoption of this policy would not affect the control exercised by the National Government over interstate waters under the commerce clause of the Constitution.

### *Sharing of Capital Costs Recommended*

*The Commission recommends that the Congress and the executive branch of the National Government adopt the policy that capital costs of multipurpose, basinwide water resource developments be equitably divided between the National Government and the States concerned, in the light of benefits received, ability to pay, and other attendant circumstances.*

The right of the States and localities to share in the planning and execution of basinwide water development carries with it the corresponding responsibility of the inhabitants to pay a reasonable portion of the project costs. The local financial obligation should be distinguished from that which falls upon the taxpayers of the entire country. Financial participation by the States and localities in these projects would be a safeguard against eventual domination of this field by the National Government.

---

<sup>4</sup> Senator Humphrey does not concur fully in this statement. Because broad legal questions are involved, he warns against tying the hands of the National Government in the event States enact legislation adverse to the public interest involving water priority to users of the public domain.

## *Grants for Forestry and for Fish and Wildlife Restoration*

Grants-in-aid have played a limited, though significant, part in National-State cooperation in the resources field. They have been employed for forestry programs and for fish and wildlife restoration.

Recognition of the national interest in cooperative forest programs dates back to the Weeks Law of 1911 and is presently expressed in four acts, the basic one being the Clarke-McNary Act of 1924. The State and private forestry cooperation program includes Federal aid to States for protection of forests from fire, insects, and disease, and for reforestation and forest management programs. In the fiscal year 1955, Federal expenditures for these purposes will approximate \$12 million, State expenditures \$36 million.

*The Commission recommends that grants-in-aid for State and private forestry cooperation be continued. However, the Commission further recommends that funds presently appropriated under the reforestation provisions of section 4 of the Clarke-McNary Act be applied instead to cooperative forest management.*

Forestry grants-in-aid serve a highly useful purpose in bolstering State and private conservation efforts. These grants are examples of successful stimulation by the National Government of activities administered by States and localities. The benefits accruing to the national economy through the aided activities and the intermingling of National, State, and private forest lands lead the Commission to conclude that, with certain modifications, these grants should be maintained.

*First*, the Commission suggests that Federal financial responsibility for forest fire control be held at a level not to exceed the presently established basis of 25 percent of the cost of basic protection; dollar-for-dollar matching requirements under this program should be continued. The Commission endorses the principle of Federal financial assistance in behalf of forest fire control.<sup>5</sup> There is considerable intermingling of ownership of

---

<sup>5</sup> Governors Driscoll, Peterson, and Thornton and Mr. Burton do not concur in this view. They believe that grants for forest fire control should be terminated, feeling that the States are now capable of carrying on this function without Federal financial

forest lands, which means that fires, started in most cases by the general public, cross National, State, and private boundaries without distinction.

*Second*, the Commission finds that although the white pine blister rust control program under the Lea Act of 1940 is adequately financed and generally successful, the same cannot be said of the insect and disease control program under the Forest Pest Control Act of 1947. The Commission suggests that the Congress establish a special fund to be used in combating insect and disease infestations wherever and whenever they occur. States should take similar action.

*Third*, the Commission believes that funds now appropriated under the reforestation provisions of section 4 of the Clarke-McNary Act could be more advantageously applied to the cooperative forest management program.<sup>6 7</sup> This could be accomplished gradually over a three-year period. Stimulating efforts under section 4 have been very successful; by 1953, the States were spending some \$3,600,000 annually for reforestation programs, as compared to the Federal grant of \$447,000. State tree nursery programs have shown that the States have ample ability and resources to carry on adequate forest planting programs. States can and should make charges for nursery stock sufficient to defray actual production costs, thereby eliminating the need for Federal subsidies. Private tree nurseries also produce suitable seedlings at competitive prices.

*The Commission recommends continuation of the cooperative program for restoration and management of fish and wildlife resources, as jointly administered under the Pittman-Robertson*

---

assistance. However, they do not suggest any diminution of purely technical assistance now rendered by the National Government to State forestry agencies, or services performed by Federal agencies to protect their forest holdings.

<sup>6</sup> Senators Humphrey and Morse do not concur in this recommendation and state:

"A most effective nationwide cooperative forest planting program has been conducted under section 4 of the Clarke-McNary Act. Federal participation in State nurseries has been the keystone in the success of that program. It would be most unwise to eliminate such Federal assistance to reforestation."

<sup>7</sup> Governors Peterson and Thornton and Congressman Hays do not concur in this recommendation and state that the program under section 4 of the Clarke-McNary Act has been of great value in the Middle West. They fear that adoption of this recommendation will result in a slowing down and possible elimination of the program.

*and Dingell-Johnson Acts, with one modification: the condition presently attached to grants-in-aid under these programs which requires States to earmark State license revenues should be revoked.*<sup>8</sup> <sup>9</sup>

The purpose of this useful program is to help States finance fish and wildlife restoration and management projects. The Commission believes that until the States have been sufficiently stimulated to provide adequate levels of protection to fish and wildlife resources, the grants-in-aid authorized under this program should be continued. The Commission is opposed, however, to the Pittman-Robertson and Dingell-Johnson provisions, which require States to earmark State license revenues as a condition for receiving Federal grants. (In this connection, a corresponding question arises as to the wisdom of earmarking Federal taxes on firearms and certain other sports equipment for the exclusive purpose of financing fish and wildlife grants-in-aid.)

### *Water Pollution Abatement*

*The Commission recommends that States vigorously enforce existing water pollution abatement laws and that they expand and improve their legislation in this field. The Commission also recommends that, as a stimulus to further action, the National Government provide technical and financial assistance to State and interstate pollution control agencies. The Commission further recommends that study be given to the desirability of Federal financial assistance, for a limited time, to cooperative programs for the construction of pollution abatement facilities.*

*Finally, the Commission recommends that both National and*

---

<sup>8</sup> Congressman Dingell does not concur in the recommended modification.

<sup>9</sup> Senators Humphrey and Morse do not concur in the recommended modification and comment as follows:

“We believe a distinction exists between provisions of the Pittman-Robertson and Dingell-Johnson Acts and earmarking of general tax funds for specific purposes. Hunting and fishing license fees have been provided in most States to provide funds for management and restoration of fish and wildlife resources, not as a matter of general revenue. The license purchasers themselves asked the Congress to enact this particular legislation as protection against ‘raids’ on such funds for other purposes after they have been collected. The provisions of these acts which the Commission would repeal, prohibiting the diversion of State license revenues, constitute the only thing that has held some State programs together.”

*State governments take steps to ensure that their own agencies and installations do not contribute to further stream pollution.*

The Commission is encouraged by the progress some States have made toward abating water pollution, and by the cooperation many industrial concerns have shown in developing methods of waste disposal that avoid pollution.

However, the Commission is aware of the urgent need for greater attention at all levels of government to stream pollution as one of the Nation's most serious public health problems. While recognizing the primary responsibilities of the States in preventing and controlling water pollution, the Commission believes that the magnitude of the problem, the involvement of navigable streams under Federal jurisdiction, and the frequency of situations where waste disposal in one State pollutes streams in another State, justify increased participation of the National Government in coping with this hazard to domestic and industrial water users.

The State and National governments have a special responsibility for providing leadership and guidance to industry and local governments with respect to water pollution abatement, and it is essential that the National Government and the States set a good example in connection with their own installations and institutions. Heretofore, there has been a tendency for Federal agencies to merely follow local custom, which has meant that where nothing is done locally, the Federal agency has felt no compulsion to install pollution abatement works or to adopt improved waste disposal methods for its local facility. State agencies and institutions on occasion have been similarly negligent.

## Chapter 15

### PUBLIC HEALTH

Organized community health efforts in the United States began in 1794, when Philadelphia created a board of health. New York followed in 1796, Boston in 1799. These early strivings for health and sanitation usually followed an epidemic or a public nuisance. The efforts were likely to be spasmodic, dying down as memory of the emergency dimmed.

The organization of the first permanent State health department in 1855 in Louisiana might well be considered the opening date in the modern era of health organization. The idea of State health organization spread rapidly and produced local counterparts. Today, all States have fully organized health departments.

During the 19th century, such factors as public acceptance of the germ theory of disease, and the increased hazards resulting from industrialization and urbanization, led to interstate interest in health problems. The natural sequel was more preventive action by all levels of government.

#### *Health Activities of the National Government*

In the period 1798–1870, health functions of the National Government were confined to hospitalization and medical relief of certain groups, principally the merchant marine, and the quarantine of ships and medical inspection of arriving aliens. The Marine Hospital Service was created by the Federal act of 1798 which provided medical services for seamen, but the agency had no authority over the port officials who actually administered the program. In 1870, the Marine Hospital Service was constituted a centralized National agency under the direction of a medical officer, called the Supervising Surgeon General.

During the period 1870–1902, National activities expanded to include work with the States in suppressing and controlling epidemics. Medical officers of the Marine Hospital Service were assigned to work with local communities during outbreaks of yellow fever, cholera, or smallpox, thus laying the foundation for later Federal-State cooperation in dealing with public health problems. In 1902 the Marine Hospital Service was organized as the Public Health and Marine Hospital Service, and in 1906 Congress passed the Pure Food and Drug Act.

For short periods following the First World War, the National Government made small grants to States for venereal disease control and for maternal and child health services. Since the enactment of the Social Security Act in 1935, the National Government, through many sizable grants-in-aid, has continuously encouraged State and local governments to broaden their public health services. The objectives have included: setting up and strengthening State and local health machinery; preventing illness and controlling the most serious communicable diseases; and providing special services for crippled children and for maternal and child health. Concurrently, the National Government has encouraged the States to undertake research into specific public health problems confronting them, while at the same time expanding its own research activities. Since 1949, the National Government has spent substantial sums to help States, localities, and nonprofit organizations to build hospitals, clinics, and related facilities.

At present the National Government gives financial aid to the States in these fields: general health services, venereal disease control, tuberculosis control, heart disease control, cancer control, mental health, crippled children's services, maternal and child health services, and construction of health facilities. The National Government also conducts, both directly and in collaboration with the States, a wide variety of research activities, and administers training and fellowship grants which are channeled to accredited medical schools and to schools of public health, nursing, social work, and others.

Programs of National-State cooperation are administered at the National level chiefly by the Department of Health, Education, and Welfare. Within that Department, the Public Health

Service is responsible for administering health grants-in-aid, with the exception of those for crippled children and for maternal and child health, which are handled by the Children's Bureau. At the State level, most of the programs are usually administered by a State department of health, although there are special arrangements for services for crippled children.

During fiscal year 1955, Federal expenditures for health purposes by the Department of Health, Education, and Welfare will approximate \$300 million, of which about \$43 million will be grants to States for public health services and \$98 million will be grants to States for construction of medical facilities (including, in addition to general-purpose hospitals, diagnostic or treatment centers, hospitals for the chronically ill, rehabilitation facilities, and nursing homes).<sup>1</sup> In the fiscal year 1953, State and local expenditures for public health services totaled about \$276 million, of which \$56 million were grants-in-aid from the National Government. During the same year, Federal grants for the construction of health facilities reached \$110 million, while expenditures for this purpose from sources within the States approximated \$220 million.

### *Allocation of Responsibilities*

It is clear that there is a vital interest at all levels of government in providing adequate public health services and facilities. The Commission believes that the primary responsibility for providing such services and facilities (other than those of an international or interstate character) should remain with the States and their subdivisions. The Commission also believes

---

<sup>1</sup> Funds appropriated for Federal grants-in-aid to States for public health during the fiscal year 1955 were as follows: general health services, \$9,725,000; venereal disease control, \$700,000; tuberculosis control, \$4,500,000; heart disease control, \$1,125,000; cancer control, \$2,250,000; mental health, \$2,325,000; crippled children's services, \$10,843,400; maternal and child health services, \$11,927,700; and medical facilities survey and construction, \$98,000,000.

The medical facilities survey and construction appropriation contains the following categories: survey and construction of hospitals under Hill-Burton Act, \$75 million; survey of specialized facilities authorized by 1954 act, \$2 million; and construction of specialized facilities, \$21 million. This latter sum in turn is broken down as follows: diagnostic or treatment centers, \$6.5 million; hospitals for the chronically ill, \$6.5 million; rehabilitation facilities, \$4 million; and nursing homes, \$4 million.

that the National Government should continue to play an active role in this expanding field. It should be continually alert to opportunities for raising the level of health standards and services.

Contributions of the National Government properly include research, dissemination of information, and promotion of minimum standards of service. Federal financial assistance may properly include: temporary grants-in-aid to encourage State and local action, especially with respect to urgent health problems (for example, grants for tuberculosis control); and assistance of a more general or continuing nature to help maintain State health services at levels deemed necessary in the national interest (for example, grants for general health services and for general health research).

### *Criteria for Health Grants-in-Aid*

Federal grants should supplement, not supplant, State and local effort. It is encouraging to note that State spending for public health is increasing in relation to grants-in-aid. In 1943, the States and localities were spending \$1.90 for each dollar received in Federal grants; by 1953, they were spending \$3.92 for every dollar received.

The Commission further believes that the initiation and continuation of all health grants-in-aid should be based upon careful study of needs and objectives. Because of the steadily lengthening life span, changes in health needs can be anticipated which will require shifts in the emphasis and type of Federal grants. As one problem is solved, others will arise. Unless some tangible goals are established against which the results of a particular grant can be measured, the grant becomes in effect a permanent subsidy to one segment of the health program, although other segments may be in greater need.

*The Commission recommends continuance of grants-in-aid to States for general health purposes and for specific categories, subject to the following modifications.*

*First, grants for special health purposes, better known as categorical grants, should be used to encourage the adoption of im-*

proved measures for controlling diseases and the demonstration of new public health methods. They should not be continued indefinitely, however, but should be tapered off as their objectives are achieved. Whether the existing categorical programs are those which most need support by the National Government is a question on which this Commission does not pass judgment.

*Second*, grants for general health purposes should be aimed at the support of a national pattern of minimal standards of public health practices and operations, including effective State and local health administration. These minimal standards should be developed jointly by National, State, and local governments with the advice and assistance of nongovernmental health groups (for example, the medical profession, schools of medicine and public health, and voluntary health associations).

*The Commission recommends that health grants be allocated to the States on the basis of a uniform formula, susceptible of flexible administration.*

Such a formula should take into account factors of need for the service, such as incidence of disease and population; matching requirements should be on a sliding scale related to State fiscal capacity. Also, the transference of funds from one program to another should be permitted, within specified limitations, in accordance with health needs as determined by recipient States. The Commission believes that the adoption of such a formula for health grants would simplify administration at both National and State levels and would relate grants more clearly to need and to State fiscal capacity.

### *Hospital Construction Program*

*The Commission recommends continuation of grants-in-aid, and the availability of loans, for the construction of hospitals and other health facilities, with the proviso that relative State needs and the suitability of the standards upon which the grant is based be kept under continuing review.*

The hospital construction program illustrates the use of grants to promote action in meeting a particular health problem. This program has certain desirable features—a clear definition of

goals; a survey of existing facilities before construction funds are actually made available; coordination of activities and maintenance of standards through a State plan under the direction of a State agency; the relating of grants to State fiscal capacity; and provision for sponsorship of projects by both public and private nonprofit agencies.

The Commission believes, however, that continuing study should be given by the Public Health Service and other agencies to the suitability of the formulas now being used to determine hospital bed requirements, in order to make sure that the latest treatment methods are taken into account in establishing future needs. A question has also been raised as to the extent of utilization of hospital beds financed by the National Government. This matter should be given thorough study by the Public Health Service and the Federal Hospital Council. It has been reported that there has been an increase in unused beds during the past few years in military and Veterans Administration general hospitals. In any areas where Veterans Administration or military hospitals are closed for lack of use, the Commission believes that it should first be ascertained whether these hospitals can be made available to public or private agencies before Federal grants are allocated for new construction.<sup>2</sup>

The need for hospital construction can often be reduced through the use of appropriate but less expensive facilities, such as nursing homes and clinics. It should be possible for the States to broaden their treatment of mental illness by using specialized nonhospital facilities and by placing mental patients in hospital beds made available by the decline of other health problems.

### *Health Research*

*The Commission recommends that as additional funds become available for research in the health sciences, the National Gov-*

---

<sup>2</sup> The Commission on Organization of the Executive Branch of the Government has also studied this problem and has recommended that the Veterans Administration dispose of, by sale or otherwise, any hospital which can no longer be operated effectively and economically. The Hoover Commission's Task Force on Federal Medical Services found that 19 Veterans Administration hospitals have such small bed capacity, are so poorly located, or have such a low rate of bed utilization that their continued operation is uneconomic and ineffective.

*ernment should, so far as practicable, decentralize such research to institutions or States equipped to conduct this research.*

Although the contributions of Federal agencies to medical and health research have by no means been negligible, research advances in these fields have come mainly from university laboratories and other public and private agencies and enterprises. Through the grant-in-aid device, the National Government has a means of creating a broader base of research skills throughout the country by keeping both public and private research groups vigorously interested.

The Commission recognizes that advantages may accrue from having health research grants emanate from a variety of agencies of the National Government. It believes, however, that standardization of the accounting and reporting requirements would improve cooperation between the National Government and the grantees and make it easier to measure results.

In connection with health research generally, the Commission believes the National Government should seek to ascertain the nature and extent of medical and health research being conducted over the country by private as well as public agencies. Many agencies of government at National, State, and local levels are carrying out research that bears on the Nation's health needs. Some reasonable effort to coordinate these activities is warranted, not only to prevent work being continued where research objectives have already been achieved, but to foster communication among those working in related fields. Important studies toward certain of these ends have been undertaken by the National Science Foundation.

### *Training Programs*

*While recognizing the reluctance of State and local health administrators to divert professional personnel from urgent operating assignments, the Commission recommends the continued use of grant-in-aid funds by the States to conduct in-service and graduate training of their professional and technical public health personnel.*

The Commission considers it appropriate that a portion of grant-in-aid funds for public health be used to provide a recruit-

ment and training program for State and local public health personnel. This program should include formal academic training in such specialties as public health engineering and public health dentistry, as well as training fellowships in schools of public health. In-service training of both medical and non-medical public health personnel should be intensified, particularly at the local level, if local health administration is to be strengthened.

## *Chapter 16*

### VOCATIONAL REHABILITATION

Vocational rehabilitation consists of a comprehensive group of services designed to effectuate the vocational adjustment of handicapped people. These services range from medical diagnosis and vocational guidance to physical restoration, training, and job placement. An individual is not classified as rehabilitated under this program until he has been placed in employment.

Any person who has a physical or mental disability which constitutes a substantial handicap to suitable employment, and who can reasonably be expected to become fit to engage in a remunerative occupation, is eligible for service. Certain of the vocational rehabilitation services, such as training, are provided free to all who meet the general eligibility conditions, while others, such as medical treatment, are dependent upon the individual's economic need.

Vocational rehabilitation services for the disabled civilian population became a joint responsibility of the National Government and the States in 1920. Federal activity in this field had originated 2 years earlier with the initiation of a special rehabilitation program for men disabled in military service, a program currently administered by the Veterans Administration.

Until 1943, vocational rehabilitation remained a comparatively small program, with an average of 9,000 persons rehabilitated each year. A limited Federal appropriation was allotted annually to the States on the basis of their population, and required equal matching from State funds.

Beginning in 1943, the program was expanded to the extent that an annual average of 52,000 persons have been rehabilitated since that year. This expansion has resulted from enlargement of both the content of vocational rehabilitation and the scope of Federal financial participation. Vocational rehabilitation, orig-

inally limited to "training around" the individual's disability, was extended in 1943 to include physical restoration services. At the same time, the Federal grant was made open-end, the States being reimbursed for approved expenditures without limitation.

As an added incentive to greater State activity, the Federal share of expenditures was increased. Under the 1943 legislation, the National Government paid 100 percent of State administrative costs as well as expenses for vocational guidance and placement services; all other expenditures (for medical, surgical, psychiatric, and hospital care, prosthetic appliances, training, living expenses, transportation, occupational tools, and licenses) were shared with the States on a dollar-for-dollar basis.

In 1948, the open-end financial provision became inoperative in practice because Congress failed to appropriate sufficient funds to meet the Federal share of State expenditures.

### *Vocational Rehabilitation Amendments of 1954*

The 1954 amendments to the Vocational Rehabilitation Act greatly alter Federal financial participation. The act authorizes a progressively accelerated rehabilitation program with the Federal contribution reaching approximately three times the level of expenditure of the past few years by 1959, when it is anticipated that the program will be rehabilitating 200,000 persons a year. By that time the authorized Federal grant will have reached \$65 million annually, as compared with \$23 million for 1954, the last fiscal year before the present act took effect. The appropriation for the fiscal year 1955 was \$27.9 million. The projected level of operation is intended more nearly to meet the annual increment of new cases; however, the present backlog of persons in need of vocational rehabilitation is estimated to be two million.

The 1954 act requires a somewhat larger share of State matching funds, which will ultimately average 40 percent of program expenditures as compared with 34 percent in recent years. Under the new legislation, the National Government and the States will share both administrative costs and the cost of purchased rehabilitation services. Under the old program, the National

Government paid the full cost of administration; the States shared only in the cost of services. Consequently, although the States contributed 50 percent of the cost of services, their share of total expenditures, including administration, was only 34 percent. In order to stimulate State activity and yet moderate the required additional tax effort in States of low fiscal capacity, the new fiscal formula (patterned, in part, after the Hill-Burton formula used in the hospital construction program) introduces an element of equalization into vocational rehabilitation grants. By 1963, State participation is expected to range from 30 to 50 percent, depending upon State fiscal capacity.

The act also provides for three types of grants intended (1) to maintain a basic support for the program, (2) to encourage the extension and improvement of services, and (3) to provide for personnel training and special projects.

The vocational rehabilitation program is administered at the National level by the Office of Vocational Rehabilitation in the Department of Health, Education, and Welfare. Responsibility for the program at the State level has been centered in the State's board of vocational education. This was required in the past by Federal legislation. However, the 1954 amendments relaxed this requirement to permit administration of the program by a separate State agency, if the State so desires. Vocational rehabilitation services for the blind are separately administered in 35 States.

Supervision by the National Government has not been particularly close in this program. The State plan, which has served as the basic supervisory device, has been neither detailed nor burdensome. The States have had to meet certain general personnel conditions, but a merit system has not been required. Federal officials have regularly consulted with an advisory group composed of State administrators on questions of policy and procedure.

In the administration of vocational rehabilitation, the States have been afforded the protection of reasonable notice and opportunity for a hearing prior to any Federal decision to withhold funds. Under the 1954 amendments, moreover, any State dissatisfied with the outcome of an administrative hearing may appeal to a United States district court for judicial review.

Both the National statute and the regulations thereunder have permitted the States a large measure of administrative discretion. As a result, there has developed considerable variation among the States in their eligibility conditions, their relative emphasis on the disabled groups selected for service, and the distribution of expenditures among the various services comprising the program.

### *Allocation of Responsibilities*

Primary responsibility for providing vocational rehabilitation services should rest with the States and their political subdivisions. The National Government, however, should bear a significant secondary responsibility: there is and should continue to be a National concern with the humanitarian and economic objectives of vocational rehabilitation. Expression of this concern properly involves the stimulation of State activity and the continuing provision of technical assistance, informational services, and research.

The Commission is impressed by the evidence that great need exists for vocational rehabilitation services. It believes that it is a fundamental duty of government to assist the disabled to participate in gainful employment. The rehabilitation of our disabled population is not only socially desirable but economically sound. It has been reported that the National Government recovers its entire investment in rehabilitating an individual within a relatively few years through income tax receipts based on his improved earning capacity. Moreover, all levels of government benefit when employment reduces or eliminates a disabled person's dependence upon public assistance payments.

Actual expenditures under the program have increased substantially since the 1943 legislation was passed. Total expenditures, Federal and State combined, increased from \$5.6 million in 1943 to \$34.6 million in 1953. This increase in dollar expenditures reflects in large measure the inclusion, since 1944, of physical restoration services. It should be pointed out that while State expenditures were increasing fourfold between 1943 and 1953, Federal expenditures increased eightfold. In other words, while State expenditures have increased considerably,

they have lagged behind the larger increases in Federal expenditures. This is in marked contrast to some related grant programs—for example, those administered by the Children's Bureau and the Public Health Service—for which States have expanded their own expenditures to three or four times the amount needed to match the Federal contribution.

The differing rates of increase were due in no small measure to the change in matching ratios provided in the 1943 law. Up to that time the States and the National Government shared equally in all expenditures. Under the 1943 law, only case services costs were so shared, and the National Government paid in addition the full cost of administration and guidance. This necessarily caused a large increase in the Federal share. These provisions were changed in 1954 to provide the sharing of all costs, including administration and guidance.

It appears that considerable further effort is required on the part of both National and State governments in order to reach a point where adequate vocational rehabilitation services are available to all who should be provided with such services. If this goal is to be achieved, it is important to understand and deal with the factors responsible for the past failure of Federal grants to provide adequate stimulation of State activity.

For various reasons, neither the States nor the National Government have supported this program as they have others. Initially, the growth of the program was retarded by limited allotments to the States and limited program objectives. When the scope of the program was broadened in 1943, and Federal aid was increased through an open-end grant and Federal payment of all State administrative expenses, the initiative for expansion was in effect transferred to the States. In spite of the liberal basis for Federal financial participation, State response was generally disappointing. This can be attributed partly to wartime shortages of trained personnel and facilities, but perhaps even more to administrative limitations under the requirements of the National law. The administration of vocational rehabilitation in the States has been subordinated to vocational education, which is but one of many services under the program. As a consequence of this administrative arrangement, which has been required by National law, vocational rehabilitation has seldom received the

active interest and support it deserves. Beginning in 1948, Congress limited its vocational rehabilitation appropriation each year, despite the open-end commitment of the legislation in effect at that time. Although the National Government continued in fact to match State expenditures beyond the amount of the annual appropriation by committing funds from the appropriation for the succeeding year, the congressional action did create uncertainty and thereby place a restraint on the willingness of the States to expand their programs.

The Congress sought to remove some of the impediments to adequate vocational rehabilitation services by the 1954 amendments to the Vocational Rehabilitation Act. These amendments provide for an expanding program and require substantially increased State expenditures to match the larger Federal allotments. An effort has been made to counteract the uncertainty that characterized the Federal grant in recent years by specifying authorizations for several years in advance. Furthermore, provision is made for the use of Federal funds for new purposes, including personnel training, research, and demonstration and improvement projects, in order to achieve a balanced program. At the same time, specialized medical facilities for rehabilitation will become available in many areas as a result of grants under the Medical Facilities Survey and Construction Act of 1954.

There remain, however, several obstacles to adequate effort in this field. These include statutory and administrative difficulties, treated subsequently in this chapter.

*The Commission believes that vocational rehabilitation services should be expanded and that the National Government should direct its efforts toward the stimulation of greatly increased State activity in this field.*

In view of the large unmet need for these services, the principal purpose of National policy for the present should be the stimulation of greater State interest in expanding the vocational rehabilitation program. National stimulation, to be effective, must include financial participation as well as forceful leadership.

*The Commission recommends that the grant-in-aid formula adopted in 1954 be continued without change during the period*

*(through fiscal year 1958) for which specific authorizations are now provided by statute.*

The present formula provides stimulation to all States and appears to give appropriate attention to equalization. In the light of the reported magnitude of unmet need, some effort to equalize the financial burden is desirable if adequate performance by all States is to be secured. It should be noted, however, that many States with high incomes have carried on inadequate programs, whereas some States with relatively low incomes have provided much more adequate services. The most important factor, apparently, has been the attitude of the State agency and its ability to develop public interest in this field.

The provisions of the 1954 amendments are now beginning to take effect. The Commission believes that the operation of the new fiscal formula should be carefully observed during the next few years and that future modifications should take account of the experience gained under this legislation.

It is the aim of the present law to attain a rehabilitation rate of approximately 200,000 persons a year by 1958, at which time the States as a whole will be contributing about 37 percent of program expenditures. The Commission believes that it would be appropriate to reexamine the program in 1958 in order to evaluate the effectiveness of the fiscal formula and to ascertain whether the States will then be in a position to shoulder a higher proportion of the costs.

As a longer range objective, the Commission believes that the States should eventually assume all, or at least the major, financial responsibility for this program at such time as the backlog of rehabilitation needs has been substantially met and rehabilitation services are being provided by the States on a fully current and adequate basis.<sup>1</sup> Regardless of the degree of financial participation, the National Government should always render technical assistance and other services to the States in this field.<sup>2</sup>

---

<sup>1</sup> Senators Humphrey and Morse do not wish to associate themselves with a recommendation which foresees the future withdrawal by the National Government from the vocational rehabilitation grant-in-aid program.

<sup>2</sup> Governor Jones calls attention to the report of the Advisory Committee on Local Government, which recommended that vocational rehabilitation should be returned to the States for financing and administration, except where it applies to veterans.

## *Standards and Organization*

*The Commission recommends that the Secretary of Health, Education, and Welfare, with congressional sanction if necessary, and in cooperation with State governments, establish as a further objective of Federal grants the achievement of minimum levels of vocational rehabilitation services throughout the States.*

The Commission believes it highly appropriate and desirable for the National Government to develop standards of program performance toward which the States should aim and to establish criteria which would extend Federal financial participation to program objectives of the highest priority.

Vocational rehabilitation is a broad function involving a wide range of health, educational, and welfare services. Consequently, it is possible to channel the program in many different directions. With limited funds available, undoubtedly some of these objectives rank higher than others. Firmer guidance from the National Government, at least during the current stage of evolution of the program, is likely to result in greater total accomplishments in terms of basic national humanitarian and economic objectives.

It should be recognized, however, that vocational rehabilitation is an individualized service and is closely related to dynamic developments in physical restoration practices. The Commission therefore cautions that Federal standards, while assuring at least a minimum level of service, should be flexible enough to permit a substantial amount of State and local experimentation.

The Commission believes that the National Government should provide more affirmative leadership in directing State attention to all major vocational rehabilitation problems. Some States devote one-fifth of their efforts to rehabilitating housewives while other States provide little or no service to this group. This raises the question of whether priorities of eligibility have been carefully considered and whether programs are being directed to the most productive ends.

The Commission believes that it is possible to secure better understanding and support of the program by the States. A specific recommendation for congressional action to facilitate improved organization of State vocational rehabilitation activi-

ties is set forth below. However, the executive branch of the National Government should take immediate steps to solicit the cooperation of the State governors and their budget officials in the effective organization and financing of the program at the State level.

*The Commission recommends that States be permitted to locate the rehabilitation program in any existing State agency administering a closely related program, and that the director of the rehabilitation program be responsible directly to the head of that agency.*

It is not clear whether the 1954 amendment to the act allows the States this flexibility, or whether the only alternative to continued exclusive administration by the State vocational education agency is the establishment of a wholly independent State agency. It is the Commission's view that the program would be benefited if administered at a level in the structure of State government comparable to that of related programs. The establishment of an independent State agency to administer this program should not be precluded, but neither should this be the only alternative to continued operation within the State division of vocational education.

The act, as amended in 1954, permits the administration of vocational rehabilitation services by local governments under State supervision. The Commission favors the participation of local governments in this program when the administrative unit is sufficiently large to make local administration advantageous. However, because of the importance of coordinating vocational rehabilitation with many other programs, local administration is not recommended as a general practice in this field.

The law provides that vocational rehabilitation services for the blind may be administered separately from the general program—the prevailing arrangement in the majority of States. In general, the Commission believes that responsibility for the total program in each State should be centered in a single agency. But until it can be determined, on a State by State basis, that the agency handling the general program is able to provide the same or better standards of services for the blind than are presently

provided by a separate agency, elimination of a separate agency for the blind should not be required.

*The Commission recommends that the Department of Health, Education, and Welfare encourage each State to establish an advisory council to the State vocational rehabilitation agency.*

The Commission believes that an advisory body, consisting of the heads of those State agencies most concerned with the vocational rehabilitation problem, could contribute greatly to coordinating the efforts of the various programs in this field. The coordination of related activities is particularly important in vocational rehabilitation because of its dependence upon the services of many independent programs. Moreover, the development of more comprehensive data on the total rehabilitation effort within a State might be possible as a byproduct of a closer administrative relationship between the vocational rehabilitation agency and related State activities.

While the ramifications of the relationships between vocational rehabilitation and social insurance are such as to have precluded the gathering of adequate data, the Commission wishes to call attention to the possibility of covering some of the vocational rehabilitation financial burden under National and State social insurance programs. The use of the social insurance framework to accomplish vocational rehabilitation objectives might be a worthwhile subject for future detailed study and consideration.

## *Chapter 17*

### WELFARE

Prior to the 1920's, public assistance was generally regarded as a supplement to private philanthropy; public relief was supplied primarily by local governments. In the period following World War I, public assistance programs, especially those for the aged, the blind, and dependent children, expanded at a faster rate than private philanthropy. By 1929, more than half of all relief funds came from governmental sources. The National Government, however, spent nothing on public welfare programs before 1932, although it did undertake research in the child welfare field through the Children's Bureau, established in 1912.

The depression prompted a drastic reallocation of public assistance activities. States and local governments, with few exceptions, could not carry the ever-mounting relief burden by themselves; the National Government took over a larger and larger share.

At first, the National Government gave temporary aid to State and local relief authorities. In July 1932, the first major National emergency relief legislation authorized loans for direct relief purposes. In 1933, Federal aid took the form of outright grants under the Federal Emergency Relief Act. Through this program, which continued until 1935, grants of over \$3 billion were made to the States. In order to remove employable persons from the relief rolls, the National Government also undertook directly to provide work relief. Most important among the several Nationally-administered work programs was the Works Projects Administration, under which more than \$10 billion was expended between 1935 and 1942.

## *Social Security Act a Turning Point*

An even more far-reaching effect of the depression was the enactment of the Social Security Act of 1935, which marked the assumption by the National Government of a continuing responsibility for assisting the States in promoting the economic security of their citizens. This legislation grew out of the recommendations of the President's Committee on Economic Security. The Committee recommended the social insurance approach for unemployment compensation and old-age insurance as the foundation for a broad system of economic security. The public assistance approach was proposed to complement the insurance programs by covering three groups normally not in the labor force: the aged, the blind, and dependent children. It was expected that old-age assistance would protect those already aged as well as those who could not be covered at all, or covered adequately, by insurance.

The Social Security Act created a Federally-administered system of old-age insurance financed by compulsory contributions from both the employer and employee. Unemployment insurance was established as a cooperative system under which a Federal payroll tax on employers could be partially offset by similar contributions made under State laws. Grants would be made to enable the States to administer unemployment compensation and employment service programs. The act further provided for grants-in-aid to the States for three types of assistance to the needy: old-age assistance, aid to dependent children, and aid to the blind. The National Government thereby discontinued participation in emergency relief for the unemployed and entered the field of categorical assistance instead. A special grant was provided, also, for child welfare services.<sup>1</sup>

## *Federal Funds Almost Half of All Public Welfare Expenditures*

The extent of the shift in welfare responsibilities can be summarized briefly by pointing out that 25 years ago State and local

---

<sup>1</sup>The Social Security Act also provided for programs of employment security, public health, and vocational rehabilitation, which are discussed in other chapters of this Report.

governments, together with private welfare agencies, bore virtually the entire burden, whereas now the National Government contributes nearly one-half of total public welfare expenditures. This does not, of course, mean that the States and localities are doing less than they were; rather it reflects a great increase in public welfare expenditures by all levels of government, arising chiefly out of governmental acceptance of new responsibilities for the economic security of the individual.

The bulk of Federal grants for public assistance are for old-age assistance—\$899 million out of \$1,330 million in the fiscal year 1953. Grants for aid to dependent children amounted to \$339 million; grants for aid to the permanently and totally disabled, \$59 million; and grants to the needy blind, \$33 million. The National Government does not at present make any contribution to the States for general public assistance, a program often referred to as “general relief.”

The Commission believes that local governments and the States should assume as much of the financial burden for welfare services as possible; however, economic insecurity can no longer be regarded as exclusively a local or State concern. So long as public assistance needs remain as extensive as they now are, a considerable measure of Federal aid will be necessary.

The magnitude of the public assistance program is considerably affected by other income-maintenance and service programs. Benefits paid to individuals under both public and private insurance and pension plans decrease their need for public assistance. Among the government-sponsored programs that tend to reduce the public assistance burden are old-age and survivors insurance, unemployment and temporary disability insurance, veterans' pensions and medical benefits, workmen's compensation, vocational rehabilitation and health services, and retirement systems for railroad workers and government employees. A fairly recent development is the extensive growth of insurance, retirement, and welfare systems sponsored by private corporations and labor unions.

## *Influence of the OASI Program*

The Federally-administered old-age and survivors insurance program is especially important in providing income to persons who might otherwise call upon States and localities for assistance. By the end of February 1955, OASI benefits were being paid to about 7.1 million people, at the rate of \$4,200 million a year. The fact that the original old-age insurance system covered only 3 out of 5 workers is one reason why assistance expenditures for the needy aged continued to increase during the 1940's. The 1950 amendments to the Social Security Act extended the system to cover 4 out of 5 workers and doubled the amount of benefits; amendments in 1952 and 1954 further enlarged both coverage and benefits. Nine out of 10 workers are now covered. As time goes on, still more broadening may be expected.

In retrospect, the entry of the National Government into the field of public welfare on a massive scale was clearly justified and very necessary. The stresses of the depression created burdens far beyond the fiscal capacity of State and local governments. The social insurance programs initiated at the time are only now beginning to exert a significant ameliorating impact upon public assistance rolls.

## *Future Role of National Government*

Looking to the future, the Commission believes that the National Government can contribute most by promoting economic stability and by further expanding social insurance. Such policies would ultimately reduce public assistance needs. If the States would also extend coverage, raise the level of benefits, and otherwise strengthen the social insurance programs which they administer (unemployment compensation, temporary disability benefits,<sup>2</sup> and workmen's compensation), we may anticipate a gradual decline in old-age assistance and general relief.<sup>3</sup> Some

---

<sup>2</sup> The four States now providing temporary disability benefits are: New York, New Jersey, California, and Rhode Island.

<sup>3</sup> Senators Humphrey and Morse comment:

"We believe that the number of persons on public assistance will continue to be very large unless and until we also extend and strengthen the Federal old-age and survivors insurance program by providing insurance benefits to persons permanently

believe the decline might make old-age assistance manageable by the States and localities under ordinary conditions. However, the Commission foresees a continuing national concern in other specialized areas of assistance, particularly those concerned with children. Here it is appropriate that the National Government continue to play both a stimulating and a supporting role.

To proceed along the above lines would be to achieve both a constructive method of dealing with economic insecurity and a sound allocation of responsibilities in the field of public welfare. The Commission believes the National Government must continue intensively the development of long-range policies designed to maintain economic stability—a responsibility recognized in the Employment Act of 1946. These policies will steadily ease the public assistance burdens of State and local governments. It is much more desirable, from the standpoint of public policy, to seek to assure economic security through income from stable employment or through social insurance protection afforded as a matter of right than through relief payments requested by the needy.

*The Commission recommends that general assistance continue to be financed and administered by the States and their subdivisions.<sup>4</sup>*

General assistance should normally be handled on a level as close to the individual recipient as possible. If social insurance programs are broadened as recommended in this chapter, the general assistance load will eventually become a small residue of the total welfare burden. Since 1940, the States and localities have maintained responsibility for the general relief problem without recourse to the National Government. The Commis-

---

and totally disabled, reducing the age of retirement to 60 for women, increasing the amount of benefits to insured persons, providing an increased benefit to persons who delay retiring, and providing hospitalization insurance coverage for all beneficiaries. Until these improvements are an accomplished fact, we do not anticipate a significant decline in the assistance programs.”

<sup>4</sup> Senators Humphrey and Morse dissent:

“We are not in favor of the recommendation. If Federal dollars are given for the aid of needy persons 65 and over, as is provided under existing law, we do not see why it is wrong to give them on behalf of a needy person aged 64 or 63. We believe the entire subject of general assistance should be restudied.”

sion recognizes that if, as a result of a sustained depression or other disaster, States and localities become clearly unable to cope with the general assistance burden, the National Government would be obliged to intervene.

### *National Participation in Old-Age Assistance*

*The Commission recommends that, as total National-State expenditures for old-age assistance decrease, the contribution of the National Government to this program be decreased by approximately the same amount.*<sup>5</sup>

If appropriate provisions are made for employment stabilization and social insurance, the Commission believes that the expenditures necessary for old-age assistance will steadily decrease. Such assistance is most appropriately administered by State and local governments. Therefore, as the number of persons in need of assistance decreases and the total expenditures for this purpose decrease, the Commission believes the decrease should be applied to reducing the contribution made to this program by the National Government. This belief is based on the assumption that any future increase in levels of assistance would be borne by the States and that the Congress would hold Federal participation at present amounts per case. It should be emphasized that the foregoing recommendation does not contemplate any lowering of public assistance standards. If expenditures decrease sufficiently, consideration should be given to having the National Government withdraw entirely from old-age assistance. The basic organization for administering a grant program based on need would continue to be required for the other public assistance grants. In case of an emergency this could be expanded to include such old-age assistance as might be necessary.

It should be noted that the decrease in old-age assistance expenditures is not likely to be as rapid or as large as might at first

---

<sup>5</sup> Senators Humphrey and Morse make the following separate statement:

“We are opposed at this time to reducing the National Government’s contribution for old-age assistance. A reduction in the Federal share of the payments being made to our senior citizens may result in some States in a reduction in their already inadequate payments. If by various efforts we are able to reduce the number on assistance, the problem will largely take care of itself from the standpoint of Federal financial aid.”

be assumed. Estimates prepared in connection with the most recent amendments to the old-age and survivors insurance legislation show a prospective drop in the proportion of aged persons in need of assistance from the present 18 percent to 13 percent in 1965. However, the prospective drop in the number of recipients is relatively small, from 2.6 million at present to 2.2 million in 1965. It seems entirely likely that over this period the individual payments will have increased sufficiently so that there will be little or no decrease in total expenditures.

One reason for the large number expected to remain on the old-age assistance rolls is the increase in the proportion of the population over 65, and the increase in the total number of aged persons. At the same time, States are continually providing old-age assistance recipients with more adequate medical care, including hospitalization. Medical services now absorb, nationwide, 11 percent of old-age assistance expenditures; in two States, they account for more than 25 percent of total program expenditures. The proportion of persons who receive old-age assistance exclusively for medical services is small (2 percent), but the practice of providing medical care through the assistance program appears to be growing.<sup>6</sup>

All things considered, the Commission is not prepared to recommend complete withdrawal of the National Government from the old-age assistance program at any specified time. Whether or not withdrawal is feasible will depend upon the extent to which the total assistance load can be reduced and on the resources available to the several States.

### *Revised Old-Age Assistance Formula Proposed*

*The Commission recommends that a revised formula be adopted to govern Federal financial participation in the old-age assistance program, so that greater equalization of the burden will be achieved.*

---

<sup>6</sup> Mrs. Hobby and Mr. Folsom comment:

"We believe that an earmarking of additional Federal funds for medical care costs, to be matched 50-50 by the States, would provide necessary additional flexibility and incentive to States to provide adequate medical care for indigent persons who are recipients under the Federally-aided assistance programs."

Senator Humphrey joins in this view.

The Commission believes that total Federal expenditures for old-age assistance might be substantially reduced if the amount granted to a particular State were more directly related to its resources and financial needs. At present, the National Government provides 80 percent of the first \$25 average monthly payment made by a State, and one-half of the remainder, up to \$55, for any individual. The National Government does not participate in any payment to an individual above \$55 per month. This formula achieves, indirectly, a measure of equalization. Since low-income States have a larger proportion of low payments, the 80 percent Federal participation in the first \$25 per month results in Federal financing of a much larger portion of the total cost in these States than in high-income States; the latter make a large proportion of their payments well above the \$55 level. At present, Federal participation varies from about 40 percent in the States with the highest incomes to over 75 percent in some low-income States. However, each State gets the advantage of the 80 percent Federal participation in the first \$25.<sup>7</sup>

Basically, the Commission believes that the formula should be revised to provide for an open-end authorization as at present, but with the maximum State expenditure in which the National Government will participate stated in terms of an average of all old-age assistance payments in the State, rather than in terms of the payment to an individual. The requirement of an individual maximum involves complicated recordkeeping and auditing, and encourages States to limit payments to any individual to the amount in which the National Government will participate, regardless of the individual's actual need. An average maximum would leave States free to adjust individual payments to actual needs. Appropriate adjustments in the maximum should be made to ensure that the overall National expenditures would not be increased. The amount of State matching required should be related to the State's own resources as measured by per capita income. The Commission believes that a requirement that State funds cover not less than two-thirds of allowable

---

<sup>7</sup> Many small payments are made to supplement benefits received under OASI. The Commission believes that as long as the present formula continues to be used, an important step in reducing National expenditures for old-age assistance would be to reduce the Federal share from 80 percent to perhaps 50 percent with respect to the first \$25 of old-age assistance payments which supplement OASI benefits.

expenditures in the State with the highest income and not less than one-fourth of allowable expenditures in the State with the lowest income would be reasonable. As the need for Federal participation decreases, provision could be made for progressive reduction<sup>8</sup> in the percentage of average Federal participation.<sup>9</sup> The present average rate of Federal participation in old-age assistance expenditures is approximately 56 percent, with the rate in individual States ranging from 40 to 77 percent. Of nationwide expenditures below the \$55 maximum, the Federal share is about 67 percent. For the immediate future, the Federal share of old-age assistance expenditures for the country as a whole would remain about as at present, but the Federal share in individual States would vary from one-third to three-fourths of the average payments within the allowable maximum. As total expenditures decrease, the average rate of Federal participation could be progressively reduced, with appropriate reductions in the minimum and maximum rates (for example, 30–70 percent, 25–65 percent, 20–60 percent).<sup>10</sup>

The Commission realizes that even if the National share of total expenditures were to remain the same for the present, the change from existing procedures to an equalization formula such as here suggested would present serious problems in some States, particularly those with relatively high incomes where the percentage of Federal participation would be substantially

---

<sup>8</sup> Senators Humphrey and Morse add the following comment:

“We are opposed to any reductions in the Federal share of old-age assistance payments because of our fear that it will mean a reduction in payments to the needy aged.

“We are also not in favor of writing into law now a progressive reduction for the future on a matter which has so many variables. If we can develop a satisfactory formula in terms of present-day needs, we will be making quite a contribution.”

<sup>9</sup> The following describes the application of the recommended formula to a hypothetical State situation: Let us assume that in enacting the proposed legislation the Congress has established \$55 as the maximum average State payment in which the National Government will participate. Let us also assume that during a particular month State X, which ranks highest of all the States in per capita income, spends \$3.5 million for old-age assistance, with payments averaging \$65 per case, and, further, that the number of recipients multiplied by a \$55 average produces a figure of \$3 million. In this situation the Federal share would be \$1 million and the State share would be \$2.5 million, since the State must match each allowable Federal dollar with two of its own under the sliding scale formula and since expenditures in excess of the \$55 average (\$500,000) would be borne entirely by the State.

<sup>10</sup> Congressman Ostertag does not concur in this recommendation because of the complexity of the proposed formula.

reduced. Such a change should take effect gradually, so that States can adjust to the new arrangements without too serious effects either upon their old-age assistance program or upon the general pattern of State expenditures.

The revised formula would not affect the loose eligibility practices that are found in a few States. These practices result in a heavy drain on the Federal Treasury, thus discriminating against other States that contribute indirectly to the support of these programs. The Commission recognizes the inequity of this situation. It seems, however, that the national interest is better served by relying upon State responsibility in this area than by imposing rigid Federal requirements. However, if the States do not take the initiative in correcting loose eligibility practices, it might prove necessary to fix further limits on Federal financial participation.

### *Revisions Needed in Other Public Welfare Grants*

*The Commission recommends that Federal grants be continued, with certain modifications, for aid to dependent children, aid to the blind, aid to the permanently and totally disabled, and child welfare services, and that Federal funds be made available for the support of needy children receiving foster care.*

A continuation of Federal participation in these programs is desirable, since the need for assistance will be little affected by the extension of social insurance coverage, whereas the need for old-age assistance will perhaps diminish as the insurance system matures. The Commission further believes that existing grant programs for needy children should be broadened to include the care of children who are separated from their families. These children are now ineligible for the Federally-aided program for dependent children, even though their care in foster homes or institutions may be essential. The States should be encouraged to provide as adequately for needy children requiring foster care as for those who remain with their families.

It is suggested that the formula covering financial aid to the States for their programs of assistance to dependent children, the blind, the permanently and totally disabled, and for the foster care of children should include these features:

(1) An open-end appropriation, with Federal and State participation governed by the average grant to all recipients in a group, instead of by an individual case maximum as at present. The legislation might specify for each group an appropriate maximum average grant up to which the National Government will participate.

(2) Matching requirements on a sliding scale related to State fiscal capacity.

(3) Appropriate provisions to smooth the transition from the present to the revised formula.

The Commission favors the continuation of a separate grant for child welfare services. Although these services are often performed for families that also receive aid-to-dependent-children payments, there is considerable merit in having separate grants, since the former program is primarily a service activity, while the latter is principally concerned with financial support. Nevertheless, it is important that the personnel administering these programs at the various levels of government cooperate closely. Since the child welfare and public assistance programs are both administered by the Social Security Administration, that agency is in a position to take whatever steps are necessary to bring about closer cooperation at the National level and to encourage such cooperation at all levels of government. The Social Security Administration should increase its efforts in this direction.

The Commission also recommends that Federal financial support for child welfare services be made generally available not only in rural areas, as at present, but also in urban areas, where serious need exists for this program.

The Commission's discussion, in chapter 5, of administrative controls accompanying Federal grants-in-aid is especially relevant in the public welfare field. In establishing administrative requirements to ensure compliance with legislation, Federal agencies should avoid demanding unnecessarily detailed State plans of operation. The Commission has noted varying comments regarding the complexity of State plans and the intricate machinery required for their amendment. Continuing efforts should be made to simplify the administrative controls imposed as a condition to public welfare grants-in-aid.

**SEPARATE STATEMENT BY CONGRESSMAN DINGELL REGARDING  
THE COMMISSION REPORT**

"I regret that the pressure of my congressional work has made it impossible for me to participate in the activities of the Commission on Intergovernmental Relations as extensively as I had planned. For this reason, I feel that, with the exception of a few instances where I have indicated specific dissents, I should properly disassociate myself from the Commission report as a whole, without in any way indicating either approval or disapproval of it.

"I commend my colleagues for their service as members of the Commission, and for their sincerity and hard work. The personnel of the Commission have been able, and tireless in their endeavors. I have never in my many years of public service been associated with a more altruistic, intelligent, patriotic, and selfless group than the members of this Commission."

---

**SEPARATE STATEMENT BY SENATOR MORSE REGARDING  
THE COMMISSION REPORT**

"It is with deep regret that I find it necessary to file a general dissent to the Report of the Commission on Intergovernmental Relations. I was not appointed to the Commission until March 31, 1955, and therefore much of the work of the Commission had been done before I assumed my duties as a member. Under those circumstances, I hesitate to file a dissent for fear that some may interpret it as not showing the appreciation due the majority of the Commission for the very sincere, thorough, and studious work which has gone into the report.

"Therefore, I wish to make clear that I think the country owes a great debt of gratitude to the Commission for the very scholarly report it has prepared. The differences of opinion set forth within the report really make it a much more valuable reference work for scholars, students, legislators, government administrators, and the public generally, than would have been the case if members of the Commission had resolved their varying points of view into meaningless compromises taking the form of generalities. I am sure that readers of the report will be as favorably impressed as I was with the deliberations of the Commission as illustrative of the strength and vitality of the democratic processes put into action.

"Mr. Meyer Kestnbaum is deserving of special commendation for the leadership which he gave the Commission as its Chairman. Without ever sacrificing or compromising his own convictions or principles, or those of his colleagues on the Commission, I observed him time and time again lead the Commission to a very clear and definitive statement of the areas of agreement and disagreement on a given subject. Frequently, as a result of his superior abilities as Moderator, a discussion of a difficult problem would end with the Commission agreeing upon language that resolved differences of opinion.

"There is much in the report of the Commission with which I agree. In fact, there is so much in the report with which I agree that for a time I had hoped to be able to sign it, particularly in view of the fact that I became a member of the Commission so late in its deliberations.

"It is my view that Part I of the report will prove to be a very valuable reference work in political science and law courses given in colleges of the United States. Yet my general dissent goes primarily to a lack of emphasis in Part I on what I consider to be certain underlying principles of American constitutionalism.

"As a constitutional liberal, I hold to the point of view that the underlying purpose of our federal system of delegated powers is to promote the general welfare of the

people of the nation as a whole. My study of constitutional history convinces me that a basic tenet of our system of representative government was always intended to be that the summation of the sovereignty of the several states is less than the sovereignty of the nation as a whole. It is a conviction of mine that the promotion of the general welfare of the people of the nation as a whole is the keystone of our federal constitutional system.

"This concept of constitutionalism is the pulsating heart of constitutional liberalism. It pumps into our government system the very lifeblood of our free society, i. e., the general welfare of our people. Therefore, I do not accept the point of view of those States-Righters who still cling to the notion that the sovereignty of the state is superior to the sovereignty of the federal government, even if in the exercise of state sovereignty the general welfare of the people of the nation as a whole is denied.

"My difference with the majority of the Commission in respect to Part I is probably one more of emphasis than anything else. But nevertheless, the report I think goes too far in playing down the doctrine of federal sovereignty. There seems to be a growing fear in our country these days that the federal government is something to be feared. Yet when we come to analyze the legislative and administrative record of the federal government throughout its history, and particularly during the last half-century, the conclusion would seem to be inescapable that the federal government has been very responsive to the will and the mandates of the people of the nation. So much so has this been true, that our federal system has stood out among the governments of the world as being that system of government which has served as a vehicle of government by law in promoting the general welfare of people, more than any other government in the world.

"In my opinion, it is subversive to the cause of freedom to instill distrust and lack of confidence in our system of federal sovereignty.

"The foregoing statement does not mean that the report does that, but there are powerful forces in America trying to do it, and that is why it seemed to me to be very important that the report should have emphasized more than it does in Part I that our constitutional system of federal and state sovereignty calls for a coordinated approach on the part of the state and federal governments on all issues that involved the national interest. The constitutional liberal strives for such a coordinated approach and he recognizes it to be a governmental duty of the federal sovereignty to translate into federal legislative action the human rights guarantees and the private property rights guarantees of the Constitution, to the end of promoting the general welfare of our people.

"Such an approach to the questions of federal sovereignty does not mean that the federal government becomes the master and not the servant of the people nor does it mean that the federal government encroaches upon state sovereignty where predominant national interests are not involved. What it does mean is that each citizen of each state must never forget that he is a citizen of the United States and that his primary responsibility as master rather than as servant of government is to follow a course of citizen statesmanship action which will promote the general welfare of the people of the nation as a whole.

"The ultra conservative point of view fails to give due emphasis to the general welfare clause of the Constitution. It fails to recognize that the impelling motivation of our constitutional forefathers was to form a political society of free men and women for the purpose of promoting the general welfare of all, through a system of representative government in which the people by way of checks and balances would remain the masters of governmental affairs.

"The ultra conservative tends to overlook the dynamics of the constitutional doctrines written into our basic law. He overlooks the flexibility and adjustability of those doctrines to changing social, economic, and political conditions from decade to decade. He tends to interpret the Constitution as a system of static rules to be

*is determined  
by the indiv,  
not the state*

applied by a dead, rather than a living hand of the law. The ultra conservative would take us back to a laissez-faire economy which, if actually put into practice, would undermine the economic freedom of choice for individual citizens, upon the basis of which system the very perpetuation of enlightened capitalism depends. He prates about the need for a hands-off policy on the part of the federal government, or for that matter the state governments too, in economic affairs. He recommends an unfettered operation, as far as government is concerned, of the economic jungle law of supply and demand, even though experience shows the resulting exploitation of the economic weak whenever the doctrines of laissez-faire and supply and demand come to dominate our national economy. He would have the federal government relinquish more and more of its sovereign rights and duties in the field of interstate commerce, natural resources, monopoly control, taxation, civil rights, and yes, in almost every field in which the enforcement of federal jurisdiction is essential to promoting and protecting the general welfare of the people of the nation as a whole. ~

"We cannot escape the fact that the general welfare of our people as a whole cannot be dissected according to state lines. If the constitutional liberal is right in his contention that the promotion of the general welfare of our people is the keystone of our constitutional system, then that fact dictates that the several states and the federal government should approach issues involving national interests on a coordinated and cooperative basis. However, that does not mean that coordination and cooperation is a one-way street, calling upon the federal government to delegate more and more of its federal sovereignty to the states. To the contrary, the constitutional liberal contends that the general welfare of our people will not be promoted unless the sovereign rights of the federal government are applied and administered uniformly across the nation as a whole.

"One of the great dangers in the growing demand on the part of ultra conservative pressure groups for a delegation of more and more federal jurisdiction to the states, as in the case of labor legislation, for example, is growing legal, economic, social, and political inequality within the United States. This unfortunate trend violates a basic guarantee of the equality of justice, to which guarantee our constitutional fathers were dedicated.

"It is my deep conviction that the American people, as the masters of their federal government through the application of our constitutional system of checks and balances, have no cause in fact to fear their federal government. To the contrary, the promotion of their general welfare is dependent in no small measure upon the federal government, through their elected representatives exercising—through constitutional legislation—the jurisdictional sovereignty of the federal government.

"It is because I do not think that the report of the Commission gives due emphasis to the rights and jurisdiction of federal sovereignty that I file this dissent. I think the report gives undeserved aid and comfort to the ultra conservative point of view in respect to the general subject of federal and state sovereignty. Such a point of view cannot turn back the hands of time, because time marches on irrevocably.

"I wish to make clear that under our system of delegation of powers to the federal government, I shall always defend to the limit the sovereign rights of the individual states over such matters not delegated to the federal government. However, I am opposed to the point of view that state jurisdiction should be increased over such matters which clearly fall within federal delegated powers.

"My dissents to individual legislative topics covered by the Commission report are set forth in Part II of the report, and need no further comment here.

"In closing, I wish to say that although I have filed this dissent because of my differences with the majority over the emphasis I think the report should give to the subject of federal sovereignty, nevertheless I recommend with enthusiasm the reading of the report by the American people."



# Appendix A

## Public Law 109—83d Congress

### AN ACT

To establish a Commission on Intergovernmental Relations.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That—*

#### DECLARATION OF PURPOSE

SECTION 1. Because any existing confusion and wasteful duplication of functions and administration pose a threat to the objectives of programs of the Federal Government shared in by the States, including their political subdivisions, because the activity of the Federal Government has been extended into many fields which, under our constitutional system, may be the primary interest and obligation of the several States and the subdivisions thereof, and because of the resulting complexity to intergovernmental relations, it is necessary to study the proper role of the Federal Government in relation to the States and their political subdivisions, with respect to such fields, to the end that these relations may be clearly defined and the functions concerned may be allocated to their proper jurisdiction. It is further necessary that intergovernmental fiscal relations be so adjusted that each level of government discharges the functions which belong within its jurisdiction in a sound and effective manner.

#### COMMISSION ON INTERGOVERNMENTAL RELATIONS

SEC. 2. (a) For the purpose of carrying out this Act there is hereby established a commission to be known as the Commission on Intergovernmental Relations, hereinafter referred to as the "Commission".

(b) The Commission shall be composed of twenty-five members, as follows:

(1) Fifteen members appointed by the President of the United States, from among whom the President shall designate the Chairman and the Vice Chairman of the Commission: *Provided*, That not more than nine of the members appointed by the President shall be members of the same political party: *and* five members appointed by the Speaker of the House of Representatives, three from the majority party, and two from the minority party.

(c) Any vacancy in the Commission shall not affect its powers, but shall be filled in the same manner in which the original appointment was made.

(d) Thirteen members of the Commission shall constitute a quorum, but a lesser number may conduct hearings.

(e) Service of an individual as a member of the Commission or employment of an individual by the Commission as an attorney or expert in any business or professional field, on a part-time or full-time basis, with or without compensation, shall not be considered as service or employment bringing such individual within the provisions of sections 281, 283, 284, 434, or 1914 of title 18 of the United States Code, or section 190 of the Revised Statutes (5 U. S. C. 99).

#### DUTIES OF THE COMMISSION

SEC. 3. (a) The Commission shall carry out the purposes of section 1 hereof.

(b) The Commission shall study and investigate all of the present activities in which Federal aid is extended to State and local governments, the interrelationships of the financing of this aid, and the sources of the financing of governmental programs. The Commission shall determine and report whether there is justification for Federal aid in the various fields in which Federal aid is extended; whether there are other fields in which Federal aid should be extended; whether Federal control with respect to these activities should be limited, and, if so, to what extent; whether Federal aid should be limited to cases of need; and all other matters incident to such Federal aid, including the ability of the Federal Government and the States to finance activities of this nature.

(c) The Commission, not later than March 1, 1954, shall submit to the President for transmittal to the Congress its final report, including recommendations for legislative action; and the Commission may also from time to time make to the President such earlier reports as the President may request or as the Commission deems appropriate.

#### HEARINGS; OBTAINING INFORMATION

SEC. 4. (a) The Commission or, on the authorization of the Commission, any subcommittee or member thereof, may, for the purpose of carrying out the provisions of this Act, hold such hearings and sit and act at such times and places, administer such oaths, and require, by subpoena or otherwise, the attendance and testimony of such witnesses and the production of such books, records, correspondence, memoranda, papers, and documents, as the Commission or such subcommittee or member may deem advisable. Subpenas may be issued under the signature of the Chairman of the Commission, of such subcommittee, or any duly designated member, and may be served by any person duly authorized in that behalf. The provisions of sections 102 to 104, inclusive, of the Revised Statutes (5 U. S. C. title 2, secs. 192-194), shall apply in the case of any failure of any witness

to comply with any subpoena or to testify when summoned under authority of this section.

(b) The Commission is authorized to secure from any department, agency, or independent instrumentality of the executive branch of the Government any information it deems necessary to carry out its functions under this Act; and each such department, agency, and instrumentality is authorized and directed to furnish such information to the Commission, upon request made by the Chairman or by the Vice Chairman when acting as Chairman.

#### APPROPRIATIONS, EXPENSES, AND PERSONNEL

SEC. 5. (a) There are hereby authorized to be appropriated such amounts as may be necessary to carry out the provisions of this Act.

(b) Each member of the Commission shall receive \$50 per diem when engaged in the performance of duties vested in the Commission, except that no compensation shall be paid by the United States, by reason of service as a member, to any member who is receiving other compensation from the Federal Government, or to any member who is receiving compensation from any State or local government.

(c) Each member of the Commission shall be reimbursed for travel, subsistence, and other necessary expenses incurred by him in the performance of duties vested in the Commission.

(d) The Commission may appoint and fix the compensation of such employees as it deems advisable without regard to the provisions of the civil-service laws and the Classification Act of 1949, as amended.

(e) The Commission may procure, without regard to the civil-service laws and the classification laws, temporary and intermittent services to the same extent as is authorized for the departments by section 15 of the Act of August 2, 1946 (60 Stat. 810), but at rates not to exceed \$50 per diem for individuals.

(f) Without regard to the civil-service and classification laws, the Commission may appoint and fix the compensation of a Director not exceeding fifteen thousand dollars, who shall perform such duties as the Commission shall prescribe.

#### TERMINATION OF THE COMMISSION

SEC. 6. Six months after the transmittal to the Congress of the final report provided for in section 3 of this Act, the Commission shall cease to exist.

Approved July 10, 1953.

## Public Law 302—83d Congress

### AN ACT

To amend the Act of July 10, 1953, which created the Commission on Intergovernmental Relations.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That subsection (c) of section 3 of the Act of July 10, 1953, entitled "An Act to establish a Commission on Intergovernmental Relations", is hereby amended to read as follows:

"(c) The Commission, not later than March 1, 1955, shall submit to the President for transmittal to the Congress its final report, including recommendations for legislative action; and the Commission may also from time to time make to the President such earlier reports as the President may request or as the Commission deems appropriate."

SEC. 2. Section 6 of such Act of July 10, 1953, is hereby amended to read as follows:

#### "TERMINATION OF THE COMMISSION

"SEC. 6. The Commission shall cease to exist at the close of business on March 1, 1955."

Approved March 1, 1954.

---

## Public Law 5—84th Congress

### AN ACT

To amend the Act of July 10, 1953, which created the Commission on Intergovernmental Relations.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,* That subsection (c) of section 3 of the Act of July 10, 1953, entitled "An Act to establish a Commission on Intergovernmental Relations", is hereby amended to read as follows:

"(c) The Commission, not later than June 30, 1955, shall submit to the President for transmittal to the Congress its final report, including recommendations for legislative action; and the Commission may also from time to time make to the President such earlier reports as the President may request or as the Commission deems appropriate."

SEC. 2. Section 6 of such Act of July 10, 1953, is hereby amended to read as follows:

#### "TERMINATION OF THE COMMISSION

"SEC. 6. The Commission shall cease to exist at the close of business on June 30, 1955."

Approved February 7, 1955.

## Appendix B

### STAFF OF THE COMMISSION<sup>1</sup>

G. LYLE BELSLEY, *Executive Director*  
GEORGE C. S. BENSON, *Director of Research*  
HUGH L. ELSBREE, *Deputy Director of Research*

#### PROFESSIONAL STAFF

JOHN E. BEBOUT	EDWARD A. LUTZ
ANNA JO W. BEHRENS	ARTHUR W. MACMAHON
VINCENT J. BROWNE	RAYMOND E. MANNING
CARL H. CHATTERS	HARVEY C. MANSFIELD
WILLIAM HOWARD CHURCH	ROSCOE C. MARTIN
WM. G. COLMAN	DOROTHY M. MATHEWS
THOMAS I. COOK	FRED J. MILLIGAN
ALEXANDER L. CROSBY	GLENN D. MORROW
ROGER A. FREEMAN	FREDERICK C. MOSHER
WAYNE T. GEISSINGER	JOHN A. PETTIS, JR.
NEAL W. GILBERT	WILLIAM B. PRENDERGAST
DELPHIS C. GOLDBERG	FLORENCE M. SCHAFFNER
LESLIE A. GRANT	DOROTHY SCHAFFTER
THOMAS J. GRAVES	MILTON P. SEMER
W. BROOKE GRAVES	HERBERT D. SIMPSON
C. DEWITT HARDY	SALLY SWARTZMILLER
WILLIAM I. HERMAN	RONALD B. WELCH
WAYNE HIELD	DUDLEY A. WHITE
A. M. HILLHOUSE	JAMES O. YARGER
HAROLD A. KOHNEN	RICHARD M. ZETTEL

#### ADMINISTRATIVE STAFF

JESSE H. ATCHERSON	LARUE BRUBAKER
MILDRED BAKER	WALKER BUEL
GLADYS M. BORDEAUX	FRANK BURGESS
MILDRED N. BROWN	STEPHEN J. COFFEY

<sup>1</sup> This list includes: regularly employed personnel paid on a per annum basis who worked with the Commission and its study committees for six months or longer; all personnel employed as consultants and paid on a per diem basis when actually employed; and employees who were retained on temporary reimbursable detail from other Federal agencies.

ADMINISTRATIVE STAFF—Continued

BARRETT L. CRANDALL  
FLORA C. FEDELI  
ELIZA A. FELTON  
AGNES M. FIASCONE  
ANGELA M. FITZGIBBON  
RUBY P. FRAZIER  
E. FRANCES GARRO  
META GERTH  
SONIA A. GOLDBERG  
CATHERINE B. GOULD  
GRACE J. HEAD  
FRANK A. JACKSON  
MARGARET JAMES

LUCILLE ORR KENNY  
MURIEL KREVOLIN  
JOSEPH W. MCKENNEY  
GAIL M. MINERD  
JULIA D. PATRICK  
CAROLYN V. PICKNICK  
MARGARET B. PRESSING  
ALICE E. SPEES  
PAULA B. VANDEGRIFT  
JACK BASSETT WEBB  
ETHEL C. WHALEN  
OTIS WILKINS, JR.

## *Appendix C*

### MEMBERS OF STUDY COMMITTEES, ADVISORY COMMITTEES, AND SUBCOMMITTEES ESTABLISHED BY THE COMMISSION ON INTERGOVERNMENTAL RELATIONS

---

#### STUDY COMMITTEE ON FEDERAL AID TO AGRICULTURE

R. I. NOWELL, *Chairman*.

New York, N. Y.; Vice President in charge of Farm Mortgage Department, Equitable Life Assurance Society.

PHILLIP F. AYLESWORTH.

Washington, D. C.; Assistant to the Assistant Secretary for Federal-State Relations, U. S. Department of Agriculture.

EDWARD J. CONDON.

Chicago, Ill.; Vice President (public relations), Sears Roebuck & Co.

FRED B. GLASS.

Marlin, Tex.; President, National Association of County Officials (1954-55).

FREDERICK LAWSON HOVDE.

Lafayette, Ind.; President, Purdue University; President, Association of Land-Grant Colleges and Universities.

W. C. JACOBSEN.

Sacramento, Calif.; Director of Agriculture, State of California.

JOHN A. LOGAN.

Washington, D. C.; President, National Association of Food Chains.

HERSCHEL D. NEWSOM.

Washington, D. C.; Master, National Grange.

ROBERT A. ROWAN.

Los Angeles, Calif.; Chairman, R. A. Rowan & Co.

ANDREW F. SCHOEPPPEL.

United States Senator from Kansas; Member, Commission on Intergovernmental Relations.

---

#### STUDY COMMITTEE ON FEDERAL AID TO HIGHWAYS

CLEMENT D. JOHNSTON, *Chairman*.

Roanoke, Va.; President, Chamber of Commerce of the United States (1954-55).

ALLAN SHIVERS.

Austin, Tex.; Governor of Texas; Member, Commission on Intergovernmental Relations.

FREDERICK P. CHAMP.

Logan, Utah; President, Cache Valley Banking Company; Member, Utah Citizens' Committee on Intergovernmental Relations.

RANDOLPH COLLIER.

Yreka, Calif.; State Senator; Chairman of Transportation Committee of California State Senate.

WILLIAM J. COX.

Leesburg, Va.; former State Highway Commissioner of Connecticut.

DANE G. HANSEN.

Logan, Kans.; President, Hansen Lumber Company.

MAJ. GEN. FRANK MERRILL.

Concord, N. H.; Commissioner of Highways, State of New Hampshire.

ROBERT B. MURRAY.

Washington, D. C.; Under Secretary of Commerce for Transportation (1953-55).

J. STEPHEN WATKINS.

Lexington, Ky.; President, J. Stephen Watkins Engineering Co.

---

## STUDY COMMITTEE ON NATURAL RESOURCES AND CONSERVATION

WILLIAM S. ROSECRANS, *Chairman.*

Los Angeles, Calif.; Chairman, California Board of Forestry; Past President, American Forestry Association.

SAMUEL T. DANA, *Vice Chairman.*

Ann Arbor, Mich.; Dean Emeritus, School of Natural Resources, University of Michigan.

LOUIS BROMFIELD.

Malabar Farms, Mansfield, Ohio; Author.

CHARLES C. COLBY.

Lawrence, Kans.; Department of Geography, University of Kansas; former Chairman, Department of Geography, University of Chicago.

JAMES I. DOLLIVER.

United States Representative from Iowa; Member, Commission on Intergovernmental Relations; Member, Committee on Interstate and Foreign Commerce, House of Representatives.

GUY C. JACKSON, Jr.

Anahuac, Tex.; Director, National Reclamation Association.

BERNARD L. ORELL.

St. Paul, Minn.; Vice President, Weyerhaeuser Sales Co.

HARRY RUHL.

Lansing, Mich.; Chief of Game Division, Michigan Department of Conservation.

CHARLES H. SAGE.

Neenah, Wis.; Vice President, Kimberley-Clark Corp.

BERT L. SMITH.

San Francisco, Calif.; Secretary, Water Economics Committee, Irrigation District Association of California.

C. I. WEAVER.

Springfield, Ohio; Chairman of the Board, Ohio Fuel Gas Co.; President, Ohio Chamber of Commerce.

EDWARD WOZLEY.

Washington, D. C.; Director, Bureau of Land Management, Department of the Interior.

## STUDY COMMITTEE ON FEDERAL AID TO PUBLIC HEALTH

FRANKLIN D. MURPHY, M. D., *Chairman.*

Lawrence, Kans.; Chancellor, University of Kansas.

WILLIAM A. BARR.

Los Angeles, Calif.; Director, Department of Charities, Los Angeles County.

DANIEL BLAIN, M. D.

Washington, D. C.; Medical Director, American Psychiatric Association.

WILLIAM HENRY BOOK.

Indianapolis, Ind.; Executive Vice President, Indianapolis Chamber of Commerce.

MRS. JOHN N. FAILING.

Grosse Pointe, Mich.; Board Member, Detroit Area Hospital Council, Detroit League for the Handicapped.

ANGIER L. GOODWIN.

Melrose, Mass.; former United States Representative from Massachusetts; Member, Commission on Intergovernmental Relations.

HERMAN E. HILLEBOE, M. D.

Albany, N. Y.; Commissioner of Health, New York State; President-elect, American Public Health Association; on leave from United States Public Health Service.

THEODORE KLUMPP, M. D.

New York, N. Y.; President, Winthrop Stearns, Inc.; Member of Medical Services Task Force, Commission on Organization of the Executive Branch of the Government.

EDWARD J. McCORMICK, M. D.

Toledo, Ohio; President, American Medical Association (1953-54).

H. LADD PLUMLEY.

Worcester, Mass.; President, State Mutual Life Insurance Co.; Member of Health Committee, Chamber of Commerce of the United States.

ALBERT W. SNOKE, M. D.

New Haven, Conn.; Director, Yale University Hospital.

FREDRICK JOHN STARE, M. D.

Boston, Mass.; Harvard University, School of Public Health, Department of Nutrition.

FREDERICK F. UMHEY.

New York, N. Y.; Executive Secretary, International Ladies' Garment Workers Union, AFL.

MICHAEL J. WALSH, D. SC.

Los Angeles, Calif.; Consultant in Nutrition; Board Member, American Academy of Applied Nutrition.

## STUDY COMMITTEE ON FEDERAL AID TO WELFARE

ROBERT W. FRENCH, *Chairman.*

New Orleans, La.; Vice President, Tulane University.

WALTER C. BEARDSLEY.

Midland, Tex.; Attorney.

W. GLENN CAMPBELL.

Washington, D. C.; Director of Research, American Enterprise Association.

JACOB CLAYMAN.

Columbus, Ohio; Secretary-Treasurer, Ohio CIO Council.

DOROTHY GORDON.

Scarsdale, N. Y.; State Comptroller's Committee on Local Non-Property Taxes.

WALTER P. GRIES.

Negaunee, Mich.; Superintendent of Welfare Department, Cleveland Cliffs Iron Co.

HENRY R. GUILD.

Boston, Mass.; Attorney.

HAROLD C. OSTERTAG.

United States Representative from New York; Member, Commission on Intergovernmental Relations.

H. C. SHOEMAKER.

Salt Lake City, Utah; Commissioner of State Department of Public Welfare.

JOHN W. TRAMBURG.

Madison, Wis.; until end of July 1954, Commissioner of Social Security, United States Department of Health, Education, and Welfare,\* thereafter Wisconsin Director of Public Welfare.

ELLEN WINSTON.

Raleigh, N. C.; Commissioner of State Board of Public Welfare.

---

\*Charles I. Schottland was invited to attend meetings and consult with the Committee after his appointment as Commissioner of Social Security.

---

## STUDY COMMITTEE ON FEDERAL RESPONSIBILITY IN THE FIELD OF EDUCATION

ADAM S. BENNION, *Chairman.*

Salt Lake City, Utah; Member of The Council of The Twelve, The Church of Jesus Christ of Latter-Day Saints; Chairman, Utah Public School Survey Commission.

THOMAS C. BOUSHALL.

Richmond, Va.; President, The Bank of Virginia; Member, Virginia State Board of Education.

SAMUEL MILLER BROWNELL.

Washington, D. C.; Commissioner of Education, United States Department of Health, Education, and Welfare.

A. BOYD CAMPBELL.

Jackson, Miss.; Chairman, Mississippi School Supply Co.; Chairman, Education Committee, Chamber of Commerce of the United States.

ALFRED E. DRISCOLL.

Haddonfield, N. J.; Vice Chairman, Commission on Intergovernmental Relations; former Governor of New Jersey.

OSCAR A. EHRHARDT.

St. Louis, Mo.; Secretary, St. Louis CIO Industrial Union Council; Chairman,  
St. Louis School Board.

T. NORMAN HURD.

Albany, N. Y.; Director of the Budget, State of New York.

EDWARD H. LITCHFIELD.

Ithaca, N. Y.; Dean, School of Business and Public Administration, Cornell  
University.

CARL J. MEGEL.

Chicago, Ill.; President, American Federation of Teachers.

MRS. H. M. MULBERRY.

Chicago, Ill.; Vice President, National School Boards Association; Member,  
Chicago Board of Education.

VERY REV. MSGR. THOMAS J. QUIGLEY.

Pittsburgh, Pa.; Superintendent of Catholic Schools, Diocese of Pittsburgh;  
President, Department of Superintendents, National Catholic Educational  
Association.

HUBERT RACE.

New York, N. Y.; Consultant on Manager Development, Management Con-  
sultation Services, General Electric Co.

ROY E. SIMPSON.

Sacramento, Calif.; Superintendent of Public Instruction, State of California;  
President, National Council of Chief State School Officers (1953-54).

PAUL D. WEST.

Atlanta, Ga.; Superintendent of Fulton County Schools; Member, Legislative  
Commission, National Education Association; Member, Executive Committee,  
American Association of School Administrators (1953-54).

HENRY M. WRISTON.

Providence, R. I.; President, Brown University.

---

## STUDY COMMITTEE ON UNEMPLOYMENT COMPENSATION AND EMPLOYMENT SERVICE

E. J. EBERLING, *Chairman.*

Nashville, Tenn.; Professor of Economics, Vanderbilt University.

HENRY D. ALLEN.

Pittsburgh, Pa.; General Supervisor, Social Security Bureau, United States  
Steel Corp.

ROBERT C. GOODWIN.

Washington, D. C.; Director, Bureau of Employment Security, Department of  
Labor.

GEORGE A. HABERMAN.

Milwaukee, Wis.; President, Wisconsin State Federation of Labor.

WELDON HART.

Austin, Tex.; Chairman and Executive Director, Texas Employment Commission.

GEORGE A. JACOBY.

Detroit, Mich.; Director of Personnel Service, General Motors Corp.

CLARK KERR.

Berkeley, Calif.; Chancellor, University of California; Member, Commission  
on Intergovernmental Relations.

LEONARD LESSER.

Washington, D. C.; Legal Consultant, Social Security Department, CIO-UAW.

A. D. MARSHALL.

Schenectady, N. Y.; Manager, Employee Benefit Services Department, General Electric Co.

JONATHAN E. PHILLIPS.

San Francisco, Calif.; Excise Tax Counsel, Standard Oil Company of California.

WALTER W. WARD.

Columbus, Ohio; Compensation Director, Great Atlantic & Pacific Tea Co.

#### ALTERNATES

WILLIAM R. CURTIS.

Washington, D. C.; Department of Labor.

WILLIAM FARMER.

Austin, Tex.; Texas Employment Commission.

FEDELE F. FAURI.

Ann Arbor, Mich.; University of Michigan.

RUSSELL HIBBARD.

Detroit, Mich.; General Motors Corp.

FRED HOEHLER, Jr.

Washington, D. C.; American Federation of Labor.

RUSSELL H. HUBBARD.

Schenectady, N. Y.; General Electric Co.

---

#### STUDY COMMITTEE ON PAYMENTS IN LIEU OF TAXES AND SHARED REVENUES

ARTHUR E. B. TANNER, *Chairman*.

Waterbury, Conn.; Speaker of the Connecticut House of Representatives;  
President of the Waterbury Foundry Co.

ALBERT E. CHAMPNEY.

Detroit, Mich.; Director, Wayne County Bureau of Taxation.

CHARLES F. CONLON.

Chicago, Ill.; Executive Director, Federation of Tax Administrators.

MARION B. FOLSOM.

Under Secretary of the Treasury; Member, Commission on Intergovernmental Relations.

STEPHEN H. HART.

Denver, Colo.; Tax Attorney.

CHARLES P. HENDERSON.

Youngstown, Ohio; former Mayor of Youngstown, Ohio; Member, Commission on Intergovernmental Relations.

HUBERT H. HUMPHREY.

United States Senator from Minnesota; Member, Commission on Intergovernmental Relations.

SAM C. MONTGOMERY.

San Antonio, Tex.; Assistant Vice President, National Bank of Commerce of San Antonio.

JOHN A. PERKINS.

Newark, Del.; President, University of Delaware.

CLAUDE E. PORTER.

Adrian, Mich.; Mayor of Adrian, Mich.

NORRIS POULSON.

Los Angeles, Calif.; Mayor of Los Angeles, Calif.

---

## ADVISORY COMMITTEE ON LOCAL GOVERNMENT

SAM H. JONES, *Chairman*.

Lake Charles, La.; Member, Commission on Intergovernmental Relations;  
former Governor of Louisiana.

WILLIAM E. KEMP, *Vice Chairman*.

Kansas City, Mo.; Mayor; President, American Municipal Association (1954).

GLENN S. ALLEN, JR.

Kalamazoo, Mich.; Mayor.

GEORGE H. GALLUP.

Princeton, N. J.; Public Opinion Consultant; President, National Municipal  
League.

TOM KLEPPE.

Bismarck, N. Dak.; former Mayor.

HENRY PIRTLE.

Cleveland Heights, Ohio; Mayor.

ELMER E. ROBINSON.

San Francisco, Calif.; Mayor; President, United States Conference of Mayors  
(1953-54)

HUBERT SCHOUTEN.

Keokuk, Iowa; Mayor.

G. A. TREAKLE.

Portsmouth, Va.; President, National Association of County Officials (1953-54).

RICHARD J. WHITE, JR.

Milwaukee, Wis.; Commissioner of Milwaukee County.

---

## ADVISORY COMMITTEE ON LAW ENFORCEMENT

BRUCE SMITH, *Chairman*.

New York, N. Y.; Director of Institute of Public Administration.

J. F. COAKLEY.

Oakland, Calif.; District Attorney of Alameda County, Calif.

BEVERLY OBER.

Baltimore, Md.; Police Commissioner, Baltimore, Md.

EARLE W. GARRETT.

West Palm Beach, Fla.; Management Consultant.

---

## SUBCOMMITTEE ON NATURAL DISASTER RELIEF

ALFRED E. DRISCOLL, *Chairman*.

Haddonfield, N. J.; Vice Chairman, Commission on Intergovernmental Rela-  
tions; former Governor of New Jersey.

**SUBCOMMITTEE ON PRINCIPLES AND HISTORICAL  
DEVELOPMENT OF THE AMERICAN FEDERAL GOVERNMENT**

**LAWRENCE A. APLEY**, *Chairman*.

New York, N. Y.; President, American Management Association; Member, Commission on Intergovernmental Relations.

**WILLIAM ANDERSON**.

Minneapolis, Minn.; Professor of Political Science, University of Minnesota; Member, Commission on Intergovernmental Relations.

**JOHN S. BATTLE**.

Charlottesville, Va.; Attorney; Member, Commission on Intergovernmental Relations; former Governor of Virginia.

**BOOKS HAYS**.

United States Representative from Arkansas; Member, Commission on Intergovernmental Relations.

**VAL PETERSON**.

Washington, D. C.; Federal Civil Defense Administrator; Member, Commission on Intergovernmental Relations; former Governor of Nebraska.

## *Appendix D*

### PUBLICATIONS ISSUED BY THE COMMISSION ON INTERGOVERNMENTAL RELATIONS <sup>1</sup>

1. THE COMMISSION ON INTERGOVERNMENTAL RELATIONS—A REPORT TO THE PRESIDENT FOR TRANSMITTAL TO THE CONGRESS.
2. A STUDY COMMITTEE REPORT ON FEDERAL AID TO AGRICULTURE.
3. A STUDY COMMITTEE REPORT ON FEDERAL AID TO HIGHWAYS.
4. A STUDY COMMITTEE REPORT ON FEDERAL AID TO PUBLIC HEALTH.
5. A STUDY COMMITTEE REPORT ON FEDERAL AID TO WELFARE.
6. A STUDY COMMITTEE REPORT ON FEDERAL RESPONSIBILITY IN THE FIELD OF EDUCATION.
7. A STUDY COMMITTEE REPORT ON UNEMPLOYMENT COMPENSATION AND EMPLOYMENT SERVICE.
8. A STUDY COMMITTEE REPORT ON NATURAL RESOURCES AND CONSERVATION.
9. A STUDY COMMITTEE REPORT ON PAYMENTS IN LIEU OF TAXES AND SHARED REVENUES.
10. AN ADVISORY COMMITTEE REPORT ON LOCAL GOVERNMENT.
11. A SUBCOMMITTEE REPORT ON NATURAL DISASTER RELIEF.
12. A STAFF REPORT ON CIVIL DEFENSE AND URBAN VULNERABILITY.
13. A STAFF REPORT ON FEDERAL AID TO AIRPORTS.
14. A DESCRIPTION OF TWENTY-FIVE FEDERAL GRANT-IN-AID PROGRAMS.
15. SUMMARIES OF SURVEY REPORTS ON THE ADMINISTRATIVE AND FISCAL IMPACT OF FEDERAL GRANTS-IN-AID.
16. A SURVEY REPORT ON THE IMPACT OF FEDERAL GRANTS-IN-AID ON THE STRUCTURE AND FUNCTIONS OF STATE AND LOCAL GOVERNMENTS.

---

<sup>1</sup> All publications in this list were issued by the Commission on Intergovernmental Relations in June 1955. They are for sale by the Superintendent of Documents, U. S. Government Printing Office, Washington 25, D. C.

## *Appendix E*

### STATISTICAL TABLES

Much statistical information was considered by the Commission. The selected tables in this appendix contain data that are particularly interesting in connection with the intergovernmental relations aspects of taxation, governmental expenditures, and grants-in-aid.

Many of the tables are based on data supplied by the Department of Commerce and the Department of the Treasury. The compilation of statistics on State and local government finance published by the Bureau of the Census was particularly useful in providing the Commission with comparable and uniform information which was otherwise unavailable. The Commission has relied heavily upon this and other information compiled and published by the Bureau of the Census.

Further extensive information is available in the publications of a number of private organizations and research agencies interested in financial aspects of intergovernmental relations. Additional relevant statistical data may be found in *Overlapping Taxes in the United States*, prepared for the Commission on Intergovernmental Relations by the Analysis Staff, Tax Division, U. S. Treasury Department, and published in 1954.

APPENDIX TABLE 1.—Amount and Percentage Distribution of Local Tax Collections by State and by Source, Fiscal Year 1953<sup>a</sup>

States	Amounts (millions)				Percentage distribution			
	Total	Property	General and selective sales	Other	Total	Property	General and selective sales	Other
United States.....	\$10,361	\$9,016	\$718	\$627	100.0	87.0	6.9	6.0
Alabama.....	71	46	9	15	100.0	64.8	12.7	21.1
Arizona.....	46	43	2	1	100.0	93.5	4.4	2.2
Arkansas.....	40	35	(b)	5	100.0	87.5	(b)	12.5
California.....	1,035	935	57	42	100.0	90.3	5.5	4.1
Colorado.....	110	99	7	3	100.0	90.0	6.4	2.7
Connecticut.....	161	159		2	100.0	98.8		1.2
Delaware.....	10	9	(b)	1	100.0	90.0	(b)	10.0
Florida.....	189	147	26	15	100.0	77.8	13.8	7.9
Georgia.....	119	101	8	10	100.0	84.9	6.7	8.4
Idaho.....	42	39		4	100.0	92.9		9.5
Illinois.....	704	632	16	56	100.0	89.8	2.3	8.0
Indiana.....	258	252	(b)	6	100.0	97.7	(b)	2.3
Iowa.....	217	212	(b)	5	100.0	97.7	(b)	2.3
Kansas.....	152	145	2	4	100.0	95.4	1.3	2.6
Kentucky.....	94	79	1	14	100.0	84.0	1.1	14.9
Louisiana.....	91	70	14	7	100.0	76.9	15.4	7.7
Maine.....	59	58		1	100.0	98.3		1.7
Maryland.....	143	127	8	7	100.0	88.8	5.6	4.9
Massachusetts.....	475	462		13	100.0	97.3		2.7
Michigan.....	421	411		10	100.0	97.6		2.4
Minnesota.....	234	225	2	7	100.0	96.2	.8	3.0
Mississippi.....	63	53	3	7	100.0	84.1	4.8	11.1
Missouri.....	212	171	20	21	100.0	80.7	9.4	9.9
Montana.....	45	41	(b)	4	100.0	91.1	(b)	8.9
Nebraska.....	104	96	1	7	100.0	92.3	1.0	6.7
Nevada.....	19	15	(b)	4	100.0	79.0	(b)	21.0
New Hampshire.....	43	40	(b)	3	100.0	93.0	(b)	7.0
New Jersey.....	540	487	40	13	100.0	90.2	7.4	2.4
New Mexico.....	19	15	1	3	100.0	79.0	5.3	15.8
New York.....	1,735	1,297	395	44	100.0	74.8	22.8	2.5
North Carolina.....	110	104	(b)	6	100.0	94.6	(b)	5.4
North Dakota.....	41	40	(b)	1	100.0	97.6	(b)	2.4
Ohio.....	484	441	3	40	100.0	91.1	.6	8.3
Oklahoma.....	86	82	1	2	100.0	95.4	1.2	2.3
Oregon.....	111	105	2	5	100.0	94.6	1.8	4.5
Pennsylvania.....	610	471	14	125	100.0	77.2	2.3	20.5
Rhode Island.....	50	48	(b)	2	100.0	96.0	(b)	4.0
South Carolina.....	56	51	(b)	6	100.0	91.1	(b)	10.7
South Dakota.....	55	52	(b)	4	100.0	94.6	(b)	7.3
Tennessee.....	102	87	5	9	100.0	85.3	4.9	8.8
Texas.....	412	373	9	29	100.0	90.5	2.2	7.0
Utah.....	45	43	1	2	100.0	95.6	2.2	4.4
Vermont.....	24	23		1	100.0	95.8		4.2
Virginia.....	127	99	7	20	100.0	78.0	5.5	15.8
Washington.....	121	100	16	5	100.0	82.6	13.2	4.1
West Virginia.....	49	42	5	3	100.0	85.7	10.2	6.1
Wisconsin.....	297	285	1	10	100.0	96.0	.3	3.4
Wyoming.....	20	19	(b)	1	100.0	95.0	(b)	5.0

<sup>a</sup> Detail will not necessarily add to totals because of rounding.

<sup>b</sup> Less than \$500,000 or 0.05 percent.

Source: Bureau of the Census, *State and Local Government Revenue in 1953*.

APPENDIX TABLE 2.—Total and Percentage Distribution of State Tax Collections by Source, Fiscal Year 1953<sup>a</sup>

State	Total in millions									Percentage distribution								
	Total	Motor fuels, motor vehicles and operating licenses	General sales or gross receipts	Individual income	Corporate net income	Alcoholic beverage sales and licenses	To-bacco products	Property	Others	Total taxes	Motor fuels, motor vehicles and operating licenses	General sales or gross receipts	Individual income	Corporate net income	Alcoholic beverage sales and licenses	To-bacco products	Property	Others
U. S. totals	\$10,552	\$3,031	\$2,433	<sup>b</sup> \$969	<sup>b</sup> \$810	\$545	\$469	\$365	\$1,931	100.0	28.7	23.1	<sup>b</sup> 9.2	<sup>b</sup> 7.7	5.2	4.4	3.5	18.3
Alabama	159	50	56	<sup>b</sup> 17	<sup>b</sup> 1	2	8	9	17	100.0	31.6	35.2	<sup>b</sup> 10.6	<sup>b</sup> 7	1.1	5.0	5.4	10.4
Arizona	75	20	24	6	3	3	2	10	6	100.0	27.3	32.7	7.6	4.6	3.6	3.0	13.8	7.4
Arkansas	102	38	29	4	8	7	7	( <sup>c</sup> )	10	100.0	36.9	27.8	3.7	8.2	6.4	6.7	3	10.0
California	1,142	251	462	94	119	28	7	72	115	100.0	22.0	40.5	8.3	10.4	2.5	-----	6.3	10.1
Colorado	111	34	34	14	6	5	5	8	12	100.0	30.4	30.3	12.2	4.9	4.2	-----	6.7	11.2
Connecticut	138	36	37	-----	20	9	9	( <sup>c</sup> )	28	100.0	25.7	26.8	-----	14.4	6.5	6.4	3	19.9
Delaware	26	8	( <sup>e</sup> )	3	-----	1	1	( <sup>d</sup> )	11	100.0	29.8	-----	12.0	-----	4.9	4.5	44.5	44.3
Florida	252	100	63	-----	-----	30	4	6	50	100.0	39.6	24.8	-----	-----	11.7	1.7	2.5	19.8
Georgia	218	61	98	14	14	11	9	1	10	100.0	27.9	44.9	6.4	6.5	5.0	4.2	4	4.8
Idaho	39	17	-----	7	4	1	2	2	7	100.0	42.9	-----	17.3	9.1	3.3	4.4	5.6	17.4
Illinois	514	165	205	-----	-----	25	31	( <sup>c</sup> )	87	100.0	32.1	39.9	-----	-----	5.0	6.0	1	16.9
Indiana	284	78	142	-----	-----	18	14	14	17	100.0	27.5	50.1	-----	-----	6.4	4.8	4.9	6.2
Iowa	169	67	60	18	2	3	5	( <sup>c</sup> )	13	100.0	39.3	35.7	10.8	1.4	1.9	3.0	1	7.9
Kansas	137	46	47	12	3	6	5	7	10	100.0	33.8	34.3	8.6	2.4	4.1	4.0	5.5	77.3
Kentucky	138	54	-----	20	10	9	6	13	25	100.0	39.3	-----	14.7	7.1	6.7	4.2	9.7	18.3
Louisiana	287	54	59	<sup>b</sup> 19	( <sup>b</sup> )	18	20	15	104	100.0	18.7	20.6	<sup>b</sup> 6.5	( <sup>b</sup> )	6.1	6.8	5.1	36.1
Maine	57	22	14	-----	-----	3	5	1	11	100.0	39.3	24.6	-----	-----	4.8	9.6	2.0	19.6
Maryland	165	48	31	25	16	6	-----	3	35	100.0	29.1	18.9	14.9	9.9	3.9	-----	2.0	21.4
Massachusetts	322	65	-----	75	<sup>f</sup> 25	22	28	( <sup>c</sup> )	107	100.0	20.1	-----	23.2	<sup>f</sup> 7.7	6.9	8.8	1	33.3
Michigan	582	138	272	-----	-----	12	26	32	103	100.0	23.6	46.7	-----	-----	2.1	4.4	5.4	17.8
Minnesota	228	67	-----	47	16	15	12	12	59	100.0	29.6	-----	20.7	7.1	6.5	5.2	5.1	25.7
Mississippi	112	38	32	5	9	4	7	1	15	100.0	34.0	28.8	4.9	7.9	3.8	6.2	1.3	13.2
Missouri	207	57	88	<sup>b</sup> 26	( <sup>b</sup> )	8	-----	7	21	100.0	27.7	42.7	<sup>b</sup> 12.5	( <sup>b</sup> )	3.6	-----	3.5	10.0
Montana	37	15	-----	5	2	3	3	4	6	100.0	39.7	-----	13.1	4.3	7.4	7.8	11.4	16.3
Nebraska	61	26	-----	-----	-----	3	4	22	6	100.0	43.2	-----	-----	-----	4.9	6.7	35.8	9.5
Nevada	17	8	-----	-----	-----	1	1	3	4	100.0	50.1	-----	-----	-----	4.3	5.7	15.0	25.0
New Hampshire	27	12	-----	1	-----	1	3	1	8	100.0	44.5	-----	4.7	-----	4.7	11.4	5.4	29.2
New Jersey	189	90	-----	-----	-----	17	20	3	59	100.0	47.8	-----	-----	-----	9.2	10.4	1.6	31.0
New Mexico	70	22	26	2	1	2	3	4	10	100.0	31.6	37.2	3.1	1.5	2.4	3.7	5.7	14.8
New York	1,120	217	-----	337	226	71	62	2	206	100.0	19.4	-----	30.1	20.2	6.3	5.5	2	18.4
North Carolina	288	97	55	37	38	11	-----	6	43	100.0	33.6	19.2	13.0	13.4	3.8	-----	2.0	15.0
North Dakota	44	14	13	4	1	3	4	3	3	100.0	32.2	28.5	8.0	2.2	7.0	7.9	7.3	6.9
Ohio	492	154	189	-----	-----	41	21	20	67	100.0	31.3	38.4	-----	-----	8.4	4.2	4.0	13.6

Oklahoma	196	70	43	9	9	6	11	(e)	47	100.0	35.7	22.1	4.7	4.4	3.3	5.7	(e)	24.2
Oregon	130	51		44	19	2		(e)	14	100.0	39.6		33.6	14.3	1.5		(e)	10.9
Pennsylvania	595	188			142	54	45	2	164	100.0	31.6			24.0	9.0	7.6	.3	27.6
Rhode Island	56	13	13		8	2	3		17	100.0	22.7	23.7		13.7	4.0	6.2		29.8
South Carolina	159	46	46	13	15	14	6	2	18	100.0	29.0	28.9	7.9	9.2	8.9	3.9	1.2	11.1
South Dakota	36	13	12		(e) 15	3	2	(e)	6	100.0	36.1	34.3		.4	7.7	4.9	.3	16.4
Tennessee	185	66	51	3	16	8	14	(e)	26	100.0	35.7	27.6	1.9	8.8	4.5	7.4	(e)	14.2
Texas	447	145				18	35	24	225	100.0	32.4				4.1	7.8	5.4	50.3
Utah	50	16	17	5	3	1	1	(e)	6	100.0	31.9	34.5	10.6	6.0	1.5	1.9	.8	12.8
Vermont	28	11		6	2	3	2	(e)	4	100.0	38.1		21.9	8.4	10.7	6.8	1.3	12.8
Virginia	189	73		34	21	9		11	42	100.0	38.8		17.9	10.9	4.5		5.7	22.1
Washington	266	60	139			9	11	17	30	100.0	22.8	52.3			3.4	4.1	6.2	11.2
West Virginia	124	31	65			4	7	(e)	16	100.0	25.3	52.2			3.3	5.9	.2	13.0
Wisconsin	253	67		64	51	13	11	20	27	100.0	26.6		25.3	20.2	5.0	3.2	7.8	10.8
Wyoming	27	10	8			1	1	5	3	100.0	37.8	30.0			2.0	2.7	17.6	9.9

<sup>a</sup> Detail will not necessarily add to totals because of rounding.

<sup>b</sup> Combined corporation and individual taxes for 3 States—Alabama, Louisiana, and Missouri.

<sup>c</sup> Less than \$500,000.

<sup>d</sup> Tax for State board unit schools.

<sup>e</sup> Includes related license taxes.

<sup>f</sup> Amount for licenses includes corporation taxes measured in part by net income and in part by corporate excess.

<sup>g</sup> Less than 0.05 percent.

Source: Bureau of the Census, *Compendium of State Government Finances in 1955*.

APPENDIX TABLE 3.—*State and Local Taxes: Per Capita and as Percent of Income Payments, Fiscal Year 1953<sup>a</sup>*

States ranked by fiscal 1953 per capita income payments	State and local tax collections (millions)	Per capita state and local taxes	State and local taxes as percent of income payments
United States <sup>b</sup> .....	\$20,914	\$132.11	7.9
12 Higher.....	10,818	155.81	7.9
Delaware.....	36	99.21	4.5
Nevada.....	35	171.50	8.1
Connecticut.....	299	138.40	6.5
New York.....	2,855	187.39	8.9
Illinois.....	1,219	135.37	6.7
New Jersey.....	729	141.80	7.0
California.....	2,176	178.51	9.0
Ohio.....	975	116.52	6.0
Michigan.....	1,003	146.38	7.7
Washington.....	387	155.99	8.5
Maryland.....	308	121.29	6.7
Massachusetts.....	797	162.68	9.2
12 Medium-High.....	3,937	126.84	7.5
Pennsylvania.....	1,205	113.07	6.4
Indiana.....	542	130.99	7.4
Oregon.....	241	150.38	8.8
Rhode Island.....	106	129.61	7.6
Wisconsin.....	550	156.21	9.3
Montana.....	82	134.07	8.0
Wyoming.....	48	155.62	9.5
Colorado.....	221	156.74	9.4
Missouri.....	419	102.34	6.4
Kansas.....	289	143.95	9.1
New Hampshire.....	70	132.51	8.3
Nebraska.....	165	122.30	7.9
12 Medium-Low.....	3,299	120.29	8.5
Iowa.....	387	148.40	9.6
Minnesota.....	461	151.16	10.0
Arizona.....	121	129.70	9.0
Utah.....	95	128.94	8.7
Texas.....	859	103.57	7.1
Idaho.....	81	134.30	9.4
Vermont.....	51	135.81	9.9
Maine.....	116	127.01	9.4
Florida.....	441	131.53	10.1
Virginia.....	315	88.90	6.6
New Mexico.....	89	117.68	8.9
Oklahoma.....	282	125.37	9.6
12 Lower.....	2,748	92.93	8.5
South Dakota.....	92	139.27	10.8
North Dakota.....	86	138.41	11.1
West Virginia.....	173	89.48	7.1
Louisiana.....	379	131.27	10.8
Georgia.....	338	94.15	8.2
Tennessee.....	287	86.28	7.6
Kentucky.....	232	78.23	6.8
South Carolina.....	216	98.30	9.1
North Carolina.....	398	94.93	8.8
Alabama.....	230	73.75	7.3
Arkansas.....	143	74.82	8.0
Mississippi.....	176	80.51	9.8

<sup>a</sup> Detail will not necessarily add to totals because of rounding.

<sup>b</sup> Includes District of Columbia.

Source: State and local tax collections from Bureau of the Census, *State and Local Government Revenue in 1953* plus later revisions. Income payments from Department of Commerce, *Survey of Current Business*, Aug. 1954.

APPENDIX TABLE 4.—Total Federal Grants for Major Programs, Fiscal Year 1953<sup>a</sup>

[In thousands]

States ranked on basis of fiscal 1953 income payments	Fiscal total income payments (millions)	Total grant payments (all programs)	National school lunch program (cash plus cost of commodities)	Highway construction	Employment security	School construction and survey	Maintenance and operation of schools	Public Health Service	Hospital construction survey and planning	Children's Bureau grants	Old age assistance	Aid to permanently and totally disabled	Aid to dependent children	Aid to the blind
United States.....	\$263,334	\$2,721,901	\$129,305	\$510,073	\$195,811	\$116,352	\$63,211	\$31,438	\$106,396	\$29,685	\$896,610	\$58,568	\$334,369	\$32,556
New York.....	31,984	198,564	7,310	24,916	30,515	1,430	800	2,193	4,731	939	48,827	15,234	38,428	2,082
California.....	24,056	7,022	19,483	32,001	19,483	14,224	15,095	1,537	4,720	1,119	109,930	2,873	35,614	4,811
Pennsylvania.....	18,864	106,936	5,654	19,817	15,325	1,689	1,018	1,731	5,387	1,126	21,212	2,873	18,817	2,742
Illinois.....	18,286	123,825	5,866	28,075	9,043	3,065	1,381	1,418	5,731	835	39,068	2,193	17,057	1,594
Ohio.....	16,142	104,340	5,711	22,530	8,503	3,097	2,060	1,319	4,850	950	36,815	2,193	7,955	1,503
Michigan.....	12,964	100,523	4,118	18,360	10,749	5,770	2,887	1,024	2,807	1,034	31,670	595	15,734	723
Texas.....	12,098	156,361	7,349	28,103	7,301	7,690	5,179	1,815	6,112	1,465	69,276	-----	9,520	2,030
New Jersey.....	10,406	45,435	2,391	9,703	9,156	1,253	1,042	723	3,213	399	7,384	626	3,247	315
Massachusetts.....	8,650	79,925	3,001	7,747	8,960	58	1,668	749	2,481	618	38,045	3,021	8,580	698
Indiana.....	7,285	48,857	2,452	13,453	3,299	1,673	740	660	4,922	471	12,190	-----	4,874	579
Missouri.....	6,587	96,984	3,380	14,574	3,368	2,269	822	824	1,879	741	46,663	4,631	10,510	904
Wisconsin.....	5,942	51,044	2,364	15,854	2,947	2,40	196	501	2,088	662	15,674	-----	5,015	470
Virginia.....	4,761	46,710	3,240	11,526	1,846	7,144	4,807	755	2,285	905	4,421	1,087	4,244	408
Minnesota.....	4,624	55,988	3,040	14,251	3,092	2,284	50	482	3,751	612	19,280	-----	5,140	456
Maryland.....	4,586	31,429	1,337	4,163	3,158	5,342	1,231	503	1,730	753	3,695	1,237	3,870	177
Connecticut.....	4,568	23,611	1,006	4,092	2,923	2,327	1,840	329	1,379	388	5,501	-----	2,578	116
Washington.....	4,560	63,998	1,992	9,405	3,969	8,516	2,678	382	891	460	23,066	2,145	5,779	326
North Carolina.....	4,502	59,146	5,958	9,381	3,690	2,291	731	1,220	5,057	1,289	12,279	1,830	8,282	1,410
Florida.....	4,362	57,059	2,634	6,988	3,179	2,967	1,148	948	2,332	1,067	22,557	-----	8,596	1,160
Georgia.....	4,121	83,559	4,507	12,671	3,004	7,910	3,186	1,276	3,591	1,096	28,981	1,178	7,819	1,021
Iowa.....	4,024	44,949	2,228	11,719	1,647	7,548	3,209	433	1,640	547	17,355	-----	3,984	545
Tennessee.....	3,803	63,401	4,761	10,705	2,916	2,845	273	888	4,288	1,146	18,696	-----	10,477	1,000
Louisiana.....	3,500	100,753	5,338	7,952	2,770	1,847	188	978	3,412	815	7,786	5,508	14,038	743
Kentucky.....	3,388	53,037	3,947	8,448	2,306	1,426	1,614	862	5,093	1,061	15,023	-----	10,262	702
Kentucky.....	3,168	57,412	4,824	7,828	2,804	3,695	1,595	1,018	3,033	1,204	17,250	-----	7,061	495
Kansas.....	3,168	47,704	1,631	12,513	1,482	3,651	2,647	359	1,309	1,390	7,239	1,056	4,668	226
Oklahoma.....	2,933	37,684	2,771	10,096	2,103	2,880	2,419	526	1,705	620	37,895	-----	11,480	691
Oregon.....	2,764	28,860	1,166	8,979	2,327	2,808	2,405	275	836	288	7,615	-----	2,020	137

See footnotes at end of table.

APPENDIX TABLE 4.—Total Federal Grants for Major Programs, Fiscal Year 1953<sup>a</sup>—Continued

[In thousands]

States ranked on basis of fiscal 1953 income payments	Fiscal 1953 total income payments (millions)	Total grant payments (all programs)	National school lunch program (cash plus cost of commodities)	Highway construction	Employment security	School construction and survey	Maintenance and operation of schools	Public Health Service <sup>b</sup>	Hospital construction survey and planning	Children's Bureau grant <sup>c</sup>	Old age assistance	Aid to permanently and totally disabled	Aid to dependent children	Aid to the blind
West Virginia.....	\$2,425	\$37,215	\$2,210	\$4,595	\$1,357	\$6	\$49	\$199	\$4,069	\$637	\$7,453	\$1,487	\$11,352	\$364
South Carolina.....	2,384	42,586	3,521	6,527	2,268	4,189	959	759	2,475	636	11,690	1,660	2,875	503
Colorado.....	2,341	46,424	1,112	9,494	1,496	1,755	1,638	294	506	393	21,203	1,645	3,931	149
Nebraska.....	2,098	22,414	940	7,228	944	247	654	236	909	205	6,719	-----	1,691	264
Mississippi.....	1,801	42,046	3,668	7,748	2,131	1,451	515	1,016	1,635	880	15,014	297	3,029	838
Arkansas.....	1,789	48,303	3,162	7,815	1,921	3,905	945	594	3,195	796	15,589	151	6,344	606
District of Columbia.....	1,764	6,626	274	670	652	-----	-----	282	411	355	1,039	552	1,576	99
Rhode Island.....	1,396	14,111	381	3,803	1,661	98	549	136	324	212	3,462	183	2,147	76
Arizona.....	1,339	24,145	883	6,725	1,694	2,599	777	239	819	187	5,345	-----	2,673	279
Maine.....	1,229	16,530	708	5,139	1,009	61	333	184	196	271	4,390	-----	2,602	195
Utah.....	1,092	20,680	935	7,453	1,368	1,120	742	165	425	299	3,761	628	1,962	90
Montana.....	1,023	18,699	396	7,642	1,027	672	240	160	457	308	3,817	452	1,417	196
New Mexico.....	998	23,254	983	8,555	1,014	2,431	566	202	543	285	3,553	661	3,009	139
Idaho.....	862	15,011	655	5,529	957	1,347	244	182	28	198	3,039	285	1,173	63
South Dakota.....	853	19,006	521	8,995	515	134	460	159	529	251	4,039	125	1,691	72
New Hampshire.....	839	8,819	444	2,236	913	-----	314	109	85	231	2,520	28	896	114
Delaware.....	796	5,555	211	2,432	417	-----	-----	98	205	179	524	44	487	88
North Dakota.....	777	16,912	603	8,514	671	74	190	191	441	193	3,131	284	1,096	45
Vermont.....	514	7,938	348	2,409	762	98	45	112	253	243	2,062	77	559	55
Wyoming.....	506	10,019	277	4,987	608	-----	108	99	339	200	1,753	195	402	38
Nevada.....	430	10,545	98	5,743	562	1,222	511	92	87	177	1,113	-----	-----	8

<sup>a</sup> Detail will not necessarily add to totals because of rounding.

<sup>b</sup> Includes venereal disease control, tuberculosis control, general health assistance, mental health activities, cancer control, and heart disease control.

<sup>c</sup> Includes maternal and child health services, services for crippled children, and child welfare activities.

Source: Income payments from Department of Commerce, *Survey of Current Business*, Aug. 1954. All grant data are from the *Annual Report of the Secretary of the Treasury* 1953, except the school lunch program grant which is from the Department of Agriculture.

APPENDIX TABLE 5.—Per Capita Federal Grants for Major Programs, Fiscal Year 1953<sup>a</sup>

States ranked by fiscal year 1953 per capita income payments	Fiscal 1953 per capita income payments	Total grant payments (ALL programs) <sup>b</sup>	High-way construction	Employment security	National school lunch program (cash plus cost of comm.)	School construction and survey	Maintenance and operation of schools	Public Health Service <sup>c</sup>	Hospital construction survey and planning	Children's Bureau grant <sup>d</sup>	Old age assistance	Aid to permanently and totally disabled	Aid to dependent children	Aid to the blind	Other grants
United States.....	\$1,616	\$17.19 *	\$3.22 *	\$1.24 *	\$0.82 *	\$0.73 *	\$0.40 *	\$0.20 *	\$0.67 *	\$0.19 *	\$5.66 *	\$0.37 *	\$2.11 *	\$0.21 *	\$1.37 *
Delaware.....	2,256	15.52 36	6.79 10	1.16 21	.59 39	.....	.....	.27 15	.57 31	.50 4	1.46 45	.12 31	1.36 37	.25 13	2.45 4
Nevada.....	2,201	51.19 1	27.88 1	2.73 1	.48 44	5.93 1	2.48 1	.45 2	.42 38	.86 1	5.40 23	.....	.....	.04 49	4.52 1
Connecticut.....	2,132	10.92 46	1.89 43	1.35 18	.47 46	1.08 17	.39 22	.15 42	.36 41	.18 35	2.54 43	.....	1.19 44	.05 48	1.27 37
District of Columbia.....	2,122	7.88 49	1.80 49	.78 42	.33 49	.....	.....	.34 5	.49 35	.42 7	1.24 49	.66 13	1.87 26	.12 34	.83 48
New York.....	2,110	13.04 42	1.64 46	2.00 4	.48 44	.09 40	.05 45	.14 46	.31 45	.06 49	3.21 40	1.00 4	2.52 17	.14 28	1.40 33
Illinois.....	2,038	13.75 40	3.12 32	1.00 29	.65 35	.34 31	.15 36	.16 37	.64 25	.09 46	4.34 37	.18 29	1.89 25	.18 24	1.01 45
New Jersey.....	2,035	8.84 48	1.89 43	1.78 9	.47 46	.24 33	.20 32	.14 46	.62 27	.08 48	1.44 47	.12 31	1.63 48	.06 47	1.17 41
California.....	2,008	21.29 18	2.63 38	1.60 12	.58 41	1.17 15	1.24 4	.13 49	.33 44	.09 46	9.02 6	.....	2.92 8	.39 2	1.19 39
Ohio.....	1,942	12.47 43	2.69 36	1.02 26	.68 33	.37 30	.25 29	.16 37	.59 28	.11 43	4.40 36	.26 25	.95 47	.20 21	.79 49
Michigan.....	1,916	14.67 37	2.68 37	1.57 15	.60 38	.84 22	.13 38	.15 42	.41 39	.15 40	4.62 34	.09 34	2.30 20	.11 38	1.02 44
Washington.....	1,846	25.71 12	3.80 24	1.60 12	.80 26	3.44 2	1.08 6	.15 42	.36 41	.19 33	9.31 5	.87 5	2.33 18	.13 31	1.65 24
Maryland.....	1,806	12.37 44	1.64 46	1.24 20	.53 42	2.10 7	.48 19	.20 29	.45 37	.30 21	1.45 46	.49 18	1.52 33	.07 45	1.90 15
Massachusetts.....	1,792	16.31 35	1.58 48	1.83 7	.61 37	.01 43	.14 37	.15 42	.51 33	.13 42	7.76 10	.62 15	1.75 29	.14 28	1.08 43
Pennsylvania.....	1,778	10.04 47	1.86 45	1.44 17	.53 42	.16 37	.10 40	.16 37	.51 33	.11 43	1.99 44	.27 24	1.77 27	.26 11	.88 46
Indiana.....	1,751	11.81 45	3.25 29	.80 41	.59 39	.40 29	.18 34	.16 37	1.19 7	.11 43	2.95 41	.....	1.18 45	.14 28	.86 47
Oregon.....	1,718	17.85 29	5.60 15	1.45 16	.73 31	.50 27	.25 29	.17 34	.52 32	.18 35	4.75 32	.50 17	1.26 40	.09 43	1.85 17
Rhode Island.....	1,705	17.27 30	4.65 18	2.03 2	.47 46	.12 38	.67 13	.17 34	.40 40	.26 27	4.24 38	.22 26	2.63 13	.09 43	1.32 36
Wisconsin.....	1,694	14.51 38	4.51 19	.84 38	.67 34	.01 43	.06 44	.14 46	.59 28	.19 33	4.46 35	.11 33	1.43 35	.13 31	1.37 34
Montana.....	1,090	30.45 7	12.45 5	1.67 11	.64 36	1.09 16	.39 22	.26 19	.74 16	.50 4	6.22 16	.74 10	2.31 19	.32 6	3.12 3
Wyoming.....	1,654	32.74 5	16.30 2	1.99 5	.91 19	.....	.35 25	.32 8	1.11 10	.65 2	5.73 19	.64 14	1.31 38	.12 34	3.31 2
Colorado.....	1,652	32.85 4	6.72 11	1.06 24	.79 27	1.24 13	1.16 5	.21 26	.36 41	.28 24	15.01 3	1.16 2	2.78 11	.11 38	1.97 14
Missouri.....	1,631	23.68 15	3.56 25	.82 40	.83 24	.55 25	.20 32	.20 29	.46 36	.18 35	11.39 4	1.13 3	2.57 14	.22 17	1.57 30
Kansas.....	1,590	21.79 17	6.24 13	.74 45	.81 25	.92 19	1.32 3	.18 32	.65 23	.20 30	6.60 14	.53 16	1.23 42	.11 38	2.26 9
New Hampshire.....	1,586	16.73 33	4.24 22	1.73 10	.84 23	.....	.60 15	.21 26	.16 48	.44 6	4.78 31	.05 36	1.70 30	.22 17	1.76 19
Nebraska.....	1,558	16.64 34	5.37 16	.70 46	.70 32	.18 36	.49 18	.18 32	.67 21	.15 40	4.99 29	.....	1.26 40	.20 21	1.75 20
Iowa.....	1,546	17.25 31	4.50 20	.63 48	.86 22	.21 34	.08 41	.17 34	.63 26	.21 29	6.66 13	.....	1.53 32	.21 19	1.56 31
Minnesota.....	1,524	18.34 27	4.67 17	1.01 27	1.00 15	.09 40	.02 47	.16 37	1.23 5	.20 30	6.32 15	.....	1.68 31	.15 26	1.81 18
Arizona.....	1,488	25.96 11	7.23 9	1.82 8	.95 17	2.79 4	.84 10	.26 19	.88 13	.20 30	5.75 18	.....	2.87 9	.30 8	2.07 11

See footnotes at end of table.

APPENDIX TABLE 5.—Per Capita Federal Grants for Major Programs, Fiscal Year 1953<sup>a</sup>—Continued

States ranked by fiscal year 1953 per capita income payments	Fiscal 1953 per capita income payments	Total grant payments (ALL programs) <sup>b</sup>	High-way construction	Employment security	National school lunch program (cash plus cost of comm.)	School construction and survey	Maintenance and operation of schools	Public Health Service <sup>c</sup>	Hospital construction survey and planning	Children's Bureau grant <sup>d</sup>	Old age assistance	Aid to permanently and totally disabled	Aid to dependent children	Aid to the blind	Other grants														
Utah.....	\$1,484	\$28.17	9	\$10.15	7	\$1.86	6	\$1.27	10	\$1.53	11	\$1.01	8	\$0.22	24	\$0.58	30	\$0.41	9	\$5.12	25	\$0.86	7	\$2.67	12	\$0.12	34	\$2.37	7
Texas.....	1,468	18.84	24	3.39	28	.88	35	.89	21	.93	18	.62	14	.22	24	.74	16	.18	35	8.35	7	-----	-----	1.15	46	.24	14	1.25	38
Idaho.....	1,448	24.89	14	9.17	8	1.59	14	1.09	14	2.23	5	.40	21	.30	11	.05	49	.33	16	5.04	27	.47	19	1.95	24	.10	42	2.17	10
Vermont.....	1,382	21.06	19	6.39	12	2.02	3	.92	18	.26	32	.12	39	.30	11	.67	21	.64	3	5.47	22	.20	27	1.48	34	.15	26	2.44	5
Maine.....	1,364	18.09	28	5.62	14	1.10	22	.77	30	.07	42	.36	24	.20	29	.21	47	.30	21	4.80	30	-----	-----	2.85	10	.21	19	1.60	28
Florida.....	1,352	17.02	32	2.08	42	.95	32	.79	27	.88	20	.34	26	.28	14	.70	20	.18	35	6.73	12	-----	-----	2.56	16	.35	4	1.18	40
Virginia.....	1,350	13.17	41	3.25	29	.52	49	.91	19	2.01	9	1.36	2	.21	26	.65	23	.26	27	1.25	48	.31	23	1.20	43	.12	34	1.12	42
New Mexico.....	1,337	30.68	6	11.29	6	1.34	19	1.30	9	3.21	3	.75	11	.27	15	.72	18	.38	12	4.69	33	.87	5	3.97	4	.18	24	1.71	22
Oklahoma.....	1,310	34.51	3	4.49	21	.93	33	1.23	12	1.28	12	1.07	7	.23	23	.31	46	.28	24	16.83	2	.67	12	5.10	2	.44	1	1.65	24
South Dakota.....	1,296	28.93	8	13.69	4	.78	42	.79	27	.20	35	.70	12	.24	22	.81	14	.38	12	6.15	17	.19	28	2.57	14	.11	38	2.32	8
North Dakota.....	1,270	27.23	10	13.71	3	1.08	23	.97	16	.12	38	.31	28	.31	9	.71	19	.31	18	5.04	27	.46	20	1.76	28	.07	45	2.38	6
West Virginia.....	1,245	19.21	22	2.37	40	.70	46	1.14	13	(*)	-----	.03	46	.26	19	2.10	1	.33	16	3.85	39	.77	8	5.86	1	.19	23	1.61	27
Louisiana.....	1,240	34.94	2	2.76	35	.96	31	1.85	1	.64	24	.07	43	.34	5	1.18	8	.28	24	17.96	1	1.91	1	4.87	3	.26	11	1.86	16
Georgia.....	1,162	23.31	16	3.53	27	.84	38	1.26	11	2.21	6	.89	9	.36	3	1.00	11	.31	18	8.08	9	.33	22	2.18	22	.28	10	2.04	13
Tennessee.....	1,156	19.05	23	3.22	31	.88	35	1.43	6	.85	21	.08	41	.27	15	1.29	4	.34	15	5.62	20	-----	-----	3.15	7	.30	8	1.62	26
Kentucky.....	1,146	18.56	25	2.85	34	.78	42	1.33	8	.48	28	.54	16	.29	13	1.72	2	.36	14	5.07	26	-----	-----	3.46	5	.24	14	1.44	32
South Carolina.....	1,092	19.40	20	2.97	33	1.03	25	1.60	4	1.91	10	.44	20	.35	4	1.13	9	.29	23	5.33	24	.76	9	1.31	38	.23	16	2.05	12
North Carolina.....	1,078	14.11	39	2.24	41	.88	35	1.42	7	.55	25	.17	35	.27	15	1.21	6	.31	18	2.93	42	.44	21	1.98	23	.34	5	1.37	34
Alabama.....	1,021	18.44	26	2.51	39	.90	34	1.55	5	1.19	14	.34	26	.33	7	.97	12	.39	11	5.54	21	.72	11	2.27	21	.13	31	1.60	28
Arkansas.....	953	25.30	13	4.09	23	1.01	27	1.66	3	2.05	8	.50	17	.31	9	1.67	3	.42	7	8.17	8	.08	35	3.32	6	.32	6	1.70	23
Mississippi.....	830	19.26	21	3.55	26	.98	30	1.68	2	.66	23	.24	31	.47	1	.75	15	.40	10	6.88	11	.14	30	1.39	36	.38	3	1.74	21

\* Rank of States by per capita grant.

<sup>b</sup> Per capita data computed by dividing total grants by Census Bureau 1953 estimates found in *Current Population Reports*, Series P-25, No. 110.

<sup>c</sup> Total grant payments for all programs, \$2,721,902,000.

<sup>d</sup> Includes venereal disease control, tuberculosis control, general health assistance, mental health activities, cancer control, and heart disease control.

<sup>e</sup> Includes maternal and child health services, services for crippled children and child welfare services.

\* Less than \$0.01.

Source: Income payments from Department of Commerce, *Survey of Current Business*, August 1954. All grant data from the *Annual Report of the Secretary of the Treasury*, 1953, except the school lunch program grant which is from the Department of Agriculture.

**APPENDIX TABLE 6.—Apportionment and Matching Formulas of Current Federal Grants-In-Aid**

[This tabulation includes only the programs under which grants have actually been made to State and local governments in fiscal 1955]

Grant-in-aid program	Year originally established <sup>a</sup>	Present basis of apportionment	State matching required (percent of grant)
Education of the blind, American Printing House for the Blind.	1879	On the basis of the number of pupils in public institutions for the blind.	None.
Agricultural experiment stations <sup>b</sup>	1887	See note b.	See note b.
Homes for disabled soldiers and sailors	1888	\$500 annually per person	100.
Colleges for agriculture and mechanic arts <sup>c</sup>	1890	Lump sum and additional payments on the basis of population	None.
State marine schools	1911	Lump sum per school	100.
Forestry cooperation:			
Forest fire protection	1911	At discretion of Secretary of Agriculture	100.
Tree planting	1924	Do.	100.
Forest management	1937	Do.	None.
Agriculture extension work	1914	Lump sum per State plus sums allotted on the basis of farm and rural population and of special needs of farm population as determined by Secretary of Agriculture.	100.
Highways:			
Federal-aid highway system	1916	One-third area, one-third population, one-third mileage of rural and star routes.	100 (less in States with large areas of nontaxable Federal lands).
Secondary roads	1944	One-third area, one-third rural population, one-third mileage of rural and star routes.	Do.
Urban highways	1944	Ratio which population in cities of 5,000 or more in each State bears to total population in such cities.	Do.
Interstate system	1944	One-half on basis of population, one-half on basis of area, population, and rural and star routes).	66 $\frac{2}{3}$ (less in States with large areas of nontaxable Federal lands).
Vocational education:			
Salaries of teachers of agriculture	1917	Rural population	100.
Salaries of teachers—trades, industry, home economics.	1917	Urban population	100.
Teacher training	1917	Total population	100.
Education in agriculture	1946	Farm population	100.
Education in trades and industry	1946	Nonfarm population	100.
Education in home economics	1946	Rural population	100.
Education in distributive occupations	1946	Total population	100.
Public health:			
Venereal disease control	1918	At discretion of the Surgeon General	At discretion of the Surgeon General.
General health	1935	Population, extent of the problem, and financial need	50.
Mental health activities	1944	Do.	50.
Heart disease control	1944	Population and financial need	50.
Tuberculosis control	1944	Population, extent of the problem, and financial need	50.
Cancer control	1944	Do.	50.

See footnotes at end of table.

APPENDIX TABLE 6.—*Apportionment and Matching Formulas of Current Federal Grants-In-Aid—Continued*

[This tabulation includes only the programs under which grants have actually been made to State and local governments in fiscal 1955]

Grant-in-aid program	Year originally established *	Present basis of apportionment	State matching required (percent of grant)
<b>Vocational rehabilitation services:</b>			
Support of basic services.....	1920	Population and per capita income.....	43-100.
Extension and improvement projects.....	1954	Population.....	33½.
Special projects.....	1954	At discretion of Secretary of Health, Education, and Welfare.....	At least 50.
<b>Maternal and child health services.....</b>	1921 d	Lump sum plus sums allotted on basis of number of births and per capita income.	50 percent of the grant unmatched; 50 percent matched equally.
<b>Employment security:</b>			
Employment Service.....	1933	One hundred percent of State administrative costs deemed necessary for efficiency by Secretary of Labor.	None.
Unemployment compensation.....	1935	One hundred percent of State administrative costs deemed proper on the basis of population, number of persons covered, the cost of efficient management, and such other factors as the Administrator finds relevant.	None.
Administration of unemployment allowances for veterans.....	1944	One hundred percent of State administrative expenditures.....	None.
<b>National school lunch program (cash grant).....</b>	1933	Per capita income and number of school children.....	150 (less in States with per capita income below National average).
School milk program.....	1954	Do.....	None.
<b>Removal and donation of surplus agricultural commodities (grants in kind to State and local welfare agencies and school lunch program).</b>	1933	Administrative determination.....	None.
<b>Public assistance:</b>			
Old-age assistance.....	1935	Four-fifths of first \$25 plus one-half of balance up to a maximum of \$55 per recipient. e	See formula in apportionment column.
Aid to dependent children.....	1935	Four-fifths of first \$15 plus one-half of remainder up to maximum of \$30 for first child. e	Do.
Aid to blind.....	1935	Four-fifths of first \$25 plus one-half of balance up to a maximum of \$55 per recipient. e	Do.
Aid to permanently and totally disabled.....	1950	Do.....	Do.
<b>Services for crippled children.....</b>	1935	Lump sum plus sums allotted on basis of number of children under 21.	50 percent of the grant unmatched; 50 percent matched equally.
<b>Child welfare.....</b>	1935	Lump sum plus sums allotted on the basis of rural population under 18.	At discretion of Administrator.
<b>Wildlife restoration.....</b>	1937	Area and number of licensed hunters.....	At least 33½.
<b>Annual contributions, low-rent housing program.....</b>	1937	Determined by Administrator on such factors as project cost, number of units, and the people housed.	20, in form of tax exemptions or cash.
<b>Defense community facilities f.....</b>	1940	At discretion of Federal agency.....	Dependent on community's resources and impact of a Federal defense activity.

School construction in Federally-affected areas.....	1941 *	Number of school children whose attendance results from a Federal activity.	None.
School operation in Federally-affected areas.....	1941	Do.....	None.
Supervision of training of veterans.....	1944	Federal government reimburses State expenditures for this activity.....	100.
Agricultural research and marketing.....	1946	At discretion of Secretary of Agriculture.....	100.
Hospital survey and construction:			
General, tuberculosis, chronic disease, mental hospitals, and public health centers.....	1946	Population and per capita income.....	50-150.
Diagnostic and treatment centers.....	1954	Do.....	Do.
Rehabilitation facilities.....	1954	Do.....	Do.
Hospitals for chronically ill.....	1954	Do.....	Do.
Nursing homes.....	1954	Do.....	Do.
Federal airport program.....	1946	Population and area (for major part of funds).....	Varies with size of airport and object of expenditure. Reduced matching requirements in States with large areas of nontaxable Federal lands.
Disaster relief.....	1947	Assistance is rendered in those areas confronted with a disaster beyond the confines of their physical and financial means.	Reasonable State-local expenditures.
Slum clearance and urban renewal capital grants.....	1949	At discretion of Housing and Home Finance Administrator. Not more than 10 percent of the funds available may be expended in any one State.	At least 50.
Civil defense.....	1950	Determined by Administrator on basis of population in critical target areas.	At least 100.
Fish restoration and management.....	1950	Area and number of licensed fishermen.....	33⅓.
Urban planning.....	1954	At discretion of Housing and Home Finance Administrator.....	At least 100.
State conferences on education <sup>b</sup> .....	1954	Population.....	None.

\* The year indicated is that in which the current grant-in-aid program, or one substantially similar to it, was instituted.

<sup>b</sup> Grants for research by State experiment stations are authorized by 5 separate acts, which, in effect, establish 5 ill-defined and overlapping categories of grants. Three of the acts provide lump sums to all States; 2 vary the allotment on the basis of rural and farm population. Three do not require State matching; 2 require matching expenditures equal to the amount of the grant.

° Establishment of annual cash grant. Earlier land grants were made under the Morrill Act of 1862.

<sup>d</sup> Discontinued 1929. Reestablished by Social Security Act of 1935.

<sup>e</sup> National Government pays ½ State and local administrative expenses.

<sup>f</sup> In process of liquidation.

<sup>g</sup> Discontinued 1945. Reestablished 1950.

<sup>h</sup> A nonrecurring grant.

APPENDIX TABLE 7.—Per Capita Income Payments, Fiscal Years 1933 and 1953

States ranked by fiscal 1953 per capita income payments	1933 per capita income	1953 per capita income	Increase 1953 over 1933	Ratio 1953 to 1933 (1933 is 1)
United States <sup>a</sup> .....	\$374	\$1,676	\$1,302	4.5
12 Higher .....	512	1,997	1,485	3.9
Delaware .....	518	2,256	1,738	4.4
Nevada .....	463	2,201	1,738	4.8
Connecticut .....	549	2,132	1,583	3.9
New York .....	658	2,110	1,452	3.2
Illinois .....	444	2,038	1,594	4.6
New Jersey .....	560	2,035	1,475	3.6
California .....	522	2,008	1,486	3.8
Ohio .....	387	1,942	1,555	5.0
Michigan .....	365	1,916	1,551	5.2
Washington .....	372	1,846	1,474	5.0
Maryland .....	450	1,806	1,356	4.0
Massachusetts .....	574	1,792	1,218	3.1
12 Medium-High .....	356	1,707	1,351	4.8
Pennsylvania .....	422	1,778	1,356	4.2
Indiana .....	296	1,751	1,455	5.9
Oregon .....	340	1,718	1,378	5.1
Rhode Island .....	548	1,705	1,157	3.1
Wisconsin .....	318	1,694	1,376	5.3
Montana .....	290	1,690	1,400	5.8
Wyoming .....	370	1,654	1,284	4.5
Colorado .....	339	1,652	1,313	4.9
Missouri .....	343	1,631	1,288	4.8
Kansas .....	262	1,590	1,328	6.1
New Hampshire .....	421	1,586	1,165	3.8
Nebraska .....	263	1,558	1,295	5.9
12 Medium-Low .....	266	1,432	1,166	5.4
Iowa .....	253	1,546	1,293	6.1
Minnesota .....	314	1,524	1,210	4.9
Arizona .....	267	1,488	1,221	5.6
Utah .....	276	1,484	1,208	5.4
Texas .....	252	1,468	1,216	5.8
Idaho .....	242	1,448	1,206	6.0
Vermont .....	360	1,382	1,022	3.8
Maine .....	366	1,364	998	3.7
Florida .....	280	1,352	1,072	4.8
Virginia .....	271	1,350	1,079	5.0
New Mexico .....	194	1,337	1,143	6.9
Oklahoma .....	219	1,310	1,091	6.0
12 Lower .....	186	1,108	922	6.0
South Dakota .....	172	1,296	1,124	7.5
North Dakota .....	186	1,270	1,084	6.8
West Virginia .....	263	1,245	982	4.7
Louisiana .....	226	1,240	1,014	5.5
Georgia .....	194	1,162	968	6.0
Tennessee .....	188	1,156	968	6.1
Kentucky .....	198	1,146	948	5.8
South Carolina .....	157	1,092	935	7.0
North Carolina .....	190	1,078	888	5.7
Alabama .....	154	1,021	867	6.6
Arkansas .....	152	953	801	6.3
Mississippi .....	124	830	706	6.7

<sup>a</sup> Includes District of Columbia.

Source: Department of Commerce: *Survey of Current Business*, August 1953 and 1954.

APPENDIX TABLE 8.—Federal Grants as Percent of Income Payments,  
Fiscal Year 1953<sup>a</sup>

[In millions]

States ranked by fiscal year 1953 per capita income payments	Fiscal year 1953 income payments	Total Federal grants	Grants as percent of income payments
United States <sup>b</sup> .....	\$263,334	\$2,722	1.03
12 Higher.....	137,428	1,047	.76
Delaware.....	796	6	.75
Nevada.....	430	11	2.56
Connecticut.....	4,568	24	.53
New York.....	31,984	199	.62
Illinois.....	13,286	124	.68
New Jersey.....	10,406	45	.43
California.....	24,056	260	1.08
Ohio.....	16,142	104	.64
Michigan.....	12,964	101	.78
Washington.....	4,560	64	1.40
Maryland.....	4,586	31	.68
Massachusetts.....	8,050	80	.92
12 Medium-High.....	52,795	497	.94
Pennsylvania.....	18,864	107	.57
Indiana.....	7,285	49	.67
Oregon.....	2,754	29	1.05
Rhode Island.....	1,396	14	1.00
Wisconsin.....	5,942	51	.86
Montana.....	1,023	19	1.86
Wyoming.....	506	10	1.98
Colorado.....	2,341	46	1.96
Missouri.....	6,587	97	1.47
Kansas.....	3,160	44	1.39
New Hampshire.....	839	9	1.07
Nebraska.....	2,098	22	1.05
12 Medium-Low.....	38,836	546	1.41
Iowa.....	4,024	45	1.12
Minnesota.....	4,624	56	1.21
Arizona.....	1,339	24	1.79
Utah.....	1,092	21	1.92
Texas.....	12,098	156	1.29
Idaho.....	862	15	1.74
Vermont.....	514	8	1.56
Maine.....	1,229	17	1.38
Florida.....	4,362	57	1.31
Virginia.....	4,761	47	.99
New Mexico.....	998	23	2.30
Oklahoma.....	2,933	78	2.66
12 Lower.....	32,511	625	1.92
South Dakota.....	853	19	2.23
North Dakota.....	777	17	2.19
West Virginia.....	2,425	37	1.53
Louisiana.....	3,500	101	2.89
Georgia.....	4,121	84	2.04
Tennessee.....	3,803	63	1.66
Kentucky.....	3,388	55	1.62
South Carolina.....	2,384	43	1.80
North Carolina.....	4,502	59	1.31
Alabama.....	3,168	57	1.80
Arkansas.....	1,789	48	2.68
Mississippi.....	1,801	42	2.33

<sup>a</sup> Detail will not necessarily add to totals because of rounding.

<sup>b</sup> Includes District of Columbia.

Source: Income payments from Department of Commerce, *Survey of Current Business*, August 1954; Federal grants from *Annual Report of the Secretary of the Treasury*, 1953.

**APPENDIX TABLE 9.—Total Tax Burdens as Percent of Income Payments,  
Fiscal Year 1953<sup>a</sup>**

[In millions]

States ranked by fiscal year 1953 per capita income payments	Estimated incidence of Federal tax collections <sup>b</sup>	State and local tax collections	Total tax burdens	Income payments	Total tax burdens as percent of income payments
United States <sup>c</sup> .....	\$69,857	\$20,914	\$90,771	\$263,334	34.47
12 Higher.....	38,631	10,818	49,449	137,428	35.98
Delaware.....	330	36	366	796	45.98
Nevada.....	112	35	147	430	34.19
Connecticut.....	1,427	299	1,726	4,568	37.78
New York.....	9,646	2,855	12,501	31,984	39.09
Illinois.....	5,239	1,219	6,458	18,286	35.32
New Jersey.....	2,715	729	3,444	10,406	33.10
California.....	6,458	2,176	8,634	24,056	35.89
Ohio.....	4,254	975	5,229	16,142	32.39
Michigan.....	3,447	1,003	4,450	12,964	34.33
Washington.....	1,211	387	1,598	4,560	35.04
Maryland.....	1,315	308	1,623	4,586	35.39
Massachusetts.....	2,477	797	3,274	8,650	37.85
12 Medium-High.....	13,882	3,937	17,819	52,795	33.75
Pennsylvania.....	5,139	1,205	6,344	18,864	33.63
Indiana.....	1,746	542	2,288	7,285	31.41
Oregon.....	733	241	974	2,754	35.37
Rhode Island.....	396	106	502	1,396	35.96
Wisconsin.....	1,566	550	2,116	5,942	35.61
Montana.....	243	82	325	1,023	31.77
Wyoming.....	143	48	191	506	37.75
Colorado.....	649	221	870	2,341	37.16
Missouri.....	1,758	419	2,177	6,587	33.05
Kansas.....	748	289	1,037	3,160	32.82
New Hampshire.....	226	70	296	839	35.28
Nebraska.....	535	165	700	2,098	33.37
12 Medium-Low.....	9,615	3,299	12,914	38,836	33.25
Iowa.....	947	387	1,334	4,024	33.15
Minnesota.....	1,186	461	1,647	4,624	35.62
Arizona.....	310	121	431	1,339	32.19
Utah.....	250	95	345	1,092	31.59
Texas.....	3,105	859	3,964	12,098	32.77
Idaho.....	212	81	293	862	33.99
Vermont.....	125	51	176	514	34.24
Maine.....	305	116	421	1,229	34.26
Florida.....	1,152	441	1,593	4,362	36.52
Virginia.....	1,100	315	1,415	4,761	29.72
New Mexico.....	227	89	316	998	31.66
Oklahoma.....	696	282	978	2,933	33.34
12 Lower.....	7,102	2,748	9,850	32,511	30.30
South Dakota.....	182	92	274	853	32.12
North Dakota.....	179	86	265	777	34.11
West Virginia.....	535	173	708	2,425	29.20
Louisiana.....	797	379	1,176	3,500	33.60
Georgia.....	923	338	1,261	4,121	30.60
Tennessee.....	872	287	1,159	3,803	30.48
Kentucky.....	761	232	993	3,388	29.31
South Carolina.....	468	216	684	2,334	28.69
North Carolina.....	998	398	1,396	4,502	31.01
Alabama.....	679	230	909	3,168	28.69
Arkansas.....	364	143	507	1,789	28.34
Mississippi.....	344	176	520	1,801	28.87

<sup>a</sup> Detail will not necessarily add to totals because of rounding.

<sup>b</sup> Tax incidence estimated by the Commission's staff as follows: individual income taxes on basis of income tax liability in 1951; corporate income taxes, one-half on basis of income from dividends, one-half on basis of retail sales; excise and miscellaneous taxes on basis of consumption, collections or other data.

<sup>c</sup> Includes District of Columbia.

Source: Income payments from Department of Commerce, *Survey of Current Business*, Aug. 1954. State and local tax collections from Bureau of the Census, *State and Local Government Revenue in 1953* plus later revisions.

APPENDIX TABLE 10.—*Federal Grants as Percent of State and Local Expenditures, 1929-53*<sup>a</sup>

Year	State and local expenditures (millions)	Total Federal grants <sup>b</sup> (millions)	Regular Federal grants <sup>c</sup> (millions)	Total grants as percent of State-local expenditures	Regular grants as percent of State-local expenditures
1929	\$7,699	\$119	\$119	1.55	1.55
1930	8,381	114	114	1.36	1.36
1931	8,448	195	174	2.31	2.06
1932	7,553	228	169	3.02	2.24
1933	7,192	201	139	2.79	1.93
1934	8,069	1,848	32	22.90	.40
1935	8,519	2,277	36	26.73	.42
1936	8,105	2,318	108	28.60	1.33
1937	8,366	2,669	293	31.90	3.50
1938	8,916	2,180	488	24.45	5.47
1939	9,555	2,909	616	30.44	6.45
1940	9,235	2,401	701	26.00	7.59
1941	9,021	2,089	803	23.16	8.90
1942	8,779	1,826	912	20.80	10.39
1943	8,369	1,293	1,005	15.45	12.01
1944	8,434	1,009	998	11.96	11.83
1945	8,987	910	905	10.13	10.07
1946	11,133	901	896	8.09	8.05
1947	14,513	1,678	1,676	11.56	11.55
1948	17,902	1,629	1,621	9.10	9.05
1949	20,393	1,855	1,847	9.10	9.06
1950	22,638	2,226	2,226	9.83	9.83
1951	23,902	2,256	2,256	9.44	9.44
1952	25,486	2,393	2,393	9.39	9.39
1953	27,289	2,781	2,781	10.19	10.19

<sup>a</sup> Federal grants on a fiscal year basis. State and local expenditures on a calendar year basis.

<sup>b</sup> Total Federal grants include emergency grants made during the depression period.

<sup>c</sup> Regular Federal grants exclude emergency grants made during the depression period.

Source: Grants from Bureau of the Budget. State and local expenditures from Department of Commerce.

APPENDIX TABLE 11.—*Federal Grants as Percent of Federal Expenditures, Fiscal Years 1929-53*

Year	Federal expenditures (millions)	Total Federal grants <sup>a</sup> (millions)	Regular Federal grants <sup>b</sup> (millions)	Total grants as percent of Federal expenditures	Regular grants as percent of Federal expenditures
1929	\$3,127	\$119	\$119	3.81	3.81
1930	3,320	114	114	3.43	3.43
1931	3,578	195	174	5.45	4.86
1932	4,659	228	169	4.89	3.63
1933	4,623	201	139	4.35	3.01
1934	6,694	1,848	32	27.61	.48
1935	6,521	2,277	36	34.92	.55
1936	8,494	2,318	108	27.29	1.27
1937	7,756	2,669	293	34.41	3.78
1938	6,979	2,180	488	31.24	6.99
1939	8,966	2,909	616	32.44	6.87
1940	9,183	2,401	701	26.15	7.63
1941	13,387	2,089	803	15.60	6.00
1942	34,187	1,826	912	5.34	2.67
1943	79,622	1,293	1,005	1.62	1.26
1944	95,315	1,009	998	1.06	1.05
1945	98,703	910	905	.92	.92
1946	60,703	901	896	1.48	1.48
1947	39,289	1,678	1,676	4.27	4.27
1948	35,791	1,629	1,621	4.82	4.80
1949	40,057	1,855	1,847	4.63	4.61
1950	40,156	2,226	2,226	5.54	5.54
1951	44,633	2,256	2,256	5.05	5.05
1952	66,145	2,393	2,393	3.62	3.62
1953	78,982	2,781	2,781	3.76	3.76

<sup>a</sup> Total Federal grants include emergency grants made during the depression period.

<sup>b</sup> Regular Federal grants exclude emergency grants made during the depression period.

Source: Bureau of the Budget.

U. S. GOVERNMENT PRINTING OFFICE: 1955





