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REVENUE SHARING AND LOCAL GOVERNMENT MODERNIZATION:

A CONFERENCE REPORT

BY THE COMPTROLLER GENERAL
OF THE UNITED STATES

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FOREWORD

The State and Local Fiscal Assistance Act of 1972, commonly called the Revenue Sharing Act, expires on December 31, 1976. Passage of the act marked a new approach to giving Federal financial assistance to State and local governments. Under the program, Federal funds are automatically disbursed to all State governments and to over 38,000 local governments--counties, townships, municipalities, Indian tribes, and Alaskan native villages--with fewer administrative requirements and controls than apply to other forms of Federal domestic aid.

The Congress limited the funding of the revenue sharing program to a 5-year period in order to review the act and decide whether it should be continued or revised. We are studying selected aspects of the revenue sharing program so that we can assist congressional evaluation.

Because revenue sharing affects so many State and local governments, various individuals have suggested that it be used as a lever to encourage improved intergovernmental cooperation and, perhaps, local government modernization. Although the present legislation contains no conditions designed to accomplish such objectives, several bills which led to the act sought to modernize and revitalize government structures and procedures. The Nation has experienced over 2 years of revenue sharing, and we considered this an opportune time to reexamine this issue.

We commissioned five papers by authorities in the field of metropolitan governance. The papers were circulated to a group of Federal, State, and local officials and other selected experts, and a conference was held from November 20 through 22, 1974, at which time the papers and related matters were considered. The study sought to obtain a sampling of current, informed thinking about the prospects for using revenue sharing to achieve a measure of local government modernization and about the general status of governance in metropolitan America. The thoughts set forth should not be interpreted as our conclusions or recommendations.

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I hope that this document, which includes the five papers, as well as a report on the conference proceedings, will assist the Congress as it considers renewal of the revenue sharing program. The report should also interest State, local, and Federal officials; students of American government; and concerned citizen groups.

Thomas A. Blasts

Comptroller General
of the United States

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ABBREVIATIONS

ACIR	Advisory Commission on Intergovernmental Relations
COGs	councils of governments
GAO	General Accounting Office

SUMMARY

This report is designed to assist the Congress, as it deliberates renewal of the State and Local Fiscal Assistance Act of 1972, in assessing the feasibility and appropriateness of using revenue sharing to encourage intergovernmental cooperation and, in particular, local government modernization. The report describes the views and opinions of the participants at a conference and should not be interpreted as opinions or conclusions of GAO.

Various conference participants (see app. I for roster) made the following observations concerning previous attempts by the Federal Government to influence local government conduct.

- Constitutional, consensual, and practical limitations on intervention have existed.
- Federal efforts to improve local government program performance and processes have been more successful than efforts to induce structural change.
- Most local governments have been restricted in what they could do, what they could change, and what resources they could apply to their problems.
- Local elected officials have been able to circumvent the junior Federal officials with whom they deal.
- Federal officials have not understood the processes of local government.
- The complexity and dispersed nature of the Federal Government has tended to make it relate to local units in an uncoordinated and inconsistent manner.

Participants did not agree on a definition of local government "modernization," but they did agree that Federal efforts aimed at structural modernization tend to be disruptive and unlikely to succeed, especially if not individually tailored and pragmatic.

The idea of assigning some social burden to revenue sharing was well received, although potential conflict was noted between modernization (which oftens stresses efficiency) and the achievement of social goals (which may entail a degree of inefficiency).

Some saw the essence of revenue sharing as an attempt to tap the superior Federal tax-raising capacity and thereby induce partial equalization to help redress the "fiscal mismatch" (mislocation of public needs and resources).

Participants believed that revenue sharing has assisted local governments, particularly hard-pressed cities, by decreasing fiscal disparities in three dimensions: Federal versus State-local, State versus State, and local unit versus local unit.

According to conference participants the following points should be considered in any Federal effort to encourage modernization of local government.

- The fundamental question of what the Federal Government wants of local government has never been precisely articulated.
- One aspect of the metropolitan "problem" is that jurisdictional fragmentation hinders the application of otherwise available fiscal resources to the social problems which abound in metropolitan areas.
- Further reduction of State-local power and further weakening of general purpose local government will result from failure to address the deficiencies which have prompted calls for local government modernization.
- Truly intergovernmentally determined standards should be substituted for federally determined "intergovernmental" standards in such areas as budgeting, personnel, management, and decisionmaking.
- To be effective as a lever for change, revenue sharing may require a permanency to facilitate fiscal planning by recipients.

--If the Revenue Sharing Act is amended with the objectives of reducing disincentives to local government modernization and achieving greater fiscal equity, these amendments must recognize the varying circumstances that exist in different parts of the country.

Participants considered the following possible amendments to the Revenue Sharing Act (see pp. 20 to 29) which were perceived generally as either providing inducements or eliminating existing disincentives to local government modernization:

--Change the formula governing the allocation to State areas so as to reward States with high voter participation.

--Vary the State government's share to reflect State tax effort relative to local government tax effort.

--Add the State income tax factor to the Senate formula.

--Allow States more flexibility in the intrastate allocation of the total local share.

--Increase the \$200 minimum to recipients, eliminate the 20-percent floor, and eliminate or raise the 145-percent ceiling for major population units.

--Extend revenue sharing to the councils of governments (COGs) and special districts.

--Define "general purpose local government" in the act or permit each State to define the term.

--Redefine "adjusted taxes" and "tax effort" in the act.

--Provide bonuses for local government modernization.

--Provide financial set-asides for local government self-examination and program evaluation.

Also considered were measures that would (1) reward States for establishing by State law, agencies designated by Circular A-95 to perform review and comment on Federal aid applications, and to require such agencies to present proposals for improving regional governance and (2) amend the Housing and Community Development Act of 1974 and other statutes to require citizen involvement in proposals for improving the organization and financing of public services or to stimulate the States to form study commissions in substate regions in order to draw regional charters for consideration of adoption.

Although difficulties and dangers would accompany any Federal effort to induce local government modernization, it was felt that the persistent and growing problems of metropolitan government argued for such an attempt. There was, however, agreement against using the revenue sharing program as the sole or even primary new vehicle to encourage such modernization. Participants stressed that any undertaking should be marked by flexibility; modesty of objectives; full awareness that efforts to achieve structural change are questionable; and recognition that revenue sharing would remain but one component of a system of Federal grants, inducements, and strategies.

CONFERENCE PROCEEDINGS

The Comptroller General opened the conference by explaining that it was a phase of one of several efforts which we had underway in response to congressional direction that we help evaluate the Revenue Sharing Act. Stating that "one man's progress is another man's retrogression," he alluded to the difficult and troublesome issues raised by the question of whether revenue sharing "should be or could be used to influence the structure, organization, and processes of State and local government."

He framed the fundamental issue as follows:

"How far can the Federal Government go in attempting to influence State and local government before the spirit of our Federal system is violated? Questions [such as this] must be decided in the arena of public debate, and ultimately in the Congress."

The Comptroller General observed that passage of the original revenue sharing program had been preceded by nearly a decade of debate and added that vigorous debate can be expected when the Congress takes up the question of extending the program beyond its present expiration date of December 31, 1976. Observing that many persons, including some Members of Congress, were interested in using revenue sharing to promote modernization of local government and to further encourage intergovernmental cooperation; he concluded: "Congress will be interested in what this group [the conference participants] can offer."

FEDERAL ATTEMPTS TO INFLUENCE LOCAL GOVERNMENT CONDUCT: THE RECORD TO DATE

Discussion of the scope and effectiveness of previous Federal attempts to influence local government conduct centered on three directions which these attempts have

taken--changes in programs, in processes, and in structure. Participants observed that

- for constitutional, consensual, and practical reasons, limitations on intervention exist and must be accepted;
- the most successful Federal efforts have been those directed at improving program performance and processes, although the record is difficult to assess due to the practical impossibility of isolating the Federal impact from changes which would have occurred without intervention;
- attempts to induce structural change at the local level have been less successful;
- most local governments face limitations, frequently State mandated, affecting what they do and how, what they can change and how, and what resources they can apply to their problems; and
- the fundamental question of what the Federal Government wants of local government has never been precisely articulated.

Influencing programmatic change

The participants agreed that Federal leverage tends to be most successful when a broad-based consensus exists, or can be forged, as to the appropriateness of the Federal objective(s). They cited examples from programmatic efforts in health, transportation, building codes, and merit systems which have been based on common Federal and local interests or, at least, on local neutrality to the program in question. When a program's thrust faces local reluctance, for example, if it is what one participant called "the province of particular interests," its chances of success are reduced. Failure of a program may be delayed while administrators seek to build support, but, if this

attempt fails (as it did in some urban renewal projects), persons the program was designed to benefit may turn against it.

Influencing process change

Participants agreed that Federal efforts directed toward process changes at the local level can be fruitful. The evolution from comprehensive urban planning stimulation under section 701 of the Housing Act of 1954, to increased coordination of federally assisted metropolitan development under section 204 of the Demonstration Cities and Metropolitan Development Act of 1966, to integration of grants-in-aid with ongoing programs under the Intergovernmental Cooperation Act of 1968 and Circular A-95 of the Office of Management and Budget, was cited as a process-oriented advance. A participant thought these area wide planning requirements and assistance programs would be a legacy to our time because regional concepts were added to the discussion agendas in metropolitan areas. It was agreed generally that Federal leverage is easiest to apply when seeking process changes and that changes can persist after financial support ends. (Community action programs were cited as evidence.)

One explanation of the efficacy of process changes was the moral dimension frequently involved in social programs, such as voting rights and equal employment opportunity. Even with respect to process change, however, participants stressed that Federal initiatives cannot be too far out of step with local preferences.

Influencing structural change

Participants agreed about the difficulties and dangers of Federal attempts to obtain structural change in local government. The consensus was that such an objective is the least productive and thus the most questionable line of effort. Past failures may be explained in part by the misdirection of those attempts. Instead of concentrating on State legislatures, which in terms of ultimate power are usually the central actors, changes have been aimed primarily at local governments and have failed to appreciate that

structural change very often requires popular consent (for example, referendums). As a result of these and other factors, a participant felt that any structural changes tend to be temporary and fail to be maintained when Federal pressure and money are withdrawn. The danger also exists that the result may differ from the Federal objective.

Federal attempts to influence structure were described by a participant as having occurred mainly in the 1950s and 1960s. When these attempts met with failure, an indirect approach was tried having a mixture of categorical grants involving process elements. These included Office of Economic Opportunity and Model Cities programs which developed new constituencies as they reached out to the disadvantaged, forced local government to become more open and responsive, and led to a modest degree of structural change. Concurrently, these experiences suggested, in the words of one participant, that "all wisdom was not at city hall, that priority setting at city hall had not been the best." It was also noted that section 204 and Circular A-95, in the course of fostering development of councils of governments (COGs) (discussed below), have provided opportunities for reexamining the adequacies of local government structure in coping with regional problems.

Other factors limiting Federal influence

Participants raised related factors pertinent to Federal efforts to influence local government conduct. These may be summarized as follows:

- The Federal Government must affect a system it neither owns nor controls through interaction between junior Federal officials and local elected officials, who operate from a firm political base. As a result they often can effectively counter representations of inexperienced Federal officials by appealing to their superiors or to Members of Congress.

- Federal officials operate in a manner largely removed from the public pressures and ease of public access faced by local officials.

--"Federal people***work during the daytime; local government works at night."

--Federal officials do not become sufficiently involved, even in the larger cities where regional or area offices are located, to understand the processes of local government.

--There is a tendency for Federal officials to equate local government with local executives (mayors and managers) and to ignore the importance of local and State legislatures and the dependency of executives upon them.

--Because the Federal Government is complex and dispersed, the actions of its several components are uncoordinated; inconsistent; and, at times, ignorant of and in conflict with what other governments are doing or seeking to do.

Impact of Federal programs

Using a medium-sized Northeastern metropolitan area as the basis for his generalizations, a participant summarized local officials' views toward various Federal programs and policies as follows:

--Cumulatively, Federal programs have led to management improvements and enhanced citizen participation.

--Section 701's matching grants for metropolitan planning were viewed as sound but underfunded.

--Fragmentation of effort ensues from the multiplicity of categorical grant programs.

--Some antagonism exists on the part of Federal officials who do not believe that Federal funds are being spent prudently by local governments.

Notwithstanding these observations, the future of Federal-local relations is viewed with some optimism.

It was pointed out that combined Federal assistance to State and local governments now constitutes about 25 percent of all the available revenues of those units. Emphasis was placed on the fact that about 75 percent of this aid goes to or through the States; direct Federal-local funding is confined largely to general revenue sharing and to programs of the Department of Housing and Urban Development and, previously, the Office of Economic Opportunity. Participants were reminded that programs running into the hundreds of millions of dollars nationally often translate into very modest sums when they reach a recipient unit. Some States have responded to this by enacting grant programs for their local units which supplement or parallel Federal assistance.

Comments were favorable on research results which show that suburban communities are generally receiving less per capita Federal aid than central cities in large standard metropolitan statistical areas.

A major criticism of categorical programs was their tendency to skew priorities and distort fiscal choices of recipient units. A participant thought that categorical Federal programs have more impact on planning and certain line agencies at the local and regional levels than on generalist bodies.

Several participants noted that Federal objectives, as set forth in different programs, can conflict. For example, Federal subsidization of housing, much of it in the suburbs, feeds urban sprawl, while simultaneously, a Federal urban renewal program seeks to retain or reattract middle-and upper-income families to the cities. To an extent, then, the Federal Government has created or exacerbated elements of the metropolitan problem.

Also criticized was the failure to achieve citizen participation objectives which were called for in certain programs. Illustrations were drawn from (1) the Law Enforcement Assistance Administration, where criminal justice planning as seen by a participant did not include citizen views and remained in the control of directly involved administrators, and (2) health and transportation planning.

Measuring program effectiveness
in a period of social change

Participants recognized and commented on the diverse standards which can be applied, often with differing results, to a determination of program effectiveness. Is effectiveness the simple doing by a recipient unit of what Federal officials want done? (If so, such compliance can be achieved without locally perceived success, while satisfying administering Federal officials.) Is it the undertaking and completion of a program with some enthusiasm by the administrators, but with less than the complete satisfaction of the program's clientele? (This might describe some urban renewal projects.) Is it program execution to the satisfaction of clientele, but the partial dissatisfaction of local elected officials? (This has occurred in certain programs of the Office of Economic Opportunity.) Or is program effectiveness the doing of what Federal officials want done, to the satisfaction of clientele and local officials, but in an inefficient manner? (This description might fit some Model Cities projects.)

In considering program effectiveness and local government change, participants stressed that change is now coming from internal sources in larger urban areas as a result of demographic and constituency changes (for example, blacks achieving political influence generally and political control occasionally). As internal change continues to occur, social and human rights objectives once championed by Federal programs through process changes become mixed with similar goals of internal sources. While the combined result may be stronger social coalitions, it will become more difficult than ever to measure the impact and effectiveness of Federal human rights initiatives.

Another aspect of these demographic and resultant political changes in city government was alluded to--possible misunderstanding if Federal agencies promote traditional models of metropolitan organization (especially jurisdictional consolidation) now that blacks are obtaining political control of several central cities. Blacks might interpret such Federal initiatives as attempts to dilute their power. A participant observed that federally induced change, especially programmatic change, likely would be

directed at the weakest local units (that is, those that most need Federal fiscal assistance), many of which are the older urban centers now coming under black political control, again raising the possibility of misunderstanding.

COGs: EVALUATIONS AND PREDICTIONS

Considerable discussion was directed at COGs, both because they represent an important Federal attempt to influence local government conduct and because participants were asked to consider whether revenue sharing funds should be distributed to these multifunctional, voluntary, regional associations of governments with responsibilities for coordinating intergovernmental activities. (The latter point will be considered later.) Participants disagreed about COGs' past effectiveness and about their future promise, at least as presently constituted and empowered.

COGs were viewed as basically process-oriented change agents with a potential for limited incremental structural change. Participants conceded the crucial role played by the Federal Government in the evolution of COGs through section 701(g) (COGs became eligible for grants in 1965), section 204 (institutionalization of planning efforts in 1967), and Circular A-95's requirement of 1969 that COGs designated as areawide agencies review and comment on Federal aid applications. One statistic cited suggests the relationship between COG growth and Federal impetus: there were 25 COGs in 1963; there are about 600 today. Focusing attention on the need for orderly metropolitan growth, the Federal Government has relied considerably on COGs, apparently hoping that their basically voluntary and nonauthoritative characteristics would foster acceptance without sacrificing effectiveness.

A participant saw COGs as an attempt to draw new suburban governments into metropolitan issues. He thought they might have been ahead of their time and attributed a degree of today's functional successes (for example, air pollution control and solid waste cooperation) to the climate and processes fostered by COGs. Among other accomplishments mentioned were regional planning, joint purchasing agreements, minority management programs, and cooperative responses to the energy crisis. Ap-

preciation was registered for the early and usually unpublicized improvements which result from initial COG review of proposals.

The basic limitation some participants saw in the COG's approach was the difficulty of achieving a Federal response with a confederal mechanism. Other deficiencies viewed as inherent in the COG's approach were the lack of a one-man-one-vote representation base, the absence of direct accountability to the public, and the infeasibility of expecting COGs--whose political bases derive from their member units--to act negatively on project proposals submitted by these member units.

A degree of consensus did exist on the challenge facing COGs--coping with the increasing number of special agencies, many fostered by Federal programs and actions--but consensus was lacking on their ability to respond effectively. The participants noted that, some Federal agencies try to evade funneling their proposed projects through the review and comment process, thus undercutting Circular A-95. Also the lack of feedback concerning the ultimate Federal disposition of submitted proposals was considered inexcusable.

PERSPECTIVES ON THE METROPOLITAN "PROBLEM"

Conference consideration of what the metropolitan "problem" might be, at least as viewed by ministering Federal officials, was sporadic. It touched on impressions concerning how widespread, uniform, chronic, and remedial the problem was. One basic feature of the problem is that about 80 percent of the wealth, and most of the intractable social problems, are in metropolitan areas; but jurisdictional fragmentation hinders the application of these resources to the problems. All government levels have been trying to cope with this situation. To do so they must meet the following challenges:

- Mechanisms and procedures must be developed to insure that all citizens have effective access to governmental decisionmakers who affect their lives.

- Linkages must be adjusted throughout the metropolitan matrix, among government levels, within governmental units, and at the several points of public-private sector interface.
- Issues must be raised and resolved more effectively and equitably.
- Decisionmaking must be improved in both mechanics and outcomes.
- Substantial new fiscal resources must be developed and applied at the proper times and in the right places.

It was felt that progress in these areas has been minor and that the situation continues to deteriorate, especially in our large metropolitan areas.

Attention was directed to the economic and social dimensions of the problem. These dimensions interact when business and industry move from a central city to its suburbs. As job opportunities disperse geographically, they cannot be pursued by central city residents due to transportation and to suburban housing impediments. Central city taxes on those who remain must be raised to offset losses. This spiraling effect leads to further deterioration and to the fiscal dilemma facing older cities.

LOCAL GOVERNMENT MODERNIZATION:
DEFINITIONAL DIFFICULTIES

Since this study's focus was to help explore the feasibility and appropriateness of amending the Revenue Sharing Act to encourage local government modernization, participants made an extensive effort to define modernization. They were unsuccessful. But this failure may not be as important as might be surmised, since many characteristics of modernization were identified and refined, its objectives clarified in part, its varied forms and adaptations explored, and the dangers of formulary and simplistic correctives emphasized. (Modernization, reform, change, self-examination, cooperation, improvement, simplification,

effectiveness, and many other terms were employed, at one time or another during the conference, as individually preferred synonyms for the corrective needed.)

While modernization measures can be directed at processes or at structure, participants felt that Federal efforts aimed at structure tend to be disruptive and unlikely to succeed, especially if they are not individually tailored, eclectic, and pragmatic.

Conventional and "new" reform models

Participants considered the conventional and "new" reform models while grappling with the modernization issue. The conventional reform model was viewed as two-dimensional consolidation--merger of special purpose governments with general purpose units and merger of smaller with larger units. A primary objective of each has been to enhance the power of generalists vis-a-vis specialists. The emphasis, obviously, was on structural change.

Asked to illustrate this conventional model, a participant identified several of its forms, including: annexation--perceived as having limited current utility in many urban areas; urban county--a two-tier system, as applied in Miami-Dade County; county-county merger--described as of some potential in more rural areas; and multipurpose regional authorities--representing a transition to the "new" model, (the best example is found in the Seattle area).

This participant identified the Metropolitan Council in the Minneapolis-St. Paul area as the prototype of the "new" reform model. It was described as a three-tier, State-supported, multipurpose regional council. The central role played by the State of Minnesota in the creation and evolution of this model was stressed as an example of the need to direct any modernization effort with structural aspects to the State and, especially, the State legislature.

It was cautioned that the new model must remain subject to comprehensive regional planning, a constraint not likely to be achieved without attentive State involvement. A participant pointed out that the metropolitan problem is

most acute and complex in the larger metropolitan areas, many of which are megalopolitan and interstate and thus not amenable to either model. A participant was prompted to register a "minority view***and express a favoritism" for single purpose agencies under certain conditions. He pointed out that they can deliver services and adjust jurisdictional boundaries to the configurations of problems. Since the efficiency of single purpose agencies is but one factor in their growth--another is Federal support--it was suggested that general purpose units concentrate not on their elimination but on insuring that single purpose agencies are subjected to regionally planned approaches and forced to take cognizance of service needs beyond their areas of responsibility.

Characteristics, objectives, and social goals of modernization

Some agreement was obtained concerning several features and objectives of local government modernization. Modernization was seen as possessing structural and internal organizational aspects, as having to correct deficiencies in decisional processes and spending priority determinations, and as requiring the finding of better ways to achieve organizational goals. Also recognized was (1) the need to increase the involvement of State, regional, and local officials and citizens in exploring and balancing national, State, regional, and local objectives and (2) the importance of developing a truly intergovernmental management system.

As was the case while considering many conference agenda items, the discussion of local government modernization elicited criticism about the failure to involve citizens more effectively in the governmental process. A related consideration dealt with the potential conflict between (1) modernization which stresses efficiency and (2) social and human rights goals which, to be achieved, may entail some inefficiency. Intragovernmental objectives --increased access to budgetary decisions and enhancement of citizen participation generally--cannot be overlooked, since any modernization should have a social component.

Tentative definitions
of modernization

While not agreeing on an operational definition of local government modernization, participants did offer tentative definitions or formulations of the ingredients and main focuses of the term, for example:

- a system to (1) establish metropolitanwide policy through a representative process, (2) enforce that policy, and (3) coordinate the equitable and efficient delivery of services called for by that policy;
- an accommodation to diversity;
- changes designed to improve the effectiveness with which services are delivered in a fiscally equitable manner in terms of existing distributions of needs and resources;
- self-examination undertaken by specific units utilizing an intergovernmental approach; and
- any improvement of intergovernmental relations in metropolitan areas.

As a result of the inability to develop and agree upon a definition of modernization, ensuing deliberations about the feasibility and appropriateness of amending the Revenue Sharing Act to encourage modernization were impeded but not prevented.

Failure to solve the problems which have prompted calls for modernization will have damaging consequences; and inaction will result in further reduction of State-local power and, in particular, further weakening of general purpose local government.

REVENUE SHARING'S IMPACT
ON LOCAL GOVERNMENT

Before considering how revenue sharing has influenced local government, it would be appropriate to review the purposes of revenue sharing as seen by participants. One

participant felt that the program was designed to strengthen a noncentralized system of government. He questioned whether using revenue sharing to achieve modernization entailing jurisdictional consolidation would be proper. Other purposes cited were an easing of the financial crises facing some local governments and a sharing by all government levels of Federal income tax receipts. There seemed to be agreement that the main intent of revenue sharing was to tap the superior Federal tax-raising capacity and thereby induce a degree of equalization to partially redress the "fiscal mismatch" (that is, the mislocation of public needs and resources).

Participants felt that revenue sharing has been of assistance, particularly to hard-pressed cities, by permitting them to "buy some time" and thus avoid fiscal collapse. This help was described as "a drop in the bucket" but a vital drop. Participants tended to agree that, when viewed nationwide, revenue sharing has decreased fiscal disparities between (1) Federal versus State-local, (2) State versus State, and (3) local unit versus local unit.

Is revenue sharing a disincentive to modernization?

A maxim of practical politics was restated by a participant. If a program is defined narrowly, it will lose support; if it is defined broadly, it will receive support but will prove difficult to evaluate. Thus, because revenue sharing was framed in broad and general terms, many constituent groups could support it, believing it likely would benefit them. This observation is pertinent because some people who wished to modernize local government thought that revenue sharing might provide a lever for change.

Research in one metropolitan area indicates that some disincentives to modernization derive from revenue sharing. These disincentives were described as falling into two categories: (1) the impact of the arrival of new money and (2) revenue sharing's ability to inhibit certain changes. To the extent that modernization and reform efforts were becoming attractive to units under financial pressure, new money delayed or subverted efforts to achieve functional and jurisdictional consolidations and tax reform.

Revenue sharing can inhibit change through its minimum grant provisions, because small units inclined to consolidate would receive less than they now receive separately. In addition, "tax effort," as defined, can deflect moves toward transferring funding from the general property tax to user charges.

Conference discussion centered on the second type of perceived disincentive, using adjusted taxes as a criterion for allocations. Economic and political consequences and considerations of equity were debated as they arise from the exclusion of both user charges (for example, charges for the provision of water) and special assessments, from the skewing in favor of public versus private provision of services, and from the exclusion of payments in lieu of taxes. For example, nontaxed, low-income public housing makes payments in lieu of taxes to a municipality for providing municipal services. Since most such housing is found in central cities, the failure to consider payments in lieu of taxes as tax effort is a disadvantage to central cities.

The negative impacts of revenue sharing were countered by other arguments. The point was made that, even if revenue sharing froze conditions, the consequences of not having the program would be more disadvantageous. A participant suggested that absence of the program would have led to the destruction of the central city as a viable tax base. By easing fiscal problems, revenue sharing permitted cities to "buy time." Another view stressed the need to distinguish between what was presumed to be the act's intended neutrality with respect to local government modernization and the disincentives resulting from the act's specific provisions.

Equity and the social burden of revenue sharing

A participant cited data indicating that central cities are receiving roughly twice as much revenue sharing per capita as their suburbs. This was felt noteworthy because any disincentives revenue sharing may have on modernization efforts which are prompted by considerations of fiscal equity may be made moot. A related observation was that

some central cities in one State are receiving approximately the same two-to-one ratio compared to their counties. Since these counties tend to fund social services which are provided mainly in the cities of that State, the true amounts of revenue sharing funds benefiting central cities may be understated. To the extent that these cities are more hard-pressed financially than their counties, this would add to the fiscal equalization effects of revenue sharing.

Some participants observed that an issue of equity arises when revenue sharing provides Federal funds in excess of local taxes to some local units. A participant suggested that perhaps units which levy only a token amount of taxes should not be eligible for revenue sharing funds.

Other participants thought it important that disadvantaged groups tend to look to the Federal Government for protection, at least so far as these groups register more trust in Federal motivations and actions than in those of State and local governments. Because Federal legislation and administration have been effective in establishing and enforcing fair standards in such fields as housing and employment, those concerned primarily with human rights wish to make doubly certain that revenue sharing cannot be used anywhere to circumvent title VI of the Civil Rights Act. For these and other reasons, minority spokesmen will probably maintain a close watch on revenue sharing's administration and on any proposed amendments which might affect their fields of concern, now or in the future. Participants expressing such views criticized the levels and effectiveness of citizen participation under revenue sharing.

Assigning a social burden to revenue sharing, while appropriate, should not overburden the program, since it was not designed with that as a primary objective. As put by a participant: "Why pick on a pygmy when a behemoth is available?" The references, respectively, were to revenue sharing and categorical grants.

POSSIBLE REVENUE SHARING ACT AMENDMENTS

Assuming that in certain localities revenue sharing acted as a disincentive to modernization or had inequitable

results, participants conceded that it would be difficult to amend the act to correct these conditions without causing problems elsewhere. Meanwhile, they were inclined to accept the hypothesis that while disincentives and inequities can occur under revenue sharing, a three-pronged attack--revenue sharing, block grants, and categorical grants--would be needed to address State and local problems.

Participants agreed that the options available to the States for modifying the allocation formula had proven politically unworkable and, therefore, could not be viewed as viable ways to achieve modernization or equity. Some felt that even if an alternative formula could be implemented, disadvantaged groups might receive poor treatment from unsympathetic State decisionmakers.

Before discussing the specific Revenue Sharing Act amendments which participants formulated and considered, it would be appropriate to restate the major points that the participants emphasized and to set forth other relevant considerations.

1. The fundamental question of what the Federal Government expects of local government has never been precisely articulated.

2. One basic feature of the metropolitan "problem" is that jurisdictional fragmentation at the metropolitan level is hindering the application of those fiscal resources which exist in the metropolitan area to the intractable social problems of the central city.

3. Failure to address the deficiencies which have prompted calls for modernization will further reduce State-local power and, in particular, further weaken general purpose local government.

4. Ways must be found to increase the involvement of State, regional, and local officials and citizens in exploring and balancing national, State, regional, and local objectives.

5. Truly intergovernmental standards should be substituted for the present federally determined standards of judging performance in such areas as budgeting, personnel management, and decisionmaking, the object being to create a truly intergovernmental management system.

6. Amendments to the Revenue Sharing Act should have the objectives of reducing any disincentives to local government modernization and of achieving greater fiscal equity.

7. Proposed changes to the act should: (a) seek to enhance (or at least not hinder) development of an increased State role in our Federal system, (b) facilitate a strong local government attack on metropolitan problems by fostering genuinely regional approaches to regional matters, and (c) maintain a degree of Federal control and oversight in the process of achieving objectives (a) and (b).

8. In considering changes which would result in substantial additional revenue sharing funds, it should be kept in mind that, as a nonmatch program, revenue sharing may make elected officials of recipient units too independent of their constituencies.

9. The most propitious time to attach conditions to a program is when new money is introduced; consequently, unless new money is to be provided in conjunction with any amendments seeking to induce certain actions by revenue sharing recipients, the chances of attaching modernization conditions will be slim.

10. To be effective as a lever for change, revenue sharing may require a permanency to facilitate fiscal planning by the recipient.

11. Political feasibility must be duly considered in contemplating any proposed amendments.

12. Due consideration also must be given to post-1972 developments and anticipated changes as they have affected and will affect intergovernmental relations and metropolitan

the effect of making, it difficult to register or vote. It would seek to compensate for the uncertainties concerning the best form of modernization by assuming that increased voter participation would be a partial corrective to some procedural and structural shortcomings. Discussion centered on the time it would take for the proposal to raise voting levels among the disadvantaged to current levels for other voters. Participants felt that the objective was sound and desirable in principle but that its pursuit through revenue sharing would unreasonably burden on the program.

2. Amend the act to provide that the State government's share vary, within a specified range, in direct relation to the percentage derived from dividing taxes of a State government by combined State and local taxes.

This amendment would seek to encourage a State to assume a greater tax effort, relative to the efforts of its localities, by rewarding the State with more than the one-third share now called for in the act. Several practical problems were cited, including those dealing with tax "piggybacking" by localities (would the State or local level be credited for tax effort?) and the likelihood of further discouraging locally imposed user charges (since they would not count in calculating tax effort, the State would benefit further under the amendment). A wide variation of opinions existed.

3. Amend the act to add the income tax factor, now in the five-factor formula of the House of Representatives, to the three-factor Senate formula.

This amendment would be designed to augment the act's limited encouragement to impose State income taxes. It assumes that such taxes would be more equitable than available alternatives, particularly because income taxes can be structured to achieve a desired degree of progressivity. Many participants supported the proposal.

4. Amend the act to provide more flexibility to a State in the intrastate allocation of the total local share.

This amendment would allow States to attack inequities peculiar to them which result from the act's general application. Although many participants supported the amendment's objective and endorsed the result it would have in forcing States into a more active role, some had reservations based mainly on their distrust of some States' social consciousness.

5. Amend the act to increase the \$200 minimum to a recipient unit, to eliminate the 20-percent floor, and to either eliminate or raise the 145-percent ceiling as it applies to major population units.

These related amendments would direct more revenue sharing funds to those local units facing true financial difficulties. At present, all general purpose local governments are eligible recipients unless their entitlement comes to less than \$200 annually. Additionally, townships and municipal governments are entitled to a revenue sharing allocation not less than 20-percent nor more than 145-percent of the statewide per capita entitlement available for distribution to local governments. Many small units would be affected by increasing the \$200 minimum (the exact number, of course, would depend on the level at which the new minimum was set) and by eliminating the 20-percent floor (approximately 10,000 units would receive less funds). Yet the dollar yield from either amendment would be modest.

Two contrasting views were put forth by participants: (1) that these small units are being "propped up" by revenue sharing and (2) that they survived before the advent of revenue sharing and would continue to do so whether or not they remain in the program. Due both to their negative effects on many units and to the modest yields which would result, some thought these amendments were of questionable political feasibility, although they received much favorable comment.

The proviso, in raising or removing the 145-percent ceiling, would be designed to avoid rewarding resort communities by limiting the amendment to "major population units." It was felt that this amendment, while sound in principle and capable of assisting hard-pressed large units,

was of dubious political feasibility. It would result in anomalies (for example, studies indicate that removal would increase Philadelphia's allocation and reduce allocations to all others in the State, including Pittsburgh), and could prove divisive to the coalition of interest groups now supporting revenue sharing.

6. (A) Amend the act to include COGs and special districts as recipients.

There was strong opposition to extending revenue sharing to special districts but mixed support for including COGs as recipients. Some participants would attach all the following conditions, and all participants would attach some, before a COG could receive revenue sharing funds for its own use: it must be multipurpose; it must be an authoritative regional decisionmaker; it must be the designated A-95 agency for its area; the State must recognize it as the area's main vehicle for improving intergovernmental relations; and it must possess its own taxing authority. Some supported having COGs serve as conduits, to direct revenue sharing funds to their member governments, rather than themselves becoming recipients, and having revenue sharing funds earmarked for interstate COGs' use. Another suggestion was that COGs be supported by the Housing and Community Development Act of 1974 rather than by revenue sharing.

6. (B) Reward States that establish in State law those agencies which are designated by Circular A-95 to review and comment on Federal aid applications and require that such agencies present proposals for improving regional governance.

This proposal would extend assistance, either through revenue sharing or other Federal assistance programs, to States taking the indicated action, and would impose upon affected A-95 agencies obligations somewhat similar to those in (11), below. In view of the current deficiencies many participants saw in such agencies (for example, their lack of a one-man-one-vote representation base and absence of direct accountability to the public), participants were hesitant to assign to them the contemplated powers.

7. Amend the act to include a definition of "general purpose local government" or to permit each State to define the phrase.

Participants argued whether "general purpose local government" as defined by the Bureau of the Census and used by the Office of Revenue Sharing in administering the act is inadequate. Defining the phrase in the act would open the door to definitional irregularities, and allowing each State to define it might result in definitions so loose that all local agencies would qualify. It was suggested that a component of any definition or redefinition be direct accountability to the electorate. Participants appreciated the value of a refined definition but voiced reservations because of these concerns.

8. Amend the act to redefine "adjusted taxes" and "tax effort."

The objectives, clearly, would be to rectify current inequities, especially those arising from failure to include user charges and payments in lieu of taxes. The problem of handling truly proprietary charges was mentioned. No consensus emerged on this proposal.

9. Amend the act to provide bonuses for local government modernization.

In considering this proposal, participants once again tried to cope with the troublesome question of what actions would constitute modernization. They reiterated that modernization was more likely to be recognized than defined and better directed at process than at form. Although substantial additional funds probably could not be obtained for a bonus program, participants nonetheless hypothesized as to the probable effect of a 10-percent bonus. Some believed that there would be important results, especially if funds were channeled through the State under master plans formulated by States, with local government involvement, and Federal scrutiny. Bonuses were considered also for States which created climates and conditions conducive to modernization. It was agreed that a penalty system for failure to modernize would not be feasible, due to the

unfairness of punishing a local government in a State which did not cooperate with modernization efforts and to the ill will and possible circumvention likely to ensue in the absence of performance standards and workable definitions of modernization. Participants felt that, if feasible, a bonus program to foster local government modernization, administered through the States and dependent upon them to create conditions favorable to modernization, should be supported.

10. Amend the act to provide financial set-asides for purposes of local government self-examination and program evaluation.

The contemplated set-asides would be used only for self-examination leading to modernization (defined to include management improvement) and for program evaluation. There was considerable support for this amendment. Some participants felt set-asides would be more feasible than bonuses; others preferred an expanded section 701 program of the Housing Act of 1954 to further management improvement and program evaluation.

11. Amend the Housing and Community Development Act of 1974 and other appropriate Federal statutes to (a) require, as a condition of eligibility for the State area's share, a statutory authorization for the local activation, either by governing boards or by citizens directly, of metropolitan or local government commissions for studying and resolving proposals for improving the organization and financing of public services and submitting proposals for approval either to the State legislature or to an areawide referendum or (b) stimulate the States to form study commissions in substate regions to draw regional charters for consideration of adoption.

The proposal in either form would seek to force the States to make it easier for citizens and local governing bodies to initiate, study, and bring to referendums possible changes in the institutions serving the citizenry. A participant pointed out that the proposal might entail an

unconstitutional delegation of State legislative powers to these study commissions. Other participants expressed concern that the changes most likely to emanate from the processes outlined would be regressive. Participants did not agree on the proposal in either form.

12. Revenue sharing should not be considered an appropriate vehicle for fostering local government modernization.

This proposition was posed as an alternative to (9) and (10) and as a tactic to force reconsideration of this most basic issue. There was substantial sentiment that, although difficulties and dangers would accompany any Federal effort to induce local government modernization, the persistent and growing problems of metropolitan governance argued for such an attempt. There was, however, agreement against using the revenue sharing program as the sole or even primary new vehicle for encouraging such modernization. Participants stressed that any undertaking should be marked by flexibility; modesty of objectives; full awareness of the particular questionability of efforts to achieve structural change; and recognition that revenue sharing would remain but one component of a system of Federal grants, inducements, and strategies.

SUMMARIES OF THE PAPERS

The five commissioned papers, considered in draft form during the conference, provided factual and interpretive background for this study. Each author was asked to address three basic issues: (1) the scope and effectiveness of previous Federal attempts to influence local government conduct in metropolitan areas, (2) the feasibility and appropriateness of amending the Revenue Sharing Act to induce local government modernization, and (3) the specific form which such inducements should take, or, if he viewed inducements as infeasible or inappropriate, alternatives available to the Federal Government and to the States to help modernize local government.

Since, in any consideration of Federal encouragement of local government modernization, the key words requiring amplification and analysis are "encouragement" and "modernization," each of these terms was dealt with in a paper. Professor Elazar considered those modernization measures which might qualify for favored treatment through amendments to the Revenue Sharing Act and Professor Jones explored the forms encouragement might take.

One of the issues on which there exists a diversity of views is whether local government modernization would be enhanced if certain nonqualifying local units participated in revenue sharing. Mr. Kolderie and Professor Murphy were asked to concentrate, respectively, on arguments for and against such extension.

To complement these efforts, Mr. Grasberger dealt with revenue sharing's existing disincentives to local government modernization as these disincentives have operated in the Rochester, New York, metropolitan area.

Following are the summaries of these five papers as they were revised after the conference. The views expressed are not ours but those of the authors.

ELAZAR PAPER (see app. II)

One central and continuing task of those responsible for governing is to develop and maintain an appropriate

balance between the national interest in achieving certain common goals and the national desire to maintain maximum local self-government (itself a matter of great national interest). Because the American system has required large-scale intergovernmental collaboration, it has also necessitated a high degree of self-restraint on the part of the system's various partners to preserve both the spirit and form of the constitutional division of powers. Earlier in American history, this self-restraint was reinforced by rhetoric and doctrine, often written into the Constitution by the Supreme Court. Since the New Deal and increasingly since the 1960s, these reinforcements have been eliminated from the scene, thereby requiring more self-conscious exercise of self-restraint, particularly on the part of the Federal Government, if the principles and practices of the Constitution are to be preserved.

Revenue sharing is one major manifestation of this effort by Federal authorities to build self-conscious self-restraint into Federal policy. From the first, it was greeted with a certain ambivalence within the Federal executive and legislative branches, based upon a serious concern for other widely accepted principles of the American political tradition, namely, accountability and responsibility. General revenue sharing legislation was enacted only by incorporating this ambivalence within it. Now that renewal of the legislation is being considered, it is natural that these ambivalences should rise again.

Federal grants and other forms of funding may play an especially useful role where local governments are neutral regarding Federal goals. In such cases, the availability of Federal funds may enable local interest groups desirous of fostering particular activities to gain the additional leverage necessary to achieve their objectives. When the local governmental leadership does not have a clear stance one way or another, the availability of Federal funds may encourage it to act and even to accept the Federal standards involved without serious question.

Federal grants have minimal impact where there is widespread local opposition. In such cases, local governments, realizing that they must at least superficially conform to the Federal requirements, go through the motions while

arranging matters among themselves so as to assure that the review processes are all form and little or no substance.

Technical assistance is an effective way for the Federal Government to influence local governments, primarily because technical assistance is generally provided where a strong local interest already exists and, concurrently, a predisposition to use the assistance made available. There is good, if incomplete, evidence that argues for wider use of technical assistance.

Federal encouragement of local planning, whether through planning requirements attached to grants or through technical planning assistance, represents another way to influence local government conduct. More recent Federal efforts in planning have moved from attempting to stimulate local planning to attempting to force particular kinds of planning upon local communities. Such forced planning efforts have provoked deep local opposition that may have long range impacts clearly counterproductive to the intentions of those who first invoked Federal power in the matter.

In an increasing number of cases, the Federal Government can influence local government through regulation, especially in all those areas of economic regulation subsequent to the New Deal. The Federal Government acts unilaterally in these areas. Even so, Federal regulations does have a cooperative dimension as well as a coercive one. Most Federal regulations dealing with safety, fairness, and consumer protection simultaneously serve the interests of State and local governments insofar as all three seek to protect the citizen against unscrupulous private interests. Only since the 1960s have such measures attempted to be preemptive of State (and by extension local) enactments rather than supplementary, complementary, or reinforcing. The shift is particularly ominous because there is no evidence that it has brought improved results.

A final means whereby the Federal Government exerts effort to influence local government conduct is through politics. On the surface, this seems to be the most amorphous means of all, but it is also one of the most effective, as befits a democratic society. There is much to be said for achieving Federal influence over local government conduct in that way rather than in more blatantly coercive ways.

Recent Federal efforts beginning in the mid-1960s with President Lyndon B. Johnson's "creative federalism" have tended to increase the amount of coercion applied from Washington both legislatively and through administrative regulation (which frequently exceed in coercive content anything intended by a majority in Congress). The result has not been greater success of programs stimulated by coercive measures, even where overt local government conduct can be seen to have been influenced by them. Rather, such measures have contributed to what seems to be a breakdown in the quality of government services and the simultaneous decline of public confidence in government's ability to contribute to the solution of the Nation's problems.

The record shows that the impact of the Federal Government on local government conduct depends on the particular mixture of technical judgment, reformist values, and political interest brought to bear in any particular case. Where all three coincide, the Federal impact tends to be great. Where the first and last tend to operate against the Federal effort, the Federal impact is likely to be slight. In any case, political interest may well be decisive on either side of the equation, with technical judgment coming second and reformist values running a poor third, unless the reformers involved can manipulate the first two.

Local government modernization measures which have been put forward include structural and jurisdictional changes, administrative and fiscal changes, and strengthening of cooperative arrangements through negotiation or coercion. Whether proposed in connection with amendments to the Revenue Sharing Act or otherwise, such measures should be considered with three questions in mind: (1) What specific options have been suggested? (2) What is known about their utility, impact, and problems? (3) Which can appropriately be considered and which rejected in particular locational contexts?

Based on these and related considerations, the following factors become pertinent:

--The regional and multinodal character of larger metropolitan areas (those with populations over

250,000) suggests rejection of the "single city" concept in favor of variety, flexibility, and appropriate representation of all involved units.

- To restore balance within metropolitan areas, disannexation of central cities should be considered.
- Modernization which attempts to assign specific functions exclusively to specific planes of government should be avoided.
- The conventional modernization model--calling for larger administrative units to achieve improved efficiency--should be examined critically due to its tendency to produce disproportionately high supervisory costs.
- To achieve manageability and facilitate cooperation among units, modernization changes should seek to reduce the size of large administrative units.
- Modernization should encourage existing voluntary cooperative arrangements in planning, service delivery, and joint functions.
- Any use of Federal funds to stimulate local government modernization should focus primarily on local action to develop programs suitable for local needs and should require systematic local citizen approval, preferably by referendum, if substantial structural or jurisdictional changes are involved.

It would be both infeasible and inappropriate to amend the Revenue Sharing Act to provide inducements for modernization. In part this is because it is unclear precisely what modernization involves. The conventional model is being seriously challenged by the "new," nonhierarchical model which is closer to the original model of the founding fathers. Beyond that, the political and administrative problems of establishing a single, federally enforceable pattern are enormous, and actions along those lines are likely to be counterproductive. Moreover, the value

judgments to be made before such a plan can be enacted into legislation are very substantial.

One of the great values of federalism is the possibility it offers for diversity and experimentation. Both exist in the United States today, and any actions that might reduce either deserve long and careful consideration. Finally, congressional action to attach serious conditions to general revenue sharing would by any standard be a radical departure from the original premises of the revenue sharing idea and would change the character of revenue sharing beyond recognition.

JONES PAPER (see app. III)

The Government of the United States should play an active and frequently a leading role in the governance of local communities. Many national interests, affected by the actions of State and local governments, must be pursued in local communities. Thus it is appropriate for the Federal Government to seek to insure that governments on all three levels are capable and responsive agents of our national interests.

The authors of all five papers look upon the metropolitan area, or aggregations of such areas, as the critical local arena. In place of the two models of metropolitan reform described in appendix II (one of which would lead to a single, unitary metropolitan government, the other to a large increase in the number of small municipalities and to reliance on special districts and authorities to handle regional affairs), this paper proposes an intergovernmental model of metropolitan governance.

Large, complex metropolitan areas are governed by a mixture of individuals and organizations. Within the public sector there are Federal, State, and local governmental actions; within the local government sector there are the actions of many large, medium, and small counties, municipalities, and special purpose agencies.

The relationships among these entities are constantly changing. Although most of these actions and reactions are minor in consequence, and incremental, and can be handled

through the politics of accommodation, an increasing number of important matters are of regional import, including the interface among discrete actions. The latter must be addressed through extra-local and extra-functional organization.

It is clearly appropriate, and desirable, for the Congress to insist that there be formal arrangements for inter-governmental planning, decisionmaking, and administration of regionally significant matters. If a maximum of local self-government is also a national goal, it can be achieved only through a structure of intergovernmental relations operating simultaneously on regional, State, and national levels. The Congress has attached conditions to grants-in-aid and used other inducements to increase the responsiveness, efficiency, and effectiveness of State and local governments. As a result, the behavior of State and local officials has been modified.

The standards imposed in categorical grant programs, however, have always been Federal standards. The Congress should consider ways of developing and substituting inter-governmental standards for Federal standards. A potentially fruitful method would be to establish Regional Advisory Commissions on Intergovernmental Relations in each of the 10 Federal regions and charge them, under the leadership of the national Advisory Commission on Intergovernmental Relations (ACIR), with developing intergovernmental performance standards for planning, budgeting, personnel, and regional decisionmaking. Based on this work, Congress could replace the innumerable and sometimes conflicting requirements in existing Federal legislation and administrative regulations with an Intergovernmental Planning Act, a genuinely Intergovernmental Personnel Act, an Intergovernmental Fiscal Responsibility Act, etc.

Standards thus produced would not, in fact, be Federal, but intergovernmental standards. State and local governments would no longer be able to view such standards as an imposition from outside. They would accept them as the creation of all levels of government.

This paper recommends that Congress initiate the process of intergovernmental collaboration at the national,

State, and regional levels. The Revenue Sharing Act should be examined carefully to see that it contains no disincentives to such collaboration. Two recommendations for specific amendments to the Revenue Sharing Act are: (1) area wide planning agencies should be made eligible to receive revenue sharing funds and (2) recipient governments should be required to budget a specified percentage of their entitlements for program evaluation and the improvement of decisionmaking and management.

It is not improper to require recipients of revenue sharing to meet standards, hopefully intergovernmental standards, of responsiveness and effectiveness, provided they have discretion over the spending of funds. It would be inappropriate, however, to use general revenue sharing as the major vehicle for improving the responsiveness and effectiveness of State and local governments. This can be better done by enacting general legislation applicable to all recipients of Federal assistance, by attaching conditions, and using inducements in special revenue sharing and categorical assistance programs.

A basic assumption underlying this analysis and resulting recommendations is that we now have a three-component system of fiscal federalism: general revenue sharing with few strings; special revenue sharing and block grants, with more conditions, both programmatic and procedural; and categorical grants targeted to achieve specific objectives through more detailed procedures.

The Congress probably will continue all three forms of assistance. Categorical grants will be added as the need is perceived; from time to time, but not annually, some categorical grants will be incorporated into block or special revenue sharing grants; a full-fledged evaluation and review of general revenue sharing will occur even less frequently.

Both before and after legislative action the linkages among the three components, and the effect new and revised categorical and block grants will have on other objectives and programs, need to be analyzed. Congress should supplement current analyses with an Intergovernmental Impact Statement from ACIR before final action on any proposal to add, subtract, or modify a grant-in-aid.

The subtitle of this paper (what forms might inducements in the Revenue Sharing Act take to encourage local government modernization) is not discussed extensively, because general revenue sharing should not be the principal vehicle for modernization. Some inducements, however, are discussed briefly because they can be used in other Federal actions designed to achieve the same purposes.

Federal strategy should be to initiate and participate in governments' efforts to develop the responsiveness and effectiveness of each participant. Current Federal use of bonuses and penalties for failure to "modernize" through reform or cooperative action are weak, as suggested by an examination of regional review and comment as administered under Circular A-95.

The most important contributions the Federal Government can make to the "modernization" of State and local governments are: to recognize its responsibility as a partner in the governance of metropolitan America; to take the leadership in creating a process, and the concomitant structures, to evaluate intergovernmental policies and programs and to develop intergovernmental standards of capability and responsiveness; and to lead, where necessary, in mobilizing a supportive clientele for intergovernmental collaboration.

KOLDERIE PAPER (see app. IV)

The principal weakness in the governmental system of major metropolitan areas is the inability to address and to resolve the basic policy issues affecting such areas. This is especially the problem from the point of view of the Federal Government which is now increasingly responsible for financing the construction and operation of subsystems such as transportation, housing, health care, waste disposal, and the maintenance of public order. What is required is a political organization reflecting the new and metropolitan definition of the city; what exists is a political system reflecting the older, municipal definition of the city.

The modernization most needed, therefore, is a political mechanism genuinely able to make decisions on issues regarding the development of major urban systems. It is here that interests conflict. This can be resolved if an "umbrella" mechanism is created to fit the subsystems into a coherent program for the overall development of the region.

This mechanism should not be created by the Federal Government but by the States, specifically in State law. In our system the State legislatures have the real power to build and to rebuild the system of local government organization and finance. Any Federal strategy for local government modernization, to be successful, must begin by tapping the potential in State law.

Revenue sharing could be the vehicle through which the Federal Government induces this action by rewarding any State that establishes, in law, the A-95 agency for a metropolitan region or by requiring such action as a condition for a State to continue in the revenue sharing program. Such an inducement, or requirement, could be added to other Federal laws affecting metropolitan organization or development. It is important to get action. The Federal effort to modernize metropolitan governmental systems should not rely solely on the feasibility or appropriateness of including the inducement or requirement in the revenue sharing program.

It is better, for practical reasons as well, if particular modernizations are carried out by the States through their legislative processes rather than by the Federal Government. This would keep the Federal Government out of a political thicket; insure that the system of representation and voting is tailored to the particular laws and traditions of each metropolitan area; permit involvement of all affected parties--local officials, citizens, legislators, and the governor--in a structured process of decisionmaking; and result in a mechanism with formal status and true authority.

Establishing a statutory regional decisionmaking mechanism in this manner would be a modernization in itself and a process for stimulating a continuing modernization of the governmental system within the metropolitan area. This will be true, at least, when the regional mechanism (the successor to the present A-95 agency) is directed, both by State law and by Federal regulation, to return regularly to the State legislature with proposals for addressing and resolving problems in the major subsystems and in the system of urban governance itself.

There are five reasons to believe that a statutory mechanism, thus equipped and charged, will produce continuing modernization of the governmental system.

1. Indepth examination of major urban problems will show that most of them have important regional dimensions and are unlikely to be resolved effectively without establishing some form of regional decisionmaking body.
2. The requirement that the statutory A-95 agency face toward its State legislature (rather than toward the Federal Government or local units) will insure that the agency's proposals will move to that body with the greatest authority and willingness to make substantial changes in the urban governmental system.
3. The prospect of State action, and particularly the prospect that the State legislature may create new regional agencies to operate regional systems, will give municipalities and counties an incentive to cooperate in solving regional problems.
4. A revenue sharing bonus given to a State for the establishment of statutory A-95 agencies can be used to create and support particular modernizations directly (for example, a regional police communications system or regional data-processing system).
5. Particularly if established simply as management agencies, with operations left to county and municipal units, the regional agencies responsible for transportation, waste disposal, open space, etc., will have the incentive and the ability to seek out, continuously, more effective ways of delivering services.

This strategy for inducing modernization, by introducing into the system a statutory regional agency charged with making recommendations for solving problems to its State legislature, has never been tried by the Federal Government. It should be tried, and revenue sharing could be an appropriate vehicle.

MURPHY PAPER (see app. V)

The need for local government modernization is obvious. Cities and counties are now called upon to do more for their citizens than ever before. At the same time, the service patterns of local government have been affected by the growth of metropolitan areas, the uneven distribution of need and ability to pay, and the need for intergovernmental approaches to solve selected problems.

In some cases State legislation or even constitutional change is required to facilitate annexations, consolidations, home rule for counties, compacts, transfers of functions, and establishment of regional authorities or multipurpose special districts. Some States require that the public vote on some of the above changes, which can be a barrier if the change involves tax increases, concurrent majorities in several jurisdictions, or change in city-suburban or city-county relations. Also counties, cities, and special districts with vested interests are fighting to block modernization.

Even after these barriers are overcome, structural changes, functional adaptations, and new powers for local governments are not self-executing. Local governments need professional management. The failure of States to periodically review and reform local governments has allowed the continued existence of fragmented and antiquated local government systems that cannot cope with today's problems.

A number of the public units currently servicing governmental needs are not qualified to receive revenue sharing funds because they have specialized missions and do not meet the definition of general purpose local government. Non-qualifying governments at the regional and metropolitan levels include: regional planning councils, COGs, economic development districts, various public authorities, and metropolitan service districts. There are also regional and subregional single purpose special districts, and school districts, which are a special variety of single purpose special district.

All these nonqualifying units, except school districts, are potential competitors for the functions which are or

could be the responsibility of general purpose governments. Revenue sharing should not be extended to nonqualifying governments because it would

- provide money to units which have less public accountability than general purpose governments;
- reduce the impact of citizen participation and hamper the effectiveness of public-interest lobbying on governmental decisions;
- distort local priorities and local determination of priorities;
- foster duplication of public services at a higher rather than lower cost;
- further fragment governmental authority, leadership, and decisionmaking;
- not substantially improve the effectiveness of regional and metropolitan type organizations because their nonfinancial problems are even more serious than their lack of funding;
- lead to further deemphasis of expenditures for human needs; and
- reduce the likelihood of local government modernization.

These nonqualifying units, however, do have a place in the metropolitan governmental structure. They provide indispensable functions and should be strengthened. There are ways of doing this without reducing the effectiveness of general purpose local governments and without perverting the philosophy of the general revenue sharing program.

General revenue sharing funds should not be given to nonqualifying units, such as COGs or special districts. The negative effects of allowing nonqualifying units to receive this money outweigh the positive effects. It would most likely lessen the amount of funds general purpose local governments now receive. It would encourage the expansion

of nonqualifying units to the detriment of local governments, remove the initiative from local units, and lead to more diffusion of decisionmaking. Other ways should be found to fund the nonqualifying units.

GRASBERGER PAPER (see app. VI)

In spite of some recent advances, most State and local governments have yet to emerge as modern and viable institutions capable of effectively addressing current and future problems. Past Federal efforts to influence the conduct of local governments, for the most part, have emphasized the improvement of discrete public services, effective performance of which was deemed to be in the national interest. While there is agreement that these measures have had some effect on local government structure and processes, it is not possible to isolate this impact. Efforts directed specifically at enhancing local government capacity have had a checkered record of success and failure. Yet, given additional time and especially more funds, these efforts are being given a better than average chance to attain their goals.

General revenue sharing, before its enactment, was suggested by some as an appropriate vehicle to promote a national objective of State and local government modernization. Many of the arguments advanced by the proponents of this approach have retained validity. But one of the prime advantages of this suggested approach, the use of substantial amounts of new moneys, has since disappeared. The feasibility of reshuffling the existing distribution scheme is severely impaired by widespread and well-organized support by interest groups for continuing the present system. Moreover, the likelihood of appropriation of new revenue sharing funds over and above current levels is very small at present.

Should new moneys become available, or should it be possible to divert some of the present moneys, they could best accomplish the purposes of government modernization if used as incentive grants and reward bonuses. To attain modernization, States and localities should be given great freedom and flexibility in establishing reformed master plans, criteria for bonus eligibility, and systems for bonus rewards.

Even if nothing results from suggesting a national effort to stimulate local government modernization, there remains the challenge of amending the Revenue Sharing Act to reduce the impact of those features which tend to thwart modernization.

Disincentives to local government modernization arising from general revenue sharing operative in the Rochester area are ascribable primarily to the elements and workings of the allocation formula and to the lack of assurance of program continuity. The definition of "adjusted taxes"--which excludes user charges, special assessments, and payments in lieu of taxes--tends to hamper efforts to rationalize and diversify local revenue structures and acts to further impede the provision of subsidized low- and moderate-income housing. The exclusion of school taxes has forced the city of Rochester to engage in intensive accounting manipulations to secure a reasonable allocation for general city purposes. The hierarchical intracounty allocation procedure discriminates among villages, towns, and the city because of their governmental classifications. The requirement of crediting taxes to imposing governments accords unfavorable treatment to governments which contract for services with upper tier jurisdictions. The infusion of disproportionately large amounts of revenue sharing funds to small and wealthy jurisdictions tends to retard local efforts directed toward consolidating functions and jurisdictions. The lack of assured program continuity has induced local governments to allocate large portions of revenue sharing funds for capital purposes and programs of a one-time nature.

While it is still too early to measure the full impact of these and other disincentives to local government modernization, they are being perceived with increased clarity by local government officials. To help insure that efforts or desires to modernize local government are not subordinated to grant maximization, the Congress should take prompt remedial action.

Participant Roster

Conference Phase

THE POSSIBILITY OF AMENDING THE REVENUE SHARING ACT
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AMENDING THE REVENUE SHARING ACT TO
ENCOURAGE LOCAL GOVERNMENT MODERNIZATION:
WHAT MODERNIZATION MEASURES MIGHT QUALIFY FOR
FAVORED TREATMENT

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The views and opinions expressed are those of the author.
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INTRODUCTION

In the American system of government, one of the central and continuing tasks of those entrusted with the responsibilities of governance is to develop and maintain an appropriate balance between the national interest in achieving certain common goals and the national desire to maintain maximum local self-government (itself a matter of great national interest.) From the first, the American people determined that in order to do this, a proper constitutional basis was required, hence, the adoption of federalism as the basic principle for organizing political power among governments in the United States. The constitutional distribution of power among many centers was designed, among other things, to guarantee that both the general interest of the American people and their special interests as residents of particular places or members of particular groups would find appropriate means of expression. At the same time the frequent necessity to harmonize those interests for the common good has necessitated the development of legal, political, and administrative mechanisms within the constitutional framework. From the first, the dynamic character of American society has led to a cooperative federalism whereby the various units of government have sought to interact with one another to achieve those goals which they have shared in common. Despite rhetoric to the contrary, which at one time was even embodied in doctrine, the United States did not choose, and probably could not have chosen to preserve its federal distribution of power by clearly separating tasks and functions among different planes of government, as has been the method of operation in certain other federal systems.¹

Because the American situation has required intergovernmental collaboration on a large scale, it has also necessitated a high degree of self restraint on the part of the various partners within the governmental system in order to preserve the spirit of the constitutional division of powers as well as the form. At an earlier time in American history, this self-restraint was also reinforced by rhetoric and doctrine, often enunciated by the Supreme Court. Since the New Deal and increasingly since the 1960s, the old rhetoric and doctrines have been eliminated from the scene, thereby requiring more self-conscious exercise of self restraint, particularly on the part of the Federal Government, if the principles and practices of the American Constitution are to be preserved.²

Revenue sharing is one major manifestation of this effort on the part of the Federal authorities to build self-conscious self restraint into Federal policy. From the first, partisans of federalism, Democratic and Republican alike, looked to revenue sharing as a means for doing just that. The argument that bound them together, whatever the form of its delivery, was that, given the superior and more equitable revenue raising resources available to the Federal Government as a result of the adoption of a national income tax, it would be sound policy to utilize that mechanism to provide the States and their local subdivisions with a guaranteed share of those tax revenues to utilize essentially as they saw fit. In this respect, revenue sharing was to be one among several responses to the need to create new mechanisms for the preservation of the country's original constitutional principles under contemporary conditions.³

From the first, this principle of self-conscious self restraint was greeted with a certain ambivalence within the executive and legislative branches of the Federal Government, based upon a serious concern for other widely accepted principles of the American political tradition, namely, those of accountability and responsibility. The question was raised as to whether that government responsible for raising funds through taxation of the citizenry should not also be directly accountable for their expenditure. A second question was raised as to whether the provision of unrestricted funds to governments without forcing them to assume the responsibility for raising those funds would not weaken their responsiveness to their citizens in certain fundamental ways.

General revenue sharing legislation was enacted only by incorporating this ambivalence within it. Thus the partisans of revenue sharing had to concede to Congress the right to establish formulas as to which governments would get how much and impose certain general restrictions and accountability requirements upon all recipients. On the other hand, opponents of revenue sharing were forced to concede wide discretion to the States and localities in the use of the appropriated funds. Now that renewal of the legislation is being considered, it is natural that these ambivalences should rise to the surface once again, perhaps even more forcefully than was originally the case because each side can now point to actual examples to buttress its case, rather than being forced to rely upon theoretical projections. Moreover, as is

generally the case with large-scale government programs, evidence can be mustered on every side of the argument in such a way that the record itself will not be conclusive in one direction or another but, rather, subject to interpretation by supporters of this position or that.

It is at this point that efforts are made to bring social research into play to do whatever is possible to assemble a clear picture of the record of revenue sharing to date and to analyze that record in the hope of generating a proper empirical basis for drawing conclusions for future policy and action. That is all to the good and is certainly an appropriate way to approach the problem. On the other hand, all research must begin from a prior question and it is all too easy to pose that question in a "When did you stop beating your wife?" manner. There is much of that in the assignment given us here. The very title of this series of papers reflects certain a priori assumptions that perhaps should not be made if a proper social and political analysis of the current situation is to be made. I note this at the outset of my paper because I will make every effort to avoid being confined by the a priori assumptions that seem to be embedded in the question in order to provide the best possible basis for answering it.

EFFECTIVENESS OF PRIOR FEDERAL EFFORTS TO INFLUENCE LOCAL GOVERNMENT CONDUCT

Since the founding of the Republic and even before, the Federal Government has attempted to influence local government conduct in one way or another.⁴ As early as 1785 when the country was still governed by the Articles of Confederation, the Congress enacted the Northwest Ordinance of that year which provided for Federal grants to townships in the western territories to encourage them to establish publicly supported primary schools. The land grant system initiated thereby continued to develop throughout the nineteenth century to become an important means for encouraging local activities in the national interest, primarily, but not exclusively, outside of the original thirteen States. For the most part, these were activities widely recognized on the part of Americans of all political persuasions to be desirable. Hence, local government did not look upon these Federal grants as efforts to coerce them into undertaking programs not in

their interest, but rather as supportive devices to enable them to do what they would have wanted to do in any case. If this was not true in every case, it was sufficiently true to be considered the dominant local response. Confirmation of this can be found in the fact that the people of the original thirteen States wanted to acquire similar Federal assistance to undertake similar tasks and applied sufficient pressure on Congress and the President to bring them to devise ways whereby such Federal support would be forthcoming. Thus, the land grants to the new States (by 1850 a majority of the total) were paralleled by the great surplus distributions of the 1830s and 1840s (an early form of revenue sharing) and by Federal reimbursements of ostensible State expenditures for national defense in connection with the country's nineteenth century foreign and Indian wars. Beginning in the late nineteenth century, when suitable land was no longer available in sufficient quantities, cash grants were introduced on a nationwide basis to achieve similar purposes, out of which grew the elaborate Federal grant-in-aid system of today.

Factors affecting local cooperation and resistance

What of the effectiveness of Federal grants-in-aid and other forms of funding in influencing local government conduct? Several general propositions can be suggested. Where there was a commonality of interest, Federal and local, in achieving certain goals, Federal aid was very effective indeed. So, for example, as the country embraced the principle of publicly supported primary education, locality after locality made good use of Federal grants to create the country's public school system even though those early grants had relatively few sanctions for noncompliance attached to them and almost no effective means for their revocation.

One of the common requirements attached to Federal land grants was that the lands be sold and the funds placed in a so-called permanent fund whose interest would be used to support the function to be aided. While the Federal Government rarely acted to oversee implementation of this provision, in fact, the provision was implemented almost without exception on the part of States and localities under varying arrangements suitable to different local conditions with good results. Many of these permanent funds remain in existence

today, over 100, and, in some cases, over 150 years since their establishment, and continue to provide support, albeit modest by today's standards, for the functions for which they were established.

Where there was local reluctance regarding the purposes of the grant, as, for example, in some of the southern States in connection with the provision of public schools, the Federal efforts were less effective. This has generally been the case in American history and continues to be. In fact, there seems to be something less than a one-to-one correlation between the extent of Federal controls and the degree of Federal enforcement on one hand, and the effectiveness of Federal efforts to influence local conduct on the other. That is to say, while the Federal Government can impose its will when it chooses to do so, to a certain degree, the mere existence of requirements or enforcement mechanisms does not necessarily lead to the desired results. Under the American system with its wide open channels for access and negotiation, local governments find ways to modify even the most drastic Federal edicts if they choose to make a supreme effort to do so. In any case, Federal enforcement is usually achieved by prolonged negotiation of its terms rather than by fiat, even where Federal grants, which technically can be revoked, are involved. In part, this is because revocation of Federal grants is in itself problematic. Not only are there political pressures that can be brought into play against any specific acts of revocation but proponents of the program involved generally recognize that revocation of a Federal grant is likely to lead to no local activity whatsoever, thus defeating their purpose, which is to stimulate local activity, even under less than perfect conditions.

Federal grants and other forms of funding may play an especially useful role where local governments are neutral regarding the Federal goals involved. In such cases, the availability of Federal funds may enable local interest groups desirous of fostering particular activities to gain the additional leverage necessary to bring their local governments into the picture. Since the local governmental leadership does not have a clear stance one way or another, the availability of Federal funds may well encourage them to act and even to accept the Federal standards involved without serious question.

Federal grants have minimal impact where there is widespread local opposition. By this I mean opposition that extends nationwide to a substantial degree. The Federal Government can overcome pockets of local opposition, particularly when it has the support of the States, if those pockets do not reflect a stance widespread throughout the country. One of the reasons why the recent efforts to promote metropolitan-wide planning have had minimal success--and they have had only minimal success--is because of well-nigh nationwide local reluctance to accept them, if not downright opposition on the localities' part. In such cases, local governments, realizing that they must at least superficially conform to the Federal requirements, go through the motions while arranging matters among themselves in such a way as to assure that the review processes are all form and little or no substance.

Widespread local resistance to Federal efforts has become particularly evident in recent years, primarily because it is only in recent years that the Federal Government has attempted to unilaterally influence local government conduct without first seeking a nationwide consensus in support of its efforts. As indicated above, the original grant programs and even those of the New Deal period were generally Federal responses to widespread local initiatives. A national consensus would form on the virtues of establishing a public education system and the Federal Government's superior revenue raising powers (which have always existed in one form or another) were mobilized to support the effort. The country wanted to "get out of the mud" and mobilized the Federal Government to support State and local highway construction. Even welfare, a more controversial area of governmental activity, was widely accepted as necessary before the Federal Government enacted the great cooperative welfare programs in the 1930s.

Beginning in the 1950s however, Congress seemed to be increasingly receptive to providing Federal support for programs with limited constituency backing. So, for example, supporters of better public libraries were able to secure a grant program from Congress in the 1950s even without having to mobilize widespread State and local interest in library development. Since libraries were generally considered a good thing, the Federal program provoked little opposition

and, once enacted, served to stimulate matching State and local efforts with generally good results.

By the 1960s, however, similarly limited interest groups were able to influence Congress to enact programs which not only had no widespread support but actually provoked widespread opposition. Many of the poverty programs fell into that category. Regardless of their merits in the abstract, they represented successful efforts of certain interests with very limited appeal. Hence, once they had to be implemented at the grass roots it was relatively easy for local communities to utilize governmental and nongovernmental resources to frustrate them, despite a massive Federal effort on their behalf.⁵

The urban renewal program as an example

The history of the urban renewal program is particularly instructive in this respect. The original urban renewal grant program was enacted in the 1950s in response to the efforts of a very limited constituency. In fact, the Urban Renewal Administration had to spend the first 10 to 15 years of its existence in mounting a massive effort to gain local support for its program, simply in order to give its money away. One way in which it mobilized this support was by lowering Federal requirements for local participation or by recognizing formal and insubstantial local efforts at compliance as sufficient to meet the Federal requirements. For example the urban renewal grant legislation required that local communities adopt building codes in order to qualify for funds. The Urban Renewal Administration, in an effort to convince reluctant localities to participate in the program, was willing to accept the most flimsy building codes as sufficient for compliance and effectively agreed not to make any demands for their enforcement. Many of the failures of urban renewal as a program that have come to the public attention in recent years stem from this effort to secure widespread local use of a Federal program that did not have widespread local support. The end result may have been the achievement of a nationwide basis for urban renewal but at the expense of the original goals of the program. All too often, urban renewal became the handmaiden of relatively narrow special interests whose own profitmaking goals were in direct conflict with the

goals of the reformers who were able to secure enactment of the program in the first place.⁶

Technical assistance

Another means used by the Federal Government to influence local government conduct is through the provision of technical assistance. Here, too, the earliest Federal action goes back to the early republic when the Federal Government, by virtue of its maintaining the only engineering school in the country at West Point, had a virtual monopoly of civil engineers in the United States. In the early nineteenth century, these civil engineers, as members of the U.S. Corps of Engineers, were lent to States and localities to undertake public works projects for specified periods of time.

Contemporary Federal technical assistance programs are, in some respects, more elaborate and, in others, represent a retreat from that earlier position. Very few temporary transfers of personnel occur today. At the same time, technical assistance remains a most effective way for the Federal Government to influence local government conduct, primarily because it is generally provided where a strong local interest already exists. With that strong interest comes a predisposition to utilize the assistance made available. In an age where the tendency is to assume that people and institutions will only respond to sanctions, explicit or implicit, technical assistance is not looked upon with great favor as a means of spreading Federal influence. Nevertheless, there is good, if incomplete, evidence that argues for wider use of technical assistance. The evidence is incomplete, primarily because in the pursuit of new means of levying sanctions, little has been done to study the impact of technical assistance since the nineteenth century.

Planning assistance

Federal encouragement of local planning efforts, whether through planning requirements attached to grants or through the provision of technical planning assistance, represents another means whereby the Federal Government seeks to influence local government conduct. While primarily a product of the New Deal period and after, this means also has its roots in early American history. Indeed, the Federal land

survey of the great bulk of the United States, begun in the 1790s and not yet completed in the remote parts of the land, probably remains the greatest single Federal planning effort ever undertaken in this country. The Federal land survey virtually determined the planning of local communities throughout the public land States and continues to do so because of the patterns of land ownership and development which it established then. Here, too, there were no sanctions attached to force local governments to follow the survey lines. In fact, one would be hard put to say that the survey was even directed to forcing local conduct into specific patterns, but the objective conditions which it created, reinforced by congressional land grants based upon the divisions established by the survey, brought about that result.

More recent Federal efforts in the planning sphere have moved from attempting to stimulate local planning activity to attempting to force particular kinds of planning upon local communities. It has been argued that the stimulatory efforts of the 1950s and early 1960s were less than successful. If the measure is the creation of master plans and their implementation, then that judgment must stand. However, the question can be raised as to whether those are the best criteria by which to judge the effort. One clear result was the strengthening of the planning profession and the diffusion of professional planners to communities of all sizes around the country. In the last analysis, the creation of professional planning staffs in those communities will probably have greater long-range benefit than is generally recognized among evaluators of the programs today.

Here, too, little if any research has been done to determine what impact the diffusion of planning professionals has had to date, but those who understand the realities of government know that proper staff is inevitably likely to have greater impact than any kind of paper plans. If that impact has not been as great as it could be, it is partly because the planners themselves had to go through a period during which their efforts were focused on master plan making without regard for process and implementation and only now have reached a level of professional development that permits substantial numbers of them to see beyond that problematic effort. In quite a few communities, especially in those where the professional planners came upon this wisdom early, the Federal effort has already paid off enormously, even if not in the ways initially expected, without any linkage to potential sanctions because the local communities themselves

have learned the value of certain kinds of planning and have learned to make use of their planning professionals in useful and appropriate ways.⁷

Forced planning efforts, on the other hand, have provoked deep local opposition that may have long-range impacts that are clearly counterproductive to the intentions of those who first invoked Federal power in the matter. The very use of Federal power in a forcing way is a product of the late 1960s, when the last of the earlier restraints of rhetoric and doctrine were swept away and the need for Federal self-restraint was as yet unfelt. In almost every case, Federal power was invoked when a small minority of reformers, convinced of the rightness of their position, were able to get the upper hand in either the Federal executive or legislative branches without having broad based support. Indeed, their very willingness to use force is an indication of how much of a minority they were and how deeply they felt the necessity to force compliance with their schemes. Their situation was a classic one which can almost be summarized as: the greater the consensus the less the inclination to use force; the less the consensus the greater the inclination to do so.

The use of force on the part of a determined minority convinced of the rightness of its cause may lead to farflung changes in political systems built differently than that of the United States; but in America, unless the determined minority can evoke the response of the majority (as did the civil rights movement between 1954 and 1968), the very character of the polity will intervene to block its attempt. Unfortunately, in the process damage may be done to the country's institutions as well as to the reformers' cause, in equal measure.⁸

Federal regulations

In an increasing number of cases, the Federal Government can influence local government conduct through regulation. This is particularly true in all those areas of economic regulation into which the Federal Government has entered since the New Deal. These are areas in which the Federal Government acts unilaterally.⁹ A particularly striking example can be found in relation to the 1973-74 energy crisis during which the Federal Government even went so far as to

set maximum speed limits without so much as a single serious voice raised to question the constitutionality of its action. Wage and price controls represent another such manifestation. Simple observation suggests that direct Federal regulation of this kind has very great success in influencing local government conduct, although it should be noted that there is a total absence of studies to determine just what the effect is and whether or not affected State and local bodies are able to utilize other means to significantly modify the impact of such regulation. At the same time it is also true that the greater the effect that such regulation has on local government conduct, the more likely it is to be in clear violation of the spirit of federalism if not of the letter of the Constitution. Thus, utilization of this form of Federal influence may lead to great success in achieving certain reforms but will also do great damage to other principles of the American political tradition.

It should be noted that even so unilateral an act as Federal regulation does have a cooperative dimension as well as a coercive one. Most of the Federal regulations having to do with safety, fairness, and consumer protection simultaneously serve the interests of State and local governments insofar as all three seek to protect the citizen against unscrupulous private interest. The earliest direct Federal regulation of commerce, going back to the late eighteenth century, involved the setting of Federal standards for bonded whiskey (a regulatory system still very much alive). As the first piece of Federal consumer protection legislation in the United States, it has subsequently been followed by a long chain of such regulatory legislation, much of which is parallel to State legislation and local ordinances dealing with the same matters. Another early piece of federal regulatory legislation, that setting safety standards for steamboats plying America's rivers, was also but the first in the long line of similar measures. Only in the period since the 1960s have such measures attempted to be preemptive of State (and by extension local) enactments rather than supplementary, complementary, or reinforcing. The shift is a significant one and is particularly ominous because there is no evidence whatever that it has brought improved results.

One early example of Federal Government use of its regulatory powers preemptively has left a record that can

be judged. The Interstate Commerce Commission was initially established to supplement State efforts to regulate the great interstate railroads whose interstate character had seemingly placed them beyond the reach of State control. After World War I, Congress effectively preempted railroad regulation for the ICC and then when the States could no longer do more than petition against abandonments of service, the Commission proceeded to foster the demise of much of America's railroad network, in a way that probably went against true national as well as local interests. Since then, there has been a continuing confrontation between State and local governments speaking for the interests of their populations on one hand and the ICC on the other regarding railroad mergers, further reduction of services, and the like. In retrospect, the States and localities may well have been better spokesmen for the long-range national interest than the ICC in a majority of the cases.

Political persuasion and the
limits of coercion

A final means whereby the Federal Government exerts effort to influence local government conduct is through politics. On the surface, this seems to be the most amorphous means of all, but it is also one of the most effective as benefits a democratic society. Of course, it is the oldest form of Federal influence. During the Revolutionary War, it was perhaps the only form available to the embryonic Federal Government. Woodrow Wilson and Franklin Delano Roosevelt masterfully used political channels to influence local government conduct in the development and implementation of the New Freedom and the New Deal.¹⁰ Both Presidents were especially active in utilizing political persuasion and "clout" in dealing with State and local officials, directly or through their agents. In that, they were no different than most other activist Presidents but because of the circumstances, their efforts represent models of how politics is used most skillfully to those ends. While politics is not always a matter of persuasion and frequently has extraordinarily coercive aspects of its own, still there is much to be said for achieving Federal influence over local government conduct in that way rather than in more blatantly coercive ways.

Looking back over American history, one finds that recent Federal efforts, beginning with the mid-1960s and President Johnson's "creative federalism" have tended to increase the amount of coercion applied from Washington both legislatively and through administrative regulations (which frequently exceed in coercive content anything intended by a majority in Congress). The end result has not been greater success in the achievement of the goals that are stimulated by coercive measures, even where overt local government conduct can be seen to have been influenced by them. Rather, such measures have contributed to what seems to be a breakdown in the quality of government services and the simultaneous decline in public confidence in the Government's ability to contribute to the solution of the nation's problems. If this seems paradoxical, perhaps we should reexamine the basic premises that brought about the increase in coercion at the expense of seeking consensus in the first place.

In that respect, the New Deal period is worthy of particular attention, not so much in the conventional way as a turning point between an era of simpler government toward one of far greater government complexity and intervention, but as a period in which, for a variety of different reasons, the Federal Government sought to work with the States and localities by properly mixing sanctions and consensus building. Franklin Delano Roosevelt himself was the architect of that policy, often insisting upon it in the face of his keenest advisors whose own instincts for reform led them to seek to coerce all those reluctant to embrace their ideas. As a wise politician with significant statehouse experience, FDR was not to be lured into that trap. Instead, he sought to stimulate and conciliate to achieve broad-based reform on the Federal, State, and local planes in such a way as to do minimal violence to the traditions of local self government so widely valued by Americans.¹¹

Of necessity, even FDR had to use methods appropriate to a great emergency which the crisis of the Depression truly was. In times of greater normalcy, it may be that earlier periods of the American Republic also offer us models from which to choose in developing a proper balance between Federal efforts to influence local government conduct and the legitimate rights of States and localities to define

their own goals, establish their own institutions, and implement their own programs and policies.

In the last analysis, the historical record shows that the impact of the Federal Government on local government conduct depends upon the particular mixture of technical judgment, reformist values, and political interest brought to bear in any particular case. Where all three coincide, the tendency will be for the Federal impact to be great. Where the first and last tend to operate against the Federal effort, the Federal impact is likely to be slight. In any case, political interest may well be decisive on either side of the equation with technical judgment coming second and reformist values running a poor third, unless the reformers involved are able to manipulate the first two. This is so despite the fact that the American political system was one of the first in the world, along with that of the United Kingdom, to institutionalize reform as a constant element in the country's political life. What it simply means is that reformist values are subject to tests other than those of the sentiments of the people who espouse them or the often faddish analyses of the intellectual community. The Federal Government can, and indeed has, stimulated reform but only reform that to at least some degree passes the tests of technical judgment and political interest.

THE FEASIBILITY AND APPROPRIATENESS
OF UTILIZING THE REVENUE SHARING ACT
TO INDUCE LOCAL GOVERNMENT MODERNIZATION

The conventional reform model

In order to answer the question implicit in the foregoing heading, we must answer three prior ones, namely, what is "modernization," what is "appropriate," and what is "feasible." I propose to take them each in turn.

For many, it will seem unnecessary to answer the question "What is modernization?" There is, indeed, a conventional model of what constitutes modernization of local government abroad in the United States which, if not derived from any single commonly accepted text, has been sketched out with more or less fullness in countless reports, blueprints, and proposals for local government reform. The key

elements in this conventional model generally include governmental consolidation, strengthening technocratic generalists, and loosening popular fiscal restraints.¹² Governmental consolidation is advocated along two dimensions. The first concerns the consolidation of governmental units, particularly merger of special-purpose governments, into general-purpose ones and smaller jurisdictions into larger ones on the assumption that the fewer different centers of political authority, the more efficient governmental operations will be and the easier access the public will have to them. The second concerns the consolidation of governing bodies so that there will be fewer possibilities for the representation of special or narrow interests and greater opportunities for executive control of decisionmaking, on the assumption that small councils and strong executives will better represent the general interest because they will be more likely to have an overarching view of the "whole picture."¹³

Increasing the power of technocratic generalists means, more explicitly, enhancing the role of planners and managers not committed to any particular governmental function but to the planning and management of all functions together on the assumption that trained generalists are likely to be even better than elected generalists in understanding what the community needs.¹⁴ Loosening the fiscal restraints upon government in both taxation and borrowing is advocated so that governmental leaders need not gain popular consent for undertaking what may prove to be unpopular programs in an immediate sense but which promise to serve the long-range good of the community as they understand it, on the assumption that people will vote for their narrow interests and not perceive the long-range good of the community as well as will their leaders.¹⁵

To this very general list it is possible to add a variety of specifics depending upon variations of time and place. Thus, until the mid-1960s increasing the power of experts of all kinds was considered to be modernization while, since the mid-1960s, reformers have concluded that only expert generalists deserve to have their power increased since other experts are "neo-feudalists" concerned only with their specializations and need to have their power curbed. Similarly, modernization according to this model generally means

regarding the normal everyday interests of the average American as very narrow and more likely than not to frustrate the long-range interests of the community. Since the mid-1960s, however, the same interests, when identified with the poor, have been deserving of special representation within the local body politic.

These elements of the conventional model of modernization are all derived from certain basic assumptions regarding what constitutes efficient governmental organization. Those assumptions are, in turn, based upon principles of hierarchical organization injected into the stream of American thought by turn-of-the-century reformers beginning with Woodrow Wilson and reinforced by the ideology of American business of that same era.¹⁶ The theories themselves were based upon admiring observation of the French and Prussian (and later German) models of administration which emphasized hierarchical arrangements, control from the top downward, bureaucratic structures in which each element has a particular role to play with a clear position in the hierarchy and all bound together by a sense of responsibility to a reified "state."¹⁷ Turn-of-the-century reformers like Woodrow Wilson were explicit in their admiration of the French and Prussian models of administration. Many of the intellectuals among them were equally explicit in their admiration of the English model of legislative organization, namely, one supreme parliament functioning as the single center of political power in the society.

Wilson was one of the founders of the since dominant school in American political science which holds that civil society can only be organized properly if there is a single center of political authority and power. If he argued that this center should be the legislative body, his successors, particularly after the rise of the New Deal, saw that center to be located in the Presidency. Outside of the Federal Government, this school of thought has consistently argued that modernization means strengthening governors at the expense of legislatures, mayors at the expense of city councils, and bureaucratic organization at the expense of political negotiation, up and down the line.

It is fair to say that this conventional model of modernization did have a certain subjective validity during a

certain period of recent American history. At the turn of the century, the combination of excessively diffused formal power points on every plane of American government, combined with the rise of extralegal and usually corrupt political bossism outside of the formal framework as a means of coping with this excessive diffusion of responsibility, legitimately demanded reform in the direction of the practical suggestions of these reformers. The process of making those reforms has taken the better part of the twentieth century to date and, given the diffuse character of the American federal system, has not uniformly penetrated every corner of the system even now.

At the same time, by the mid-1960s the overwhelming majority of the reasonable proposals of the reform movement had been very widely implemented (if not always with the intended results) while those that had not had been seriously considered by large segments of the American public and rejected after consideration and not simply out of hand. In many respects then, continued emphasis on reforms suggested by this conventional model reflects the fatal error of so many people seeking to implement an initially good idea, namely, carrying it to excess by insisting on bringing it to its logical conclusion rather than halting at the moment when its implementation reaches the point of diminishing returns. At that point, the idea ceases to be a living thing and becomes an ideology where doctrinal purity becomes more important than empirical validation.

The "new" reform model

While many of the practical reforms drawn out of the conventional model were being implemented within the framework of the existing system of government in the United States, evidence began to accumulate and ideas began to be tested that should lead us toward the development of a new model of modernization, one more suited to the contemporary situation--more "modern" if you will. As has so often been the case in American history, the business community was the first to encourage this exploration and to recognize the implications of the results. They soon discovered several important truths: (1) there is no single best way to organize an enterprise; (2) every enterprise at some point reached a maximum size beyond which efficiency of control

and production are impaired and that the size varies in every case with the character and functions of the enterprise; (3) in an age requiring highly specialized knowledge and skills, specialized production units are needed at least for certain purposes and attempts to combine such units hierarchically under generalist control is often counterproductive; and (4) patterns of diffusion of expertise in a complex environment mean that hierarchical systems of organization are becoming increasingly obsolete from an organizational efficiency perspective.¹⁸

Slowly but surely, political scientists and economists began to discover that what held true for business held true in its own way for government as well. The Advisory Commission on Intergovernmental Relations, long one of the stalwart proponents of the conventional model, found that past a certain point, increased city size did not bring with it increased efficiency in the delivery of public services, and past another point, increased size actually brought with it a reduction in efficiency.¹⁹ The Indiana University Workshop in Political Theory and Policy Analysis discovered that metropolitan consolidation often brought lessened satisfaction on the part of the citizenry with delivery of public services while not increasing the efficiency or lowering the cost of their delivery either.²⁰ The blacks and the poor brought very forcefully to our attention that small city councils lessened their chance of being represented in the formal decisionmaking arena, requiring them to take to the streets to make their voices heard.²¹ The American experience with Vietnam and Watergate has brought home the lesson of what happens when the principle of a single center of power in the Presidency is almost realized and the President begins to believe the new doctrine.

As Americans began to discover the weaknesses of the consolidationist-hierarchical models, it became apparent to more and more of us that reforms designed to translate them into reality did not represent modernization at all but rather a return to forms of government which were old at the time of the Founding Fathers and against which the founders of the Republic rebelled. Today a new model of modernization has begun to emerge from all of this, one that emphasizes the virtues of relying upon diffused competence, multiple power centers, and political jurisdictions adjusted

in size and scope to the preferences of those who reside in them and to the requirements of their particular function, all served by governing institutions broad enough to represent the variety of legitimate interests encompassed by them. This new model is not yet as well articulated as is the conventional one. At this point its exponents are still busy critically exploring the untested assumptions of the conventional model (for what is characteristic of that model is the fact that virtually all of its assumptions are untested and have never been tested) and trying to build an empirically valid base for the new one.²² Significantly, in searching for the theoretical roots of their model, they have come to the realization that in its larger sense it was anticipated by James Madison and Alexander Hamilton in The Federalist and by Alexis de Tocqueville in his discussion of democracy in America.²³

Tests of appropriateness and feasibility

Today, any discussion of modernization must appropriately focus on the truly modern model rather than on the increasingly obsolete conventional model. Recognition of the existence of a new model of modernization can lead us to better understand what is appropriate in the way of Federal activity to induce local government modernization.

We begin with a traditional element. The traditions of Federal assistance have been to emphasize State and local performance rather than organization. Not that Federal grant programs have not concerned themselves with the latter, but have only done so in connection with rather clear performance goals, usually related to the delivery of specific services. If the original rationale behind categorical grants was not quite "we don't care how you get it done, just get it done," it came close. Only subsequently was this principle increasingly violated in connection with specific functions. The recent push toward general and special revenue sharing, in its initial form at least, has tended to restore the emphasis on performance rather than organizational change. In great measure, the cooperative system has worked as well as it has because States and localities have been free to organize themselves more or less as they see fit while at the same time cooperating with the Federal Government on a functional

basis. Thus, the spirit of local self government has been preserved through structural independence even where functional interdependence has grown.²⁴ Any proposals that will alter that balance should be very carefully examined for their larger implications and likely consequences in the long run.

In this respect, the original idea of revenue sharing was diametrically opposed to any proposals for utilizing the Revenue Sharing Act to induce local government modernization. The idea of revenue sharing was to utilize Federal resources in an essentially ministerial way, that is to say, to enable State and local governments to increase their discretionary powers, not to be subject to new forms of limitation of a kind, rarely if ever, applied through more conventional methods of Federal aid. An outside observer can only have the sense that interests whose proposals have been rejected by consensus are seeking to impose them by coercion. Quite clearly, if the Federal Government uses revenue sharing to induce any directed changes in local government, revenue sharing simply becomes another device to increase the hierarchical tendencies in the American system at the expense of the system's federal basis.

The fact is that not only is such a use of the Revenue Sharing Act inappropriate from the perspective of the American constitutional tradition, but the American political system probably limits its feasibility as well. As indicated earlier in this paper, there is abundant research to indicate that the character of American politics is such that Federal aid more often than not becomes subject to local control no matter what conditions Congress or the executive branch place on it. This seems to be inherent in the American system and, while from time to time, every American is dissatisfied with the consequences, over the long pull few would have it any differently.

Having it differently would require a revamping of the character of both access and representation in the American political system to limit the position of the citizenry with regard to both. Consequently, there would be severe political problems in any effort to implement the kinds of proposals being submitted with regard to local government modernization via the Revenue Sharing Act, even assuming that such proposals

could be enacted into law. It is unlikely that an amended Revenue Sharing Act could be enacted that would provide for a single set of structural and procedural changes that would be required of all local governments before they would be entitled to revenue sharing funds. Incorporation into the legislation of a requirement that each locality, metropolitan area, or whatever submit a modernization plan of its own for approval by the appropriate Federal administrative agency before receiving the funds is somewhat more feasible but, given past experience with similar arrangements, it is questionable whether plans submitted would be other than window dressing accompanied by tremendous political pressures to get them approved.

Should a Federal agency backed by Congress attempt to seriously enforce modernization measures, it would require a degree of coercion hitherto unseen in the whole history of American government, equivalent to the effort required to implement the military draft during the Civil War. This is not to suggest that there will be rioting in the streets, but more subtle forms of noncompliance requiring equally drastic, if less visible, measures if they are to be combated. It is highly questionable whether it would be either feasible or appropriate for the Federal Government at this particular juncture in history to become involved in such coercive measures. The political and administrative problems involved are far too great.

Problems of judgment and value

Finally, there are problems of judgment and value. Which modernization model is to be used? What is to be considered modernization? Who is to decide? We have just passed through a period when the residents of the inner city have justifiably demanded greater community control over government activities affecting their lives precisely because the very big cities are too large to offer them meaningful access to government to influence the direction of those activities. Is the Congress of the United States now prepared to turn to the 80 percent of the American people who live outside of those great cities and tell them to give up control over their local governments and to accept changes presented under the catchword of modernization which they have consistently rejected for the past 20 years? Are a majority of Congressmen

convinced that Federal administrators are to be entrusted with such wide discretion in these matters when dissatisfied voters are likely to hold their elected officials responsible for any unpleasant results, even if the unpleasantness is only short term, lasting through one or two elections?²⁵

Beyond all of the foregoing are certain value problems that are even less easily resolved. If the new model is at all correct and, for that matter, if there is any truth in The Federalist or in the works of the great political philosophers from Aristotle to the present, then political leaders should be very careful about acting in such a way as to limit further the possibilities for local community in a world in which alienation and detachment from community have become so widespread as a result of so many other forces impinging upon humanity. Perhaps it would be more statesman-like to seek legislative action designed to foster community on a human scale rather than weaken it. Regardless of how one answers that question, the value problem implicit within it should give even the wisest legislator pause before acting to prescribe one single approach to governmental organization and action for the entire United States.

In sum, this writer believes that it would be both infeasible and inappropriate to amend the Revenue Sharing Act to provide inducements for modernization. In part, this is because it is unclear precisely what modernization involves these days. Beyond that, the political and administrative problems of establishing a single federally enforceable pattern are enormous and likely to be counterproductive. Moreover, the value judgements that must be made before such a plan could be enacted into legislation are very great indeed. One of the great values of federalism is the possibility it offers for diversity and experimentation. Both exist in great measure in the United States today and any actions that might reduce either deserve long and careful consideration. Finally, congressional action to attach serious conditions to general revenue sharing would by any standard be a radical departure from the original premises of the revenue sharing idea and would change the character of revenue sharing beyond recognition.

The problem of location as a factor
in feasibility and appropriateness

Considering that the main thrust of proposals for local government modernization via the Revenue Sharing Act is on the metropolitan area, it becomes important to closely examine the country's metropolitan areas to see whether the proposals being considered are relevant and if so, where, or if not, why not? The conventional image of the metropolitan area according to the conventional modernization model is that of a city that has grown beyond its political boundaries but in every other respect is a single entity.²⁶ This definition is true in the case of some metropolitan areas, particularly the smaller ones. At one time it was probably true of most metropolitan areas, but since World War II it has been true of fewer and fewer. The very largest metropolitan areas are far too vast to be considered single cities under any circumstances. In fact, they are congeries of cities whose political and social independence antedates the spread of metropolitanization.²⁷ One look at the variegated voting and socioeconomic patterns in any large standard metropolitan statistical area (SMSA) reveals this immediately.²⁸ It is not simply a matter of Republican suburbs versus a Democratic central city or affluent suburbs versus a lower-income urban core. The patterns are considerably more diverse than that and are becoming more diverse with each passing year.²⁹

There is now considerable evidence that for the past decade and a half most of the people settling in the suburban areas of the SMSAs are not even migrants from the central cities, but are people from rural or other suburban areas of other SMSAs, who move from suburb to suburb without ever touching the erstwhile central city of the metropolitan area.³⁰ Even commuting patterns have changed drastically in the past 15 years to the point where they no longer reinforce the centrality of any single part of the metropolitan region. The evidence shows that once the central city boundary is crossed, the percentage of the work force commuting to work within those boundaries drops radically. Moreover, in the large SMSAs, less than 50 percent of the total metropolitan work force works in the central city in the first place. The new commuting pattern is from suburb to suburb or from node to node within large metropolitan regions.³¹

Thus, the metropolitan area is far from being a single city. Rather, it is increasingly becoming a large, relatively low density urban region concentrated around several commercial, industrial, and cultural nodes, divided politically to give expression to diverse interests and groups. It is true that all the segments of the SMSA share certain common regional ties and characteristics, but much in the same way that New England, the Upper Midwest or the Pacific Coast share regional ties and characteristics internally.³² The organization of government in such metropolitan regions cannot be based upon the single city model. Rather, it must be based on an understanding of what is appropriately local within the region and what requires regionwide treatment. In those fields requiring regionwide treatment, the question must then be asked, how is that treatment thus provided? By some multipurpose governmental unit? By a congeries of single-purpose units, each with boundaries tailored to its particular "service-shed" under local control? By similar congeries of State sponsored governmental units or agencies functioning as arms of the State government? Or by a division of areawide responsibilities among existing local units on a contractual basis?

There is no single answer to be found to this question suitable for all or even a majority of metropolitan regions. Rather, each must develop its own answer in light of its own situation. So, for example, the Philadelphia metropolitan region embraces 4500 square miles and 4 1/2 million people in 2 States. Under what circumstances or conditions need it be served by any overriding authority? The record of 20 years of effort shows that there is very little that needs to be done by a single regionwide authority in the Philadelphia area. Even public transportation, a field in which the Philadelphia region stands among the Nation's leaders, is provided by two separate bodies, one an agency of the Commonwealth of Pennsylvania and the other a creature of a bistate port authority, without any appreciable problems as a result.

Or, take the Minneapolis-St. Paul metropolitan region, a model for the country in many respects. It has a metropolitan council that is formally a creature of the State of Minnesota. There is considerable agitation among local reformers to make that council a locally elected body. The

State has so far refused to do so, in part because the metropolitan region embraces half the State's population. Under what circumstances is it either feasible or wise for one half of the State's population to be detached for many governmental purposes from the overall State governmental system through the establishment of a separate regional government with substantially the same powers? On the other hand, the fact that the Twin Cities metropolitan region, for all its size, is separated by substantial distances from any other metropolitan region makes it possible and feasible to create special districts to handle special functions, including the sharing of the region's tax base more equitably, something that would be well nigh impossible to attempt in the northeastern megalopolis or in Southern California.

Pueblo, Colorado, a medium-sized metropolitan area of somewhat over one hundred thousand population, offers yet a different set of problems and possibilities. Pueblo County embraces the entire population of the SMSA, over 90 percent of whom live within the city of Pueblo or its immediate urban fringes. Should all of Pueblo County be made a single local government even though most of its 4 thousand plus square miles consist of ranch lands, sagebrush, and mountains? Should the Pueblo urbanized area be detached from its county thus depriving the county of its heart? Should the Pueblo and Colorado Springs SMSAs be consolidated into a single government because the two counties share a common boundary, even though there are 50 miles of open space and a social gap equally as wide between the two urbanized areas?

Metropolitan Indianapolis (Marion County) and metropolitan Nashville (Davidson County) are two metropolitan counties that have created unified city-county governments for most of their residents. In both, the attainment of consolidation was achieved by allowing previously incorporated suburban municipalities within the counties to maintain their independent existence. Voters in both counties approved this arrangement. Should the Federal Government now step in and require that it be abandoned because it is asymmetrical?

Even more difficult to answer is the question as to whether there have been any substantial gains in Indianapolis or Nashville as a result of consolidation. Are those metropolitan areas better governed? Do they serve their populations

better? Are they more efficiently run than their counterparts which have not undergone consolidation? There is no evidence to indicate that they are, certainly none to warrant Federal endorsement of that pattern of metropolitan modernization as one to be replicated around the country.³³

Again, one is drawn back to the wisdom of the Founding Fathers in adopting a general solution to the problems of governance of a large country. Explicit to that solution is the idea that no single pattern will work countrywide, that each locality must be free to develop its own. Beyond that, within very broad limits, each locality must also be free to remain a backwater, an anachronism, a place that appeals to those in our population who want to live in a backwater or be parts of an anachronism, who do not want to be "modernized." In sum, the location of particular metropolitan areas and regions itself changes the circumstances of each, requiring different forms of local organization for each.

WHAT MODERNIZATION MEASURES MIGHT QUALIFY FOR FAVORED TREATMENT

Several kinds of modernization measures have been proposed, including structural and jurisdictional changes, administrative and fiscal changes, and the strengthening of cooperative arrangements through negotiation or through coercion. Each of the changes that falls into one or another of these categories should be considered with the following questions in mind: (1) what options are generally suggested? (2) what do we know about the utility, impact, and problems of those options? (3) which options can be appropriately considered and which rejected in various contexts? The options usually suggested in each category are generally well known. However, we know very little about the utility, impact, and problems of those options since almost no research has been conducted on any of them, not even simulation gaming to any substantial extent. We continue to make our judgments on the basis of untested assumptions, assiduously avoiding recognition of the implications of the limited research that is available. Moreover, in considering the various options, we almost never place them in locational context. Rather, we treat each option with regard to its potentiality as the solution for every metropolitan area in every part of the country, an egregious error.

Any structural or jurisdictional changes proposed should be based upon a recognition of the regional character of all metropolitan areas, or at least of those over 250,000 population, and the rejection of the "single city" concept. Moreover, it should be understood that metropolitan regions are no longer nodal, that is to say, focused on a single center, but rather represent matrixlike structures that are more likely to be multinodal. The practical implications of this are that no single overarching governmental structure is likely to be appropriate for any but the smallest metropolitan areas. This means that a variety of structures is likely to be called for, each with its own jurisdictional field, related to the scope of its services. In many cases, these structures should be sponsored by the States or should be joint State-local bodies so that they will retain greater flexibility than is possible through the establishment of special districts. In other cases, special districts will be appropriate. In all cases, there should be appropriate representation for all units in the metropolitan area.

Plans suggested in the 1960s, giving central cities special authority over metropolitanwide agencies, are not sound, either theoretically or practically. If anything, serious consideration should be given to encouraging central cities, which grew by annexation, to disannex territories which would then reacquire municipal status of their own, thereby restoring balance within metropolitan areas. The existence of a large central city surrounded by considerably smaller units has probably been the greatest single barrier to regional cooperation within metropolitan areas for the obvious reason that the smaller units are afraid of losing control to an outsized partner. The problem is compounded by the fact that so many of the residents of the central cities themselves feel alienated and disenfranchised, lacking the kind of access to City Hall that their suburban counterparts have as a matter of course.

Thus, any serious suggestions for metropolitan regional cooperation will likely require action to break up central cities. If the central cities were to be broken up into manageable municipal entities, it would then be possible to talk about some kind of overall confederal body linking the governments in a particular metropolitan region. Even so, this is a problematic step. The larger the region, the less

likely that a confederal arrangement involving some over-arching general government will be appropriate, simply because there will be fewer functions that require regionwide activity on a single agency basis and those that will probably be better handled through State-created authorities.

Perhaps the worst approach of all is the one which attempts to assign specific functions exclusively to specific planes of government. Take the case of police. The evidence is strongly mounting that ordinary police patrolling is best handled by quite small local jurisdictions where police and citizenry know each other and can develop mutual confidence and respect. Boundary problems can be and usually are overcome through cooperative arrangements among police departments.³⁴ On the other hand, major police investigative activity may require larger jurisdictions where more specialized staff and equipment are available. Thus, any scheme for police reorganization should not seek to create regional police systems with exclusive powers, but perhaps a regional overlay for local police systems. Again, it may be that a strengthened State crime lab and investigative division can provide the requisite services to supplement local police activities without requiring any such intermediate agency.

The entire question of administrative change has become more complex than ever before. The conventional modernization model saw in the establishment of larger administrative units the possibilities for increased efficiency. Today, brought up against the fiscal realities of large organizations in which the largest share of the budget goes for salaries that increase on a wellnigh fixed basis annually, the question of what is the most efficient administrative organization must now be asked anew. One thing seems clear: the larger the organization, the more levels of hierarchy it has, with the resultant necessity to employ more people in purely supervisory positions at increasingly higher salaries. A different model of administration in which smaller units would operate in cooperation with one another, rather than be subordinated within a hierarchy, would have the benefit of reducing personnel costs drastically and also preventing the removal of the most competent men and women from "the firing line" to supervisory positions far removed from the public.

The educational research literature has demonstrated over and over again that the best school systems are those located in moderate-sized suburbs or small independent cities. This is partly a function of other socioeconomic factors, but it also in large part is a reflection of the greater opportunities for personal contact between students, parents, teachers, and administrators available in a situation where the school administrators are closer to the classroom. Much the same seems to be true in police work according to the evidence at hand.³⁵

While more research needs to be done on this subject, it is possible to at least tentatively conclude that any administrative changes should be in the direction of reducing the size of very large administrative units for the sake of manageability and providing mechanisms whereby manageably sized units can cooperate with one another in those areas such as purchasing or sharing of records where larger scale might be of use. Here, too, new departures are needed on the organizational level to promote such cooperation. For example, each unit in a cooperating pool might be assigned some task which it must provide for the entire pool, with the extra cost being reimbursed from some common fund, rather than creating separate administrative structures to undertake such tasks.

A major and continuing problem in metropolitan America is that of fiscal disparities among communities within the same metropolitan region, not to speak of across different regions. While some of these fiscal disparities may have only a minimal impact on the real level of services provided (for example, very high per capita expenditures in rich school systems may be for educational frills that have minimal effect upon educational quality), there is a certain floor below which true disparities exist. We do not honestly know what that floor is, although we make certain assumptions regarding acceptable minima and have built an elaborate system of intergovernmental transfers to deal with the problem of disparities.

No local structural changes will significantly affect the continuing need for such intergovernmental transfers. They are a legitimately recurring aspect of the American system of government. On the other hand, it is possible, at least in relatively separated metropolitan areas, to make a greater effort to ensure equitable local minima based upon a fair

share concept of the total wealth of the metropolitan area. One step that clearly needs to be taken is to equalize tax assessment on the metropolitan and preferably on a state-wide basis. Another step would be to adapt the plan that has been put into operation in the Minneapolis-St. Paul metropolitan region whereby a share of the growth and taxable wealth attributable to location within the metropolitan area is made available on a fair share basis to all component political units within the region. This can be done either through a metropolitan taxing authority or through a State instrumentality and would do much to overcome the inequities that result from multinodal development within a metropolitan region that pays minimum attention to municipal boundaries.

Little attention has been paid to the extent to which voluntary cooperative arrangements have provided for a considerable amount of coordination within metropolitan regions in recent decades. Many of these agreements are not even written down; they represent verbal understandings among professionals with common problems. Despite their nominally fragile character, such agreements, based as they are upon mutual desire and interest, are probably more closely maintained than many more formal arrangements, including those backed by coercive powers.³⁶ Such arrangements should be encouraged and should be favored over more coercive steps wherever possible.

By and large, these cooperative arrangements are a product of common professional ties and interests and are encouraged through professional contact. That is quite a reasonable way of providing such inter-jurisdictional cooperation. The most positive role the Federal Government could play in fostering such cooperation is to instruct its own agencies and their leadership within each metropolitan area to be open to cooperative links with their State and local counterparts since, for the most part, these links already exist. For the same reasons, this should not be difficult to accomplish and does not need formal legislation beyond an indication of intention in the appropriate authorizing legislation for various domestic services.

Cooperative arrangements can be used to foster planning activities, the delivery of services, and joint functions. Examples of successful arrangements affecting all three can

be found with relative ease. The Quad Cities metropolitan area of Illinois and Iowa--a "hard case" because of its interstate character--has been studied quite thoroughly from this perspective.³⁷ Several studies are available regarding the Lakewood plan in Los Angeles County where municipal contracting for services from the county government has become a way of life.³⁸ City-county planning commissions have become important devices in smaller metropolitan areas, although they are less successful in larger ones where problems of scale and complexity make them far less appropriate. It is important to note that such cooperative agreements do not require contiguity among jurisdictions, simply a sharing of interest within the same general region. The encouragement of such devices will probably bring the most benefit for the least cost, political, administrative, or constitutional.

What stage of modernization
might qualify

Any efforts to use Federal funds to stimulate local government change should be quite circumscribed in two ways. First of all, they should focus primarily on local action to develop programs suitable for local needs rather than on formulary arrangements applied across the board without consideration for such needs. Second, they should require local citizen approval in some systematic way, preferably by referendum if any serious structural or jurisdictional changes are planned. Federal coercion in any case is a dubious proposition. Coercion without local citizen participation would make a travesty of democratic institutions. Moreover, any Federal efforts along these lines would have to be prepared to abide by the decision of the local citizenry. In other words, the most the Federal Government could legitimately demand would be that local governments make an effort, but the principles of democracy demand that their citizens be given the last word.

Any proposals made should provide for reconciling coercion and cooperation, singleness and diversity, the provision of services and the meeting of timetables, administrative, and political realities, and constitutional issues. Let me reiterate. Coercion as a general rule will be counterproductive, both directly and indirectly. The American federal system can be conceptualized as a kind of

poker game in which the principal players are the many American governments. Each government "pays its ante" to sit in on the game in its own way--the States, because of their plenary powers under the Constitution, the various local governments by virtue of their existence as local governments with formal governmental and taxing powers, and the Federal Government by virtue of its power of the purse. Thus the Federal Government can deal itself into virtually any game it cares to on the domestic scene, but it must also be willing to play by the rules of the game. Federal grants are means by which the Federal Government acquires the right and power to negotiate with its sister governments, at least partly because of the negative coercion implied in its ability to withhold funds that support desired activities, but this is not a right that should be abused, not only for reasons of constitutional delicacy, but also as a matter of good politics and good government. The basis of government in any federal democracy must be to rely upon a minimum of coercion and a maximum of consent. American history is replete with examples of how this policy has proved to be a great source of the country's strength. Nothing untoward should be done to weaken it.

Another hallmark of the United States and the source of its strength is the country's diversity. All of us, when we embrace particular reforms, tend to become singleminded about them. That has many advantages, but it also leads to the necessity for America's political institutions to be used to reconcile that singlemindedness with the very legitimate maintenance of diversity in viewpoint and interest in the country. When a major political institution embraces singlemindedness, if it ever does, the country as a whole tends to suffer. Nowhere is this more so than in the case of the diversity associated with local institutions.

A third pitfall in any attempt to coerce modernization is that of forcing local governments into expending too great a share of their resources (both energy and money) on meeting externally determined timetables of change at the expense of providing the services which the changes are ostensibly designed to facilitate. Americans have been witness to this happening again and again in connection with the programs of the 1960s.

It is not fashionable these days to raise questions of constitutionality. Nevertheless, in the wake of Watergate, perhaps we are ready for a resurgence of concern with the constitutional issue, understanding better how constitutional limits serve to protect freedom and are not simply annoyances designed to prevent action. In light of that rediscovered knowledge, a direct Federal effort to change local institutions is worthy of the closest possible scrutiny on constitutional grounds. Now that the United States Supreme Court has essentially abdicated its role in scrutinizing such matters, the task falls more heavily than ever before upon the Congress of the United States.

NOTES

1. The literature of federalism documenting this has become substantial in recent years. Among the most important works dealing with these questions are William Anderson, The Nation and the State: Rivals or Partners? (Minneapolis: University of Minnesota Press, 1955); Daniel J. Elazar, The American Partnership (Chicago: University of Chicago Press, 1962); and Morton Grodzins, The American System: A New View of Government in the United States (Chicago: Rand McNally, 1966).
2. Recent trends in American federalism are analyzed in Daniel J. Elazar, American Federalism: A View From the States (New York: Thomas Y. Crowell, 1972), 2nd ed.; Michael Reagan, The New Federalism (New York: Oxford University Press, 1971); and James Sundquist, Making Federalism Work (Washington: The Brookings Institution, 1969).
3. See, for example, "Hearings before the Sub-Committee on Intergovernmental Relations" (Committee on Government Operations, United States Senate) printed under the title "The New Federalism" (Washington: Government Printing Office, 1973).
4. The historical discussion draws heavily on The American Partnership, op. cit.
5. Here, too, the literature is now quite substandard. See, for example, Daniel P. Moynihan, Maximum Feasible Misunderstanding (New York: Free Press, 1969); Sundquist, op. cit.; and Andrew Kopkind, "Bureaucracy's Long Arm: Too Heady a Start in Mississippi?" reprinted in Daniel J. Elazar, et al., Cooperation and Conflict: Readings in American Federalism (Itasca, Ill.: Peacock Publishers, Inc., 1969), pp. 506-513.
6. The author examined this process in Illinois and adjacent states early in the 1960s. His data are on file in the "Cities of the Prairie" archives of the Center for the Study of Federalism, Temple University. See, for example, Martin Anderson, The Federal Bulldozer (Cambridge: The MIT Press, 1964).
7. The medium-size civil community project of the Center for the Study of Federalism has examined this phenomenon in some fifteen metropolitan areas. See Daniel J. Elazar, Cities of the Prairie (New York: Basic Books, 1970) and "Constitutional

7. (Cont'd.) Change in a Highly-Depressed Civil Community" in Journal of the Minnesota Academy of Science. For a more general discussion of this phenomenon, see, for example, Walter Bor, The Making of Cities (London: Leonard Hill, 1972). See also Alan Altshuler, The City Planning Process: A Political Analysis (Ithaca, New York: Cornell University Press, 1965) and Raymond E. Wolfinger, The Politics of Progress (Englewood Cliffs: Prentice-Hall, Inc., 1974).
8. See Moynihan, op. cit., and Sundquist, op. cit.
9. Grodzins, op. cit., discusses this in Chapter III.
10. See Louis Brownlow, A Passion for Politics (Chicago: University of Chicago Press, 1955) and James Patterson, The New Deal and the States (Princeton: Princeton University Press, 1969), and Sylvia Snowiss, "Presidential Leadership: An Analysis of Roosevelt's First Hundred Days" in PUBLIUS (Vol. 1 no. 1), pp. 59-87.
11. Frances Perkins discusses this in The Roosevelt I Knew (New York: The Viking Press, 1946). Rexford Tugwell was an unwilling witness to this effect. See Rexford G. Tugwell & Edward C. Banfield, "Grass Roots Democracy - Myth or Reality?" in Public Administration Review (Vol. X no. 1, Winter, 1950), pp. 48-50. The Anderson-Weidner series of studies of inter-governmental relations in Minnesota provides a number of detailed case studies of this.
12. The conventional model is well reflected in the reports of the Advisory Commission on Intergovernmental Relations, especially the earlier ones, and the Committee for Economic Development. See for example, Modernizing Local Government, a Statement on National Policy by the Research & Policy Committee of the Committee for Economic Development (New York, 1966), and Advisory Commission on Intergovernmental Relations, State Constitutional and Statutory Restrictions upon the Structural, Functional, and Personal Powers of Local Government (Washington, 1962).
13. See, for example, Advisory Commission on Intergovernmental Relations, Alternatives and Approaches to Governmental Reorganization in Metropolitan Areas (Washington, 1962), and National Municipal League, Model City Charter (New York, 1964).

14. See, for example, Thomas S. Hines, "The Paradox of 'Progressive Architecture': Urban Planning and Public Building," American Quarterly, Vol. 25 no. 4 (Oct. 1973), pp. 426-448.
15. See, for example, Committee for Economic Development, Modernizing State Government (New York, 1967), and Advisory Commission on Intergovernmental Relations, Fiscal Balance in the American Federal System (Washington, 1967).
16. See Woodrow Wilson, Congressional Government (Boston: Houghton, Mifflin and Co., 1885).
17. Max Weber is the great theorist of bureaucracy. See, for example, "Bureaucracy" in From Max Weber: Essays in Sociology, edited by H.H. Gerth and C. Wright Mills (New York: Oxford University Press, 1946). For an example of Americans' admiration for the Prussian system, see Woodrow Wilson, "The Study of Administration," Political Science Quarterly, no. 2 (June, 1887), pp. 197-220.
18. See, for example, Isaac L. Auerbach, "Remodel the Pyramid Before it Crumbles" in Innovation, (a now defunct publication), (March, 1972), pp. 22-29.
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20. Elinor Ostrom, "Institutional Arrangements and the Measure of Policy Consequences: Applications to Evaluating Police Performance," Urban Affairs Quarterly, Vol. 6 (June, 1971), pp. 447-475; Elinor Ostrom, William Bauch, Richard Guarasci, Roger Parks, and Gordon Whitaker, Community Organization and the Provision of Police Services (Beverly Hills: Sage Professional Papers in Administrative and Policy Studies, 1973).
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34. See, for example, Elinor Ostrom, op. cit., and "The Problems of Service Delivery in a Federalized System" (paper prepared for TOWARD '76 Conference, "Serving the Public in a Metropolitan Society," Philadelphia, 1974).

35. Ibid.

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AMENDING THE REVENUE SHARING ACT TO
ENCOURAGE LOCAL GOVERNMENT MODERNIZATION:
WHAT FORMS MIGHT ENCOURAGEMENT TAKE

by

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The views and opinions expressed are those of the author.
They should not be interpreted as reflecting the views of the
General Accounting Office.

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INTRODUCTION¹

The Government of the United States should play an active, and frequently a leading role, in the governance of our local communities. In the first place, national interests, such as those now evolving with respect to the generation, distribution and conservation of energy, are affected by State and local actions. National interests as enunciated by congressional action in civil rights, housing and community development, transportation, water quality, and air quality must all be executed in local communities.

The Constitution does not require the Federal Government to refrain from participating in the governance of local communities. It is generally conceded that it is proper for national majorities to use the Federal Government to achieve their goals and for minorities to increase their base into a majority position. Furthermore, it is also widely considered to be proper for minority interests to be incorporated through political bargaining into packages of national goals and programs.

Throughout our history as a nation, persons and groups who are disappointed at one level of government have moved to another level to get what they wanted or to keep what they did not want from happening. Despite the late "New Federalism," there is no reason for this process to stop. This characteristic process of American politics has not been significantly redirected since 1968. Witness the enactment of the Clean Air Act of 1970, the 1972 amendments to the Federal Water Pollution Control Act, the Noise Control Act of 1972, the 1973 amendments to the Older Americans Act, the Federal-Aid Highway Act of 1973, the Transit Aid Act of 1974, and the enactment of several special revenue sharing acts with many more Federal strings than proposed by the Administration. Despite the delay imposed by the House Rules Committee last year, one must still say that there is a steady movement towards the enactment of a Federal Land Use Policy and Planning Assistance Act.

This brings us to the second reason why the Federal Government should play an active role in the governance of our local communities. Apart from what Elazar calls "the great national interest in maintaining maximum local

government," Congress has persisted in using States and local governments to administer national legislation.² National interests, as enunciated by Congress, cannot be realized if the Federal Government does not participate (I do not say dominate) in their administration.

At the very least, there is a clear national interest in seeing that State and local governments *and the Federal Government* are capable and responsive as agents of national interests. To say this is not to agree that every attempt to "modernize" local government is wise, politic, prudent, or likely to be productive of declared aims. Many have not been productive for various reasons, one of the most important being the reluctance of the Federal Government to realize that despite its largesse, it is still only one of three partners in the American federal system. But this does not negate the national interest in the capability and responsiveness of governments at all levels.

The authors of all five papers in this symposium look upon the metropolitan area, or aggregations of such areas, as the critical local arena. Elazar presents two models of governmental organization in metropolitan areas, one of which he labels as "conventional" and the other as "new." Both contain elements which are present in what I consider to be the "real-world" of metropolitan governance. Both models of metropolitan reform, however, contain prescriptions which are either unattainable or undesirable.

The conventional model would lead to a single, unitary metropolitan government in each metropolitan area.³ Such a metropolitan government is unlikely to be established and at the same time is undesirable for the same reason: large and even medium-sized metropolitan areas are too complex--politically, economically, and socially--to be subjected to a single unitary government. City-county-special district consolidation is the only way such a metropolitan government can be created and all experience tells us this will not happen in multicounty, multimunicipal, and multispecial district metropolitan areas.

Even if the local governments in the central county were consolidated all we would get is the restructuring of the government of one part of the metropolitan area. All

the governments in each of the other metropolitan counties would remain and have to be accommodated in regional actions. And even if all local governments in all counties of the metropolitan area were consolidated into a single government, the activities of State and Federal agencies operating directly and indirectly within and upon the metropolitan area would still result in the constraints inherent in intergovernmental relations.

The undesirability of monolithic metropolitan government is emphasized in the prescriptions of Elazar's "new" reform model.⁴ But the first time that the "new" reform model has been put forward on a grand scale, in the report of Governor Reagan's Task Force on Local Governmental Reorganization, the prescription is for an increasing multitude of very small suburban municipalities and small suburban special districts. The only regional and sub-regional governments allowed under the proposal would be special purpose agencies. All of these proposals are based on the assumption that large operating organizations are characterized by diseconomies of scale and by bureaucratic unresponsiveness. Therefore, the State of California should encourage the creation of many small governments, both municipalities and special districts. It is also assumed that competition among them would allow individuals and business organizations to "vote with their feet" by settling in that jurisdiction whose revenue system and mix of governmental services they prefer.

There are factual questions as to the freedom of choice that various racial and socioeconomic groups can exercise. Problems of equalization would be left entirely to the State and Federal governments. Externalities, both geographical and functional, would be left to the informal adjustments of a market place of organizations.

Fortunately, one can recognize the reality of many of the descriptive elements in the model without having, as a consequence, to agree with all of its prescriptions. Elements in both the conventional and the "new" models of reform can be blended into an Intergovernmental Model of Metropolitan Governance.

The governance of large and complex metropolitan areas is a mixture of actions by public and private individuals and organizations. Within the public sector, it is a mixture of Federal, State and local governmental actions. Within the local governmental sector it is a mixture of actions by a myriad of local agencies--large cities, small cities, large and small counties, regional special purpose agencies, subregional districts, and hundreds of small suburban neighborhood governments call fire districts, sewer districts, police districts, etc.

Formal and informal understandings and regularized relations among "clients," influentials, and decisionmakers operating in and upon a metropolitan region constitute the system of metropolitan governance. However, the balance of power and the webs of communication within this diplomatic system are never static. Changes in power and resources, as well as the emergence of new objectives and concerns, are constantly occurring.

Many of these changes and organizational reactions to them, being small and incremental, are handled through the politics of accommodation. Nevertheless, decisions must frequently be made which are not incremental (e.g., maintenance of air quality through land use controls) but involve major, high-risk public policies. The informal coordination which many people consider satisfactory for normal incremental decisions will not suffice for major changes involved in political and ideological controversy.

It is true that man, even when acting through an organization, is not capable of knowing everything and of planning everything. This does not mean that he cannot learn more than he now knows nor that he cannot take more deliberate thought as to what he wants to accomplish and as how best to accomplish it. It is also true that the behavior of any organization affects interests outside the organization and constrains the possibilities of autonomous action by individuals and other organizations. Organizational externalities or the interface between plans, policies, programs and behaviors are a principal reason for consciously, through deliberately structuring or "re-forming" inter-organizational relationships, identifying consistencies and inconsistencies and moving toward strengthening the former and attempting, where desirable, to reduce the latter.

It is relatively easy to get a metropolitan system for planning, decisionmaking and administration if a community is satisfied to have important decisions made by functional specialists with little or no relation to each other and without a means of establishing priorities among them. This can be done through the creation of special-purpose agencies. Or it can be achieved through State and national policies and the creation of State and national regulatory agencies to administer such programs directly or through dependent regional special purpose agencies.

This would mean, however, that cities and counties would not be able to participate in formulating policies which affect the people of their region. If a maximum of local self-government is a national goal, it can be achieved only through a structure of intergovernmental relations operating simultaneously on the regional, State and national levels. The creation of this structure should be recognized as a national interest.

"Modernization" of local government, therefore, is not defined in this paper as consolidation of local governments, nor as laissez-faire, nor as any one or all of the organizational or management changes proposed in the Humphrey-Reuss Bill or in the publications of the Committee for Economic Development. I assume that the Congress should attach conditions to grants-in-aid and that it is appropriate to require certain actions on the part of recipients which are designed to increase the responsiveness, efficiency, and effectiveness of State and local governments. More specifically, Congress should be concerned with State and local capability to plan, to make and administer budgets, to manage personnel, and to make decisions at the appropriate level (whether that level be the individual jurisdiction or the metropolitan region).

Such conditions are common in categorical grants, but the standards prescribed have always been *Federal standards*. The possibilities of substituting *intergovernmental standards* for *Federal standards* will be discussed below.

RESPONSES TO SPECIFIC QUESTIONS

Scope and effectiveness of previous attempts by the Federal Government, through discretionary actions, to influence local government conduct, especially in metropolitan areas.

The Federal Government can influence the conduct of local government officials, even to the point of changing the internal structure and the external relationships of local governments.

Local officials, of course, are individuals with all of the commonalities and idiosyncracies of human beings. However, their values, attitudes, opinions and orientation are structured by culture⁵ and by membership in organizations--both public and private.

The behavior of local officials is influenced by changes in the world outside local government and by the reaction of their peers to these changes. A large and increasing number of local officials have become more receptive to regionalism⁶ during the past 15 years because many influential groups in the society are articulate about the regional implications of their interests and activities. Federal and State officials have also been influenced by the same forces and this has led to policies and actions which make regionalism more acceptable (or, at least, less unacceptable) to local officials.

There are several significant examples of the successful employment by the Federal Government of negative and positive incentives and, in some instances, of Federal rule-making which have resulted, intentionally, or not, in structural and other behavioral changes in local government. The extension of the merit system, especially in counties in the past 30 years is largely attributable, directly and indirectly, to Federal requirements. The requirement of the 1949 Housing Act that local governments must develop a workable program of planning, supplemented by a program of building code, housing code, and zoning regulation and enforcement as a condition for Federal assistance in public housing, urban renewal and certain moderate income housing is another example.

The "workable program" requirements have been criticized as a sham resulting only in the development of a bureaucracy dedicated to pretending that the local government is in compliance (this too is a structural change). They have also been criticized for providing an excuse to local governments that do not wish to engage in housing for low- or middle-income families. The comments of the National Commission on Urban Problems are relevant here as well as later when we will consider Federal strategies for influencing the behavior of local officials.⁷

While the workable program requirements themselves are important and urgently needed, they are too often tied to programs that some cities do not want instead of to programs which cities both need and urgently seek. As a consequence, some communities that wish to avoid housing the poor deliberately fail to meet the workable program requirements. This is especially true of some suburban communities in major metropolitan areas. Most large central cities, however, cannot exercise this luxury, for the poor are already with them.

One way to meet this problem is to tie the workable program requirements to programs communities want, rather than to programs they do not want. If grants for public works, public facilities, and highways were conditioned on the implementation of a workable program, this would be an effective means of providing desirable code, zoning and planning programs. Tying them to public housing or to moderate income housing programs means only that some communities will deliberately fail to enact a workable program in order to shut out public housing and the poor.

Such criticisms are important beyond their reference to a particular Federal policy or requirement in that they warn us of the likely ineffectiveness of ill conceived and ill administered incentives.

However, we inquire here whether Federal action can influence the behavior of local officials. There is no doubt that the workable program requirement, coupled with 701 planning assistance, has influenced many local governments to initiate and expand planning programs, staff, and offices. Within 5 years of the enactment of the Housing Act of 1954 over a thousand workable programs had been certified by HHFA.

Charles Rhyne reported in 1960 that:

The consensus among the responding city attorneys is that the Workable Program concept has contributed substantially to the adoption, modernization, and enforcement of municipal codes and ordinances. Although it can be assumed that many of the municipalities would have adopted or amended a housing code between the years 1954 and 1960, even if Congress had not adopted the Housing Act of 1954, it is significant to note that ninety per cent of the cities having Workable Programs have adopted or amended their housing codes since 1954, or are currently considering adopting a code imposing minimum housing standards. The conclusion can also be inferred that the Workable Program concept has been a substantial influence in the adoption and modernization of master plans, building codes, electrical codes, plumbing codes, subdivision regulations, zoning ordinances, and other municipal regulations and ordinances.⁸

Undoubtedly, the "planning" in many of the programs was a one-shot effort by planning consultants, but the Federal requirement encouraged the creation and expansion of many in-house planning operations. The '50s and '60s were years of rapid expansion of interest in planning. It was also a period of reexamination of the role of planning in government and of the relationship of planners to politicians, administrators, and the increasingly recognized multitude of clients of planning. The activities and even the criticisms of the workable program and the availability of even limited 701 funds contributed to these developments.⁹

Federal action also affected State governments and led many of them to intervene in the reaction of local governments to Federal programs.

At least 13 States passed regional planning enabling acts in the three years following enactment of the 1954 Housing Act, setting the stage for a tremendous increase in the number of multi-jurisdictional planning organizations. During this period, the legislature of at least 9 of these states enacted legislation requiring or permitting the establishment of planning agencies for entire urbanized areas, and usually specifically empowering such agencies to apply for and receive Federal grants.¹⁰

By 1964 all but three rural States had enacted enabling legislation for regional planning.¹¹

Special mention should be made of the 1965 amendment of section 701 to provide nonplanning financial assistance to Councils of Governments (COGs). "...The stimulus of Section 701 (g)" and the requirement that applications for financial assistance for basic water and sewer projects (Section 702(c)) " were critical factors in launching the COG movement."¹²

An example of the influence of 701 (g) funds, with which I am personally familiar: Immediately after amending the Housing Act to make nonplanning funds available to COGs, the Association of Bay Area Governments (ABAG) received a small grant of approximately \$15,000 to help finance a review of its objectives and organization. As a result of the work of its Special Committee on Goals and Organization, ABAG had committed itself by 1967 to seeking legislative status as a regional planning agency with mandatory membership of all cities and counties, independent local financing, required conformity of certain city, county, special district, and State actions to regional plans, and, in some instances, the independent implementation of regional plans by the regional agency. This resolution was a long movement from the day only 6 years earlier when city and county officials organized ABAG as a defensive move against

threatened State action and swore never to accept Federal funds for planning or any other purpose.

The movement started in 1966 with the encouragement and financial assistance of the Federal Government has maintained momentum, although the battle has not yet been won in the State Legislature. By 1973 ABAG was supporting a bill which would have created a Bay Area Regional Agency with half of its members directly elected from districts!

A more spectacular example of Federal influence on the behavior of local officials is the ubiquitous appearance and persistence of COGs. Already on the eve of the first Bureau of the Budget's Circular A-95, some 50 COGs were in operation and another 30 were being formed. In 1972 over 350 regional councils were listed in the directory of the National Association of Regional Councils.

Most regional councils participating in the survey were less than 6 years old. Forty-four percent were formed between 1966 and 1968, reflecting the influence of the "701" areawide planning incentives and the Section 204 grant application review requirements. One-third of the regional councils were established in 1969 or later, illustrating the continued effects of earlier Federal legislation as well as implementation of Title IV of the Intergovernmental Cooperation Act through OMB Circular A-95.¹³

Federal encouragement of multiple-interest regional agencies may be a minor part of the Federal thrust toward regionalization. The thrust toward the creation of areawide special purpose agencies was even stronger. The number of distinctive Federal programs with an areawide approach increased from 5 in 1964 to 24 in 1972. Local response to these Federal programs has resulted in the creation of over 400 substate regions which have either been funded or designated.¹⁴

Feasibility and appropriateness of amending the Revenue Sharing Act to provide inducements to local government modernization

Without a detailed analysis of many factors (some unknown before the character of the new Congress and newly elected officials in State and local governments can be appraised), I shall not comment on the feasibility of amending the Revenue Sharing Act.

There is certainly nothing improper about amending the act. It would, of course, be inappropriate to refer to the act as a *General Revenue Sharing Act* if it were amended to convert it into a loose assemblage of special revenue sharing programs, block grants, or categorical grants. However, Federal financial assistance remains general revenue sharing if there are no, or few, restrictions on *the discretion of the recipient government as to the objects for which it may be spent*. In fact, the present act does not give local governments full discretion. At least 18 separate restrictions--none of which appears to be a serious restriction, at least on the larger units of government--have been identified in the act itself, in other "legal constraints, regulations issued pursuant to the law, the force of implied or expectant behavior, and areas of uncertainty regarding the law."¹⁵

In any event, general revenue sharing is not in practice a purely unconditional grant. In theory general revenue sharing is not more desirable than categorical grants just because it is unconditional. General revenue sharing differs from other types of Federal financial assistance in the relative paucity of Federal controls *over the purposes for which the funds can be spent*. *The essence of general revenue sharing then is that the recipient governments be able to determine themselves the purposes for which the funds are to be spent*.

However, it is even more important that the Federal Government, when it makes grants unconditional in this sense, ascertain that the recipients are capable of planning, budgeting, and personnel management and that they are participants in an areawide decisionmaking process.¹⁶

Is there need to improve the responsiveness of local decision making and the managerial capacity of local governments? Almost every witness before the Senate and House Subcommittees on Intergovernmental Relations from 1967 to date, the Subcommittee on Fiscal Policy of the Joint Economic Committee in 1967, and before the House Committee on Ways and Means and the Senate Committee on Finance in 1972 either admitted or declared the existence of such a need. Such witnesses included supporters of the State and Local Fiscal Assistance Act as well as opponents of the act.¹⁷ By 1972 some earlier supporters of general revenue sharing who wanted to accompany shared revenues with requirements that State and local recipients shape up and "modernize" were willing to accept the assurances of Walter Heller and Joseph Pechman as well as Federal, State and local officials that not all wisdom resides in Washington and that unconditional financial assistance would result in better State and local government.¹⁸

Joseph Pechman, admitting that managerial capacity of State and local governments was a problem, was willing in 1967 to see a condition attached to general revenue sharing requiring "considerably much more planning on the part of States and local governments to achieve national objectives than they have done in the past."¹⁹ However, no such conditions were attached to the 1972 act.

As I have said, it would not be improper to amend the act to require State and local governments to meet specified performance standards. It would be inappropriate, however, because the same objective could be more appropriately secured through separate legislation applicable to all Federal fiscal assistance (including general revenue sharing funds).

Nevertheless, two amendments should be made to the act which would enable State and local governments to improve their decisionmaking and managerial capacities. (1) Either a lump sum or a percentage of entitlement should be required to be used to develop or improve the capability of the chief executive and the governing body to develop policies, and to coordinate and evaluate programs. The result might be, especially when associated with my other recommendations in the next section, development of institutions and processes

similar to those which seem so promising in the most successful chief executive review and comment cities.

(2) Multiple-purpose COGs or their functional equivalents should be made eligible for general revenue sharing funds. If the multiple-purpose regional planning agency is established directly by State legislation it should be recognized as eligible for general revenue sharing funds. If it is organized by local action through a joint powers agreement it could still be recognized as a governmental unit created under statutory authority. Certainly ABAG is closer, both in functions and in composition, to being a general-purpose local government than is either an Illinois or Indiana township.

Congress should consider making all regional planning agencies recognized by OMB as A-95 clearinghouses as eligible for general revenue sharing funds. For 7 years A-95 clearinghouses have functioned as agencies of the Federal government to review and comment on applications for financial assistance, without any Federal contribution to offset the costs of review and comment.

Ted Kolderie urges in his paper for this symposium that the Federal Government encourage the creation of appropriate regional agencies through bonuses to those States taking the necessary legislative action.²⁰ There is no reason why Congress could not provide incentives to State legislatures to create multiple-purpose regional agencies and at the same time recognize A-95 clearinghouses as eligible for a modest share of general revenue sharing funds.

My other recommendations for Federal encouragement of State and local governments to increase their capability and responsiveness are associated with other instruments of Federal policy and will, therefore, be discussed in the next section of the paper.

The specific form which such inducements should take, or if infeasible or inappropriate, alternatives available to the Federal Government and to the States to assist in the modernization of local government.

My recommendations are based on the assumptions about the American Federal system and the role of the national government in the governance of States and localities which were discussed in the introduction of this paper. In the governance of metropolitan regions all three levels of government are and will continue to be significant legitimate actors. The constantly shifting play between national, State, regional and local interest is an essential element of regional complexity and vitality. A particular State or region may wish to restructure local government within metropolitan regions, and in some instances succeed. But neither city-county consolidation nor the consolidation of special purpose agencies into a general metropolitan government would change the essential character of intergovernmental relationships that constitute the governance of our large metropolitan regions.

We are seeking, therefore, to improve a system of metropolitan governance rather than to establish a metropolitan government.

I also assume that the system of Federal financial assistance to State and local governments will be a mixture of general revenue sharing, special revenue sharing and other forms of block grants, and of categorical grants.²¹ Witness after witness before congressional committees who have asserted that general revenue sharing should supplement, not replace, categorical grants must have engaged in more than the rhetoric necessary to secure enactment of general revenue sharing.

This means that no one type of financial assistance need carry the full burden of improving the performance of State and local governments. It means that the desirability of keeping as few constraints as possible on general revenue sharing need not be compromised in order to attain national objectives, including the improvement of the performance of State and local governments.

A three-component system of national financial assistance also means that the interface among the components is of crucial importance. When the system settles down again for a while, one might expect a difference among the components in the timing of formal changes. Categorical grants will be added as the need is perceived; from time to time, but not annually, some categorical grants will be incorporated into block or special revenue sharing grants; a full fledged evaluation and review of general revenue sharing will occur even less frequently.

The linkages among the three components and the consequences for other objectives and programs of each new or revised categorical and block grant need to be analyzed both before and after legislative action.

As Marshall Kaplan has recently written:

Very few individuals, either in Congress or outside, seem to be considering the relevance of each of these "categories" of aid to one another. As a result, opportunities to orchestrate the system will most assuredly be lost. Come 1980, we will still be searching for an effective federal strategy to meet national commitments and urban problems. Why not consider for a minute the possibility that the advent of revenue sharing provides the missing link in the arsenal of federal tools directed at improving the quality of federal life? That is, availability of revenue sharing, reasonably free of *performance criteria*, should make it possible for congressmen to argue that they have responded and local officials to actually respond to varied and legitimate constituent needs heretofore not recognized in federal statute. Such "free" money, in effect, should make it easier for these same officials to allocate other federal funds to priorities reflecting national commitments as well as local need; particularly needs related to the poor. To put it bluntly, revenue sharing should permit cities to provide visible and perhaps legitimate rewards to the majority population. This fact should, in time, permit more ready expenditure of other federal aids on still pressing needs related to reduction of blight, and elimination of poverty.²²

Some analyses of course are being made by the executive branch, congressional committees, and the Advisory Commission on Intergovernmental Relations (ACIR). Such analyses, however, would be much sharper and useful if they were fed into a continuing 5-year congressional review of each type of assistance, and of each block and categorical grant.²³ Congress should also request from ACIR an Intergovernmental Impact Statement before final action on any proposal to add, subtract or modify a grant-in-aid.

Therefore, based on these assumptions about the nature and operation of the American Federal system and of metropolitan governance within that system, I suggest the following congressional actions:

(1) Congress should enact legislation to establish and fund procedures for developing *intergovernmental* performance standards for planning, budgeting, personnel, and regional decisionmaking in place of the innumerable and sometimes conflicting requirements in existing Federal legislation and administrative documents. The standardized and simplified accounting and personnel requirements represent substantial movement toward this goal. However, the Intergovernmental Personnel Act is misnamed. Although it does apply to certain relationships between levels of government and therefore can be called "intergovernmental," the standards which it produces through the U.S. Civil Service Commission are *Federal* standards, not intergovernmental standards.

One of the most effective inducements to State and local governments to "modernize" would be to involve them responsibly in developing and enforcing performance standards for planning, budgeting, personnel administration, and regional coordination and decisionmaking. Standards thus produced would not be in fact Federal standards but intergovernmental standards. Such standards could no longer be looked upon as something imposed from the outside but as a product in the creation of which all levels of government had participated.

State and local participation in intergovernmental policy formulation cannot be left solely to State and national organizations of State and local officials. They have a major role to play and both they and the Federal Government have developed that role significantly in the past few years.²⁴

However, many more State and local officials must be involved and at a level closer to the base of their operations and accountability. This process would be manageable if it were built around the 10 Federal Regional Councils.

For instance, the Western Regional Council (San Francisco) is preparing to undertake the intergovernmental examination of Federal planning requirements and of State planning requirements in Federal programs to:

- (1) ascertain if there are enough common elements to form the basis of a general and common planning requirement;
- (2) investigate the possibility of developing intergovernmental planning performance standards as the basis for Federal certification of State, and local planning agencies; and
- (3) examine the piggy-backing upon such common planning requirements of necessary additional functional planning requirements.

Once performance standards were promulgated, a wide variety of formats could be allowed, or even encouraged. A good example of a performance standard in place of specific requirements would be a requirement that all plans or policies demonstrate that the plan or policy statement identifies major groups that would be affected positively or negatively, specifies the nature and extent of the effect, and how such groups were involved in the planning or decision process. Such a requirement might more effectively involve interested and affected groups than the many different requirements now found in Federal agency guidelines.²⁵

The Western Federal Regional Council is also considering the intergovernmental development of a strategy for implementing Part IV of the recently revised OMB Circular No. A-95. Part IV requires each Federal agency with programs subject to A-95 comment and review

to develop procedures and requirements for areawide planning and development assistance under appropriate programs to assure the fullest consistency and coordination with related planning and development being carried on by the areawide clearinghouse...

Reference is made in A-95 to agreements between areawide planning agencies and other governmental entities involving coordinated organizational and procedural arrangements, cooperative arrangements for sharing planning resources, and arrangements to use common base data, statistics, and projections. Important as agreements on these matters may be, they do not go to the heart of substantive issues of metropolitan governance. How will conflicts among general governments and regional special-purpose agencies (directly backed by Federal special-purpose program agencies or indirectly through counterpart State agencies) be shaped, placed on the regional agenda, analyzed, discussed, negotiated, and resolved?

ABAG experience has demonstrated the frailty of paper agreements with special-purpose regional agencies.

It is possible for the Federal Regional Council to expand the Department of Transportation's Intermodal Planning Group into an Intergovernmental Planning Group. Such a group, with representatives from all levels of government, including peers of the levels immediately involved, could in effect negotiate a combined joint, areawide interfunctional work program and an annual arrangement.

In order to comply with the spirit of Part IV of A-95, the Overall Program Design and the Unified Planning Work Program should be converted into a comprehensive program design covering all regionally significant agencies. This would compel special-purpose agencies to collaborate with the areawide planning agency, with the State, and with each other, to identify the interface among regional programs and to pursue the identification of means of effective coordination.

An important function of the proposed Intergovernmental Planning Group would be to stage the movement, incrementally but steadily, from last year's accomplishments to next year's goals. At the least, areawide planning agencies can be held

accountable with respect to the following elements in the A-95 definition of comprehensive areawide planning (Part I, 7c,d,e):

- c. Programming of capital improvements and other major expenditures, based on a determination of relative urgency, together with definitive plans for such expenditures in the earlier years of the program.
- d. Coordination of all related plans and activities of the State and local governments and agencies concerned.
- e. Preparation of regulatory and administrative measures in support of the foregoing.

These elements have been part of the statutory definition of comprehensive planning since the enactment of the Demonstration Cities and Metropolitan Development Act of 1966. However, within the range of my observations of COGs, they have not been enforceable Federal requirements.

Most of my illustrative material deals with Federal planning requirements, but the same procedure should be used in developing intergovernmental performance standards for aspects of State and local governments where organizational, budgetary, personnel requirements, etc., are considered by Congress to be in the national interest. In each instance *intergovernmental* rather than *Federal* standards should be sought and promulgated; requirements should wherever possible be performance standards instead of specific details; constant input should be obtained from State and local officials operating through consultation with the 10 Federal Regional Councils to supplement the input at the national level from the public interest groups; and there should be intergovernmental certification of compliance by State and local governments.

In view of the importance of an intergovernmental approach to improving the quality and capability of State and local governments, a Regional Advisory Commission on Intergovernmental Relations (RACIR) should be established in each of the 10 Federal regions. The RACIRs could make

inquiries and recommendations on their own initiative but, perhaps more important, they could be tied into the conduct of major ACIR projects. The mere exercise of review and comment on ACIR reports and recommendations would be an important asset to ACIR and would lead to the use of RACIRs, after completion of projects, to encourage implementation of ACIR recommendations.

RACIRs should be constituted in a manner parallel to ACIR, with Federal representation coming from the Federal Regional Council and congressional representation from the Federal Region's congressional delegation. Among other things, this might ease the concern of Congressmen and Senators that Federal regionalization will isolate them from the action.²⁶

The State and Local Fiscal Assistance Act of 1972 should be amended to make areawide planning agencies eligible to receive general revenue sharing funds. The formula for calculating the entitlement would, of course, have to be changed to meet the needs of such areawide agencies.

The act should also be amended to require recipient governments to budget a specified percentage of their entitlements for program evaluation and the improvement of decision making and management. Such a requirement would, of course, be much more palatable if accompanied by an increase in general revenue sharing funds to cover the costs.

AMENDING THE REVENUE SHARING ACT TO ENCOURAGE
LOCAL GOVERNMENT MODERNIZATION: WHAT FORMS
MIGHT ENCOURAGEMENT TAKE

I have already committed myself to the position that the Federal Government should encourage changes in the processes and in some instances the structure of local, regional, State, and Federal agencies to increase capability and responsiveness. At the same time, general revenue sharing should not be used as the principal vehicle for this purpose. Special revenue sharing, block grants, and categorical grants should be used, and conscious efforts should be made by legislative and executive branches to relate them to each other at all levels--Federal, State, regional, and local.

Principal reliance, however, should be placed upon a series of "intergovernmental" statutes consolidating and re-writing the many existent Federal planning, personnel, fiscal, etc., requirements. The task of consolidation and rewriting should be made truly intergovernmental so that there is widespread governmental and nongovernmental participation. The end product sought would be the replacement by Act of Congress of Federal standards by intergovernmental standards and the creation of an ongoing process of intergovernmental evaluation and creativity.

Therefore, the specific forms which Federal encouragement of local government "modernization" might take will not be tied to the amendment of the Revenue Sharing Act. Instead, we shall briefly suggest the role of particular inducements as elements of an intergovernmental strategy to plan changes where desirable and to make the changes agreed upon.

Bonuses

To many people, participation is a bonus valued as highly as more material rewards. However, for participation to be valued over time it must be considered by the participant to be worthwhile--at least the value of regional participation must outweigh the values of localism and nonparticipation. There are some reasons to fear that COGs and other regional planning agencies have been brought into existence by Federal action and led through Federal requirements (A-95) and support (701 funds) to a plateau and left there to spend their time in paper planning and pro forma comment and review. They were brought to this organizational level by a policy of "sustain and strain."²⁷ For several years now they have been sustained at a maintenance level, but no higher, with little strain, while the important pieces of intergovernmental policies and programs have been given to special purpose regional agencies. This has been well documented by Mogulof and ACIR.²⁸

Participation in areawide organizations, especially multiple-purpose areawide planning agencies, has changed the orientation from localism to regionalism of most participants who have been surveyed. In surveys of city and county officials in the Bay Area and in the Los Angeles region there are

clear differences between regional participants and non-participants.²⁹ This is one reason I have emphasized the enlargement of opportunities for State and local officials to participate in the formulation as well as the execution of intergovernmental policies and programs.

The increase of the Federal share of funds for model cities with approved planning (up to 80 percent of projects' costs) is a type of bonus that could be given as a reward for desired behavior. So is the 90 percent Federal share in Interstate Highway projects--a bonus for State shifting of priorities. Even with this bonus, however, interstate construction in many cities has been turned down or indefinitely postponed in response to local protests.

The Federal bonus of an extra 10 percent grant for HUD water and sewer projects to cities with a certificate from the areawide planning agency that they are in compliance with regional water and sewer plans was easily secured, at least in the Bay Area. This bonus is an example of a fairly generous award for which nothing really significant is demanded in exchange.

Since section 205 of the Demonstration Cities and Metropolitan Development Act of 1966 was never funded, we will never know whether a discretionary bonus which could have increased the Federal share of the costs of certain projects up to 80 percent used in tandem with the regional review and comment on certain applications for Federal assistance (Sec. 204), would have increased local compliance with regional plans. If awarded as the 10 percent bonus for water and sewer grants, the positive effect would have been minimal. On the other hand, if awarded for genuine behavioral changes it could have been a powerful reinforcement of the positive effects of mandatory regional planning.

Penalties for failure to modernize
through reform or cooperative action

The utility of requirements which must be met as a condition for receiving Federal assistance is illustrated by reaction of organizations, mostly cities and counties, to the Demonstration Cities and Metropolitan Development Act of

1966, and the Intergovernmental Cooperation Act of 1967. The penalty for failure to create an areawide planning agency would presumably have been no Federal grants to local governments of the area. Of the local governments responding to a 1972 ACIR questionnaire, 73 percent of the cities and 78 percent of the counties believed that their regional council was formed in order to comply with Federal grant-in-aid requirements. Approximately 30 percent believed that it was formed in order to comply with areawide review requirements under section 204 and circular A-95.

However, over 57 percent of the cities and 68 percent of the counties reported that they had joined the regional council because membership was necessary to obtain Federal funds.³⁰ If Mogulof is correct, however, in his characterization of regional councils as insurance policies,³¹ local officials may have recognized that a regional council composed of local officials would never act to injure the interests of a member government.

In any event, the principal reason given for forming a regional council was to "initiate cooperative approaches to solving general regional problems" (84 percent). Respondents reported that they joined the regional council because they thought it would "contribute significantly to the solution of areawide problems" (cities 69 percent, counties 71 percent).

Federal agencies are not required to accept the recommendations of ABAG or any other areawide planning agency. In fact, no one knows how Federal agencies making grants use regional comments or whether, in fact, they are at all influential. It would not be surprising to find that different Federal agencies, or different segments of any given Federal agency, differ in their use of regional comments. But no one in the San Francisco Bay Area knows or is sure that anyone in the Federal Government knows.

Uncertainty about what happens to the review document after it leaves the COG, accompanied by a suspicion that most of the time applications are only checked to see if the comment is present, affects the behavior of the COG staff in preparing the review and the policy body in considering staff recommendations. There is no premium on considering an application as more than an isolated project.

It is difficult to imagine that review documents as now prepared are useful to the granting agency in distinguishing between projects or between applicants as claimants for limited funds designed to achieve specified objectives. However, there is no feedback from Federal agencies and no rewards or deprivations for useful or perfunctory regional reviews.

Part of the difficulty with regional review and comment is that most applications are for support of particular projects initiated by local governments, not by ABAG. When viewed separately, they are not inconsistent with regional plans. On the other hand, no one should expect a voluntary association of local governments to take the initiative in blackballing a member government's application for Federal funds. But the behavior of an areawide planning organization would change if there were qualitative standards for regional review and if no applications were granted until those standards were met. At the least a Federal granting agency could require that the consistency or inconsistency between the application and the regional plan be spelled out in detail with references by chapter and verse to both application and plan.³²

The content of a review and comment will necessarily be skimpy as long as there is no regional plan. Even the first accepted version of a regional plan may well be judgmental and rhetorical--ambiguous in order to secure acceptance and also for lack of experience and feedback among regional planners and policy makers. There is, for example, a marked increase in detailed comparison between applications and plans in ABAG comments now that Phase II of the regional water, sewerage, and drainage element of the Regional Plan has been completed and adopted. As other elements are refined one would expect the usefulness of review and comment to increase across the board.

Review and comment is also viewed by ABAG staff and members of the Regional Planning and Executive Committees as the major means of implementing regional plans and policies. They admit, however, that it is a weak instrument. We have seen in discussing regional open space planning by ABAG that major reliance is placed upon the hope that the Federal and State governments will make extensive funds available for the purchase of open space lands. Even the

limited Federal funds now available are expended on a project-by-project basis. Most requests, and therefore most grants, are for relatively small amounts to finance the acquisition and/or development of small acreages. Many are for proposed neighborhood parks--worthy enterprises to meet undoubted needs--but not even through aggregation can they be considered as regional open space.

Mogulof, after observing ABAG and other COGs, has recommended a Federal strategy of "sustain and strain." Among other specific recommendations, he urges that the review process be improved at both the Federal and regional levels and that COGs be required to set regional priorities and relate review of project applications to regional policy.³³

Alameda County Supervisor Joseph P. Bort--Chairman of ABAG's Regional Home Rule Committee, Chairman of the Metropolitan Transportation Commission, and a member of the board of the Bay Area Air Pollution Control District--has testified before a congressional committee that steps should be taken to prevent regional review and comment from leveling "off into a *pro forma* ritual among local, regional and federal officials." His first recommendation to prevent this is the enactment of State legislation to establish a limited, multipurpose regional agency with authority to plan and to require cities, counties, and special-purpose agencies to conform to the plan.³⁴

He also urged that review and comment should be extended to cover applications for State financial assistance and that it be applied to State plans affecting metropolitan areas.

More specifically, I believe that there should be a State review and comment process [similar but more extensive than the OMB A-95 process.] It should operate on a two-way street with State review and comment on local and regional plans and regional review and comment on State plans and projects. It should not be confined, therefore, to review and comment on applications for financial assistance. In fact, the structure of such an intergovernmental review and comment process was beautifully laid out

in Assemblyman Knox's 1967 regional government bill (AB 711) but there it would only have applied to highways. All state agencies and all local and regional agencies should be subject to mutual review and comment on all plans, regulations, capital improvement programs, and applications for financial assistance, if they have regional or Statewide impact.³⁵

However, it has not yet been possible to secure State action to "sustain and strain" multiple-purpose regional planning and action. Supervisor Bort therefore recommended seven specific steps that the Federal Government should take to keep A-95 from becoming perfunctory and useless.

- (1) Sufficient funds should be appropriated to enable a comprehensive regional plan to be completed within a reasonable time.
- (2) Congress should enact an Intergovernmental Planning Act to replace the scores of planning requirements in the many categorical grant programs.
- (3) The Intergovernmental Planning Act should provide for multiyear funding.
- (4) Regional COGs should be required to set priorities for projects of areawide significance.
- (5) An evaluation should be made of the usefulness to Federal agencies of the A-95 review and comment by regional planning agencies of applications for Federal assistance.
- (6) The impact on other aspects of community life of the implementation of particular functional plans should be studied and the results reported to planners and decisionmakers.

- (7) All Federal, State, and regional programs should have an independent scheme of evaluation worked into the program design.³⁶

At the same congressional committee hearing Assemblyman Knox urged the subcommittee:

acting through the Congress, to direct both the Office of Management and Budget and The Department of Housing and Urban Development to establish a policy and put it into immediate operation...which insures that individual grants will be used to implement the regional plans which the Federal Government has previously insisted upon and, in large part, funded.³⁷

Assemblyman Knox's objectives, when associated with the recommendation of Supervisor Bort, are desirable directions of Federal policy. In fact, if COGs ever move from the present plateau of development to which they have been brought by A-95 a renewed tactic of "support and strain" along these lines is necessary.

One difficulty with the use of penalties to influence the behavior of local officials is that most of them believe that the threat to withdraw or withhold funds is a bluff. Powerful political forces can (and have) intervened to protect the noncomplying government from the sanction. Moreover, most Federal granting agencies are eager to spend money to achieve their functional goals and would not look kindly on withholding funds in the name of regional cooperation or modernization of local government.

Entitlement increases

Variable increases in entitlements for good performance are a form of bonus. However, they might be considered as Federal payment of the increased costs of local government reorganization. In this sense, they would act as a "hold harmless" provision.

One approach would be to increase all entitlements across the board and require the increase to be used to support the

development and maintenance of a management and program evaluation unit. The State entitlement could also be increased enough to fund State activities to support and encourage local government modernization.

The 1 1/2 percent research and planning funds in the Federal highway grants can be taken as a model.

Magnitude of financial inducement required
to produce modernization

I have not calculated the amount of money that would have to be appropriated in order to change the behavior of local officials. Any token sum, not unknown among Federal appropriations for such purposes, would be self-defeating. An indication of the magnitudes involved can be suggested by the expenditure of approximately \$113 million dollars by California municipalities in 1972-73 for planning and personnel administration by central executives (Managers, Chief Administrators, Controllers, and Departments of Finance). This constituted only 2.7 percent of total municipal expenditures of over \$3 billion. It would seem that present expenditures would need to be doubled to support the kind of activities recommended in this paper.

One-time vs. continuing inducements

Changes in the behavior of local officials and the regularization or institutionalization of these changes which are implied by "modernization" are not equivalent to the building of a schoolhouse or the construction of a sewage treatment plant. There are constraints upon change embedded in constitutions, charters, and statutes.³⁸ Their repeal or modification cannot easily, if at all, be purchased. Established and institutionalized relationships are many and complex.

Only continuing inducements, tied to a strategy of ever increasing incremental change, are likely to succeed. Moreover, continuing aid, unless tied to such a strategy, cannot be considered as continuing inducements. The significance of a strategy of ever increasing incremental change ("strain and sustain") was highlighted in the previous discussion of regional review and comment.

Handling of retrogressive actions once a unit or units have qualified by modernizing

The difficulties of penalizing a unit of government by withholding funds is well known. If the inducements (conditions) are tied into general revenue sharing these difficulties will be almost insuperable. Under some form of "annual arrangements" negotiated by the Federal Regional Council assisted by an intergovernmental evaluation team (see above) it would certainly be possible to withhold "modernization" funds. It would also be easier for Congress to penalize retrogressive governments through special revenue and categorical grant programs through negotiated annual arrangements.

Policies with respect to a unit or units which took otherwise qualifying action prior to amendment

There are few governmental units in which there would not be some felt need to modernize once there was a Federal program of inducements. Again such requests for assistance could be negotiated by an intergovernmental evaluation team under the auspices of the Federal Regional Council.

Governmental units already qualified should not be penalized for self-initiative. They should be given a bonus along with all other local governments reaching certain levels of excellence.

CONCLUSIONS

The most important contribution that the Federal Government can make to the "modernization" of State and local governments is (1) to recognize its responsibility as a partner in the governance of metropolitan America, (2) to take the leadership in creating a process, and the concomitant structures, to evaluate intergovernmental policies and programs and to develop intergovernmental standards of capability and responsiveness, and (3) to lead, where necessary, in the mobilization of a supportive clientele for intergovernmental collaboration.

Both conflict and cooperation are essential elements of intergovernmental collaboration.³⁹ This means that public

officials at all levels, but especially in the Federal Government, will have to develop the patience and skill to analyze policies and negotiate bargains. Under such a system Federal officials would (to belabor with a little purple language an old tale as an analogy) not be able to sit any longer in the shade of a tree during the noonday sun and throw pepper in the suspect's eyes (i.e., to draft legislation with Federal requirements and issue even more detailed regulations and guidelines to implement them), but will have to engage in the tough and dangerous task of investigating the suspect in his own neighborhood protected by friends and accomplices (i.e., engage themselves in the seemingly interminable talk and counter-talk of intergovernmental conflict, cooperation, and bargaining).

Certainly, as Elazar says in his paper,⁴⁰

the American situation has...necessitated a high degree of self-restraint on the part of the various partners within the governmental system in order to preserve the spirit of the constitutional division of powers as well as the form.

But to suggest that the Federal Government should exercise restraint to the point of abnegation of responsibility for national interests is to invite the very imbalance that he seems to fear. A federally balanced polity can only come from a situation in which, in Elazar's words, the Federal Government seeks "to work with the states and localities by properly mixing sanctions and consensus building."⁴¹

NOTES

- 1 I am indebted to the participants at the General Accounting Office's conference on "The Possibility of Amending the Revenue Sharing Act to Encourage Local Government Modernization," November 20-22, 1974, to Mr. Carl Stenberg, ACIR, and to Professor Eugene Lee and Mr. Bruce Wallin, University of California, Berkeley, for many suggestions and criticisms.
- 2 See Daniel Elazar, The American Partnership (1962) and Morton Crodzins, The American System (1966).
- 3 Elazar, Draft Paper No. I, pp. 21ff.
- 4 Ibid., pp. 24ff.
- 5 See Daniel Elazar, American Federalism: A View from the States (1966) for a discussion of regional cultures relevant to our interests.
- 6 By regionalism, I do not refer to a unitary regional government. If it were to occur, I would not exclude it as a legitimate manifestation of regionalism.
- 7 National Commission on Urban Problems, Building the American City (U.S. House of Representatives, House Document No. 91-93, 91st Congress, 1st Session, 1968), pp. 177-178.
- 8 Charles S. Rhyne, "The Workable Program--A Challenge for Community Improvement," Law and Contemporary Problems (Autumn 1960), p. 695.
- 9 "Probably the discouragements of the moment prevented many planners from realizing that in some cities, if not their own, the planning activities associated with renewal had strengthened [or at least changed--V.J.] relations between planners, administrators, and elected officials, had made planners themselves more aware of the necessity of integrating environmental planning with

planning for human welfare, and had helped to evolve new legislative and administrative tools for reducing the physical deterioration and human misery in urban centers." Mel Scott, American City Planning Since 1890, (University of California Press, Berkeley and Los Angeles, 1969), p. 521.

- 10 Advisory Commission on Intergovernmental Relations, Substate Regionalism and the Federal System, (1973), Vol. I, p. 57.)
- 11 Ibid., pp. 57, 70.
- 12 Ibid., p. 71.
- 13 Ibid., p. 79.
- 14 Ibid., Table IV-4, pp. 176-177.
- 15 Robert W. Rafuse, Jr., (ed.), Proceedings of the Conference on Revenue Sharing Research (National Planning Association, 1974), pp. 26-27.
- 16 See my testimony before the U.S. Senate Committee on Government Operations, Subcommittee on Intergovernmental Relations, Hearings: Intergovernmental Personnel Act of 1967 and Intergovernmental Manpower Act of 1968, April 27, 1967, p. 146. Also, U.S. Congress, Joint Economic Committee, Subcommittee on Urban Affairs, Hearings: Regional Planning Issues, Part I, October 13, 1970, p. 44.
- 17 The most forceful and reasoned case against unconditional revenue sharing has been made by Lyle C. Fitch, President, Institute of Public Administration. See U.S. Congress, Joint Economic Committee, Subcommittee on Fiscal Policy, Hearings: Revenue Sharing and Its Alternatives: What Future for Fiscal Federalism?, August 3, 1967, pp. 165-167; "Reflections on the Case for the Heller Plan," in John P. Crecine (ed.), Financing the Metropolis (1970), pp. 163-174; "Alternatives to Revenue Sharing," in Problems and Response in the Federalism Crisis, (John C. Lincoln Institute/National Academy of Public Administration, 1971), pp. 57-89. See also Lawrence Susskind,

- "Revenue Sharing and the Lessons of the New Federalism," Urban Law Annual, Vol. 8 (1974), pp. 33-71 and Donald W. Lief, "Pork Barrel Thinking Hurts Discussion," Revenue Sharing Clearinghouse (September-October, 1974), pp. 5-6.
- 18 U.S. Congress Joint Economic Committee, Subcommittee on Fiscal Policy, Hearings: Revenue Sharing and Its Alternatives: What Future for Fiscal Federalism?, August 2, 1967, pp. 109, 117. For the inadequacies of State planning in California, see Department of Housing and Urban Development, Region IX, Evaluation of the California State Planning System, (April, 1974). For a different stage of State planning and of State-local relationships, see Evaluation Report: State of Arizona Planning System, prepared by an intergovernmental evaluation task force consisting of representatives of the Governor's Office, the Arizona State Office of Economic Planning and Development, the Arizona League of Cities and Towns, the Arizona Association of Counties, HUD Regional Office of Program Planning and Evaluation, the Los Angeles Area Office of HUD, the Public Health Service, HEW (Region IX), and the Office of Economic Opportunity.
- 19 Ibid., p. 153. "But such language should not interfere with the State-local prerogatives in deciding where the funds will go."
- 20 Ted Kolderie, Draft Paper No. III, pp. 23ff.
- 21 See Marshall Kaplan, "Model Cities and the New Inventory," in Joseph N. Sneed and Steven A. Waldhorn (eds.), Approaches to Accountability in Post-Categorical Programs, (Conference Proceedings, HEW, Region IX, San Francisco, February 1974), pp. 92-93.
- 22 Ibid.
- 23 Advisory Commission on Intergovernmental Relations, Periodic Congressional Reassessment of Grants-in-Aid to State and Local Governments (1961).

- 24 For a significant input very relevant to the matter before us, see International City Management Association, Report of Management Criteria Task Force (August 1972). See also The Council of State Governments, Intergovernmental Relations in State Land Use Planning (1974).
- 25 I am indebted to William Brussatt, Office of Management and Budget, for this illustration.
26. See U.S. House Committee on Government Operations, Subcommittee on Intergovernmental Relations, Hearings: New Federalism (Organizational and Procedural Arrangements for Federal Grant Administration), January 29-31, February 5-6, 1974, passim, especially the questioning of Congressman John H. Buchanan, Jr., of Alabama.
- 27 Melvin Mogulof, Governing Metropolitan Areas (1971), pp. 112-121; also Victor Jones, "Bay Area Regionalism: Institutions, Processes and Programs," in Advisory Commission on Intergovernmental Relations, Substate Regionalism and the Federal System, Vol. II: Regional Governance--Promise and Performance (1973), pp. 104-107.
- 28 Melvin Mogulof, "Federally Encouraged Multi-Jurisdictional Agencies in Three Metropolitan Areas," in Advisory Commission on Intergovernmental Relations, Ibid., pp. 142-197, and Advisory Commission on Intergovernmental Relations, Op. Cit., (1973), Vol. I, pp. 167-220.
- 29 See Norman C. Boehm, "Metropolitan Government: An Evaluation of Factors and Attitudes with Regard to the Possible Emergence of a Regional Level of Government in the American Federal System," (unpublished PhD dissertation, Claremont Graduate School, 1971); Thomas E. Cronin, "To Govern the Metro-Polity," (unpublished PhD dissertation, Stanford University, 1969); Cronin, "Metropolity Models and City Hall," Journal of the American Institute of Planners (May 1970), pp. 189-197; Victor Jones, "Bay Area Regionalism: The Politics of Intergovernmental Relations," in Kent Mathewson (ed.), The Regionalist Papers (1974), pp. 124, 134.
- 30 Ibid., pp. 117-118.

- 31 Mogulof, Governing Metropolitan Areas (1971), p. 15.
- 32 The next several paragraphs are reproduced from my case study of Bay Area regionalism for the Advisory Commission on Intergovernmental Relations, op. cit., Vol. II, pp. 103-104.
- 33 The statutory definition of comprehensive regional planning in the Demonstration Cities and Metropolitan Development Act of 1966 seems to give full scope to the Federal Government to require that regional plans (policies) be finer grained than, for example, ABAG, Regional Plan: 1970-1990.
- 34 Mogulof, Governing Metropolitan Areas (1971), pp. 112-121.
- 35 U.S. Congress, Joint Economic Committee, Subcommittee on Urban Affairs, Regional Planning Issues, Part IV, May 20, 1971, pp. 601-605.
- 36 Ibid., pp. 604-605.
- 37 Ibid., pp. 606-611. Further details of his proposals will be found in his prepared statement for the subcommittee. I was associated with Supervisor Bort as a consultant to ABAG's Regional Home Rule Committee and therefore the above recommendations can be viewed as ones which I would make.
- 38 Ibid., p. 624.
- 39 See Sidney L. Gardner, "The Intergovernmental Debate: Straw Men Stumbling Toward Middle Ground," in Sneed and Waldnorn, op. cit., p. 83.
- 40 Elazar, Draft Paper No. I, p. 2.
- 41 Ibid., p. 19.

WHY EXTENDING REVENUE SHARING TO NONQUALIFYING UNITS
WOULD SERVE TO ENHANCE LOCAL GOVERNMENT MODERNIZATION

by

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The views and opinions expressed are those of the author.
They should not be interpreted as reflecting the views of the
General Accounting Office.

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INTRODUCTION

In its efforts to move effectively on the problems of urban America, the Nation remains perplexed and frustrated by the condition of the federal system.

The problems are national. So are the objectives. So --increasingly--is the financing.

Yet the governmental mechanisms through which the action must be taken and programs delivered are not. With very few exceptions the Federal Government does not own, and can only indirectly control, the mechanisms of governance and administration in the urban regions for the delivery of urban programs.

For a time during the 1960s the national government seemed to be moving to take increased control. New programs were added, in ever narrower categories. For these new streams of Federal aid, new mechanisms were created, within the States and urban areas . . . to draw plans, to allocate funds, and to approve projects. Requirements for their structure, membership, and operations were set in Federal law and regulations.

By 1968 a strong reaction had set in, led by State and local officials, through their national associations. Federal efforts, it was argued, should no longer stimulate categorical programs . . . but rather, should strengthen the institutions of general government.

In the debate leading up to 1972, revenue sharing seemed the key opportunity for a strengthening of the non-Federal institutional structure. Vigorously sought by State and local officials, it also appeared to offer a once-in-a-generation opportunity to secure, in return for the principle of general Federal assistance, a major upgrading of their organization and procedure.

This did not happen. In the design of the program, economists rather than political scientists were the dominant influence. State and local officials wanted no "strings."¹ And national officials sought above all to have the program

pass. So, revenue sharing came in as a program of resource distribution and without major incentives for local government "reform."

This has eased the financial situation of the States and the local units. But it has left us with the problem of maintaining a capacity for change in the urban governmental system when the local general units are reinforced in their present pattern and put under no pressure, and when--even more fundamentally--Federal policy now is to discourage the creating of new special-purpose districts . . . which is the process on which the system has heavily relied for innovation and adaptation over the past 30 years.

This is especially important with respect to one adaptation that was under way within the system by the late 1960s: the adjustment of boundaries and functions to reflect the growing relevance (especially to the Federal Government) of the metropolitan "city" as the basis for urban planning and decisionmaking.

The central question now, given the thrust of revenue sharing and other Federal policy, is how this shift to a metropolitan definition of the "city" can be merged with the shift away from special-purpose units . . . when the system in which these changes must be made is one in which no concept exists of a regional level of general government.

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I do not suggest that this concern is a particularly live one, politically. Almost certainly the congressional interest in local government and revenue sharing has to do, not with the matter of governmental organization, but with the question of local program priorities. Initially with the use of some funds for tax relief, and especially after the cutback in social service grants late in 1972, the concern has been primarily that local government was spending the money on (in some sense) the "wrong" things and not on the "right" things. Much of the thrust for a reappraisal of revenue sharing comes out of the interest in changing these local priorities.

I will not deal directly with this issue in my discussion of local governments modernization . . . for three reasons:

First, because revenue sharing is a program for the enlargement and equalization of the resource base of the non-Federal units of general government. Program issues are inappropriate, almost by definition.

Second, because categorical aid programs remain available for use should the Federal Government decide that particular programs which States or local units elect not to finance out their own general revenue are to be undertaken.

Third, because it is impossible in any event really to know how the money is being spent. Revenue sharing funds are part of local general tax revenue, indistinguishable from revenues raised from "own sources." The conclusion--shared, I believe, by all observers--is that the question of "uses" can productively analyzed only in terms of the budgeting decisions of a State or local government as a whole.²

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There is, however, an important--even though indirect--connection between the question of program priorities and the question of local government organization.

For the central question about program priorities is why those perceived by the national government are not perceived at the State and local level . . . what there is, in other words, about State and local mechanisms that prevents them from addressing, or from acting effectively on, what can be seen from a larger perspective as the most important and urgent problems.

The answer lies in the incentives created by the governmental system.

The local officials who are "failing" to spend their revenue sharing dollars, or to devote any increased share of their total general revenues, for social services or for the disadvantaged are not unintelligent or unconcerned. They are rational people, caught in a system where the principal incentives are for them to put their emphasis on local public works, on local tax relief, and higher wages for local employees . . . since there is--for each jurisdiction individually, at least--the possibility that poor people and high-cost

services and low-cost housing and non-tax-producing uses of land, such as open space, can be shifted and become the responsibility of some other jurisdiction within the region.³

It is important not to oversimplify. Probably this set of program priorities is inherent in any system that rests on majority vote. I assert only

- that the present system carries a special disincentive against the emphasis on housing and social services for which the critics of local government performance have been calling;
- that the likelihood of the urban governmental system coming to a different set of priorities would be increased under a different pattern of local government organization and finance which contained incentives explicitly for local officials to think in regional terms;
- that such a change is now clearly in the interest of the Federal Government; and
- that it can be made, fairly simply, given a will to do so.

BASIC ISSUES

What has been the effectiveness of previous attempts by the Federal Government to influence local government conduct, especially in the metropolitan areas?

Ideally, perhaps, the question should be answered against a background of substantial experience with Federal program administration or of substantial systematic research. My own perceptions are from the private sector (as a newspaperman and later director of a citizen-based policy-studies organization) and are impressionistic rather than systematic. They are also confined basically to Minnesota.

The essential Federal strategy for influencing local government conduct, however, can be seen fairly clearly and probably does not vary much from area to area.

It is to set certain requirements for a program . . . usually not really in performance terms, but related to measures of organization and process which it considers relevant and important to program success; and to keep these just a bit ahead of where the local government is at any given time, bargaining annually for improvements, threatening to decertify or to cut off funds for noncompliance, negotiating compromises; then moving requirements ahead again as local performance improves.⁴

A reasonable example would be the Federal effort to improve the quality of local government decisionmaking over the past 15 years by introducing into virtually all programs a requirement for comprehensive and program planning.

Overall, my own perception is that the Federal influence is not great. The Federal Government does, of course, induce program expenditures with its categorical grants. And it is possible to require the creation of planning processes and quasi-governmental structures. But none of these things necessarily changes the *character* of local performance. The existence of plans, for example, has not necessarily meant that decisions are based more on planning considerations.

There are three reasons for this.

First: Federal law and regulations tend to be uniform. The States and local jurisdictions, however, vary widely in character, and in their laws and institutions and political traditions. From the first, therefore, the Federal requirements frequently appear as arbitrary or unrealistic from the local point of view . . . and a sense is too often set up from the start that they are therefore to be either adapted or evaded.

Second: They can be adapted or evaded. The Federal Government cannot really know what is going on in any given metropolitan area. I do not think I am mistaken about this. By and large, the program supervision consists of reports from the local government unit to which the funds were granted, to the Federal agency; and of "audits" by the Federal agency, which consist of discussions with officials of the local units. Even where a Federal regional or area office is located in the metropolitan area concerned, the officials of the agency do not circulate in the community, watching the performance of the local units in action. Much information and much good judgment about local unit performance is available from those persons, in any metropolitan area, who follow local public affairs with real care and attention. To my knowledge, the Federal Government makes virtually no attempt to tap into this source of intelligence. On key matters (the integrity of a city's code-enforcement program--required as a condition of urban renewal assistance--for example) the government is quite open to being simply hoodwinked. Much depends on what happens to get into the newspapers.

Third: Administrative officials, even (or especially) of the Federal Government, are no match for elected officials, even of local government. The Federal agency personnel, at the interface with local programs in the metropolitan areas, are typically the lowest-echelon, most junior, and newest. Particularly when they fail to use the one great potential asset presented by their location in the metropolitan area--to move around personally, to develop their own evidence about what is actually being accomplished--they are obliged to fall back on regulations and issues of conformance to procedures. Local officials are quick to appeal to their congressional delegations. Regional office people, usually in another city, are frequently bypassed in the process. And in the contest in Washington the local interests are likely to

win, except in cases of really flagrant disregard of program regulations: "Cutting off the funds" is, after all, past a certain point, counterproductive as a device for Federal program implementation.

All these comments apply, it should be noted, to what I have suggested is the conventional Federal approach toward local government change . . . the essence of which is to seek a response from the local unit directly. Unable really to exercise sanctions (except to try to cut off aids) and lacking in any event good intelligence to support what sanctions it might try to apply, the Federal Government is, most of the time, in a fatally weak position.

There is a different approach possible, which has recently begun to come into use. It is to use some piece of the State-local governmental structure--existing or newly created --as the agent of the Federal Government in implementing changes in local government conduct.

One such mechanism has been the citizen-based parastructure, such as a Model Cities program, when equipped by the Federal Government with money and authority--and therefore with an ability to make City Hall respond.

Still another is represented by section 204 of the Model Cities and Metropolitan Development Act of 1966, which inserts into the governmental system in the major urban areas a new regional structure for the preparation of comprehensive regional plans and for the review of (federally aided) local projects for conformance with those plans.

The Circular A-95 review has worked with some real effectiveness, at least in my experience, in the Twin Cities area, where the Metropolitan Council, because of its makeup and its foundation in State law, has been fairly strongly committed to metropolitan planning and disposed frequently to challenge projects that would violate such plans.⁵

It is weak even there . . . partly because the Federal agencies are not clearly charged to back up the review with a clear policy that grants are to be made for projects that do conform with metropolitan plans, and not for projects that do not; and partly because the Federal agencies tend not even

to report back to the A-95 body whether a project sent through for review was, ultimately, approved or not.

The planning review as an attempt to improve local decisionmaking is weaker in other urban areas, as a result of the Federal effort to build the A-95 agencies not on an independent political base but out of the units of local government that are themselves sending projects through for review. The performance of Councils of Governments (COGs) has been extensively studied by others.⁶ Their judgment, I believe, confirms what we have been able to observe from the Twin Cities area . . . that this system of representation and voting tends to limit action essentially to areas in which the interests of the units coincide; and leads to an evasion of issues, or even threatens a breakup of the agency, in areas in which real interests conflict.⁷

The A-95 process has suffered, too, from the failure (even in the Twin Cities area) to rank applications for assistance in any priority order, areawide.⁸

The makeup of the A-95 agencies is an old, and a sensitive, issue. But it remains important: The regional body is potentially a key institution in stimulating local government change, and its effectiveness is obviously a matter of critical importance for the Federal Government.

Another way in which the Federal Government has moved to increase effectiveness is through areawide planning agencies for individual programs, separate from the A-95 agencies. Health planning is an example. Here it has begun to break away from the principle that the review agency should be composed entirely of representatives of the units (hospitals or whatever) whose projects are under review. It has moved to require representation (in some cases, a majority) of consumers . . . or disinterested parties.⁹ This can have, and has had, the effect of freeing-up discussion, for issues to be raised and resolved.

The general regional agencies, however, are the key ones. And no such concept of "consumer" or general citizen representation has appeared in law or regulations involving these.

Local governments, and their national associations, probably will tend to resist any such system. They count for much. But what fundamentally restrains this important Federal effort to stimulate change in the local government system, it seems to me, are two underlying assumptions: First, that the formation of such a regional planning and policy-making body is a matter for action by the local governments; and, second, that the guidelines for the makeup of such a body should be, or would be, specified by the Federal Government.

Neither assumption is required.

The local government structure brought into being by Federal law and regulation cannot, in truth, be equipped with any substantial strength beyond the authority it is given over the spending of Federal funds. And the effort to do so clutters up the urban governmental landscape with a variety of partial structures . . . while keeping the Federal Government itself entangled fully in the thicket of metropolitan governmental rivalries, trying to make choices that inevitably antagonize one group or another.

The most important point by far to be made about the scope and effectiveness of the Federal Government's attempt to influence local government conduct is its failure to recognize, and to use, the potential that lies in the authority of the State government to organize and to reorganize the systems of local government and finance.

In referring to "the State" I am not referring to the administrative departments, or even to the Governor and the actions he can take through executive order. I am referring, rather, to the constitutional power that resides in State law, and to the political authority that exists in the legislative process for the accommodation of divergent interests.

It is in the legislatures that the power over local government rests, in our system. Remarkable things can be done, and are done, in many if not most of the States--to create new governmental structures with real legitimacy, to revise their procedures, to control the process of local government formation, and to rebuild their revenue systems.

The failure of the Federal Government to understand this¹⁰ is of fundamental importance.

A new strategy, which capitalizes on the potential of State law, is absolutely central to an effort by the Federal Government to improve the institutions of urban governance on which it depends for the effective delivery of the programs it finances.

What is the nature of the 'modernization' required in the national interest, and what is the feasibility and appropriateness of attempting to bring it about through amendments to the Revenue Sharing Act?

It is useful to begin again with the overriding interest of the national government in solutions to the problems of the great urban areas in which something like 75 percent of the population now resides. Their social and political health, their economic productivity, the effectiveness of their community services . . . in all respects, the improvement of the quality of life of these great "cities" . . . are now matters of critical importance to the Nation and specifically to the Federal Government.

This means the Federal Government is also, necessarily, deeply concerned with the effectiveness of the organizational system, public and private, through which the huge and enormously complex urban enterprise is managed. Many of the important goals--for example, housing, education, criminal justice, transportation--are established by the Federal Government. And much of the money, for capital and, increasingly now for operations, is provided by the Federal Government. Yet, as we have seen, this money is spent and these goals are achieved, if they are achieved, through a mechanism of governance which the Federal Government itself does not directly own or control. Out of this basic situation comes, understandably and legitimately, a desire on the part of officials in the Federal Government (to take a broad and unspecific term) to "modernize" the system of urban governance.

Federal officials are now, more and more, considering how this can be done.¹¹

It is important first, however, to think clearly about what should be done.

It would be a serious mistake, in my view, to concentrate on the development of a program of "modernization" for the individual governmental units which now serve the parts of the urban region.

The first effort, rather, must be to bring into existence structures able to raise and to resolve major issues involving the urban region as a whole.

In saying this I do not mean to ignore the deficiencies and the needs for improvements in the internal organization and procedures of the local units . . . in budgeting, in the training of local government personnel, in planning, in the use of sophisticated data-processing equipment, and all the rest of the traditional good-government and public administration reform agenda. I simply argue that this is not what is of fundamental importance . . . and that the limited capabilities of the Federal Government for any effort to stimulate change in the system of urban governance should concentrate first on what is most important at this point in time.

It should concentrate, in other words, on the basic inadequacies of the arrangements for building, financing, and operating the major urban systems at the scale at which these "life-support" systems now exist, and on the creation of a general-purpose mechanism at the regional level.

There are two parts to the problem.

In most metropolitan areas the existing units of general government are inadequate geographically. In a substantial number, at least, the municipality, and even the county, covers only a portion, or a small portion, of the urban region. Each part, typically, must finance the services it provides largely from the tax base it can persuade to locate within its own borders.

Where units have been developed to cover the entire urban area, these are in almost all cases inadequate functionally--being responsible usually for only a narrow service function and, in almost all cases, being independent of general government. Transportation is perhaps the classic example where the regional agencies are frequently specialized into such subfunctions as transit, expressways, or bridges and tunnels.

Also of course, a substantial part of the system of governance, or at least of the responsibility for the organization and delivery of service, is in the hands of units that that are private . . . whether commercial (like the electric and gas utilities) or nonprofit (like the private doctors and hospitals that substantially compose the health care system), and therefore outside the purview of government defined (as it is, conventially) as a service producer.

Very important practical considerations obviously require the Federal Government to approach the urban areas in political terms--dealing with the municipalities and counties.

Still, the reality of the present situation . . . of the metropolitan, rather than the municipal, character of the "city" . . . must lead (and is leading) the Federal Government gradually to approach the problems of urban governance more and more with essentially the perspective of the author of the Scientific American article in September 1965 who wrote about "the metabolism of cities." The systems for bringing in food and fuel and for taking out wastes . . . for moving people and goods . . . for communicating by mail, television, or telephone . . . for bargaining labor contracts . . . for organizing bakers and druggists and cartage companies and a hundred other trade associations. . . . for merchandising automobiles . . . for clearing checks . . . all are increasingly regional.

It is with these regional systems, therefore--with their objectives and their facilities and their performance--that the Federal Government must be concerned.

For they are regional systems even if they are (as many of them are and as most of them should continue to be) organized for administrative purposes at the county or municipal scale, or in private hands. The units responsible for the keeping of public order, for fire protection, for education, and for social services, and (in the private sector) for the construction and management of housing or for health care, all are highly decentralized. Yet they work as a system and must be planned for regionally. The housing market is, in part, a regional market. And--as the declining enrollments in public schools are now making clear--education must in some respects be planned for the region as a whole. Some regional decisions are required for the human services.

And at least the functions of communications, recordkeeping, and specialized investigations . . . if not the patrolling of the streets . . . is moving toward a larger scale than the municipal police departments.

These are, in other words, systems that (as we are finding in the case of the electric power industry) do not require all the operating units to be under common ownership. There simply needs to be, and can be, an arrangement for "managing" them as if they were under common ownership.

The first "modernization" required in the governmental system within the metropolitan areas, then, is the creation of just this kind of "management" structure for each of the major systems in the development, operation, or performance of which the Federal government finds it has a significant interest.

And not really creation. For . . . reflecting the realities mentioned earlier . . . these management structures have already begun to emerge, in somewhat different forms in different programs and in different metropolitan regions--mostly as "planning" structures and processes.

There is now such a planning process required for transportation, for airports, for health care facilities, for criminal justice, for manpower programs, and perhaps for other programs supported by Federal aids.

More precisely, the need in many cases is to make these emerging management structures effective . . . by transforming them from "planning" (usually taken to mean "innocuous") bodies into what are genuinely policy-making and decision-making bodies.

Perhaps it is important to stress, too, that it will be essential to have a capacity beyond that needed simply to develop a system physically. Even more important will be a capacity to (again, in the larger sense) manage that system . . . to make it operate with maximum effectiveness, at minimum cost. This means, principally, the capability to focus on performance: to design and to install utilization programs (in the health care system, for example, where all the incentives are to overuse beds and manpower); in the utility

systems (the electric generating system of a major urban region operating today probably at roughly 55-60 percent of capacity);¹² in the transportation system (in which in many areas' roads are "congested" for relatively short periods of the day, with automobiles themselves perhaps on the average one-quarter full); or in the housing system, where--in addition to overcrowding--there may be in many areas a significant degree of underoccupancy in the existing housing stock.

One additional element of "modernization" will be required: the creation of some kind of general-purpose policy body overarching the agencies responsible for the coordination of the particular service systems.

Let me use again here an analogy I have used elsewhere . . . comparing urban development with the development of, say, a major office building. There is, in the construction of such a building, no concept of a "best" plumbing system, or electrical system, or structural system, or heating-ventilating system . . . nor, indeed, is there a concept of the planning and construction of such a system apart from the planning and construction of the building of which it is a part. And there is, for this overall design and management, a general contractor, an architect, and ultimately a client. So with urban development: no concept of a "best" transportation or sewerage or housing system . . . and, if one system is not to determine (or distort) the design of the others, the same need for something that can correspond to the general contractor-architect-client.

The most basic system that must be "developed," however, is the system of regional governance itself. And this means that the first and most fundamental modernization of all is the establishment of a policy mechanism, at the regional level, which can begin to move serious proposals to the State legislature, about how to attack the major problems of the area.

Appropriateness of using the Revenue Sharing Act. Can and should this be brought about through the revenue sharing program? The answer to this question depends on the conclusions arrived at so far: First, that the "modernization" most needed is a regional structure for the management of key urban systems, individually and collectively; and, second, that--to be really effective--the Federal efforts to change

or modernize governmental structure within the urban regions should be directed not toward the local units directly but toward the State legislature which creates the local units.

Given this, the question becomes whether it seems appropriate and feasible to use amendments (presumably, either new requirements or new incentives) in revenue sharing to induce the States to establish (create or designate) these regional bodies.

In one sense such an effort is probably not appropriate. If revenue sharing is essentially a program of resource distribution and resource enhancement . . . with some additional element of effort to equalize resources among many States and among local units . . . then it ought to be that and no more. Efforts to move non-Federal units, directly or indirectly, into new programs or different program priorities, or into boundary adjustments or structural reorganization or procedural reform . . . all belong in some other Federal law.

The problem of course is what when a variety of things could be done, and when choices must be made, it is impossible not to have a policy. In revenue sharing, when a number of different distribution formulas could be written, and when choices do have to be made about the type, level, size, and character of local unit to be included, the program cannot be neutral with respect to the organization of governmental structure and functions. This cannot be concealed by a decision that the program should "take the world as we find it." Simply to accept the existing pattern of urban governmental organization, at a time when there is either a prospect of, or a need for, a reorganization of governmental structure and functions, is clearly a serious policy decision.

If, then, revenue sharing does in fact influence local government organization, the question of "appropriateness" comes down to a question of whether its impact should be considered, or ignored. My judgment is that it should be considered. If the impact was not considered, and not consciously designed in the original 5-year program, it should be considered and used in the reenactment of the program.

It is, therefore, appropriate . . . indeed, necessary . . . to discuss revenue sharing as a program of governmental organization, and the State's role in it.

Feasibility of using the Revenue Sharing Act. This takes us to the question of feasibility, on which two basic things need to be said.

One is that "feasibility" will, and probably should, depend in part on the consensus about "appropriateness"--on whether, in other words, the argument I make about its inevitable nonneutrality is broadly accepted.

A second is that the "inducements" need not necessarily involve money.

An amendment might, of course, provide that the extra revenue sharing funds . . . either from a recutting of the present pie or from an enlargement of the pie by Congress . . . would be provided if and when a State establishes by law a general purpose regional management agency with certain specified duties and powers.

But alternatively, it might simply be required (in language reminiscent of the requirement for regional planning in the Highway Act of 1962) that, as a condition of continuing to receive revenue sharing, each State by, say, 1978 must create in and for each urban area of 50,000 or greater population a regional management structure of the sort we have been discussing.

One immediate question then is what, realistically, is the prospect for expanded funding in 1975-76. On this, my own sense is that substantially enlarged funding is unlikely. This conclusion was, I think, reaffirmed by the conference. Some limited increase, for a limited and needed purpose, may well be possible.

The second question is whether requirements for local government modernization might be attached to the reenactment of the revenue sharing program even in the absence of expanded funding. An answer must begin with a recognition that such a change would be opposed by most of the major interests involved. Still, changes that are needed do tend to be enacted, despite opposition. So the use of revenue sharing to induce local government modernization must be considered not infeasible.

What is the specific from which such inducements should take . . . or, apart from revenue sharing, what can the Federal Government do to encourage the modernization of local governments?

My response to this question is, necessarily, shaped by what I have argued to this point: that the Federal Government should move through State law to secure the top-priority modernization in the urban governmental system, which is the establishment of regional agencies with a capability to make effective plans and policy decisions with respect to the major urban systems.

Inducements are, in other words, to be directed at the States.

This is not the only possible route. Before going further it will be worth examining briefly the possibility of moving toward more effective regional agencies by adjusting the revenue sharing formulas in various ways to increase directly the support for the regional agencies (COGs, largely) that presently exist.

One such adjustment certainly would be to make the revenues raised for major regional service systems eligible as a claim on revenue sharing funds--if these systems were organizationally a part of, or at least responsible to, a general-purpose body at the regional level.

The problem with this is two-fold. At least for the functions they presently perform, regional agencies do not appear to be in desperate need of additional revenues. Typically, these agencies spread relatively low tax rates over large tax bases, raising substantial revenues with no accompanying problem of "disparity." Second, the revenues they raise tend to come less from taxes than in other governments, and rather more from service charges. There would seem to be little case for installing, now, an incentive for them to shift back to general tax support--as would be the case under revenue sharing as presently established.

One alternative would be to enlarge the stream of revenue moving to the local units--but to have these revenues passed through the regional body, thus providing for it some leverage

to secure attention to, or actions in conformance with, regional plans and priorities.

Again, however, two objections must be raised. One is that, quite practically, the membership, voting, and financing systems of the regional A-95 agencies as they presently exist are not well designed for choices of this sort on which the interests of the member jurisdictions conflict. Second, there will be a concern that these agencies--at least so long as not directly elected¹³--lack the legitimacy needed for discretionary decisions about the apportionment of public revenues between and among the units of local government whose members are elected.¹⁴

All this simply reinforces the earlier conclusion about the limitations of the Federal Government trying to create urban governmental structures through the manipulation of its aid programs . . . and about the importance of its using, instead, the processes of State law through which real institutions, with real legitimacy, can be established. With 50 State legislative bodies, each affording full play to the variety of governmental and nongovernmental interests in the question of urban governance, this approach offers also, of course, the tolerance for State-to-State variations in laws, institutions, and political traditions now lacking in uniform national standards laid down by Federal law and regulation.

So the question returns to the inducements that might be offered to the States to move, themselves, on the problem of modernizing the governmental system of the major metropolitan areas.

It is a double problem, really . . . of giving the States both the incentive to act and--within the framework of revenue sharing--the freedom to act.

Several possible inducements can be identified: (1) simple changes in the eligibility of units to receive funds; (2) changes in the formula for the distribution of money among whatever units are determined to be eligible; (3) changes in the assignment of responsibility for determining what is an eligible unit--in particular, the transfer of this authority and responsibility to the State for the definition of a unit of "general local government"--(4) changes

in the assignment of responsibility for drawing up the allocation formula--again, enlarging the role and authority of the State; and (5) increasing the discretion on the part of the State over the uses to which revenue sharing dollars can be put.

Singly or together, these could be offered in return for action by the States to undertake the required rebuilding of the metropolitan system.

A further inducement might be an offer by the Federal Government to permit the State to write, entirely, the formula for the distribution to local units, providing a regional component was contained within it. Some . . . perhaps most . . . would like this. Some State formulas might . . . and some may already . . . deal more effectively with inequalities than does the formula presently written into the revenue sharing program. Some States, too, may be willing to deal more courageously than has the Federal Government with the implications of a distribution formula for local government organization and functions. In this, the Federal Government would not necessarily have to sign away its interests totally. It would be reasonable for the higher level of government to insist that formulas set by the States be consistent with national policy and be subject, therefore, to approval. A State plan could be required, laying out (as the legislature and Governor would see it) the problem with the organization and finance of local government, the need for "modernization," and the distribution formula proposed, making clear its impact on the equalization of resources and on the change in local (especially urban) governmental systems.

The existing regional agencies might also be given a role in this. While it seems unlikely they would simply be given authority themselves either to write the formula or to distribute the money according to their discretion, it might be provided that they should propose to the legislature, as a basis for the State plan, a formula appropriate for use in the metropolitan area.

* * * * *

Overall, the best form for such inducements would seem to be a fairly simple one, involving an amendment to the revenue sharing program that would:

- (a) Assert a Federal interest in modernization by encouraging the States to establish their A-95 bodies in State law, with a statutory charge to return to the State legislature routinely with proposals for solutions to major urban problems--including proposals for the improvement and modernization of the urban governmental system itself.
- (b) Offer to any State taking such action a bonus on its revenue sharing apportionment . . . some appropriate part of which would be provided to the regional agencies as a permanent base of funding to support the studies required, and a part of which might--in the discretion of the State--be passed through to local units on a formula enacted in State law.

Such an approach would . . . consistent with the basic conclusions of the November 20-22 conference . . . keep the Federal Government short of the role of installing, in each major metropolitan area, some prescribed system of local (or metropolitan) government.

It would simply install (or develop, out of the A-95 agencies existing within each such metropolitan area) a mechanism which--because of its statutory character, because of its regional point of view, and because of its special charge to make proposals--would have the ability to stimulate a continuing change in local government organization.¹⁵

This would not be insignificant. But--even if required by the Federal Government--it would be, essentially, a requirement affecting process. Consistent with the major thrust of revenue sharing, it would delegate to the States maximum responsibility for the reorganization of the urban governmental system. The Federal Government would be obliged basically to say what was wanted . . . what decisions, or what results, at what location, at what time. The States would be free to organize the local structures in whatever way seemed best or most in line with the wishes of the

metropolitan area involved--provided, of course, that the State accept responsibility for these structures' meeting the objectives set out by the Federal Government (the upgrading of the airport system . . . the reduction of hospital bed capacity . . . the production of housing . . . the re-training of manpower, etc.) at the required time.

It is possible, of course, that Federal action of this sort could, or should, come outside the framework of the revenue sharing program.

It might, in fact, be possible to exert a stronger Federal initiative through other, categorical, programs . . . in which planning requirements, new mechanisms, and other "strings" have traditionally been accepted as a condition of Federal assistance. A relevant example occurs in transportation, where the Highway Act of 1962 first established a requirement that--as a condition of receiving Federal aid after 1965--each area of 50,000 population set up a comprehensive, continuing planning process. This requirement is gradually being broadened, out of a recognition that "planning" must now evolve into "decisionmaking."

Such evolving requirements could be installed in the categorical programs which support, to some degree or other, most of the major urban programs still organized by, and run through, non-Federal bodies. (The same principle I have advanced earlier should apply: that the Federal Government should simply require the planning and decision-making mechanisms to be set up in law, leaving the States and the urban regions to select the particular organizational forms.)¹⁶

Separately (and perhaps subsequently) the Federal Government could move really to require that the regional decision-making bodies for these major systems be drawn together under some general purpose areawide body. Probably, the vehicle here would be a requirement, at last, that in approving requests for aid the departments and the agencies of the Federal Government will fund only those projects that do conform to metropolitan plans, in the judgment of the A-95 agency.

In a sense, however, it does seem most appropriate for the Federal Government to move with inducements, rather than

with requirements. The single, central change I have suggested in revenue sharing, aimed at drawing the legislatures of the States more actively into the needed development of the metropolitan governmental systems, may be a feasible way to begin.¹⁷

WHY EXTENDING REVENUE SHARING TO NON QUALIFYING UNITS
WOULD SERVE TO ENHANCE LOCAL GOVERNMENT MODERNIZATION

I have defined "extending . . ." as the amendment of revenue sharing to encourage the States to establish in law one previously "non qualifying" unit--the metropolitan area-wide planning and policy agency, with this then becoming eligible for a share of a bonus that would be paid to any State taking such action.

I should say before going further that I make no case for extending revenue sharing to include those presently non qualifying units that are special districts at the country, municipal, or (in any event) subregional level. Some of these are among our most effective governmental units, and it may be that from their more effective organization and procedures the counties and municipalities can take some lessons about useful modernization. But to encourage this, as a policy, would run against the effort to structure the system into units of general governments at the various levels . . . an effort which should be, and quite likely will be, maintained.

The only presently nonqualifying units which it would be desirable to strengthen are--as I have argued--the regional units, which have the critical potential for developing into the governance system urgently needed for the effective delivery of national, and federally financed, programs in the major metropolitan areas.

I have suggested that Federal revenue sharing should be extended to include general planning and policy bodies, not directly, but when established by State law. These should then be designated by the State and by the Federal Government as the bodies to receive Federal planning funds for the major metropolitan systems.

There is an interesting question whether some existing regional agencies might qualify under present law. The

present definitions are worth a brief examination, at least, as a background for a consideration of any change in what is to be considered a "qualifying" unit.

Public Law 92-512 does not fully define what are to be the qualifying local units. It says (Sec. 108(d) (1)): "The term 'unit of local government' means the government of a county, municipality, township, or other unit of government below the State which is a unit of general government" (determined on the basis of the same principles as are used by the Bureau of the Census for general statistical purposes).

The concept of "general government" does not, however, exist in the work of the Governments Division of the Bureau of the Census. It works¹⁸ with a five-part classification which recognizes (1) counties, (2) municipalities, (3) townships, (4) special districts, and (5) school districts. Units neither counties, municipalities, townships, nor school districts are simply "special districts." There is no distinction in the basic classification by the level of jurisdiction at which the latter operate . . . or by the scope, functionally, of their responsibilities. Classification (4) includes regional as well as municipal special districts, and multipurpose agencies as well as single purpose agencies. It may also include some agencies that are sufficiently regional and sufficiently multipurpose to be reasonably considered "units of general government below the level of the State." The Bureau of the Census does not know because it does not try to classify on the basis of the "general government" language contained in the revenue sharing law.

The tests used in defining municipalities, counties, and townships are important here for what they suggest would be the test of a general government at the regional level: (1) they should be established by law, or under law; (2) they should operate independent of other governments, making--for example--their own fiscal decisions; (3) they need not "operate" services directly ("contract" municipalities are qualified, and included for revenue sharing); (4) the existence of "home-rule" powers, or lack thereof, does not affect their qualification (many counties are essentially just administrative agencies of the State, and are qualified).

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Council do not really mean by this to suggest that regional agencies now should be qualified through a tie-in with the Bureau of the Census to redefining its classification of local governments. For that would take the Federal Government further into the thicket of choices between such important and frequently conflicting local interests such as the Metropolitan Council, which would be a regional organization use. The specific financing of regional information systems, or regional policy communications systems, or an interest that this is, or rather, would be other appropriate and best made in terms of the Federal Government's interest in genuinely effective regional policy-making bodies by the states, in state law there is, therefore, no answer to the question "What types of units should be considered?" From the Federal Government's point of view, at least, the qualifying regional unit is whatever statutory body is established by the State.

Modernization in the form of a statutory regional agency for public transportation. An example from governments should not, at any rate, of course, whether this approach will produce results satisfactory to the Federal point of view of revenue sharing, while at the same time reducing their role through a program best answered by the growing volume of innovative legislation now coming out of the States even in the absence of Federal encouragement or grant programs.¹⁹

A relevant and important example is provided by recent developments in transportation in the metropolitan area of Northeastern Illinois. Let me give a brief background and then describe what I know of it briefly.²⁰ (The performance of the State local agencies through which these programs are actually delivered.)

In November 1971 a weeklong meeting was convened by the major Federal transportation agencies under the auspices of the (then) Highway Research Board at Mount Pocono, Pennsylvania.²¹ The character of these regional bodies of operating agencies should present substantial regional average to secure change and modernization in the system.

Its purpose was to discuss problems with the system of planning and decisionmaking for transportation systems held views which suggest that change is possible only when an agency does own and control the local decisions on route location and design; difficulties in the coordination of transit and highway-auto modes; uncertainty about the role of citizen participation; relationships with political officials; and the competition and conflict between multiple transportation planning agencies within the same metropolitan areas.

It appeared to be the view of key local units. The case for abolishing their existence is an early and important step would be to concern their relatively difficult to make. The case for abolishing their responsibility, at least in a single regional agency, by independence--at least on major regional actions--is so whose policies the various local and single-purpose transportation agencies would be directed. This suggestion, floated on the second day of the meeting, drew an immediate and vigorous response from the director of public works of the city of Chicago, who was one of the conferees. Nothing, indeed, to force new and more effective ways of doing regional planning agency existed, except the Northwest of Illinois Regional Planning Commission, and under the circumstances was his city going to let the Federal Government give that suburban-dominated body authority over the city and the other transportation enterprises of the city of Chicago. result from the effort to innovate, to be more responsive to their clients, to develop objectives, to expand citizen participation, to increase productivity and, in general, to "modernize."

Discussion later in the meeting then divided, partly onto the question of whether such a consolidation of planning authority would be desirable, and partly onto the question of which are the important ones now for the public and the Federal Government--comes precisely when a regional body is charged simply to get results, and enabled to work for if any, that should be played by the Federal Government. These changes free of operating responsibilities. This

is what a regional management agency for a particular urban system--for transportation or for the health care system, in December 1971 the then-Federal Highway Administrator, Francis Turner, told the annual meeting of the American Association of State Highway Officials that the government intended to push for the creation of statutory regional planning agencies--in other words, for action by the States to create the single regional planning and decision-making agencies within the urban regions. instigation of the Public Health Service, were made up almost entirely of "providers" in the health care system.

Since then, in a variety of ways, these structures have been evolving. Precisely what role the Federal officials may have played in Illinois is unknown to me at this point, but there was, for "citizen," "consumer," or in some way disinterested at any rate, a bill introduced into the legislature of that representation. In the Twin Cities area today, for example, the Metropolitan Health Board has a majority of non-provider. This legislation was passed, and signed by the Governor. It made the establishment of the RTA subject to a referendum by the voters of Cook, DuPage, Kane, Lake, McHenry, and Will Counties. The referendum was held at the primary election March 19, 1974, and received, as required, a majority of all votes cast in the six-county area. The act was challenged in the courts, but has not been overturned, and was amended in the legislature in 1974, but not repealed. The first eight appointments to the board have been made, and this board--as provided by the law--is now seeking the ninth member, who will be its chairman and chief executive officer.

A few points about the RTA law are important in relation to the discussion here about the effectiveness of regional management agencies created in State law:

- "Public transportation" is defined broadly as the conveyance of persons in the region by any means available to the general public . . . rather than in terms of physical facilities or governmental ownership.
- The RTA is chartered to "determine the level, nature and kind of public transportation which should be provided for the region" and enabled "to provide public transportation by purchasing such service from transportation agencies through purchase-of-service agreements, by grants to such agencies or by operating such service itself . . ."
- Its board is uniquely tailored to the political situation in that region: Composed of nine members--four appointed by the mayor of Chicago with the consent of the City Council; two appointed by the Board of Cook County from the portion of the county outside of Chicago; and two appointed by the chairmen of the county boards of the counties outside Cook County (plus the chairman, mentioned above). None may be a State or local official, or affiliated with any transportation agency.
- The RTA is designated by law as "the primary public body in the metropolitan area with authority to apply for and receive grants and loans relating to public transportation from the State or Federal governments."
- It is authorized to impose throughout the region taxes not on motor fuel directly but on the gross receipts of persons selling motor fuel, and on "the privilege of using motor fuel for the operation of a vehicle upon public highways," and on parking facilities. About \$171 million should be available to the agency for 1975.

It appears to be, in short, a regional agency with quite remarkable powers over "public transportation" as defined. The "purchase of service" provision permits regional management of the public transportation system while retaining ownership and operation of the principal transit system in and by the city of Chicago. It is, in my earlier analogy, a "subcontractor" on metropolitan development.

Actually, it is a sub-subcontractor . . . since it has no responsibility at this point over the road building in Northeastern Illinois. It is also independent of any general regional planning or policy body. Nothing more is required than that it "coordinate" with the regional comprehensive planning agency. In truth, its special access to transportation planning funds bypasses the general agency.

It is, however, a beginning. And what we are looking for is beginnings.

The RTA was approved, in the referendum, despite majorities of 10 to 1 against it in some suburban parts of the region. It is impossible to believe that it would ever have been created by the local governments of the area, even with requirements or other "inducements" provided by the Federal Government.

Similar examples could be provided--by the California law establishing the Metropolitan Transportation Commission for the San Francisco Bay Area, in 1971; or by the Minnesota law establishing the Metropolitan Council (and by the subsequent action of the Metropolitan Council in August 1974, creating a Metropolitan Transportation Advisory Board). In the latter case, of course, the legislature has been working to create a management structure not only for "public transit" but also for transportation broadly . . . and, at the same time, to fit this transportation structure into a larger framework of general planning and decisionmaking. (In Minnesota it is the Metropolitan Council, not any specialized transportation agency, that is designated to receive Federal transportation planning funds.)

How will this "extension" of revenue sharing enhance urban governmental modernization? The action by the States

to set up the A-95 agency in State law is in itself, of course, a kind of modernization. Such an agency would not be a temporary study commission. It would be a permanent part of the metropolitan area's governmental structure . . . the further evolution, in effect, of the institution that began developing in many parts of the country in the early 1950's. . . first in the form of regional planning commissions and later, during the 1960's, in the form (largely) of COGs.

But it must be seen primarily as an agent to stimulate modernization. It is important now, therefore, to examine how and why we can expect this process to occur.

The answer falls into five parts.

First: The in-depth and independent examination of major urban needs, from a regional point of view, should lead to an understanding that an adequate solution requires the creation of new agencies or responsibilities . . . or at least the reorganization of existing agencies and responsibilities.

This has been the experience, clearly, in Minnesota. The problem of preserving open space--especially along lakes and streams--is a good example. As this was examined in detail in 1968, it became clear that the demand for parkland, and the money to pay for it, was in some counties; and the land itself was in others . . . and that no meaningful action was possible, therefore, without some new arrangement that made it possible to move money across county lines. This problem was laid before the legislature, which in 1974 reorganized the whole system to provide for the Metropolitan Council to prepare a general regional plan for parks and open space; to provide for the seven individual counties to initiate specific project proposals and to buy, own, develop, and operate the sites; to provide for a statutory Metropolitan Open Space Commission to act as the agent of the Council in coordinating the system and project planning; to provide for a rolling \$40 million bond authorization by which the Council would finance the land acquisition. All this is now well under way.

Second: Extending revenue sharing to a regional agency, as proposed, will enhance local government modernization

because this regional agency, having been created by State law and without home rule status, will be obliged to return to its legislature routinely with its proposals for changes and enlargements of its authority to manage and direct the development and operation of the major regional systems. The effect of the Federal action will then be to have hooked together (1) a regional agency, charged to study and plan, and to develop specific proposals for the solution of regional problems and the modernization of the system of governance within the region, with (2) the State legislature, which in our system is constitutionally the body with real authority --to make and remake the system of local government and finance, to tax property, sales, and income and to exercise the police power.

This is the essence of the Federal strategy for the modernization of urban governance: to work through the States to secure the establishment of statutory regional policy bodies; to support them by designating them as the agencies to receive Federal planning funds; and then to require these, once established, to face not toward the Federal Government but back toward their own State legislatures.

We should not ignore what might be done by the regional agencies, moving toward the local units within the region directly, with proposals for change and modernization. But we should give first attention to the relationship that contains the greatest potential for meaningful change . . . which is the movement of proposals from a statutory, representative, responsible regional body into the legislature of the State.

Third: Including regional agencies within revenue sharing (in the ways proposed so far) will encourage local government modernization and cooperation by giving the local units a powerful incentive to act which does not exist today.

The local units will recognize the legislature's growing role in solving problems and in providing needed services or facilities in the urban areas. They will recognize the importance of a regional agency charged to propose to the legislature solutions to regional problems. And they

will recognize the possibility that the regional agency might propose that needed new powers and duties be assigned to it--or to new regional commissions operating under its direction.

It is reasonable to expect that--rather than see the State legislatures act, creating new regional agencies or transferring what are now local responsibilities to a regional agency--the local units will begin seriously to consider moving, perhaps cooperatively, on their own.

Just this has happened in Minnesota, where the Twin Cities Metropolitan Council was established with a charge and an ability to return to the legislature with proposals for the solution of regional problems. The counties of the metropolitan area were in various ways unequipped to play a significant role in the debate in 1966-67 that led to the establishment of the Metropolitan Council, or in the debate in 1967-69 that led to the establishment of the first subordinate regional operating agencies (initially, the Metropolitan Sewer Board) for the development and management of regional operating systems. By 1970, however, they were organized effectively and were arguing vigorously against the creation of any more such regional operating agencies . . . proposing, at the same time, that the ownership, development, and operation of facilities and programs be handled by and through the existing units of local government, individually and cooperatively.²² As a result of their aggressive efforts there is now in the Twin Cities area a major program of regional parks, planned and financed by the Metropolitan Council but owned and developed by the counties; a program on similar lines for the disposal of solid waste; a county program for the control of hazardous wastes; a county program for the control of Dutch Elm disease and/or the removal and disposal of diseased trees; a local program for the implementation of the manpower-revenue sharing program; and a county proposal for the enforcement of air-polution control regulations. My own feeling is that if the Metropolitan Council had never done anything itself, its creation would be justified simply by the "encouragement" its existence has given to the local units to move on regional problems on their own.

In the light of this, it is difficult to understand the rationality of the Federal Government decision to establish the regional planning and policy bodies in the form of non-statutory units--formed explicitly by and composed explicitly of officials of the units of local government. This is, clearly, rational from the standpoint of the local units: Controlling fully the regional body, they need not fear it. But from the standpoint of the Federal Government interest in encouraging change and modernization in the urban governance system, it would appear clearly irrational.

Fourth: Modernization of (and cooperation among) governmental units will be stimulated by any funds made available by the State, perhaps through the regional agencies, to the local units.

Much would depend on what the States would do with any enlarged authority to revise the distribution to local units. One possibility would be to provide that in metropolitan areas the first apportionment below the State level is not to county areas individually but to the region, as defined, for distribution to the local units within the region on a formula proposed by the regional policy body and adopted by the State legislature. This formula would be designed explicitly to implement State and regional policy on local government modernization as well as to enlarge and equalize fiscal resources. Townships in a metropolitan area, for example, might be excluded, while counties were further developed as service providers in the unincorporated areas.

Any money moving through the regional agencies could also be used to fund particular modernizations directly. In Minnesota, for example, the Twin Cities Metropolitan Council--in planning for the implementation of its regional urban growth policy--is preparing to seek from the 1975 legislature a law requiring municipalities to adjust their own development plans so that the location, timing, capacity, and design of local roads, sewers, and other facilities fits and conforms to the location, timing, capacity, and design of the metropolitan facilities, as these will be set out in the Metropolitan Development Guide.²³ A local project failing to conform will be--under the 1974 Metropolitan Reorganization Act--defined as a "matter of metropolitan significance," subject to a 1-year suspension by the Metropolitan

Council. The municipalities cannot be required to undertake such planning, however, without also being enabled to do it. The Council is therefore proposing a Metropolitan Development Fund, to be used to assist municipalities financially for this planning. Revenue sharing funds, if made available to a regional policy body such as the Metropolitan Council, would be appropriate for such a use. The specific financing of regional information systems, or regional policy communications systems, or in-service training programs would be other appropriate and possible uses.

(Any broad discussion of the role of regional agencies in the modernization of local governments should also take into consideration the possibility, and the implications, of Federal aid running in the reverse direction in the future; that is, diminishing rather than expanding the role of the regional body, either in the distribution of aids to local units or in the review and approval of local projects financed with Federal aids. The Federal Government should not, at any rate, let itself get in the position of building up the regional agencies by including them in general revenue sharing, while at the same time reducing their role through a program of special revenue sharing that gives aid to local units directly, without the A-95 review that in the past has attached to categorical grant programs. What seems needed is some central point within the Federal Government that is required, and able, both to develop a coherent strategy for the changes needed to implement Federal programs within the urban regions, and to monitor the performance of the State-local agencies through which these programs are actually delivered.)

Fifth: The character of these regional bodies as non-operating agencies should present substantially greater leverage to secure change and modernization in the system.

This assertion tends to run contrary to many commonly held views . . . which suggest that change is possible only when an agency does own and control the facilities and program operations. So it is worth some brief explanation.

To begin with, the new regional management agency is most likely to be created if "operations," and everything that goes with this, is left with the special districts or

local units. The case for abolishing their existence is relatively difficult to make. The case for abolishing their independence--at least on major regional actions--is not so difficult to make.

Further, the regional agency--once created as a non-operating body--will be uniquely free to stimulate and indeed to force new and more effective ways of doing things. Operating bodies are heavily absorbed in the specifics of day-to-day administration, and are typically overwhelmed by the thought of the additional complications that would result from the effort to innovate, to be more responsive to their clients, to develop objectives, to expand citizen participation, to increase productivity and, in general, to "modernize."

The opportunity to pay attention to these improvements--which are the important ones now for the public and for the Federal Government--comes precisely when a regional agency is charged simply to get results, and enabled to work for these changes free of "operating" responsibilities.²⁴ This is what a regional management agency for a particular urban system--for transportation or for the health care system--can do . . . providing it is not, itself, made up entirely of representatives of the operating agencies. In the early stages many of them have been: The regional hospital planning bodies set up in the early 1960's, for example, at the instigation of the Public Health Service, were made up almost entirely of "providers" in the health care system. Since then, in a variety of ways, these structures have been evolving . . . frequently under the pressure of requirements for "citizen," "consumer," or in some way disinterested representation. In the Twin Cities area today, for example, the Metropolitan Health Board has a majority of non-"provider" representation and has--as a result--a considerable ability to raise the really significant issues about the health care system, and to take hard votes on such questions as the expansion of hospital and nursing-home beds in the region.²⁵

The important thing is that (again taking transportation as an example) such an agency could substantially be freed of any built-in commitment to one mode or another, to public systems rather than private systems, or to

"construction" solutions rather than solutions through non-capital programs. Really quite new and different possibilities would be opened up for it to begin simply with a monitoring of the performance of the region's system of movement . . . watching yearly, monthly, weekly, perhaps daily such indices as vehicle ownership; travel volume; vehicle occupancy levels; the split between modes (i.e., between driving and riding--whether in a car, bus, train, or taxi); travel patterns; transportation expenditures; congestion levels; average vehicle speed; energy consumption; air quality; accidents, and the damage to persons and to property; and the unsatisfied demand for travel.

The agency would then be in a position, as "manager" of this transportation system, to begin adding whatever capital or noncapital improvements would increase the performance of the system most, and most rapidly, at the least possible cost. It could move on a problem of congestion, say, with a heavy program for the construction of rail transit or reserved bus lanes. Or--on the view that "transit" is simply "riding" rather than "driving," and that all vehicles therefore are transit vehicles--it could move with a low-capital program to increase vehicle utilization and reduce congestion: directing the appropriate "operating" agencies to implement a carpool or vanpool program, for example, backed up with real incentives for drivers to ride.

Being focused on performance, and authorized (as is the Northeastern Illinois RTA) to proceed through the purchase of service from public or nonpublic suppliers, the transportation management agency would be able--as a demonstration or as a continuing policy--to move through several separate and differing capital and noncapital programs at the same time . . . subscription buses, for example, and vanpool and carpool programs for peak-hour commuter service . . . testing and comparing the different systems as to effectiveness and as to cost, expanding those that succeed and terminating those that fail.

The creation of a nonoperating regional management agency, in plain words, enlarges the opportunity to move transportation (or other major public service systems) toward a more diversified and a more competitive model . . . thus enlarging also the opportunities for innovation,

for an assessment of results, for an emphasis on productivity . . . all of which represent, I believe, the kind of results the Federal Government is seeking.

It should be noted, finally, that this move toward a diversified and competitive system, in which the operating units tend to be rewarded not for existence but for performance, will set up secondary incentives on the operators to undertake the internal modernizations (training programs for personnel, closer supervision, fiscal controls, etc.) that can improve their performance.²⁶

NOTES

- 1 Symposium on Revenue Sharing at the University of Minnesota, Fall 1973. Organized by Professors Walter Heller and Arthur Naftalin, it included (among others) Joseph Pechman and Murray Weidenbaum.
- 2 See, for example, the draft ACIR report on revenue sharing, September 3, 1974, Page 6ff. Also, at the local level, "Revenue Sharing" by the League of Women Voters of Minneapolis, April 1974, Page 17:

"As noted, it is very difficult to trace GRS dollars, and to make claims for their impact on this or that department . . . The only thing that can be said positively is that had the city not received \$15 million in GRS money 1) city services and capital improvements would have been cut by that amount, or 2) city taxpayers would have had their property taxes increased by that amount, or 3) some combination of the two would have occurred."

- 3 One aspect of this bears specifically on the issue about local government use of revenue sharing money for social services. It has been argued persuasively that the basic arrangement in cities and counties for handling services works fundamentally to prevent this use of the funds. Local officials are, quite logically, wary of enlarging their permanent bureaus to produce services that (a) are financed by the Federal Government only in part, (b) serve only a minority of the population, (c) offer no certain prospect of provable success, and (d) may well be temporary, in which case the local government will probably be forced to continue the program, with the cost reverting to the local tax base. This was argued with me most effectively by Richard Broeker, then president of the Minnesota Welfare Association, in January 1973. The only condition in which local officials will be induced to use such monies for social service programs, Broeker argued, as if they are structured as purchase of service programs . . . since contracts, unlike bureaus, can be terminated when programs fail or when funding runs out.

- 4 Conversation with Robert T. Jorvig, executive director of the Metropolitan Council, August 22, 1974.
- 5 Jorvig, op. cit.; also conversation with Martin O. Sabo, speaker of the House of the Minnesota Legislature, September 5, 1974.
- 6 See, for example, Melvin Mogulof's surveys for the Urban Institute, Washington, D.C.; or the ACIR's study of sub-state regionalism, Volume I, October 1973, especially page 109.
- 7 A dramatic example of this occurred in the St. Louis area in 1973, when--perhaps in response to an article in the St. Louis Globe-Democrat--the regional directors of HUD, DOT, and EPA, and the HUD area director threatened to withdraw Federal support from the East-West Gateway Coordinating Council. In his letter the area director said:

"The relevance of the council to the major issues facing this region concerns us greatly. The vacillation on the airport issue; the refusal to take a stand on floodplain development; the refusal to take a stand on Black Jack and the problems of housing generally, are examples which raise questions on the desirability of supporting such an agency.

"The staff and council members continually claim that the only powers of implementation they possess are those of project review and persuasion. We submit that these powers have not often been exercised with creativity and vigor . . . If the council feels its only purpose is to qualify the region for federal funding, it should realize the days of federal support for the council will end."

The council's executive director said he was unable to recall a single instance in which the council had exercised its A-95 review power negatively . . . and was unable to recall even a single dissenting vote being cast during 1972 on any grant application.

- 8 Essentially, as I have watched it work, the review looks at the relation between a particular application and the overall community or metropolitan plan. It does not ask which of two applications serves better to implement a plan . . . or which of two applications should rank higher on some criteria of need. A classic example is a letter, shown to the author, from the mayor of Coon Rapids, Minnesota, to their Congressman, then the Honorable Clark MacGregor:

"Dear Clark:

"You have been very helpful to us in our attempts to secure a Federal sewer and water grant, and I don't want to seem ungrateful, but the attachments to this letter illustrate why people have become so disillusioned with the categorical grant system as applied to local problems.

"Attachment 1 - Article from the Minneapolis Star-Tribune summarizing a Citizens League report on the disparity in property taxes in the metropolitan area. Note that Coon Rapids is the third highest in taxes out of 74 communities, while Inver Grove Heights is among the very lowest, 71st out of 74. The estimated property tax on a \$20,000 house in Coon Rapids is \$600, while it is only \$358 in Inver Grove Heights. Mill rates are 421 and 290 mills [sic] respectively.

"Attachment 2 - Letter to Coon Rapids from the Department of Housing and Urban Development, rejecting our application with the customary buzzwords about their comprehensive analysis, implementation of areawide comprehensive planning and programming, and consistency with national objectives.

"Attachment 3 - Clipping from the Minneapolis Star-Tribune announcing that Inver Grove Heights has been awarded an \$850,000 sewer and water grant."

"Although there may be some exceedingly important factors that I am not aware of, the inconsistency is readily apparent. I don't wish to sound like a

"poor loser," but I would like to point out that these grants are ordinarily used to defer assessments in severe hardship cases caused by the financial burden on the property from the combined taxes and sewer and water assessments.

"It is at the local level that people are feeling the tax pressure most severely. There must be a better way of getting people's Federal tax money back to where the need is greatest than the categorical grant system as it is now implemented."

- 9 Specifically, the Partnership for Health Act of 1965.
- 10 The first White House Conference for State Legislative Leaders was held in Washington in June 1966. I sat through that 2-day meeting. I had the impression almost none of the Cabinet members had met a State legislator before. Clearly, they had no sense of how to relate to the legislators.
- 11 A call in mid-October 1974 made me aware of an inter-agency task force centered, I believe, in the Office of Management and Budget, which is currently exploring ways to enlarge the capacity of non-Federal units for the delivery of major urban programs.
- 12 Conversation with Donald W. McCarthy, executive vice president, Northern States Power Company, October 1974.
- 13 The regional councils are usually described as being made up of "elected officials." This is regarded as, and represented as, a positive characteristic of these councils. The members are, of course, elected (i.e., by the public) to local office . . . which may not be positive at all for their role in raising and resolving regional policy issues. Properly speaking, one is an "elected official" only when he is elected to the seat in which he is voting.
- 14 Sabo, op. cit.

- 15 The question may well be asked why I suggest that the general, regional policy mechanism might be built out of the existing A-95 agency . . . in view of the fact that these are mainly councils of governments, and in view of my earlier comments about the weakness of COGs in facing and resolving difficult and controversial issues. In part, my response would be that I accept the argument of Victor Jones and others that officials of the local units should, or probably will, in any event, be represented on the board of the regional council . . . and that the COG is capable of evolving, in structure and performance.

Perhaps more important is that in the process of putting the question of the regional council through the State legislature, the issues of composition and representation will be exposed to discussion, not only by local governments, but also by education, by the citizenry generally, by the Governor, by the press, and by the full range of interests normally heard in the legislative process. Also, the requirement (in my proposal) that the State will be obliged to take responsibility for the successful working of the regional council in raising and resolving issues will force the legislators to think seriously about the effectiveness of the system of representation and voting they are putting into law.

I was interested to have Bill Pitstick tell me, after the conference, that the North Central Texas Council of Governments is now undertaking to draft the legislation to establish a regional agency for the development and management of the transportation system in the Dallas-Fort Worth area.

- 16 One of the most difficult, time-consuming, and frustrating problems for the Twin Cities Metropolitan Council has been the existence of different requirements, in different Federal laws and programs, about the makeup of the agencies to be certified for areawide planning. Partly, the problem is simply that the requirements differ . . . from each other, or from the way in which the Metropolitan Council has in fact been established by the Minnesota Legislature. More important, though, is that the requirements in some cases are concerned with structure and not

at all with performance: EPA, for example, refuses to approve the structure in Minnesota because the Council and the Metropolitan Waste Control Commission are not composed of local elected officials. The two agencies have in fact completed, over the past 6 years, a remarkable public works program--taking all interceptors and treatment plants into metropolitan ownership, closing plants discharging into standing bodies of water, and constructing new interceptors and plants in a program now \$250,000,000. A good case can be made that this would not be nearly so far along if the two agencies had been composed of sitting officials of the competing local units. Yet EPA insists the boards be restructured. Why? What does the Federal Government want?

See also:

ACIR report on substate regionalism, op.cit.

- 17 Some of the Federal Government's failure to make use of the State legislatures results, no doubt, from the long tradition of disrespect for these institutions and from the general impression that they are both corrupt and incompetent. The dramatic improvement in State legislative competence and performance over the past 10 years is certainly one of the major developments on the American governmental scene--largely unreported by a press organized to see "national" developments as "Washington" developments. Much of it is due to the work of the Citizens Conference on State Legislatures, based in Kansas City, Missouri. The movement will, however, become visible to Washington-based observers for the first time in January 1975, when the merger of three former (and competitive) associations of State legislatures and legislators becomes effective, and the new organization takes up office like other major "public-interest" lobby groups in the Nation's Capital.
- 18 Conversations with the General Counsel, Office of Revenue Sharing, and with Mrs. Gertrude Whitehouse, Governments Division, Bureau of the Census, October 11, 1974.
- 19 See, for example, the annual reports of ACIR or Norman Beckman's annual roundup of major State developments in the Journal of the American Institute of Planners.

- 20 Conversations with Joseph Tecson, acting chairman, RTA, and with George Ranney, Jr., formerly with the Bureau of the Budget, State of Illinois, October 19, 1974.
- 21 The author was an invitee to the Mount Pocono meeting.
- 22 The Metropolitan Inter-County Council has been the principal exponent for this point of view. Its executive director is James Shipman. The MICC is one of three associations in the Twin Cities area that exist to represent the views of local governments, as local governments, in questions of regional policy. There is also a Metropolitan League of Municipalities and an "Educational Research and Development Council" which appears to be evolving (fall, 1974) into a metropolitan association of schools--whether dominated by boards or by administrators one cannot yet tell.
-
- 23 Robert L. Hoffman, chairman of the Physical Development Committee of the Twin Cities Metropolitan Council, to a University of Minnesota symposium on urban growth policy, October 16, 1974.
- 24 Ranney says this was one of the objectives in drafting the RTA legislation.
- 25 The Minnesota Legislature in 1971 enacted a "certificate of need" law, requiring approval of every capital expansion in hospitals or nursing homes over \$50,000. This review has been decentralized, with responsibility for the Twin Cities area being delegated to the Metropolitan Council, and by it to the Health Board. Real issues conflict, but hard votes are taken.
- 26 Only recently, I came across precisely this approach to the organization and management of large-scale enterprise, in business literature. Chapter 23 of Alfred Sloan's "My Years with General Motors" lays out perfectly the concept that underlies, for example, the Twin Cities Metropolitan Council . . . of "decentralized operation, with coordinated control." It is worth quoting, briefly:

"Good management rests on a reconciliation of centralization and decentralization . . . or 'decentralization with coordinated control.'

"The concept of coordinated decentralization evolved gradually. At the time its development began it was clearly advisable to give each division a strong management . . . But our experience in 1920-21 also demonstrated the need for a greater measure of control over the divisions.

"The division managers make almost all of the divisional operating decisions, subject, however, to some important qualifications:

"Their decisions must be consistent with the corporation's general policies; the results of their operations must be reported to the central management; and the division officers must "sell" central management on any changes in operating policies, and must be open to suggestions from the general officers.

"The practice of selling major proposals is an important feature in our management. Any proposal must be sold to central management . . . and, if it affects other divisions, it must be sold to them as well. Sound management also requires that the central office should in most cases sell its proposals to the divisions . . .

"The selling approach provides an important extra safeguard against ill-considered decisions (and) assures that any basic decision is made only after thorough consideration by all parties concerned. Our decentralized organization, and our tradition of selling ideas rather than simply giving orders, impose the need upon all levels of management to make a good case for what they propose."

WHY EXTENDING REVENUE SHARING TO NONQUALIFYING UNITS
WOULD NOT SERVE TO ENHANCE LOCAL GOVERNMENT MODERNIZATION

by

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are those of the author.
They should not be interpreted
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THE IMPACT OF FEDERAL GRANT-IN-AID PROGRAMS
ON LOCAL GOVERNMENT MODERNIZATION INCENTIVES

The decade of the 1960s marked an era of dynamism in the American Federal system, especially in terms of the grant-in-aid system. In fact, over 300 new programs were added and the level of expenditures went from just over \$7 billion in 1960 to four times as much in 1970. But this rapid increase was not the only systemic change; the scope and goals of the Federal programs were also altered.

Before the 1960s, typical Federal assistance programs were instituted primarily as a vehicle which States used in moving toward their objectives. As James L. Sundquist pointed out in his book, "Making Federalism Work," "It was the states that set the goal of 'getting the farmers out of the mud' through improved state highway networks; federal highway aid was made available simply to help them reach that goal sooner."¹ Yet as the programs developed into their 1960 vintage, the focus shifted. More and more Federal aid was now being directed toward specific local government problem areas, which were defined by national policy.

As the Advisory Commission on Intergovernmental Relations (ACIR) pointed out in its 13th Annual Report, this rapid increase in Federal aid created serious problems.

"The varying administrative requirements and formulas in the grants, their duplication, numerous eligible recipients, their heavy reliance on the project approach and their expansion of middle management discretion and influence resulted in problems of program coordination and top management control at nearly all levels."²

While the categorical grant-in-aid system has accomplished a great deal toward meeting national needs, its rapid and uncoordinated growth has given rise to certain counterproductive problems. The President's Advisory Council on Executive Organization summarized the adverse impact of the Federal assistance system as follows:

"Grant programs have specified local administering agencies and, through a long history

of 'single state agency' requirements, have led to the development of State and local bureaucracies which are mirror images of federal agencies or conversely have encouraged and supported paragovernmental bodies;

"Grant program requirements have encouraged the establishment of relationships among functional specialists which bypass chief executives;

"A myriad of conflicting administrative and statutory requirements has distorted local administrative processes and hampered coordinated local management; and

"The great number of project-type grant programs coupled with inadequate federal information systems have led to confusion, induced the creation of grantsmanship specialists, and left small, less sophisticated communities with fewer opportunities to obtain aid than are open to large communities."³

With regard to multijurisdictional problems, Federal resources have been the major impetus in developing an area-wide approach to housing, community development, health, special problems of the poor, manpower, law enforcement, and economic development. While these programs have provided critically needed resources, the absence of coordination in their enactment and administration has created monumental problems for State and local officials seeking to implement them.

Each areawide program focused upon a narrowly defined problem and carried its own set of requirements for designating geographic boundaries and for the composition of the local board or agency which could administer it. This proliferation of programs and requirements fragmented local leadership and created a maze of overlapping and duplicative efforts. It has bred a "functional autocracy" of local agencies, boards, and constituencies which was and is self-perpetuating and resistant to control by local elected officials or the electorate. Units of local general govern-

ment are faced with a highly independent, federally funded system of multijurisdictional special districts.

Nevertheless, the ACIR report concluded that the gaps between and among governmental jurisdictions, program efforts, fiscal resources, and people that the Commission has identified still exist. In many instances they are wider now than they were a decade ago, as is reflected in the following developments:

- Metropolitan areas are more fragmented.
- The center city continues to lose its more substantial population and economic base to its suburbs.
- Population movement continues to be attracted to the largest metropolitan areas.
- Growth rates lag in smaller cities and towns.
- The black exodus from the South continues. Twelve percent of those residing in metropolitan areas are black, and central cities are now 28 percent black.
- White flight to the suburbs has accelerated.
- Rural America's population continues its decline.
- Metropolitan and nonmetropolitan disparities in education, housing, and employment are as pronounced.
- By 1990, 75 million more people will be added to our population. Most will reside in our already overwhelmed metropolitan areas.⁴

The most frustrating element facing national leadership in dealing with these domestic issues is not only the fact that there are three levels of government involved, but also powerful interest groups have sprung up which have successfully thwarted even the most modest reform efforts. These conditions make the Federal system difficult to change.

This is not to say that the Federal efforts to improve local government planning were wasted. Councils of governments (COGs) have improved regional information flow and

have contributed to some regional decisions. They also have failed to deal with numerous other key issues which were too controversial, and they have contributed to the flow of useless paper and reports that land on the desks of local elected and appointed officials. COGs can never do all that is expected of them unless they are given more power and more funding.

Intergovernmental Cooperation Act

Other Federal efforts to stimulate intergovernmental cooperation have been highlighted by the operation of the Intergovernmental Cooperation Act of 1968. This act has been implemented through a series of four Office of Management and Budget (OMB) Circulars:

1. Circular A-95 established the Project Notification and Review System (PNRS) through a network of regional and metropolitan areawide clearinghouses and a single statewide clearinghouse within each State to review and comment upon project applications for certain federally assisted programs before their submission to a Federal funding agency.
2. Circular A-96 contains directives which allow flexible administration of Federal grant programs, including a provision for Federal agencies to waive requirements for program administration by a single State agency under specified conditions.
3. Circular A-97 directs Federal agencies to cooperate with State and local units of government to provide certain specialized or technical services on a reimbursable basis. Through its provisions a wide range of technical expertise may be made available to States and localities.
4. Circular A-98 requires Federal agencies to supply a designated central State agency with information on grant approvals to governments in the State.

These Federal requirements have assisted State governments to relate the policies and priorities of State government to Federal assistance; to develop better linkages between planning and implementation through project review; to make better and more informed decisions about the allocation

of State resources; to carry out its coordinating responsibilities to local government; and to reduce conflict and duplication between Federal and State assistance programs to local government.

Local government may also benefit from implementation of the Intergovernmental Cooperation Act. Because local governments are often the ultimate delivery agents for both State and Federal programs, they are in a position to benefit most significantly. Some benefits which have been realized at local levels are:

- Better knowledge of the availability of Federal and State assistance programs and more State involvement in the grant process.
- Increased ability to implement development activities in accordance with local priorities.
- Greater impact on the development of State policies and priorities.
- Strengthened ability to view the impact of an individual jurisdiction's projects and programs from a regional perspective and eliminate incompatible projects as among adjacent jurisdictions.⁵

However, most of the implementation of A-95 has fallen to COGs and the results have been somewhat uneven. The above statements are true in some cases, but in others the PNRS has been a back-scratching operation which has not established or applied regional priorities for grant applications. Few Governors have recognized the potential of this system. Nevertheless, the exhibit contains several OMB-documented examples of success stories from the operation of PNRS.

Chief executive review and comment

After considerable experience and feedback with the urban programs of the 1960s, Secretary of Housing and Urban Development, George Romney, in 1971 proposed several so-called planned variations approaches. As Romney indicated in a press release outlining the concept of planned variations,

the fragmentation of responsibility for the operation of local projects and the varying channels through which Federal assistance passed resulted in the bypassing of local general purpose government. In particular, Federal assistance had interfered with the coordination and planning capability of the office of the local chief executive. Romney therefore proposed CERC--Chief Executive Review and Comment--with the hope that

"by allowing the mayor or other appropriate local chief executive to review and make recommendations with respect to applications from other agencies to federal funding sources, substantially increased coordination, improved planning, and more effective utilization of resources at the local level should result."⁶

The CERC program included, but was not limited to, the kinds of Federal programs which would go through model cities. CERC reviews followed

"a pattern similar to but more intense than A-95 reviews. A standardized project review form seeks information such as: project objectives, problem identification, consistency with local goals and objectives, coordination of effort and planning, evaluation of past performance, citizen participation, comments on program quality, project priority * * * and recommendation and comments."⁷

While CERC contributed to moving the chief executive of the general purpose government back into center stage, it also pointed up the fact that few local governments had an appropriate statement of criteria to use in the CERC reviews. Of course, this is not the fault of the Federal Government. It suggests a need to encourage local government management to establish both priorities and the criteria needed to guide decisionmaking. This would be necessary with or without Federal assistance. That a Federal program has caused such a recognition may be viewed as a positive effect of the Federal attempt to influence local government modernization.

Under the CERC program the local government program review office reported to the local Federal Regional Council. There was an honest effort by the Federal agencies represented there to standardize some of their requirements and make it easier for the local government to deal with the Federal establishment.

On the other hand, Victor Capoccia, in an article analyzing CERC, concludes that this

"has not basically altered the decisionmaking process relative to cities with CERC powers. Being essentially an advisory function, CERC now has (on a formal basis) broadened the base of information the Federal agency has available in making a grant determination. Federal agencies with categorical responsibility have not given up any prerogatives to CERC."⁸

He adds that, while the Federal agencies have been willing to standardize many of their procedures, they still have not developed the capability of dealing with the local community as one Federal Government. The imperfect integration of the Federal agency activity will limit the effectiveness of the city and county programs, however they might be organized.

Modernization

The need for local government modernization is obvious. Cities and counties are now called upon to do more for their citizens than ever before. Society has expanded its commitment to assist individuals and families to find the quality life. At the same time, the service patterns of local government have been impacted by the growth of metropolitan areas, the uneven distribution of need and ability to pay, and the requirements for intergovernmental approaches to solve selected problems.

In some cases State legislation or even constitutional change is required to facilitate annexations, consolidations, home rule for counties, compacts, transfers of functions, and establishment of regional authorities or multipurpose special districts. Some States require that the public vote

on some of the above changes. This can be a barrier where the change involves tax increases, concurrent majorities in several jurisdictions, or change in city-suburban or city-county relations.

There are also vested interests fighting to block modernization. For example, many counties have a large number of independently elected officials, such as assessors, highway engineers, treasurers, recorders, and county clerks. Rarely have those officials cooperated in efforts to abolish their positions and establish a county executive position with responsibility for all administrative and managerial functions. Yet, unless that is done there will be no integrated management and no chief executive to hold accountable. Moreover, there are also State-imposed fiscal limitations which often serve to inhibit the effective performance of local government functions. This has contributed to the growth of special districts and the consequent fragmentation of responsibility and decisionmaking.

Even after all these barriers are overcome, structural changes, functional adaptations, and new powers for local governments are not self-executing. Local governments need professional management. The failure of States to periodically review and reform local governments has allowed the continued existence of fragmented and antiquated local governments that cannot cope with today's problems.

In the past, the health of State and local management has been a minor concern of Federal agencies trying to carry out specific programs. Tentative steps toward strengthening State and local governments are incorporated in section 701 of the Housing Act of 1954, section 204 of the Demonstration Cities and Metropolitan Development Act of 1966, and the Intergovernmental Cooperation Act of 1968 (ICA). Despite these legislative efforts to provide funds for comprehensive planning (section 701) and to strengthen elected officials (section 204 and the ICA), there is still no overall Federal policy on strengthening State and local government management. The temptation is strong to use revenue sharing as a lever.

FEASIBILITY AND APPROPRIATENESS OF AMENDING
THE REVENUE SHARING ACT TO PROVIDE INDUCEMENTS
FOR LOCAL GOVERNMENT MODERNIZATION AND
THE FORMS OF POSSIBLE INDUCEMENTS

Categorical grant programs have contained management conditions for many years. The range of conditions in effect shows that the Federal Government used the grant-in-aid system to gain leverage for a variety of purposes. The fact that there is no generally accepted framework for classifying these conditions indicates the lack of consideration given to coordinating them.

Some general revenue sharing proposals would have made the funding contingent on managerial reforms at the local level, but these provisions were rejected. State and local governments rejected the idea that the Federal establishment should be telling them how to manage. They don't believe the Federal agencies are any more capable than they are. However, if proper incentives were provided and if the implementation were left in their hands, State and local governments might be more receptive.

The kinds of conditions which were originally considered included a wide range of planning and operational assurances, such as:

1. The development of a project, functional, or comprehensive plan.
2. The submission of Environmental Impact Statements.
3. Institutional reforms (new agencies, districts, merit system standards, or training of personnel).
4. Equal employment opportunities.
5. Implementation by specific institutions or agencies.
6. Evaluation of the effectiveness of grant funds.
7. Achievement of performance standards.
8. Citizen participation.

9. Performance of an audit.
10. Accountability to citizens through citizen review.

State and local governments have an interest in most of these objectives. Special incentives for modernization might take a number of forms, including penalties, bonuses, flexibilities, and set-asides. Penalties would not be very feasible for political or practical managerial reasons. Governmental effectiveness is difficult to measure, and there could be no penalties without a standard of performance or of modernization. The Federal agencies are not ready to write or apply such standards.

Bonuses for special modernization efforts or inter-governmental innovations would be more popular. For example, some financial bonuses could be paid through the revenue sharing program for consolidation of special districts, adoption of joint service agreements or intergovernmental contracting, establishment of a charter commission, or some other evidence of attempted modernization. One difficulty with this approach is that it would be unfair to governments in States which do not provide local governments with the flexibility to engage in such activity. Another is that it would be extremely difficult to define a formula that would be effective. Finally, as Daniel Elazar has pointed out in his paper, we must be careful not to become locked into conventional models of "modernization." Local conditions and needs are so diffuse that there must be a variety of models. Certainly a limited approach dispensing a handful of annual outstanding performance awards would be acceptable.

The flexibilities approach may offer more hope. This would involve permitting governments to spend general revenue sharing funds for purposes outside the approved list of revenue sharing expenditures. There would also be some difficulty in setting standards to operate this program, but misjudgments would not be as serious or as controversial since the program envisioned would be based upon a flexibility provision rather than a dollar penalty.

The best approach might be to use set-asides as an inducement for modernization of general purpose governments. A percentage of revenue sharing funds directed to each government could be set aside for use only on management

improvement and governmental modernization. This would leave the initiative at the State and local level to decide how to use the management money but would insure that most jurisdictions would undertake some modernization efforts. This approach is also suggested in Victor Jones' paper.

It still might be anticipated that State and local governments would view this as an interference with their use of general revenue sharing and a reduction of the amount available for other purposes. They would presumably prefer to see an expansion of the broadened 701 program to serve the modernization purpose. There is some merit to that approach since there is little likelihood that total general revenue sharing appropriations will be substantially increased over the near term.

THE EFFECTS OF EXTENDING REVENUE SHARING TO NONQUALIFYING UNITS

A number of the public units currently servicing governmental needs are not qualified to receive revenue sharing funds because they have specialized missions and do not meet the definition of general local government. At the regional level there are regional planning councils, so-called umbrella multijurisdictional organizations (UMJOs), COGs, economic development districts (EDDs), various public authorities, and metropolitan service districts. There are also regional and subregional single purpose special districts, and school districts, which are a special variety of single purpose special district.

The case of school districts is quite simple. Education has had increasing funding from State and Federal appropriations and is normally funded independently of appropriations for general government purposes. The school districts do not duplicate the functions of general purpose government, and so this type of special district is in a category all by itself. Some of the Federal aid to education programs have really been special revenue sharing approaches.

All of the other nonqualifying units are potential competitors to perform functions which are or could be the responsibility of general purpose governments. When the question is raised, therefore, as to whether they should receive

revenue sharing funds, this involves a direct challenge for the general purpose governments. Responses to the question of whether nonqualifying units should receive revenue sharing money therefore should relate to the kind of nonqualifying unit that is involved. School districts will not be discussed because they are not in direct competition to perform the functions normally provided by general purpose governments.

In general, the reasons advanced in support of the proposition that revenue sharing should not be extended to nonqualifying governments include the following:

1. It will inevitably reduce the amount of total funding available to cities and counties.
2. It will result in providing more money to units which have less public accountability than general purpose governments.
3. It will reduce the impact of citizen participation and hamper the effectiveness of public interest lobbying on governmental decisions.
4. It will result in less responsiveness to local needs.
5. It will distort local priorities and local determination of priorities.
6. It will foster duplication of public services and at a higher rather than lower cost.
7. It will further fragment governmental authority, leadership, and decisionmaking.
8. It will not substantially improve the effectiveness of regional and metropolitan-type organizations because their nonfinancial problems are even more serious than their lack of funding.
9. It will result in a further deemphasis of expenditures for human needs.

10. It will reduce the likelihood of local government modernization.
11. There are better ways of strengthening regional organizations to provide for regional functions.

The thrust of this paper is to assert that all of these negative impacts will result from making revenue sharing funds available to nonqualifying units. However, these units have a place in the metropolitan governmental structure. They provide indispensable functions and should be strengthened. This paper will suggest some specific ways in which the nonqualifying units may be strengthened and thus improve their contribution to the effectiveness of metropolitan governance. However, these units must be strengthened without reducing the effectiveness of general purpose governments and without perverting the philosophy of the general revenue sharing program.

Financial impact on
general purpose governments

It may be argued that including nonqualifying units in revenue sharing would cause Congress to provide additional funds for the nonqualifying units while maintaining the level of spending for general purpose governments. It is a fact of political life that the total amount of money likely to be made available by Congress for revenue sharing purposes is limited by the general condition of the national economy. Now it may also be limited by the 1974 budget legislation under which Congress is to agree upon a dollar ceiling for the normal budget. The total demands on the Federal budget exceed the available funds so that there is substantial competition among functional programs for Federal funding. Consequently, there are practical political limits as to the current amount of money which can be allotted for revenue sharing. Including nonqualifying units in the revenue sharing appropriations would most likely reduce the amount of money available for the general purpose governments.

Further, the plain fact is that COGs do not really have a substantial political constituency independent of their relationship to cities and counties. All COGs are dominated in the voting process by the cities and counties which are

their constituent units. The voting members of the COG are not directly elected by the citizens but by the member governments. Some are appointed by member jurisdictions or COG leaders. Even the elected members of the COG board have three kinds of identification--their political party affiliation, their position as members of COG, and their elective city or county position. The mayors and county executives who comprise COG boards are the most powerful witnesses for revenue sharing. But they are already supporting programs with the city and county governments to which they owe their primary allegiance. As a result, inclusion of COGs in revenue sharing will add no political muscle to the total lobbying effort toward revenue sharing.

The case of special districts is slightly different. While some districts are captive units of general purpose governments and would add no political support, some of these have substantial political power. They could strengthen the lobbying efforts of cities, counties, and States, but this would be counterproductive for cities and counties. The districts might gain a substantial payment, and, unless the total dollars voted by Congress for revenue sharing were increased, the inevitable effect of including nonqualifying units in the total revenue sharing budget would be to reduce the total amount of dollars available to cities and counties.

At the present time the upcoming renewal of revenue sharing is being subjected to some close questioning. There are powerful groups that represent potential opposition to the renewal of revenue sharing because of certain effects of the program. Some cities and counties have been accused of making frivolous use of revenue sharing funds. There are also questions about paying governments, such as those townships which actually have very few functions to perform. In addition, some groups are still philosophically opposed to revenue sharing.

The well-organized coalition of States, cities, and counties was in part responsible for the enactment of revenue sharing. All of these groups now want to propose amendments to the law. The addition of nonqualifying groups to this coalition would considerably weaken it. It may be argued that revenue sharing should not be extended to nonqualifying groups because such an expansion would not only reduce

the amount of money available to the general purpose governments but might also result in the death of the program itself.

The primary purpose of COGs, UMJOs, and regional planning commissions is to plan on a regional basis for functional problems in which city and county governments must necessarily be involved at the operational level. Planning as such is not now included among the authorized purposes of local government revenue sharing expenditures. To include COGs would therefore require amending the law to expand the number and variety of authorized purposes of local government expenditures. This would open the door for numerous other groups to attempt to add their functions to the authorized listing and in doing so burden the revenue sharing legislation with so many extras that it might be defeated in Congress.

Public accountability and citizen participation

One of the reasons for providing revenue sharing funding to general purpose governments, such as cities and counties, was that their officials are directly elected by the public and are in continuous contact with the public they serve. Therefore, they ought to be in a better position than the Federal or State governments to determine the intensity of local priorities. If nonqualifying units are included in revenue sharing, this philosophy would be set aside because the money would be made available to organizations whose members are not directly accountable to the regional public for which they are making decisions.

Ted Kolderie makes an argument for including the Twin Cities Metropolitan Council and Victor Jones for the Association of Bay Area Governments. Similar arguments might be made for metropolitan organizations which are truly multipurpose and are performing governmental functions. These organizations can meet the criteria of "general purpose," but they are not yet general purpose governments. Nevertheless, some exception might be made for multipurpose operating agencies at the metropolitan level. Defining this group would not open the floodgates for the 350 other metropolitan

planning bodies and so would not have a substantial effect on city and county entitlements under general revenue sharing.

The members of governing boards of COGs attain their positions as a direct result of appointment or their election as mayors, county executives, or members of city or county governing bodies. Indirect representation systems are always difficult to structure. For example, it is conceivable that in a particular metropolitan region a minority population may account for 30 percent of the total voters of the cities and counties. However, if representation on a COG were limited to mayors and members of county governing boards elected at large, there is a strong possibility that in many metropolitan areas none of the elected officials would be drawn from the minority groups living in the area.

This does not mean that all of the elected officials would be unresponsive to the needs of minority groups. But there would be a gap in terms of visible responsiveness to the needs of minority groups. Further, Federal policy has strongly supported minority citizen representation on COG boards. COG appointive positions have often been used to involve nonelected public leaders and insure representation of blacks and women. This is an acceptable procedure in the current context, but it does not compensate for the political accountability of elected officials.

Another problem is related to the voting system adopted by COGs. It has been established that COGs are not local governments but rather are conferences of local governments so that they are not bound by the one-man-one-vote principle.⁹ Most COGs have followed the pattern of providing one vote for each major jurisdiction which is a member of the COG. A few COGs have adopted weighted representation systems providing multiple votes to central cities or major urban counties to preclude their being totally outvoted by outlying counties or suburban cities. However, this is still not the same as establishing an organization on a one-man-one-vote basis.

At present, the COGs are simply not accountable directly to the public. Their only public accountability is the indirect accountability to the local governments which have

most of the votes. It may be argued that removing the dependence of COGs on direct funding by local governments may tend to make them somewhat less accountable even to the local governments which constitute their membership.

The situation with regard to special districts is even more extreme. The governing bodies of the special districts are sometimes elected directly. Yet, because of the narrow purposes of the special districts, these elections rarely attract much citizen participation. Because of that low level of participation and the fact that many other special districts are run by appointed officials or by boards with ex-officio-based membership for city and county elected officials, there is no real public accountability. In addition to their narrow function, there is much misunderstanding about their source of power and responsibilities. Even their physical location away from the mainstream of city halls and county courthouses contributes to the public's lack of knowledge of their operations.

In terms of responsiveness it might be argued that special districts are directly responsive to specific needs since they were usually created to fulfill a special purpose need. However, this responsiveness is limited to delivering a particular functional service rather than setting local priorities based upon a balancing of a broad variety of needs. Special districts are in no position to do this since they have limited functions to perform.¹⁰

Special districts derive most of their funding from user charges which they set unilaterally or from taxes that States have authorized them to levy. They can use fees to develop operational profits and there is little public evaluation of the level of these levies. They raise much of their financing from bond issues based upon their projected fees or taxes. There is very little input from the public sector as to the amount of money special districts should charge for their services, the kinds of bonds they should sell, or the tax rules they should set. Clearly, the insulated and isolated operations of the special districts involve few of the traditional fiscal controls which are present in city and county governments. Direct Federal funding of special districts would remove that portion of revenue sharing from the public participation domain.

Another reason for opposing extension of revenue sharing to nonqualifying units is that it is unwise to separate the function of tax raising from tax spending at the local level. Public accountability is reduced whenever the government which spends the money is not the one which has to explain to the voters why the tax was levied in the first place. COGs generally have no authority to levy taxes whereas general purpose governments do. General purpose governments whose members are directly elected are in a better position to feel the pressures of the public and this enhances accountability.

To some extent this argument may be used to oppose general revenue sharing itself, since the Federal Government levies the taxes and the States and local governments are permitted to spend them. However, the cities, counties, and States have independent powers to raise taxes and go through this process each year with full opportunity for various citizen pressures to be exerted in the process. All these top officials are subject to the elective process. They are sensitive to citizen reaction to taxes and presumably keep this in mind when making decisions as to the allocation of tax revenues. In fact, most cities and counties have used revenue sharing funds to reduce taxes or at least to avoid tax increases.

Since COGs are not governments, with few exceptions do not levy taxes themselves, and have no members who were elected to the COG for the purpose of allocating COG funds, public accountability must necessarily be less than in the general purpose governments. Actually, the influx of revenue sharing funds into COGs would lessen the need for them to assess local governments. This might serve to weaken the support of local governments for COG activities since those activities would no longer be funded directly by local government contributions.

Providing revenue sharing to COGs or special districts which have relatively low levels of citizen participation is likely to reduce the overall responsiveness of governmental spending. COGs have had great difficulty in securing appropriate citizen participation in their decisions. This is true in part because their functions have been restricted almost totally to metropolitan planning rather than to operational programs which are more visible and more expensive. COGs

have also had a problem of securing effective minority citizen participation. The use of citizen appointees to cover over this deficiency in COG membership has not always been satisfactory.

Involvement of COGs in the same matters in which cities and counties are already involved would tend to create ambiguity in the public mind as to which body is responsible for what kinds of public decisions. This ambiguity coupled with the insulation from public accountability would make COGs and special districts less responsive to public needs than general purpose governments are.

Because general purpose governments are led by directly elected officials, they are more responsive to human service needs than COGs or special districts are. The disadvantaged have developed a voice in local governments which have become more responsive to their needs in recent years. COGs are more likely to focus on regional problems and the economic or other problems of the disadvantaged clustered in certain areas can be more easily overlooked. Increasing COG budgets as an alternative to increasing the budgets of general purpose governments is likely to have a regressive effect.

Special districts pay even less attention to problems of minority representation and therefore are not likely to be responsive to the needs of minority or disadvantaged groups in terms of setting their priorities. Because special districts have limited focus, their approach to the disadvantaged would be limited to relating their needs to the specific mission of the special districts. In many special districts there really would be no areas in which their expenditures could relate to socioeconomic needs, Thus their total expenditure, if derived as an alternative to general purpose government expenditures, would be regressive in terms of the impact of taxes collected for general revenue sharing.

Impact on local public interest lobbies

In recent years there has been a substantial growth in the power of public interest lobbies. While this is most obvious at the Federal level because of the operation of groups such as Common Cause and Ralph Nader's lobbying teams, these organizations and various others operating in the public interest area have had an impact on State legislation and to

some extent on local legislation as well. Environmentalist groups have succeeded in blocking rezoning, developing new support for open space programs, and pressuring businesses to spend money on air and water pollution control devices. Consumer and civil rights groups have also had an impact on the development of affirmative action programs in the public and private sector and on the adoption of consumer programs by State and local governments.

If COGs were to receive revenue sharing money directly from the Federal Government, they would have the ability to expand their involvement into many different functional areas. To the extent this happened, they would become another organization which would require attention from the local public interest lobbies. This would complicate the problem of lobbying at the local level because the responsibility for various decisions would be more widely spread. It would be more difficult to know who was giving only lip-service to the public interest. How could a city or county official be evaluated who opposed a social service in his own jurisdiction on the basis that it should be done by the areawide organization--knowing that the other jurisdiction would veto the idea?

If revenue sharing were extended to the special districts, the impact on public lobbies might be even greater than with COGs. Special districts are even less accessible to public interest pressures than COGs. Because of their scope, COGs attract attention from the metropolitan newspapers and radio and television stations and, in addition, they have almost always been chaired by elected city or county officials who are sensitive to public response. Special districts, however, have been much less visible and accessible. The governing bodies of the special districts are the most insulated operations at the local level in terms of public impact. Funneling more authority to these organizations at the expense of cities and counties would serve to reduce the public control and public information regarding their activities coming within their purview.

Distortion of local priorities

Providing revenue sharing funds to special districts and to the COGs would tend to distort establishment of local

priorities in favor of Federal priorities. The existing revenue sharing law permits cities and counties to pool revenue sharing funds for mutual purposes. Relatively few cities and counties have elected to do so, which suggests that there are deep-seated reasons why there is less intergovernmental performance of functions than national planners consider appropriate.¹¹

Making a Federal judgment that certain functions performed by special districts or by COGs have a higher level of priority than what the local governments would give them ignores the philosophy that local operating officials should decide local priorities. It would also be a deviation from the basic philosophy of revenue sharing that there is no reason to believe Federal agencies have a better sense of local needs than the general purpose governments. By funding COGs and special districts, the Federal Government would already have determined that a particular functional area was a priority and would have done so to the probable detriment of other priorities in the metropolitan area.

It may also be relevant to note that COGs have a tradition of responding to Federal initiative and Federal incentives. This tends to make their priorities more Federal-than local-oriented, and to that extent COGs would be less responsive than the general purpose governments to local needs.

Muddying up the servicing structure

One of the strongest arguments against revenue sharing funding of nonqualifying units is that this would distort the purposes of the general revenue sharing legislation. There is general agreement that city and county government needs to be strengthened and that general revenue sharing is serving this purpose. General revenue sharing is causing some cities and counties to review the effectiveness of their decisionmaking processes and the means by which they set priorities. An important point to remember is that this is occurring within the context of general purpose governments where a broad range of priorities are being ranked. There is no such broad range of priorities available for ranking by the nonqualifying units. In these cases providing funding would mean a Federal identification of priorities since these

units are generally dedicated to a very small number of functional areas. Further, the Federal Government would be more likely to impose conditions on expenditures by COGs than by cities and counties.

This is not to say that the nonqualifying units are not important and are not performing useful services. However, there are other currently available means which could be devised to provide funding for the nonqualifying units. Including nonqualifying units in general revenue sharing would be inconsistent with that program's basic philosophy.

If the availability of Federal revenue sharing funds for special districts were to result in establishing more special districts independent of the COGs as well as of the cities and counties, there would be a further fragmentation of urban services. This would also make it more difficult to fix political responsibility and enhance the level of political accountability.

There is a general recognition that certain problems overrun the boundaries of cities and counties and must be coordinated on a metropolitan basis. But this does not require the establishment of a third level of government. Indeed, the establishment of such a layer of government would tend to undermine the effectiveness of the cities and counties which must continue to provide the basic services needed.

The preferred mode should be to cluster servicing functions at the local level because local government would be in a better position to choose among competing priorities. If revenue sharing money were provided to special districts, this objective would be undermined because special districts are not in a position to view a number of competing priorities. In addition, the spread of special districts would tend to undermine the potential establishment of UMJOs which, with voting patterns reflecting the one-man-one-vote principle, could be appropriate organizations for some metropolitan areas.

The number of special districts would probably increase dramatically if revenue sharing funds were provided to them. In many cases cities and counties would be willing participants in expanding the number of special districts because

it would relieve the financial pressures on cities and counties currently providing the services which could be provided by a special district. However, the net effect of adding more special districts would be to further fragment local decision-making and to move functions to units which are inherently less responsive to citizen priorities and participation. This would reduce the accountability of public decisionmaking just to resolve a short-term funding crisis. It would be preferable to remove the financial and legal barriers to performance of the functions by city and county governments.

The provision of revenue sharing funding to special districts would give many faltering units a new lease on life. A preferable tendency would be for cities and counties to take over some special district functions so that they could be better integrated into the total local priorities system. Revenue sharing funds might make it possible for some cities and counties to regain control of functions previously spun off for economic reasons.

If COGs become financially stable, some might try to change their role as metropolitan planning units and facilitators for Federal funding. For example, a COG could initiate regional services in areas such as transportation planning, solid waste disposal, and environmental preservation activities involving air and water pollution. However, they may also attempt to operate in the areas of housing, recreation and parks, community facilities, some social services, and public safety. Once established as operating entities, COGs would compete with cities and counties for new funding sources, such as user fees. In his paper Ted Kolderie declares that the metropolitan bodies receiving revenue sharing will not become involved with operational functions. He seems to base this opinion primarily on the Minneapolis-St. Paul experience. However, there is some reason to believe that model is rather unique and that other metropolitan organizations would try to take on organizational functions.

Effects on intergovernmental relations

Providing revenue sharing to regional organizations, such as COGs, may have negative effects on intergovernmental relations by causing conflict with local governments. Although COGs are the creatures of local governments, in reality

membership on the COG board is a subsidiary responsibility for a city or county elected official or even for an appointed board member who is acting as a citizen volunteer. There is rarely sufficient time to become heavily involved in what the COG staff is really trying to accomplish. In addition, COG chairmen generally hold that post only 1 year, after which it is rotated to another member.

As a consequence, the staff tends to set the agenda for the COG. If the staff were to find itself in a position where its revenues were assured through direct Federal funding, it could presumably become both more aggressive in terms of the functions it tries to provide and less responsive in adapting its methods of operation to the specific desires of city and county elected officials. The result would be more interference in local government functions.

Further, some observers believe that COG staff directors tend to be more responsive to specific Federal policies than to implementing the agendas of the local city and county elected officials. The pressures on the elected officials to move carefully in politically sensitive areas are just not felt as strongly by the staff. Some staffs view their role as that of catalysts attempting to advance regionalism at any cost. The availability of independent Federal funding would seem to increase these tendencies on the part of the staff.

Still another issue is the relationship of States to COGs. Cities and counties view COGs as their creation and, in fact few States have taken positive efforts to enhance the effectiveness of COGs by providing funding or other encouragement for their missions. Nevertheless, the availability of direct Federal revenue sharing to COGs would tend to reduce the likelihood of States' ever having any substantial influence on COG operations. Considering that both in the Canadian experience as well as the Twin Cities and Atlanta cases, the role of provincial/State government has been pivotal, anything that would tend to keep the States from promoting local government cooperation would have to be viewed as a potential negative effect of revenue sharing.

Another potential problem inherent in the proposition that COGs should receive Federal revenue sharing is that staffs of COGs have, historically, been heavily oriented

toward physical planning efforts. Federal encouragement for these organizations to move into other functional areas might disrupt the uneasy balance of power in terms of the allocation of functions at the local level. The decision as to which level of government should provide which services may vary from region to region. It would be inappropriate to establish a federally financed norm that all COGs should handle certain kinds of functions just because they have Federal money to do so. This would not only lead to jurisdictional disputes at the local level but, to the extent that city and county interests were sublimated, to further fragmentation of decisionmaking. Cities and counties have to remain involved in all the basic functional areas into which COGs might wish to move.¹²

Even if COGs were to stay in the planning area and use their new-found Federal revenue sharing money to enhance planning efforts, the actual operational implementation of the kinds of plans that COGs might agree upon would all have to come from the general purpose governments which hold most of the cards in metropolitan decisionmaking. To use Federal money to develop plans which are aggressive and even far sighted but be unable to implement them because of the inadequacy of city and county resources needed to operate such programs would only serve to raise expectations of the citizens in the metropolitan area without providing any real benefits to them.

Finally, while revenue sharing funds would make it possible for COGs to engage in functions they do not now perform effectively or at all, the mere availability of funds would not give them any new enforcement powers or make them more effective in implementing programs. COGs need more than an infusion of new money to be effective.¹³ They need State legislative support as well as local cooperation. Part of the threat to local government is that States might give more powers to COGs if they were receiving revenue sharing funds.

Even if it were desirable to strengthen COGs at the expense of cities and counties, it is questionable whether it is possible to establish COGs strong enough to bring about effective coordination. While in States such as Minnesota and Georgia the legislature may respond by providing COGs with all or some of the powers necessary to provide this

level of coordination, it is more likely that cities and counties would maintain most of their current powers. The result could be a deadlock in terms of local government coordination. Decisions would be delayed or not made at all, and the costs of local governments would continue to escalate.

A more positive approach might be to link the modernization efforts of ACIR with what Victor Jones calls "an inter-governmental approach to improving the quality and capability of State and local governments." Jones proposes the establishment of Regional Advisory Commissions on Intergovernmental Relations in the 10 Federal regions.

Effects on modernization of general purpose governments

From a structural, functional, and procedural standpoint, there are many alternatives for governmental modernization. Table 1 summarizes the most appropriate ones. However, there are numerous barriers to achieving modernization through these mechanisms, and the extension of revenue sharing money to COGs, special districts, and other nonqualifying groups would create another. It would mean that the scope of city and county government activities ultimately would be reduced. If, in addition, less money would be available for city-county revenue sharing, these changes would inhibit the involvement of cities and counties in new functions and hinder improvement of ongoing ones.

Demands for more effective performance and leadership by the city or county at the same time that the scope of their operation is being reduced would frustrate the leadership of the cities and counties. The probable effect of all these pressures is that it would be more difficult to get public spirited groups to invest their money as well as their time in securing new home rule charters where they are needed, updating existing charters which have become outmoded, establishing city-manager-type governments, or otherwise upgrading the professional caliber of local government administration.

Table 1

Feasible Alternatives for Governmental Modernization

1. Intergovernmental cooperation not requiring functional or structural change.
 - Informal cooperation.
 - The consultative council of governments.
2. Facilitating measures.
 - The compact.
 - Extraterritorial jurisdiction.
3. Functional changes without significant structural changes.
 - The service contract.
 - Functional consolidation.
4. Functional approaches with significant structural implications but whose primary role is to provide urban or regional services.
 - Transfer of functions.
 - The single purpose special district.
 - The regional agency.
5. Structural changes on a less than metropolitan basis.
 - Incorporation.
 - Annexation.
 - Geographical consolidation.
 - County home rule.
6. Structural changes on a metropolitan basis.
 - The authority.
 - The multipurpose special district.
 - The operative council of governments.
 - Metropolitan government.

Source: Thomas P. Murphy, Metropolitcs and the Urban County (Washington: Washington National Press, 1970), p. 27.

Both the need and the motivation for modernizing local government would tend to be reduced in the public mind as well as in the minds of State legislators who must pass the legislation to provide for home rule charters or for local governments to reorganize their structures, finances, and roles.

Providing revenue sharing funds to nonqualifying units might actually reduce the likelihood of local government modernization. The experiences in Miami, Nashville, Atlanta, and Jacksonville, among others, have shown that modernization is most likely to occur when there is a crisis and there is strong local leadership.¹⁴

Ted Kolderie suggests that providing revenue sharing to COGs would galvanize local governments into action to meet the challenge of COGs. He takes this position on the assumption that there would be both a State and a regional policy on local government modernization. He asserts that with regard to modernization

"we should give first attention to the relationship that contains the greatest potential for meaningful change * * * which is the movement of proposals from a statutory representative responsible regional body into the legislature of the state."¹⁵

Again, the Twin Cities experience is not necessarily an appropriate model for metropolitan areas in other States.

A further proliferation of special districts and the consequent fragmentation of governmental operations at the local level would make even more essential the establishment of a powerful metropolitan coordinating group. The record of effective coordination between general purpose governments and the special districts is not very good in that the special districts generally have too much independence and do not collaborate unless it would be in their interest.

Funding special districts directly through revenue sharing would also give them additional money to move into new areas of operation. In one-county metropolitan areas, the county can play a coordinating role--but would be

unlikely to do so if, as often happens, it was unable to prevent establishment of the special districts in the first place. The only other candidate to oversee cities, counties, and special districts in complex metropolitan areas would be a very strong COG.

Establishing a very strong COG would alter the powers of cities and counties and, thereby, reduce the attractiveness of such city and county offices to both elected and appointed officials. It would also fragment decisionmaking in the sense that cities and counties would still have to be involved in the kinds of functions COGs might try to provide. The net effect would be to reduce the likelihood of local government modernization.

The injection of Federal revenue sharing funds into COGs would obscure the issue. It would provide a theoretical alternative to further local government modernization efforts which, though attractive to regionalists, might not be realistic in the long run. In any event, the very possibility of a COG performing a city or county function which presented a servicing problem would provide an alternative. It would take the pressure off the need for a local government to restructure its priorities or its management to accommodate that particular problem.

Apart from despair over ever solving problems in cities and counties, the hopes raised by having really operative COGs will draw off some citizen leaders attracted by the macro approach to metropolitan problems. These are the same leaders who might otherwise be available to help reorganize city and county governments. In addition, public attention will be directed by newspapers and media to the "new hope" in contrast to the "old system" that failed.

Providing revenue sharing money to special districts, for example, is likely to provide cities and counties with an outlet for resolving a problem without having to take any steps to modernize the city or county unit. This kind of resolution of the service crisis will further fragment decisionmaking and introduce new vested interests which will be barriers to change and modernization. It will also mean that special districts which were ready to go out of business

or to be consolidated into city or county governments will receive a new lease on life so that this kind of modernization will not occur.

Other ways of funding nonqualifying units

An alternative to direct funding of the COGs with Federal revenue sharing would be the establishment of incentives for general purpose governments to define more extensive agendas permitting COGs, under local government control, to expand into whatever areas are logical in a particular metropolitan area. This would be consistent with the philosophy of general revenue sharing and its stress on strengthening general purpose governments because it would be cities and counties that were making the decisions to use the COG as their instrument.

There would seem to be an ideal opportunity here to provide revenue sharing to cities and counties, but with provisions that whatever revenue sharing money is used in inter-governmental ventures (up to a specified limit) be matched by Federal funds. In this way, cities and counties would be guaranteed that the whole would be greater than the sum of its parts and yet they would not be creating a Frankenstein at the COG level. The COG's policies and decisions would still be made by its boards of directors which would be composed primarily of elected city and county officials, and, if the COG was unable to reach decisions or operate effectively, the cities and counties could reduce their financial contribution.

Other changes might be necessary to strengthen the percentage of control which elected officials have over the COGs so that they would be more willing to assign their responsibilities. One of the barriers to making the COG a more viable organization is its voting system. Availability of potential Federal bonus payments might induce COGs to introduce voting systems more closely approximating the one-man-one-vote principle. If this were done, the larger jurisdictions in the metropolitan area might be more willing to permit the COG to move into areas where it could reasonably operate.

Still another alternative for providing additional funds to COGs without taking money away from cities and counties

would be to amend the law to permit bonuses to States which provide some specified level of support to COGs. A similar provision appeared in one of the early revenue sharing bills. However, even this provision, which was eliminated, was viewed by city and county officials as weakening the power of general purpose governments at the local level. Their reasoning was that, if the States take over the major funding of COGs, they would have an inordinate amount of power in the COGs. COGs were originally created by the cities and counties to serve whatever mutual needs they might identify. Turning COGs into instruments of State governments would increase the power of States in local government affairs and reduce the power of cities and counties.

There is another argument against bonuses to States or bonuses to local governments for applying revenue sharing funding to regional projects. The reason for these bonuses is to encourage cities and counties to find it more attractive to engage in regional activities on a joint basis. To the extent that they are seduced into syphoning off part of their general revenue sharing money toward regional activities, they would be reorienting their local priorities to conform to Federal priorities. That is, cities and counties are able now to engage in joint projects with their revenue sharing money. That a very small number have chosen to do so suggests that there is something artificial about this process. Obviously, cities and counties feel intensely that some of their internal problems are more worthy of a high priority in terms of spending revenue sharing funds. If this is true, should the Federal Government override this funding of local priorities and induce the cities and counties to distort their view of local priorities?

An option available to increase the willingness of city and county governments to take more policy control over the delivery of governmental services in a metropolitan area is to strengthen these general purpose governments. For example, if counties were given control over new incorporations and the establishment of new special districts within their county boundary, this would make them stronger. One way to implement this local government modernization would be to provide States with revenue sharing incentives in the form of increased revenue sharing if they gave such power to their counties.

The role of the State in local government modernization is also pivotal. There should be revenue sharing incentives for States which encourage local governments to modernize by providing home rule charters to counties and cities, to establish central personnel offices, to require professional qualifications for assessors, to set minimum levels of training for city and county law officers, to promote the establishment of housing authorities, and to encourage joint purchasing agreements and the joint development of waste treatment and other public facilities by local governments.

States might be given some amount of revenue sharing money to be used specifically for the purpose of improving the effectiveness of local government organization and performance within the State. Cities and counties could then apply for this money to fund charter commissions and modernization commissions. In addition, they might be rewarded for management improvements.

Reorganization or modernization always threatens some existing power centers. This means that at least some local officials who have a vested interest in preventing a change or modernization in the system can argue that there is no money available in the tight city or county budget for staff support to citizens commissions or charter commissions. The availability of State money which could be used for no other purpose would facilitate these modernization efforts, void this argument, and provide a target which concerned public interest groups and local citizens could pursue. This program could be supplemented by State grants as a reward for demonstrations of increased productivity in the delivery of services.

CONCLUSION

Revenue sharing represents an improvement over the categorical aid programs. However, it is likely that the intensity of local needs will preclude cities and counties from voluntarily funneling any substantial amount of revenue sharing money into areawide organizations. Therefore, the existing program of general revenue sharing will not serve to promote effective regional and metropolitan organizations. Still, something must be done to improve the performance of these groups. The question is whether the nonqualifying units

of government should become eligible recipients of general revenue sharing; whether cities and counties should be induced to use part of their funds to strengthen the non-qualifying units; whether some alternative program of assistance to nonqualifying units should be devised; or whether existing programs, such as the HUD 701 program, should be expanded to meet the need.

General purpose revenue sharing funds should not be given to nonqualifying units, such as COGs or special districts. The negative effects of allowing nonqualifying units to receive this money outweigh the positive effects. It would most likely lessen the amount of funds general purpose governments now receive. It would encourage the expansion of these units to the detriment of the local governments, would remove the initiative from local units, and would reduce their scope of operation.

Funding COGs through revenue sharing will lead to more diverse COG programs and so to more diffusion of decision-making, since cities and counties will still be involved in all these matters and yet outlying areas will have an equal voice in the COG on matters more vitally affecting central cities and heavily urbanized counties. In some cases, the voting structure of COGs may lead to no decision where one is necessary. Central cities and major urban counties know what is needed but do not have the resources to do it. That is the problem general revenue sharing was devised to solve. It has made great strides and should be continued in order to demonstrate the potential of this approach. Other ways should be used to fund the nonqualifying units.

FOOTNOTES

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5. Council of State Governments, Coming Together, The Intergovernmental Cooperation Act of 1968: Survey of Federal and State Implementation, July 1, 1971, p. 11.
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10. Robert G. Smith, Public Authorities, Special Districts and Local Government (Washington, D.C.: National Association of Counties Research Foundation, 1964).

FOOTNOTES (Continued)

11. U.S. Senate Subcommittee on Intergovernmental Relations of the Committee on Government Operations, 45 Selected Jurisdictions View Revenue Sharing (Washington, D.C.: U.S. Government Printing Office, 1974).
12. Thomas P. Murphy and Charles R. Warren, Organizing Public Services in Metropolitan America (Lexington, Massachusetts: D.C. Heath and Company, 1974). p. 87.
13. Melvin B. Mogulof, Governing Metropolitan Areas, A Critical Overview of Council of Governments and the Federal Role (Washington, D.C.: The Urban Institute, 1971), p. 15.
14. See, for example, Brett Hawkins, Nashville Metro (Nashville, Tennessee; Vanderbilt University Press, 1966); Harold Kaplan, Urban Political Systems: A Functional Analysis of Metro Toronto (New York and London: Columbia University Press, 1967); Richard Martin, Consolidation: Jacksonville-Duval (Jacksonville, Florida: Crawford Publishing Company, 1968); Henry J. Schmandt and William H. Standing, The Milwaukee Metropolitan Study Commission (Bloomington: Indiana University Press, 1965); Edward Sofen, The Miami Metropolitan Experiment (Bloomington: Indiana University Press, 1963).
15. Ted Kolderie, "Why Extending Revenue Sharing to Non-Qualifying Units Would Serve to Enhance Local Government Modernization" (draft paper prepared for this study), November, 1974, p. 33.

Specific Examples of PNRS Benefits*Competition Among Public Agencies

A public service special district authority submitted a federal application to extend sewerage service to a developing portion of the city of North Augusta, South Carolina, at almost the same time that the city of North Augusta submitted a similar application for the very same area. This unnecessary duplication was discovered through the A-95 review process and the application for the public service authority was withdrawn. This preferential treatment of general purpose units of local government is a requirement of Title IV of the Intergovernmental Cooperation Act of 1968.

Improvement of OEO Referral Service Project

In the state of South Carolina, state, metropolitan, and regional, (nonmetropolitan) clearinghouses are afforded the opportunities of reviewing all federal grant-in-aid project applications by virtue of the South Carolina Review System which expands upon A-95. Under the South Carolina Review System a \$40,000 application for three alcohol referral centers came in from the Orangeburg Community Action Agency. Unfortunately, this project duplicated several other alcoholic referral projects. More importantly, however, this project did not provide for alcoholism treatment in addition to referral. Through the review process, the various social welfare and health agencies, including the CAA, were brought together to develop a more comprehensive application which includes referral, treatment, and job training.

Helicopter Relocation

A heliport site was proposed in the City of Albuquerque, New Mexico immediately adjacent to the University of New Mexico Bernalillo Medical Center. The site would have been

*These examples were compiled by the Office of Management and Budget. They were taken from The Council of State Governments, The Inter-Governmental Cooperation Act of 1968, Survey of Federal and State Implementation, 1971, Washington, pp. 20-3.

in conflict with Federal Aviation Agency flight patterns and helicopter landing and takeoffs would have been endangered by high tension wires. Various agencies, including the Federal Aviation Agency, were brought together by the clearinghouse and alternative sites were explored. The final site chosen as a result of these deliberations was a land use flood control channel which avoided the problems mentioned above.

Hospital Location

A suburban Albuquerque, New Mexico hospital of 150 beds was proposed which had two basic problems: the site location was not well related to the metropolitan highway system, and the internal layout of parking facilities was inadequate. Through the A-95 review a new hospital site, some two miles from the original, was chosen. The latter site is well served by the metropolitan highway system and its internal vehicular circulation and parking system meets high standards.

New Town Development and Community Interest Groups

A new town development is proposed for Amherst, New York. Ransom Oaks, to be built with the assistance of HUD's Title IV New Communities program, will eventually have 22,500 people and 1,600 acres. It will consist of single-family and multi-family housing, and various different commercial and public facilities. It will also probably use up to thirty HUD supplemental programs under New Towns legislation.

The initial proposal came in during the "early warning" stage, and the clearinghouse arranged for a convention type meeting between the applicant, the clearinghouse, and all public and private parties in the Greater Buffalo area which might be affected by the new town. This meeting served to initially identify individuals and groups that needed to be involved, as well as issues that would surface during later meetings. Present at the meeting were local and State officials, bankers, fair housing and minority groups, the developer, and clearinghouse personnel. The developer, in concert with the clearinghouse has held numerous follow-up meetings with groups and individuals present at the initial meeting. Also, when the developer applies for supplementary funds he will again go through the clearinghouse, and it

is anticipated that these latter reviews will move smoothly because of the excellent relationships built up with the clearinghouse and other interested parties.

Because of the clearinghouse mechanism this project has been speeded up by several months, and numerous problems have been avoided during earliest stages of development, thus avoiding added cost and delay at a latter date. The Office of Management and Budget has received a letter from the developer expressing appreciation for the benefits his project has derived from the review process.

Compatibility of State Parks and Wildlife Sanctuary

The State of New York proposed a 1,700 acre park development near the city of Rome which would have included 300 campsites. The A-95 review process revealed that the campsite would be located in the middle of a wildlife area. This wildlife area is extremely valuable inasmuch as it contains rare varieties of flowers and rare bird types. As a result of A-95 reviews the location of the proposed campsites was moved away from the wildlife area and the number of campsites was reduced to 250. Also the State agreed to build campsite sewerage facilities in such a way that they could more easily be linked with nearby sewerage facilities.

Highway Savings

The problem revolves around the widening and improvements (major interchanges and overpasses) of a section of State Highway 2 in eastern Massachusetts that runs through Marlborough, Hudson, Berlin, and Bolton towns. The original project application scheduled improvements the full length of the highway running through the four towns. Marlborough, Hudson, and Berlin had no objection, but Bolton did, requesting the highway terminate at the town line. Through the A-95 review, it was revealed that the comprehensive plan for highways for the region showed the route improvements stopping at the Bolton town limits. State officials concurred on termination, thus preventing an interjurisdictional conflict while simultaneously saving approximately \$1 million.

Deferral of Low Priority Highway

A state arterial road of 5-6 miles, between Springfield and Criswell was proposed; this arterial would cost \$4,500,000 and would be matched with state funds. Through the A-95 review process it was discovered that the proposed road, which would have an average daily traffic load of eight thousand vehicles, was of very low priority in the Springfield-Eugene Metropolitan Transportation Plan. In fact, it was not scheduled to be built, according to the plan, for another 18-20 years. After considerable discussion among all interested parties, as arranged pursuant to the A-95 process, state and local governments agreed that construction should be deferred for another decade or two. Thus, the \$4,500,000 has been made available for other higher priority roads, which will carry traffic loads of 30-50 thousand vehicles per day.

Road Extension and Relocation Costs

An eight mile highway extension of interstate standards from a new Theodore Island Industrial Park in Mobile Bay northward to Mobile, Alabama was initially scheduled to take twenty homes. Through the A-95 review process alternative routes were explored and one was finally chosen which did not necessitate the taking of the twenty homes. In addition to avoiding the social costs, approximately \$200,000 was saved by avoiding relocation of twenty families.

Old River Watershed Project

The Burleson-Lee Soil and Water Conservation District in Bryan, Texas, proposed a multi-purpose watershed improvement project for the Old River Watershed. This project will cover about 110,000 acres and will run south from Texas State Highway 21 along the west side of the Brazos River as far south as the Burleson-Washington County line. Among other things, the project is scheduled to include seventeen water retardation structures, 55 miles of channel improvements, and numerous public and private land improvement projects. The Texas State Highway Department, which is planning a highway through this area, was one of the agencies to receive an "early warning notification" from the clearinghouse. Ultimately this watershed project will cost \$6.5 to \$7 million,

and it is estimated that close to \$1 million will be saved by the involvement of the State Highway Department.

Water Distribution System

For many years there has been debate concerning the construction of the Waurika Reservoir to serve the Oklahoma Counties of Comanche, Cotton, Jefferson, and Stephens. However, within the last year or so a proposed project to conduct studies for this reservoir came through the A-95 review agency. While this study would have dealt with just the means of building this large reservoir by harnessing the waters of the Red River, it did not deal with means of distributing water to the municipalities throughout the four counties. This was duly noted and the proposed study now contains a study element for water distribution. In addition, the A-95 agency has designed a preliminary integrated water distribution system totaling 70 miles of pipeline leading to the Waurika Reservoir as contrasted to a number of unrelated water systems that had been projected. As the reservoir is completed and elements of the water distribution system are built, the A-95 review system will be used to assure that every component of this distribution system is well integrated.

It is estimated that the design and development of an integrated distribution system, as facilitated to a large degree by A-95, will save several million dollars when compared with independent distribution systems, which might have developed without A-95 reviews.

Combined Water and Sewer Systems

The City of Biloxi, Mississippi (population 49,000) submitted an application to meet its future water and sewer needs. Through the A-95 review it was learned that the cities of Gulfport (population 44,000) and Long Beach (population 12,000) as well as some of the unincorporated areas of Harrison County also needed expanded and improved water and sewer services. Therefore, the clearinghouse suggested that Biloxi amend its application to serve not only Biloxi, but also portions of Gulfport. Gulfport, in turn, would simultaneously prepare a water and sewer application to serve parts of Gulfport, the City of Long Beach, and unincorporated

portions of Harrison County with appropriate reimbursements from these latter entities. All of these suggestions have been followed, and eventually, a total capital cost savings of \$6-7 million will be realized.

AMENDING THE REVENUE SHARING ACT TO REDUCE
EXISTING DISINCENTIVES TO LOCAL GOVERNMENT MODERNIZATION

by

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The views and opinions expressed are those of the author.
They should not be interpreted as reflecting the views of the
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"The fundamental difficulty with simplistic revenue sharing is that it only solves half of the problem of federalism--the financial crisis of local government--and that half not very well. Passing a stringless \$5 to \$10 billion dollars a year to the states would presumably result in a pass-through to local government that would at least partially ease their financial crisis. But it would offer little incentive to the states to solve the organizational crisis of obsolete state governments and of fragmented, inept, and often unjust local governments. Indeed, the infusion of large sums into the states without any call for reform might actually postpone rather than accelerate modernization."¹

INTRODUCTION

The advent of Federal general revenue sharing was preceded, accompanied, and followed by considerable debate among persons of widely divergent viewpoints. The views expressed ranged from outright opposition to the concept of revenue sharing as a supplemental form of Federal assistance to support of a no strings return of Federal personal income tax dollars to jurisdictions where the taxes were levied. A broad spectrum of proposals between these extremes suggested the use of equalization devices and features designed to encourage the attainment of various national objectives.

Supporters of the revenue sharing concept were divided rather distinctly into two groups, one advocating neutrality of impact upon local governmental structure and processes, the other proposing the use of revenue sharing as a means of intervention to modernize State and local government. Both sides considered their views to be in harmony with the tenets of the New Federalism. The neutrality advocates believed that any reshaping and reform of State and local government should be arrived at freely and without Federal interference in the State and local political market place. Revenue sharing, they held, should provide needed additional financial means for States and localities to permit them to address their problems in the order of priorities as they, not the Federal agencies, perceive them. This view was shared by the sponsors of the Nixon proposals and those of similar bills. The "interventionists" maintained that State and local governments cannot reassert their political legitimacy as

envisioned by the New Federalism without also acquiring the capability to govern more effectively. They believed that State-local governmental reform was proceeding at too slow a pace and that a push from Washington was called for. The push was to be provided by conditions attached to general revenue sharing.

The provisions of the State and Local Fiscal Assistance Act of 1972 failed to live up to the expectations of the "interventionists." At the same time, the impact of this legislation also appears to violate the objectives of the "neutralists." Revenue sharing not only has failed to induce governmental modernization, but, in fact, tends to discourage such modernization.

The chief objective of this paper is to describe and suggest ways for the elimination of the disincentives to modernizing local government embodied in the Revenue Sharing Act as they are revealing themselves in the Rochester, New York, area. This undertaking will be prefaced with discussions of the author's perception of the effectiveness of previous attempts by the Federal Government to influence the conduct of local government, of the feasibility and appropriateness of amending the Revenue Sharing Act to provide inducements for local governmental modernization, and of the form such inducements might take.

PREVIOUS ATTEMPTS BY THE FEDERAL GOVERNMENT TO INFLUENCE THE CONDUCT OF LOCAL GOVERNMENT

The question to be answered here is whether and to what extent previous Federal efforts have succeeded in exerting influence upon the determinants of local governmental behavior. For the purposes of this review let local government conduct be defined as the manner in which policy decisions are reached and implemented, how planning and decisionmaking interact to determine what types of services are to be rendered, what the quantity and quality of these services should be, and how these services are to be financed.

Federal efforts directed at local government have for most of the past century consisted of grants-in-aid accompanied by a wide assortment of strings. Grants-in-aid, however, were not consciously designed or employed to

strengthen the governing capacity of local government. The primary concern of Congress and the executive branch was the stimulation and improvement of the quality of discrete public services, the effective performance of which was deemed to be in the national interest. Their interest in strengthening local government was essentially a concern for strengthening local government's ability to perform a specific aided function. There is no doubt that even this secondary concern has had and will continue to have a significant impact on the structure and processes of local government. It is difficult, however, to assess and isolate this impact. Government officials in the Rochester area find it virtually impossible to distinguish between changes which can be attributed to Federal actions and directives and changes which would have occurred anyway even without Federal assistance. Yet they are willing to admit that, while the impact of Federal programs upon the manner in which government operates is not as great as popularly believed, they have at least accelerated trends which might otherwise have developed more slowly and, on occasion, have provided support without which some changes would never have been made.

Rochester area officials were only able to point to two types of grant-in-aid impacts which they consider to be clearly discernible, positive influences: the effect on the quality of management staff and the encouragement of increased citizens' participation. Federal assistance programs have enabled local governments to hire expert staff which, as a rule, has been or will be retained in a related management capacity when the Federal program is terminated. Organized citizens' participation in local governmental decision processes is still in its infancy but expectations for a maturing of present relationships run high.

Special praise was also accorded a handful of demonstration grants, particularly Intergovernmental Personnel Act (IPA) grants and the management study component of the 701 program; but because of the serious underfunding of such programs only 4 of the 31 general purpose governments in Monroe County have so far received such monies.

Overshadowing the positive and neutral comments on the impact of Federal grants on local governmental conduct were highly negative observations focusing chiefly upon effects

of functional fragmentation and administrative procedures. A broad consensus exists among administrators of major local governments that the program-oriented efforts of the Federal Government often tend to interfere with, fragment, and frustrate local government's ability to govern effectively. The local lore is replete with examples where interpretations by Federal and State administrators exhibit an astonishing ignorance regarding local governmental processes, where regulations are excessively input rather than performance oriented, and where delays in the required approvals of administrative changes impose a heavy cost in terms of dollars and wasted energy upon local government. One highranking official attributes many of these detrimental effects to Federal officials' "accountant mentality" and, more seriously, to "a latent and sometimes even overt antagonism on the part of Federal administrators which grows from a lack of conviction that Federal funds are being spent wisely by local government."

Among the Federal grant programs and directives which were intended to have a significant effect on the conduct of local government, primarily on its planning and decisionmaking capability, are the 701 program, the A-95 review process, and the Chief Executive Review and Comment (CERC) form of the Planned Variations program. The following represents a summary appraisal of the effectiveness of these Federal approaches in the Rochester area.

The 701 program

The 701 program first enacted via section 701 of the Federal Housing Act of 1954 evolved through three consecutive states: support of comprehensive planning in small communities; development of comprehensive planning capability in metropolitan areas; and improvement of management and planning capability at the executive levels of State and local governments.²

The early phases of the 701 program engendered the preparation of comprehensive plans in a great number of jurisdictions. Within the Rochester Region 97 out of 169 municipalities have prepared such plans covering 75.5 percent of the region's population. But only 48 of these municipalities had these plans actually adopted. Even in these municipalities the plans have been less than successful in achieving

their mission, particularly in that they have been ignored, are excessively oriented towards physical planning, avoid addressing major problems such as low- and moderate-income housing, fail to provide meaningful guidance for development, and become rapidly out-of-date.

The availability of 701 funding also provided an impetus for the establishment of the Genesee/Finger Lakes Regional Planning Board (RPB) in 1967. It serves its eight member counties in Upstate New York primarily as an advisor and informant on regional planning matters and as the regional clearinghouse for the A-95 review process. By providing direct planning services to several of the smaller counties in the region, the RPB has emerged as a particularly significant coordinative force in these areas. Of critical concern to the RPB are the vagaries of the project-oriented 701 funding process. In the absence of funding for continuous planning services the staffing level of the RPB has been subject to severe fluctuation which has proved to be highly detrimental to staff and agency development.

The mixed success of having comprehensive plans adopted by the localities and the widespread ignoring of the plans by governmental officials point up one of the major failures of the 701 program: planning has not been integrated with local decisionmaking. This failure was to be corrected by the most recent shift in the emphasis of the program. As set forth in the HUD Handbook 6041.1A, the new approach to implement the provisions of the Comprehensive Planning Assistance Program, which henceforth is being administered as the Planning and Management Assistance Program, stresses the improvement of decisionmaking and executive management at the State and local levels. It is designed to (1) encourage state, local, and areawide officials to improve executive planning, decisionmaking, and management capabilities and to improve the quality of their staffs and techniques; (2) encourage community planning and management as a continuous process; and (3) assist State and local governments and areawide agencies to solve problems, realize opportunities, and formulate and implement policies relating to community development. This program, spanning the broad range of governmental activities and services has, however, been seriously underfinanced. The annual allocation for organization and management studies for New York State municipalities currently runs at a level of only \$200,000 per year.

Consequently only a handful of studies can be undertaken at any one time. Annual applications for these funds are a large multiple of the number which can be funded causing a great deal of frustration with what has been termed by one official the "701 raffle." Although "scalps" are still missing, chiefly due to the recency of the program's start, prospects appear bright that ongoing studies funded from this source will soon produce significant results in the Rochester area: the installation of a high quality capital programming procedure by the county and the merger of a village with a town.

The A-95 review system

Implementing section 204 of the Demonstration Cities and Metropolitan Development Act of 1966 and title IV of IPA, Circular A-95 issued by the U.S. Office of Management and Budget provided for the establishment of a Project Notification and Review System (PNRS) and of State and areawide clearinghouses. The A-95 review process is intended to:

- (1) increase interlocal communication and cooperation on project development activities,
- (2) improve the quality of local applications for Federal grants,
- (3) raise the level of interlocal negotiations on controversial projects,
- (4) upgrade the management capabilities of local governments, and
- (5) indicate regional project priorities to grantor governments.³

While stimulating some tentative steps in these directions, the A-95 review procedure so far must be viewed as something less than a resounding success. Administered by the clearinghouse staff of RPB whose jurisdiction encompasses an eight county⁴ area, the A-95 review receives considerably more criticism than praise from the participating governments.

The most significant progress has been recorded in the area of interlocal communication. A recent evaluation⁵ observed that the RPB has been diligent in distributing PNRS letters to interested parties and encourages in a conference setting the local resolution of any conflicts arising from adverse comments prior to the formal submission of applications.

Strong reservations were expressed by government officials regarding the utility of the process as a resource in evaluating proposals for Federal funds. Problems cited relate to: insufficient time allowances for review, the lack of specific funding for the review activities, the essentially negative aspect of the process, log rolling among RPB members, the absence or poor quality of comprehensive plans, and, most importantly perhaps, the feeling that because of Federal apathy the entire process is nothing more than a federally mandated exercise in futility. The RPB has only rarely been informed of the ultimate disposition of applications by Federal agencies. No knowledge exists of how negative comments are being resolved. One official expressed doubt about whether these comments are even being read by the Federal administrators. In short, progress in the direction of accomplishing objectives (2) through (4) listed above is barely perceptible.

Yet, on the whole, the A-95 review process, if properly administered, seems to be considered by most as a step in the right direction. Given adequate funding and staffing, two-way communications with Federal agencies, and the passage of more time, A-95 may yet, at least in the views of some, become an effective instrument to accomplish the general purposes of enhanced governmental capability and inter-governmental cooperation.

Chief executive review and comment

In 1970 the President's Domestic Council carried out a review of the Model Cities program and recommended a program of "Planned Variations" in a limited number of Model Cities. The program was to involve three basic variations: (1) citywide Model Cities; (2) chief executive review and comment; and (3) minimization of Federal review.

CERC, one of three variations of the "Planned Variations" program, was described by Secretary Romney as ". . . a proposal to be tested in establishing procedures to provide local chief executives with the opportunity to review and comment on major Federal program activities in the community. . . . By allowing the local chief executive to review and make recommendations with respect to applications from other agencies to Federal funding sources, substantially increased coordination, improved planning, and more effective utilization of funds at the local level should result."⁶ In effect, the demonstration was conceived as a forerunner to general and special revenue sharing.

Rochester, New York, was one of four cities to participate only in the CERC demonstration. Beginning in 1972, staff work for the CERC demonstration was provided by the Office of Federal Program Review (FPR) within the office of the city manager. The office included a staff of seven and was funded at \$200,000 per annum.

The demonstration's positive effects appear to have been the enhancement of knowledge of the city manager about Federal programs, the coordination of some Federal programs, and the involvement of citizens in the review of Federal grants applications. It had no discernible impact on planning and the utilization of funds.

A recent evaluation⁷ of the CERC demonstration concluded that CERC, under the aegis of the FPR, had achieved a significant organizational impact, largely the result of the responsibilities assigned to the CERC office and its proximity to that of the city manager. The FPR director was given the responsibility for three other Federal coordination/planning mechanisms operated by the city: CAMPS, LEAA planning, and A-95 sign-off authority (the latter was transferred from the city bureau of planning). CERC provided the manager with the opportunity to consolidate staff operations which were federally oriented. Beyond that, the office supplied staff assistance on issues other than CERC. This relationship was highlighted by the fact that the FPR director eventually doubled as an Assistant City Manager for Program Development. The evaluation also found that the CERC office had only negligible direct impacts upon line departments since its prime function was conceived as an information/management device

for the manager. It did not alter work programs or otherwise affect the operation of federally funded projects.

In regard to its review function, the FPR office rarely raised critical questions about funding applications. To the contrary, opinions have been expressed to the effect that in view of the dire need for additional funds for just about any public service, whether rendered by government or private interests, virtually all applications were termed "high priority" and the reviews urged "immediate and full funding."

The county established an intergovernmental task force to support the city project. This task force, however, never became an integral part of the CERC function because the city already had a well-defined set of agreements with the county on areas of mutual concern. Once Federal funding ceased, the county terminated this office.

To assist in the review of Federal grant applications, the manager established a well-diversified Citizens Participation Review Committee. The committee reviews all applications, but focuses its attention primarily on distinct citizens' concerns. City officials express a great degree of satisfaction with this form of citizens' involvement. Recognizing the eventual termination of the program, the committee has recently developed a proposal for the reorientation of its efforts by suggesting the creation of neighborhood councils to form a basis for citizens' participation in municipal departments' budget formulation and operations.

It appears likely that the spotty record of achievements of the demonstration is chiefly attributable to the recency of the program. In planning to continue the FPR office beyond the demonstration's termination date, the city obviously expressed satisfaction with its accomplishments and its confidence in deriving additional benefits in the future.

Conclusion

The effectiveness of Federal attempts to influence the conduct of local government has been limited by their preoccupation with often uncoordinated attempts to affect the

delivery of only discrete public services, by insufficient and short-term funding of some promising demonstration projects, and by the existence of a bilateral adversary relationship between local and Federal officials. A number of clearly discernible improvements in the conduct of local governmental affairs are being credited to Federal grant programs and directives. These accomplishments can be enhanced and multiplied by a Federal approach focusing on the dual objectives of stimulating local governmental modernization and giving local government greater latitude in establishing its own spending priorities. The enactment of the Housing and Community Development special revenue sharing legislation appears to be a promising step in this direction.

FEASIBILITY AND APPROPRIATENESS OF AMENDING THE
REVENUE SHARING ACT TO PROVIDE INDUCEMENTS FOR
LOCAL GOVERNMENT MODERNIZATION

There is little if any doubt of the need for modernizing local government. Opinions differ, however, on the desirability of alternative courses of action to effect such modernization. There are those who prefer to leave the initiation of efforts in this direction strictly to the workings of the State and local political market places. Others emphasize the desirability of having the Federal Government assume a role of leadership in the stimulation and acceleration of modernization efforts. A split also exists within the latter group: some hold that the strengthening of program-oriented grants-in-aid offers the most desirable approach; others believe that general revenue sharing combined with modernization incentives represents a superior vehicle to attain the objective of modernizing local government. The author associates himself with this latter view.

Local governments being the dependent creatures of their respective State governments it makes little sense to talk about local governmental modernization in isolation without simultaneously addressing the issue of State governmental reform.

An agenda for action

It is an ironic contradiction that Americans so deeply

concerned with the effective and efficient conduct of private enterprise and scientific pursuit have tolerated the survival of anachronistic modes of State and local government, modes designed for conditions as they existed generations ago. Indeed, not only has anachronistic government been permitted to survive, but it has on many occasions been endorsed through the rejection of attempts to effect the modernization of State and local government.

Lengthy agendas for the modernization of State and local governments have been compiled by myriads of State and local citizens' groups and on the national level by institutions such as the Advisory Commission on Intergovernmental Relations (ACIR) and the Committee for Economic Development (CED). Just a simple recounting of the items on such agendas would strain the space limitations of this paper. Suffice it to stress that a great degree of unanimity exists among reformers on the need to address this agenda and to have the Federal Government play some role of leadership in this process.

The use of general revenue sharing as a vehicle to exercise such leadership was deemed both feasible and appropriate by a number of Federal legislators and academics. Although the hopes of these advocates of State-local governmental reform were not realized by the enactment of the State and Local Fiscal Assistance Act of 1972, voices continue to be heard urging reconsideration of the focus and manner of distribution of general revenue sharing.⁸

Can or will State and local governments do it on their own?

The States' legal authority over their local governments determines their powers, their boundaries, and their very existence. To a large extent, then, the failure of local government to effect significant measures of modernization can be directly attributed to the States' unwillingness to unlock the shackles they have placed on local governments. After a long period of domination of State legislatures by rural interests with an utter lack of concern for the needs of urban areas and for new and better ways of local government, the mandates which have emanated from the Supreme Court decision on legislative reapportionment have wrought a number of significant changes. ACIR notes in a recent report⁹

that with few exceptions, the picture of State government is getting better and brighter.

Still, we have a long way to go. Even a State like New York, long considered a "progressive" State, falls considerably short of any conceivable ideal of modern State-local government. A recent report by the "Wagner Commission"¹⁰ concluded that the basic structures of local government, defined towards the beginning of the 19th century, have changed very little since then; that the general public appears not to have an overriding interest in the exact distribution of governmental powers, nor in the specific forms and structures of governmental administration; and that the legislature's reluctance to initiate and support modernization efforts is a reflection of the apathy of its constituency.

If the apathy of citizens is indeed a prime reason for the lack of vigorous reform efforts at the State and local levels, the issue then boils down to what are effective means to overcome this apathy. The "Wagner Commission" observed that the general public appears to have an overriding interest in the cost of public services, an interest which can be stimulated by evidences of cost savings which might result from governmental modernization. In a recent town-village consolidation study effort in Monroe County, a citizens committee was literally "turned on" by the demonstrated tax savings and is now waging a strong public relations battle against the entrenched vested interests to permit the voters to choose between the status quo and consolidation at the polls.

Money is an important and recurring theme in most governmental reorganization efforts. The mere transfusion of Federal monies, however, has not and will not stimulate such efforts. No-strings money tends to undergird vested interests in the status quo and thwart modernization efforts. Prior to the enactment of revenue sharing, Lyle Fitch pleaded against this approach: "Given the lengthy testimonials of inadequacy, incompetence and propensity to speculation, are we nonetheless in the position of those who have to patronize the crooked roulette wheel because it is the only one in town?"¹¹

Although progress is unquestionably being made, recent accomplishments in State-local governmental reform may look

brighter when viewed in the perspective of the past paucity of such achievements than when compared to the vast challenges which lie ahead. The need for further State-local governmental reform persists and is too urgent to be left entirely to the discretion of States and localities.

Towards a Federal policy on
local government modernization

As noted previously, the goals of fiscal relief and increased local responsibilities under the New Federalism concept must be inseparably tied to the goal of modernizing State and local government.

To those who hold that State-local structures and processes are sacrosanct areas which must not be violated by Federal intervention, Sundquist¹² responds that ample precedent exists by now for the assertion of the national interest in a wide range of areas that until recently had been the province, exclusively or predominantly, of State and local government. This changing character of the Federal system is evidenced in a shift of emphasis in the pattern of Federal-State-local relationships in grant-in-aid programs. Characteristic of the legislation of the 1960s are forthright declarations of national purpose, experimental and flexible approaches to the achievement of these purposes, and close Federal supervision and control to ensure that the national purposes are served. Through a series of dramatic enactments in several traditional preserves of State and local authority, notably in education, law enforcement, manpower training, and area economic development, Washington has clearly created a precedent for the formulation of national objectives and the establishment of mechanisms to attain such objectives even in the area of State and local governance.

Legal feasibility and political acceptability

No matter how pressing the need for local government modernization and how appropriate the development and implementation of a national policy to stimulate such modernization, the chances of utilizing Federal revenue sharing as the policy vehicle are ultimately dependent on the legal feasibility and political acceptability of this approach.

As Sandalow¹³ points out, the Federal Government lacks clear authority to enact legislation to effect the reorganization of State and local governments or to require the assumption of specific fixed responsibilities by them. He notes, however, that among the powers granted under the Constitution, is that of spending money for the general welfare and, as Hamilton observed, the only qualification of the generality of this phrase which seems to be admissible is that the object for which an appropriation of money is to be made be general, not local. From a legal standpoint, then, there appear to be no insurmountable barriers to transforming the General Revenue Sharing Act into a national program aimed at the encouragement of State-local governmental modernization.

The political acceptability of substantial changes in the present revenue sharing formula is highly doubtful. Broad agreement appears to exist on the extreme difficulty of making substantial changes in a Federal assistance program which would have the effect of significantly redistributing funds among recipient governments. To quote ACIR: ". . . once a particular grant continues for a few years, it becomes an integral part of State and local budgets and constitutes one of the assumed sources of revenue in the process of budgetary planning."¹⁴

In view of massive nationwide campaigns now being launched by the "New Coalition"¹⁵ including groups such as the National Association of Counties, the Governors' Conference, the National Association of State Legislators, the U.S. Conference of Mayors, and the National League of Cities, to ensure that general revenue sharing in substantially unchanged form continues beyond its scheduled termination, it appears that significant amendments of the revenue sharing act can be effected only if new money is going to be made available.

Finally, a complicating factor which may make the provision of new monies highly unlikely is the President's insistence that, in an effort to fight inflation, Federal spending must be cut significantly over the next few years.

Thus, while Federal intervention in the arena of State-local governmental modernization may be appropriate, the chances of decisive Federal action are slim at best.

THE FORM OF INDUCEMENTS

The only form of inducement with a strong likelihood of success for stimulating the reform of State and local government is a highly focused program involving new monies. The Reuss-Humphrey bill provides a number of interesting guidelines for such a program. Building on its basic recommendations the following addresses the issues of how monies should be allocated, what criteria should be used in the design of an award system, whether funds should be channeled through the States only or directly to States and local governments, and who is to monitor and control the program.

The Reuss-Humphrey bill

Several among the more than 50 revenue sharing bills introduced in both houses of Congress addressed themselves to some aspects of the broad spectrum of governmental modernization. The most imaginative approach was incorporated in two bills by Henry S. Reuss of Wisconsin. In his first bill he proposed that the receipt of revenue sharing be made contingent upon the development by States of broad plans for constitutional modernization that would be submitted for approval to regional committees created by the regions' governors. Taking a cue from the post World War II period Reuss observed that the 5 billion dollar a year experience with the Marshall plan may very well have provided a precedent for analogous action designed to effect State/local governmental modernization.¹⁶ Following the recommendations of the National Advisory Commission on Urban Problems, Reuss proposed that only States and cities and urban counties with populations in excess of 50,000 be eligible for revenue sharing funds. Apparently in response to criticisms from supporters of his first bill, Reuss subsequently eliminated the requirement of having the State master plan submitted to a regional committee, where potential logrolling might very well have led to the emasculation of many a plan, and facing up to political reality, he also broadened the restrictive allocation formulas of the initial bill. The final bill, H.R. 1091 of the 92d Congress (an identical Senate bill was introduced by H. Humphrey, S. 241), represents a model with a number of features still worthy of serious consideration for amending the present Revenue Sharing Act:

1. The national purpose of the bill was "to improve intergovernmental relationships, and the economy and efficiency of all levels of government, by providing Federal block grants for States and localities where there is a demonstration of State intention to modernize State and local government.

2. In order to qualify, a State's local executive officer must prepare and file with the President a master plan and timetable for modernizing and revitalizing State and local governments. The bill contains a lengthy list of illustrative modernization methods compiled from previous recommendations of CED, ACIR, the Council of State Governments, and others.

3. The local share, based on the ratio of local to State revenues, is apportioned among general purpose governments pursuant to legislation enacted by the various States within broad equity guidelines. As an alternative, the bill offers a 10-percent bonus in the overall State-local share, if the State enacts an apportionment agreed to by majority decisions of its counties and municipalities with populations of 2,500 or more.

Monetary incentives

Among the most attractive aspects of the Reuss-Humphrey proposal was its timing. The most propitious time for inducing change is obviously when new monies are introduced into the system. Today, however, we are confronted by a situation where these new monies have already become old monies. Any attempt at a substantial reshuffling of these old monies is likely to face insurmountable political obstacles. Equally poor are the prospects for the imposition of the sanction of withholding old funds from States and localities pending positive action towards governmental reform. A more promising approach involves the use of new incentive or bonus funds added to existing general revenue sharing appropriations.

Even small bonus amounts tend to have disproportionately large impacts. ACIR notes¹⁷ that 16 States allocated relatively large amounts for waste treatment mainly as the result of special incentives for State participation contained in the Clean Water Restoration Act of 1966. The act provided for a

Federal aid bonus if a State assumed a designated share of the local project costs. ACIR suggests that since States seem to respond to financial "carrots" offered by the Federal Government, the extension of "incentive financing" to other areas would not go unheeded by the States.

A similar conclusion can probably be drawn from the reaction of local governments to bonus incentives. The city of Rochester and the county of Monroe admitted that the prime reason for the establishment of a consortium arrangement to effect the provisions of the Comprehensive Employment and Training Act of 1973 was the promise of a bonus, even though neither municipality is sure as yet what the size of the bonus might be. Estimates range from 2 to 12 percent.

Another example of a successful bonus system is provided by the incentive reorganization aid available to school districts in New York State.¹⁸ School districts which reorganize in accordance with a State master plan are entitled to a bonus amounting to 10 percent of their regular State aid apportionment for a period of 5 years following reorganization. Thereafter the 10-percent bonus is reduced by 1 percent each year until it expires 15 years after reorganization has taken place. Considering past experience with incentive payments, a system of Federal bonuses equivalent to 10 percent of present total revenue sharing appropriations should arouse significant interest on the part of States and localities. They can be expected to go to considerable lengths to maximize their potential shares.

Criteria for a bonus system

The design of a workable bonus system requires that attention be given to who should receive a bonus, for what, for how long, and from whom.

Bonuses should be awarded to stimulate and reward modernization efforts of both State and local governments. Because of the strong interdependence of State and local modernization efforts, payments to only the States or local governments will have only limited effectiveness. The promise of reward bonuses may be sufficient to stimulate the initiation of State and local action. An even more effective approach, however, would utilize funds specifically designated to finance planning, feasibility, and implementation studies.

The challenge of designing a set of criteria to permit the determination of what modernization efforts would qualify for bonus payments would raise the heartbeats of many an eager theoretician. Due to the diversity of our State and local governmental institutions and the variations in our perceptions of what constitutes governmental modernization, the imposition of an inflexible set of criteria, the attempt to shape State and local governments in a common mold, could prove a deadly mistake. The overriding concern here should be for maximum feasible flexibility.

As to the length of bonus payments, too short a period of payments may prove ineffective, too long a duration of payments might reduce the incentive to proceed further along the path of modernization, unless, of course, a pyramiding of bonus payments for successive accomplishments is permitted. A pyramiding feature may be desirable and feasible under a 5-year plan where successive bonuses could be obtained with each bonus declining to zero over a 5-year time span. Upon the expiration of the 5-year plan lesser appropriations would have to be continued to clean up the tails of bonuses awarded after the first year of the program.

Bonus funds must be channeled to States and through the States to local governments. A system of direct payment flows from Washington to localities would ignore the interdependence of State-local reform actions and undercut the States' responsibility to develop a modernization and reward system consistent with State-perceived priorities, thereby violating one of the basic tenets of the New Federalism.

State incentives

To qualify for the receipt of Federal bonus payments a State should be required to prepare and submit to the President a 5-year Reuss-type master plan of State and local governmental modernization. The plan to be developed as a cooperative venture among officials of State and local governments should set forth modernization objectives and an action program and timetable for implementation.

Federal guidelines for what constitutes modernization can be culled from the voluminous publications of the ACIR.

Its recommendations for State governmental modernization, for the "unshackling" of local government, for functional re-alignments, for a "high quality State-local fiscal system," for the installation of "circuit-breaker" systems and general property tax reform, together with the structural reform measures advocated by the CED, will provide an ample arsenal of reform objectives and means for their attainment.

Prior to the initial year of the program individual States should receive special funding for the development of such plans. In the subsequent years an addition of 10 percent to the regular revenue sharing entitlement for the entire State area, of which the State should be entitled to retain a portion commensurate with its ratio of revenues to total State-local revenues, should prove sufficient to accomplish the purposes of a bonus system.

State-local incentives

An integral part of each State government modernization plan must be a scheme for incentive and reward payments to local governments. To be a truly viable instrument for the attainment of specified objectives, this scheme, prior to its enactment as State law, ought to be subject to a Muskie-type¹⁹ approval process by a majority of the major local governmental jurisdictions within the State.

The distribution plan should contain a check list of modernization criteria against which past and future accomplishments can be measured. Judging from the reaction of more progressive municipalities to past New York State legislation providing for aid payments to reform laggards, it is of utmost importance to also reward those jurisdictions which have already attained governmental reforms if a State scheme for bonus payments is to have a reasonable chance of being adopted.

A 10-percent addition for bonus payments on top of the aggregate local governments' regular revenue sharing entitlement would permit the payment of significant rewards to localities, assuming that not all local governments would qualify in any given year.

Local governments in New York State could compete for more than \$40 million of bonus payments under such a system. A 10-percent bonus could justifiably be awarded to jurisdictions who through past discretionary action have attained a degree of modernization, measured by criteria such as the existence of a recently adopted home rule charter, of a central executive, of a short ballot, of countywide real property assessment, of joint performance of services, and of organized citizens' participation, without affecting their eligibility for additional bonus payments for subsequent actions. If this bonus like all subsequent bonuses were gradually phased out over a 5-year span, the eligibility in successive years for new bonus awards of 5 percent could stabilize a local government's bonus receipts at a 15-percent level.

Monitoring and review

Any plan giving substantial latitude to States and local governments in the determination of who is to get how much and for what carries the seeds of its own destruction. It requires little imagination to visualize a system fraught with political favoritism on the part of the States and with bonus maximization schemes involving assembly line, pro forma reforms on the part of localities. Yet, to permit the system to work requires an exceedingly light touch by the Federal Government. A network of independent monitoring and review agencies should keep both the State and Federal governments informed of the effectiveness of the program and of its abuses. The continuation of the program would have to be made contingent on the rectification of such abuses and the development of means to prevent their recurrence.

REVENUE SHARING DISINCENTIVES TO LOCAL GOVERNMENT MODERNIZATION OPERATIVE IN THE ROCHESTER AREA

Now that the first sets of revenue sharing impact hypotheses have been formulated²⁰ and preliminary evidence of the validity of some of these hypotheses is being accumulated, it is becoming increasingly clear that the effects of revenue sharing on the structure and processes of local government are anything but neutral. As more thorough evaluations²¹ of this lack of neutrality are published a strong

case should emerge for the amendment of the Revenue Sharing Act to alter at least those features of the legislation which tend to act as deterrents to local government modernization.

The following attempts to make a case for such amendments on the basis of Monroe County's experience with revenue sharing. The chief issues addressed are disincentives created by (1) the flow of new monies to all general purpose local governments, (2) the intracounty allocation feature of the formula, (3) the adjusted taxes formula criterion, (4) the exclusion of public education, (5) crediting taxes to imposing jurisdictions only, (6) the lack of assurance of program continuity, and (7) unsatisfactory Federal-local communications.

The setting--governmental modernization
in Monroe County, New York

Monroe County, located in upstate New York, has a population of 711,917, a median family income of over \$12,000, and a high concentration of its labor force in the manufacturing sector (44%), particularly in SIC 38-Instruments and Photographic Products. It is the principal county of the Rochester SMSA, which in 1970 also included the rural counties of Orleans, Livingston, and Wayne.

The county consists of the city of Rochester (population 294,977) and 19 towns ranging in population from a low of 3,642 to a high of 75,136. Scattered throughout the towns are 10 incorporated villages with populations ranging from 1,967 to 8,393. While the city school district boundaries are congruent with those of the city, the borders of the 18 suburban school districts meander back and forth across town lines. Almost 500 special districts, mostly of the dependent type except for fire districts, have been established to provide services in the county area outside the city of Rochester. Two county authorities (water and port) and a regional authority for public transit round out the governmental jurisdictions.

Total outlays by all governmental entities including the authorities amounted to over \$700 million in 1973. The prime local source of revenue is the real property tax which together with special assessments yields over \$240 million, equivalent to more than \$300 per capita. The average tax

rate of over \$40 per \$1,000 of true value of taxable real property places the county among the urban counties with the highest property tax rates in the Nation. The county also levies a 3-percent sales tax as an add-on to the 4-percent State sales tax. The yield of the local sales tax of almost \$70 million is used chiefly to provide county financial assistance to its component municipalities and school districts.

Ever since the early years of this century, local governmental reform has been of foremost concern to the community leadership in the Rochester area. In 1915 George Eastman founded the Rochester Bureau of Municipal Research, now the Center for Governmental Research, an institution which played an instrumental role as instigator, planner, and evaluator of virtually every reform effort which has been accomplished in this area. In the early twenties the city of Rochester adopted a manager form of government. In 1936 Monroe County became the first county in New York State to adopt the county manager form under the provisions of the Buckley Act (permissive State legislation). Among the more significant types of governmental reforms in the ensuing years were:

- (1) Functional transfers to the county government--social services, public health, sewage disposal, metropolitan parks, probation, airport;
- (2) Intergovernmental agreements--Pioneer Library System, Museum-Science Center, Mutual Aid;
- (3) County assumption of new areawide services--Community College, mental health, public safety laboratory;
- (4) Countywide and regionwide special districts--Monroe County Water Authority, Transportation Authority;
- (5) Voluntary councils--Finger Lakes Regional Planning Board, Genesee Region Health Planning Council.

Table 1 depicts some of these mileposts of local governmental change and the general growth of county government in matters of metropolitan concern.

In 1965 the county of Monroe adopted a home rule charter under the provisions of the New York State Municipal Home Rule Law. More recently two local government study groups have focused on the county in considering a metropolitan structure most suitable for solving the problems confronting the Rochester area. The Brookings Urban Policy Conference, sponsored by the Rochester Institute of Technology, the Industrial Management Council, and the Center for Governmental Research, recommended the development of a two-tiered neighborhood-oriented metropolitan government. As a result a federally and locally funded National Academy of Public Administration (NAPA) pilot project²² is currently underway to prepare a plan for implementing the two-tier concept in Monroe County.

The winds of change are also reaching the town and village governments as well as the school districts of Monroe County. Several cooperative agreements have been entered into for the provision of joint town services, villages are studying the implications of dissolution, and school districts are taking a close look at the feasibility of a federated system.

Local government in Monroe County has come a considerable distance over the past 50 years and expectations are high that it will continue to modernize. There are many obstacles, however, in the way of local governmental reform. Among the most important of these are: (1) the State constitutional referendum requirement for approval by a triple majority of the voters before transferring functions from the village, town, and city level to the county; (2) a reluctance on the part of city legislators to see their power base further eroded by continued transfers of functions to the county level; and (3) the continued excessive preoccupation with home rule, particularly on the part of towns and villages. Chief among the factors facilitating governmental modernization are both negative and positive financial stimuli. The city's continually worsening fiscal crisis has been the prime reason for its willingness to shift services to the county level. The inability of the New York State education aid formula to effect equalization of the local costs of public education induced the county to share a significant portion of its sales tax income with school districts. The promise of substantial tax savings is

Table 1

MONROE COUNTY ASSUMPTION OF NEW OR CONSOLIDATED FUNCTIONS

	<u>Effective year of assumption</u>
Social Welfare	1947
Airport	1947
Water Authority	1951
Sales Tax Collection and Distribution	1952
Joint City-County Planning Committee	1953
Civil Defense	1954
Fire Advisory Board, Mutual Aid Fire Coordinator, and Fire Training	1954
Mental Health	1956
Civic Center Commission	1957
Veterans Service Agency	1958
Health Department	1958
Port Authority	1958
Medical Examiner	1959
Drainage Agency	1959
Joint City-County Youth Board	1960
Community College	1961
Public Safety Laboratory	1961
Parks	1961
Monroe Community Hospital	1967
Public Defender	1968
Central Library Services	1968
Stutson Street Bridge	1968
Rochester Museum	1968
Vital Statistics	1968
Weights and Measures	1968
City Court Probation	1968
Traffic Safety Board	1970
Purchasing	1970
Police/Fire Radio	1970
Narcotics Guidance Council	1970

Table 1

MONROE COUNTY ASSUMPTION OF NEW
OR CONSOLIDATED FUNCTIONS (Continued)

	<u>Effective year of assumption</u>
Environmental Management Council	1970
City Civil Service	1971
Pure Waters (City)	1971
Traffic Engineering	1971
City Lockup	1971
Solid Waste Disposal	1973
Criminal Justice Planning	1973
Manpower Planning	1974
Off-Track Betting	1974

currently motivating the hardpressed villages to seriously consider dissolution. It is within this context that the impact of the Federal revenue sharing system must be viewed.

Lest the impression be given that the present revenue sharing "tail" is wagging the local governmental modernization "dog," it should be made clear at the very outset of this discussion that revenue sharing does not represent the most important or even a very important disincentive or deterrent to governmental modernization in the Rochester area. Because of its relatively small impact upon the financial structure of local government²³ revenue sharing's implications for governmental reform are overshadowed by a host of other considerations. Yet, the issues of the effect of revenue sharing on governmental modernization and, conversely, of the effect of modernization upon the revenue sharing allocations, are receiving considerable attention from governmental officials and civic reformers. Virtually all of the issues discussed in this section have been raised and debated in the sessions of the Greater Rochester Intergovernmental Panel (GRIP). Although the final decisions on this and related reform efforts will, in all probability, be made on the basis of considerations other than the impact of revenue

sharing, there is no doubt that some effects of revenue sharing tend to reinforce existing opposition to such efforts and contribute to delays in implementation.

The impact of new money

If one accepts the contention that the lack and uneven distribution of financial resources has been a prime facilitator of governmental reform in the Rochester area, then the infusion of over \$10 million in new money must be viewed as a deterrent to reform. Specific types of reform affected by the arrival of general revenue sharing are functional consolidations, jurisdictional consolidations, and the restructuring of the Monroe County tax system.

Functional consolidations. As noted previously, Monroe County has a long and impressive record of service consolidations; consolidations which were effected to upgrade service levels throughout the county, to achieve economies of scale, and to improve the equity of financing such services. The initial impetus of such transfers generally comes from citizens' study groups and the Center for Governmental Research. The effectuation of proposed transfers and consolidations, however, was almost always contingent on the city reaching the end of its fiscal rope. With the city becoming a smaller and smaller segment of the urban county, it can less and less afford to render urban services to a countywide population.

A major consolidation issue currently confronting the community is the proposed establishment of a countywide police system. Law enforcement in Monroe County today depends on fragmented and generally uncoordinated resources to deal with crime. This patchwork system involving 12 independent, autonomous local police agencies which serve different and sometimes overlapping parts of Monroe County, is afflicted with a number of serious shortcomings not the least of which are serious cost/benefit disparities existing in almost all of the 31 governmental jurisdictions in Monroe County. A plan for a unified county police force providing field services on a district basis was presented to the county legislature in 1970. The proposal received strong endorsement from the community's civic leadership and the International Association of Police Chiefs but ran into vigorous opposition from scattered suburban police departments. Their

official contention was that independent police forces can be more responsive to the needs of their communities. The city of Rochester, confronted by the perennial dilemma of having to operate costly services with insufficient funds, was generally sympathetic to the concept of a unified police force. The county showed reluctance to proceed with the implementation of the proposed plan, ostensibly because of the lack of unanimous consent on the part of all police forces operating within the county. The more likely explanation for the county's reluctance, however, was its unwillingness to be confronted by the need for a major county property tax increase which the implementation of the plan would necessitate.

The arrival of general revenue sharing, without a doubt, contributed in large measure to the continuation of the delays to implement the unification plan. The revenue sharing funds going to the county (\$5 million) were not anywhere near large enough to defray the costs of the projected \$18 million county police operation. The Federal funds received by the city, the towns, and the villages with police departments, while also relatively small, nevertheless represented a significant contribution to offset the increase in the costs of financing these police services. To date, all revenue sharing funds received by the city have been allocated to public safety--police and fire services. Typical of the financially more hardpressed villages is the village of Brockport. Its entire Federal revenue sharing amount went towards the funding of its police department. Even where no direct allocation for police services was reported, the substitution effects of revenue sharing obviously facilitated the retention of the police function at the local level.

Jurisdictional consolidation. Several of the villages of Monroe County are burdened with property tax rates which rival, and in some cases even exceed, those of the city of Rochester. A sizable portion of the high village tax burdens is due to villages paying some taxes to their town governments for services rendered only in the town areas outside the villages (highways), to duplicated overhead, and to inefficiencies of small-scale governmental operations. Unable to convince town governments to remedy cost/benefit inequities and unable to stop rising taxes through several types of town-village cooperative service arrangements, villages had begun to give serious thought to the possibility

of disincorporation. Studies were conducted in the villages of Scottsville and Brockport and, adjacent to Monroe County, in the villages of Dansville and Lima. The arrival of the general revenue sharing manna, temporarily at least, has taken much of the steam out of these efforts.

Tax reform. The advent of revenue sharing also had an impact on local efforts to reform the community's tax structure. As a result of widespread dissatisfaction with local real property tax (particularly its seemingly incurable maladministration and regressivity) and a dire need for additional financial resources on the part of the financially hardpressed city of Rochester, a number of county interests and organizations have begun advocating the imposition of a countywide income tax.

The imposition of a countywide income tax and its availability for intracounty revenue sharing purposes was deemed to represent a strong incentive for the modernization of the local school district organization. A study prepared by the Center for Governmental Research Inc. in 1971 under title V (Elementary and Secondary Education Act) auspices recommended a County Federation of School Districts.²⁴ One of the major sweeteners of the proposal was the recommendation for a full equalization of school property tax burdens with the proceeds from a county income tax.

At about the same time, a citizens' committee appointed by the Monroe County Legislature in 1971 to study the financing of local governmental services submitted its report²⁵ in May 1972 recommending, among other reforms, the imposition of a county income tax to be used to replace the county property tax or to reduce the property taxes levied by school districts by an average of 50 percent. The yield of the proposed tax to be derived from a 10-percent surcharge upon the Federal personal income tax liability was estimated to be 60 million dollars.

The advent of 10 million dollars of revenue sharing funds induced some of the more ardent supporters of the county income tax to insist on a waiting period to see how responsibly this new money was being expended and on a reevaluation of the remaining net-need for local income tax proceeds after the effects of the revenue sharing allocation on the taxed expenditure structure have been determined. In response to

this and several unrelated developments, the Monroe County Legislature postponed the initiation of followthrough actions on the income tax proposals until late 1974.

All of these impacts of revenue sharing described under this section obviously have only had a delaying effect on necessary reforms: the city again is in a tight fiscal bind and police unification may only be a year away from reality; village taxes have resumed their ascent and at least one of them will place a disincorporation proposal on the ballot within 1 year; and the county of Monroe is expected to proceed with a program of local tax reform, unless additional State support for public education obviates the need for such action. Thus, the prime disincentive effect of the arrival of revenue sharing was one of postponing modernization. In sharp contrast, the perceived effects of governmental modernization actions on the Federal revenue sharing allocations are not of a temporary nature. If anything, they loom more importantly now that their implications are fully understood, than they did at the beginning of the revenue sharing program.

Intra-county allocation of revenue sharing funds

As can be demonstrated, the formula used to allocate revenue sharing funds among the county's component jurisdictions is considerably less than neutral. The allocation to groupings of municipalities on the basis of adjusted taxes alone has the effect of giving a disproportionately large share to the generally wealthy towns. Since the tax effort and relative income factors come into play after these group allocations have been made, the relatively poor city and villages are being disadvantaged. As shown in Table 2, the utilization of tax effort and relative income factors without groupings would have enhanced both the allocation to the city of Rochester and the village of East Rochester while sharply reducing the entitlement of the town of Greece. The grouping of the city with villages can also be challenged on the grounds that the city, like a town, is a discrete component of a county, while a village is a type of incorporated special services district of a town.

There are some implications which arise from this feature of the allocation formula. The dissolution of the city of Rochester and its reconstitution as several separate

Table 2

FORMULA IMPACTS OF VARIOUS GROUPINGS OF INTRA-COUNTY GOVERNMENTS
(FOURTH ENTITLEMENT PERIOD)

	<u>Adjusted Taxes-Actual</u>		<u>Tax Effort Factor</u>	<u>Relative Income Factor</u>	<u>Pop.</u>	<u>TEF x RIF x P</u>	<u>Allocation of \$100 of Revenue Sharing</u>			
	<u>Amount (000)</u>	<u>Percent</u>					<u>No Grouping</u>	<u>City & Village Comb.</u>	<u>City & Town Comb.</u>	<u>Town & Village Comb.</u>
County of Monroe	\$ 67,362	62.707					\$ 62.71	\$ 62.71	\$ 62.71	\$ 62.71
City of Rochester	34,873	32.463	.0365	1.18	295,011	12,701.235	33.75	32.56	33.68	33.75
Town of Greece	4,400	4.096	.0149	.97	75,136	1,084.615	2.88	4.10	2.88	3.93
Village of East Rochester	<u>788</u>	<u>.734</u>	.0272	1.10	8,347	<u>249.850</u>	<u>.66</u>	<u>.64</u>	<u>.73</u>	<u>.90</u>
	\$107,423	100.000				14,035.700	\$100.00	\$100.00	\$100.00	\$100.00

Source: Data Elements, Entitlement Period 4, Department of the Treasury, Office of Revenue Sharing.

towns--a proposal seriously debated by the GRIP-NAPA study panel--would result in an increase of the city areas allocation from \$2.93 million to \$3.38 million²⁶--a small incentive for reorganization, but an incentive nevertheless.

On the other hand, a disincentive effect of the same feature was also encountered in the course of a town-village consolidation study recently completed for the town of Sweden and the village of Brockport.²⁷ Of major importance to the joint town-village consolidation committee which reviewed and ultimately adopted the study's findings were the fiscal implications of the two available consolidation alternatives:²⁸ village dissolution and annexation of the remainder of the town by the village.

Calculations of changes in revenue sharing allocations which would result from the adoption of either one of the two alternatives showed that the annexation of the remainder of the town of Sweden by the village of Brockport would decrease the allocated amount from \$125,475 to \$119,062 while village dissolution would increase general revenue sharing funds to \$126,669. In terms of full valuation tax rate equivalents, the former alternative could have led to a tax rate drop of \$.07, the latter to an increase of \$.01.

Although small in relation to the total tax rate impact of either one of the two alternatives, the consolidation committee, in an effort to maximize the potential revenue sharing allocation, devoted considerable time and debate to the possible implications of the revenue sharing formula and expressed its disappointment about the lack of any reward or penalty effect for an administratively superior or inferior reorganization alternative.

"Adjusted taxes" as allocator criterion

The use of the "adjusted taxes" as an allocator criterion is by far the most frequently mentioned inequity of the revenue sharing formula in the Rochester area. City manager Elisha Freedman calls it an "incredible injustice" to the city of Rochester. The exclusion of user charges and special assessments deprives those municipalities which by law or by choice rely heavily on the use of such revenue sources from receiving a fair entitlement. The same characteristic also

has implications for whether a service should be performed by government or the private sector, for payments in lieu of taxes and for the maintenance of a community's tax effort.

User charges and special assessments. Several government modernization efforts undertaken in the Rochester area have stressed the desirability of diversifying the local revenue structure.²⁹ A reliance on user charges was recommended whenever the beneficiaries of particular local government services can be identified with a reasonable degree of ease and precision.

The movement in the direction of increased reliance on user charges in the Rochester area was motivated by three considerations. (1) The city of Rochester has been operating for several decades under the oppressive yoke of a restrictive State constitutional limitation on the amount of ad valorem taxes which it may levy for operating purposes. To provide some relief from the pressures of the tax ceiling, a shift of the financing of services such as street cleaning, snow plowing, ice control, bulk refuse collection (\$8 million in 1974) from ad valorem tax sources to special assessment levies was effected a number of years ago. (2) Local governments, particularly the city and the county, have been attempting to ration certain services by employing user charges as prices for public services. (3) To establish a more rational relationship between costs and benefits of public services, the city of Rochester has been giving serious consideration to the possibility of financing fire protection services by means of unit charges based on the size or value of real property improvements alone.

The realization of the revenue sharing implications of such shifts has, for the time being, effectively stopped all movements from ad valorem taxes to user charges. Moreover, if a proposed amendment to lift the city's tax ceiling is approved by the voters, the city will be offered a \$640,000 revenue sharing incentive to switch \$8 million in special assessments back to an ad valorem basis.

Private vs. governmental services. A broad consensus exists in the Rochester community on the desirability of having private enterprises perform those services which it is capable of rendering as efficiently as a governmental

jurisdiction. Indicative of this attitude is the prevailing practice outside the city of Rochester of leaving the refuse collection function almost entirely to private enterprise. In fact, even the city has recently indicated that, due to the pressures of its tax ceiling and to expected lower service costs, it too might revert to private refuse collection. An obstacle to this move on the part of the city is an anticipated loss of revenue sharing dollars. Conversely, some towns are currently studying the possibility of making refuse collection a governmental function (e.g., the town of Henrietta). Again, one of the considerations encouraging this shift is the fact that ad valorem levies of department special districts would count in the computation of the town's tax effort.

Payments in lieu of taxes. The exclusion of payments in lieu of taxes from adjusted taxes is viewed as an injustice particularly to the city of Rochester which so far has accommodated virtually all of the subsidized low and moderate income housing projects of the area. The reluctance of the suburban areas to accept a fair share of subsidized housing is frequently being justified by the anticipated impact on suburban taxes, especially school taxes. In recent attempts to locate subsidized housing in eight suburban towns, the New York State Urban Development Corporation (UDC) has encountered bitter opposition for this reason. The promise of payments in lieu of taxes has acted at least as a mild palliative in alleviating some of this opposition. Considering the lengths to which some of those opposing subsidized housing are going in digging out relevant and irrelevant data supporting their position, it can be expected that, before long, the argument of the lack of impact of payments in lieu of taxes upon revenue sharing will become part of their repertoire.

In a related vein, the city of Rochester has traditionally set its water rates at a level permitting the accumulation of a surplus (\$1.5 million) which is deemed to represent a payment in lieu of taxes to the city general fund by the municipal water works. In contrast to taxes paid by private utilities, these payments are ignored in the computation of adjusted taxes. Exacerbating this inequity is the fact that under New York State law all of the city's water facilities located outside the city's boundaries are

taxable by the municipalities in which they are situated. These taxes (\$750,000) are counted as part of the tax effort of these units even though the taxes are shifted fully to the city water consumers. The major implication of this perceived inequity is that it has been mentioned as a factor which might help persuade the city to yield its function to the Monroe County Water Authority whose facilities are not taxable in New York State.

Tax reform. Finally, the use of the "adjusted taxes" criterion tends to penalize reductions in taxes. If and when the opportunity arises to decrease taxes there exists a clear incentive now for local government to first reduce local revenues not included in the adjusted taxes definition. Yet a number of municipalities in Monroe County have reduced their property tax rates in spite of this disincentive. Officials freely admit that these reductions were effected as the direct result of the receipt of revenue sharing funds even though the officially stated purposes of the use of these funds made no reference to tax reductions.

Exclusion of taxes for public education

Among the relatively few strings attached to revenue sharing grants, that prohibiting the inclusion of taxes for public education has received considerable attention in Monroe County. For the past two decades the city of Rochester had allocated one-third (\$6 million) of its sales tax receipts from the county of Monroe for the financing of public education within the city. When informed by the Office of Revenue Sharing (ORS) that this amount could not be counted as part of its tax effort, the city responded by retaining this sales tax share for general city purposes. The city school district was compensated for this loss through the transfer of an equal amount of New York State per capita aid from the city's general fund. The city also adjusted its financial data for previous years to reflect this change. But someone failed to fully inform the city school district, which in its budget message still admits to the receipt of sales tax funds from the city. This manipulation of financial records may proceed even further. It appears possible for the city to allocate to the school district its remaining New York State per capita aid as well as a host of other revenues not eligible for inclusion in its tax effort, thereby reducing the school property tax rate, increasing

the general city property tax rate by an equal amount, and enhancing its adjusted taxes factor by the amount so transferred.

In contrast to the practice of giving the city full discretion to allocate its sales tax share between public education and general city purposes, Monroe County directly distributes to noncity schools one-third of the sales tax receipts allocated to the area outside the city. The remaining two-thirds, exclusive of the amount going to the villages, are treated as credits against the county property tax levied on town and part-town (excluding villages) areas. By virtue of the distribution of sales tax funds to schools on the basis of pupil enrollment, this system effects a greater equalization of tax burdens than the distribution of the entire amount to general purpose governments on a formula based on both population and true value of real property. Although an increase of the noncity share of sales tax receipts going to schools would have no impact on revenue sharing entitlements if accompanied by a corresponding rise in real property tax rates for general governmental purposes, the vague realization that tax funds for education are not eligible for inclusion in the tax effort definition will act as a deterrent to the expansion of such payments.

Crediting taxes to imposing governments

The county of Monroe, under State law and pursuant to agreements with the city and the towns, renders a number of services on their behalf. The costs of such services are charged back to the lower level governments as add-ons to the county property tax in the recipient jurisdictions. Among these chargebacks are levies for the printing of assessment rolls, election expenses, and mutual aid fire training. The Revenue Sharing Act provision requiring that taxes be credited to imposing governments credits the county with these levies, thereby depriving the city and towns of a portion of revenue sharing funds which should equitably be theirs and acting as a disincentive to the city and towns to expand the number of such agreements with the county. One way of getting around this obvious inequity would consist of having the municipalities pay the county directly for these services and levy the amount of these payments as part of their own municipal taxes. This alternative, however,

is only available for voluntary service agreements. Chargebacks mandated by State law (e.g., election expenses) must be levied as add-ons to the county property tax.

Lack of assurance of program continuity

As a rule, general revenue sharing proceeds in Monroe County have not been used for high priority purposes. The impending termination of the program in 1976 has been a prime determinant of the use of funds. The general attitude expressed by public officials was typified by the response: "We didn't want to spend the money on something which we would be forced to fund on our own after 1976." The county of Monroe has pursued the following philosophy in appropriating its revenue sharing funds:

- support programs that are of a one-time nature;
- avoid borrowing by making cash capital payments;
- minimize future operating costs through increased preventive maintenance of highways and facilities;
- where necessary, replace Federal aid that has been cut back.³⁰

With the exception of the city of Rochester which appropriated all revenue sharing funds to pay for increases in operating costs of its police and fire departments, local government has shown a decided preference for spending revenue sharing funds on capital projects. In fiscal 1974, 86 percent of Monroe County's share, and 53 percent of the towns' share, were appropriated for capital improvements. It appears, however, that at least some local governments are expecting the program to continue beyond 1976 and accordingly are making greater appropriations for operating purposes. In his fiscal 1975 budget message the county manager stated:

"(In previous years) the exclusion of these funds in supporting normal operating expenses had been encouraged in favor of supporting the non-recurring areas of capital expense in order not to be dependent on that source of revenue. This year, however, we recommend . . . that a portion of the

1975 Revenue Sharing Funds be applied directly to the support of operating expenses . . ."31

Federal-local communication

While not clearly a deterrent to governmental modernization efforts, the issue of poor communications between Washington and local governments in the Rochester area was deemed important by most local officials contacted. Some officials feel they are getting more than they should be entitled to and consequently hesitate to communicate with Washington on issues which they do not fully understand. Others believe they are being short-changed but are unable to resolve any disagreements with Federal officials in their favor. County and city officials were perplexed by the lack of knowledge shown by ORS staff regarding the peculiarities of their particular problems. As a county official put it:

"You ask a simple question and you get an irrelevant reply. You elaborate and pretty soon you find out that the guy doesn't have the slightest idea of the fundamentals of local governmental organization in New York State. You find yourself giving him a lecture on local government in the hope that once he digests this information you will get an answer to your original question."

It was only through contacts made and issues raised by the author, that the county of Monroe and Federal officials agreed that the county was eligible to receive credit for that portion of a Pure Water District's charges which consist of an ad valorem levy. Most officials contacted indicated that they had given up fighting with Washington. The Federal officials, of course, maintain that their instructions and guidelines are clear. The fact is, however, that they are not clear enough. A survey of all town supervisors in Monroe County conducted by the author revealed that only one of eight responding was aware that ad valorem levies of dependent special districts are eligible for inclusion in the towns' adjusted taxes.

Measures of reform

A number of the deterrents to local governmental modernization described in the preceding section will gradually disappear if the revenue sharing program is re-enacted and becomes a permanent component of the local governmental revenue structure. Unless revenue sharing appropriations are increased significantly by the Congress, their effects of retarding functional and jurisdictional consolidations and local tax reform should quickly dissipate. Future years should also be marked by a shift in the use of revenue sharing funds from one-time purposes, particularly capital improvements, to new or supplemental operating expenditures. Finally, local officials' understanding of the formula should increase as should Washington's knowledge of the intricacies of local governmental jurisdictional and fiscal arrangements alleviating some of the resentment created by unsatisfactory communications between the two levels of government.

Several aspects of the formula, however, will continue to exert detrimental influences upon local governmental modernization unless adjustments are made along the following lines.

Eliminate or modify eligibility of small general purpose governments. To provide an incentive for the consolidation of small jurisdictions it appears desirable to exclude general governments with populations of less than 5,000 from the distribution roster unless they are isolated or of low density. In view of the preliminary GRIP recommendations to set a minimum size of 20,000 to 25,000 for the lower tier components of the proposed two-tier government plan, the population cut-off could be set at an even higher level. A possible alternative to the outright exclusion of smaller municipalities could be the allocation of the share for which they have been eligible to the county on the condition that the county use these funds in the form of inducements and rewards for actions which are deemed to represent a modernization of local governmental structure and process. At the present time the county of Monroe would dearly like to have this kind of resource to provide for a gradual unification of the real property assessment and tax collection functions.

Eliminate allocation minima. To meet the objective of increased financial equity, there is little question that the minimum allocation feature, which in Monroe County benefits particularly the wealthy towns, should be eliminated. Two additional effects of this measure could be the lessening of towns' reluctance to transfer functions to the upper-tier government and the elimination of disincentives to village disincorporations, particularly in very wealthy towns.

Eliminate the town grouping. Again, to satisfy the objective of financial equity, all general purpose governments ought to receive their allocations on the basis of the formula incorporating the tax effort and relative income factor without first allocating revenue funds among groups of municipalities on the basis of adjusted taxes alone.

Expand the definition of adjusted taxes to encompass all local revenues. Virtually all of the disincentives discussed under the heading "'Adjusted taxes' as allocator criterion" could be eliminated if the Congress were to accept the following ACIR staff recommendation:

"in the interest of preserving neutrality in local revenue systems, the Commission recommends that Congress amend the State and Local Fiscal Assistance Act to substitute 'general revenue from own sources' for 'tax revenue' in the determination of general revenue sharing entitlements."³²

The definition of revenue may be expanded even further to include the excess of income over expenditures of utility and liquor store operations.

Make revenue sharing truly general. The lack of logic of the willful disregard of the formula architects of the fact that school taxes frequently account for the major portion of local tax burdens and the type of frantic effort to manipulate city and school finances exemplified by the actions of the city of Rochester seem to call for a reconsideration of the revenue sharing system's current exclusion of school taxes as part of the local tax effort and of school systems as recipients of revenue sharing funds. Where school systems are of the dependent type, as is the

case in the city of Rochester, they should be viewed as part of the city's general government; where they are not, an additional recipient category should be established and, lacking population and income data for school districts, revenue sharing receipts could be allocated in accordance with full valuation of taxable real property per weighted pupil.

Prevent financial manipulations. The transfer of local governmental funds ineligible for revenue sharing to dependent school districts should be disallowed. At the very least the act should forbid the transfer of those funds which are clearly intended for noneducational purposes, e.g., per capita State aid in New York State.

Expand the Memphis rule. The Memphis rule provides the sole exception to the Census Bureau's procedure of attributing local taxes to the imposing government. This exception is now applicable only to shared county-imposed sales taxes, which may be credited under the rule to the recipient governments. To encourage the type of intergovernmental arrangement under which, as is the case in Monroe County, the county performs certain services on behalf of component general governments, it would be desirable and equitable to credit the general governments whose taxpayers are paying the full costs of such services with the taxes (chargebacks) so raised.

Weighting of revenue sources. To induce local governments to lessen their dependence on the regressive property tax, a weighting factor in excess of unit could be attached to city and county income taxes.

A caveat. It is quite probable that some of these suggested measures of reform are not uniformly applicable throughout the Nation. Due to the diversity of local governmental structures and relationships, different States may perceive different needs for reform and differing priorities for the types of reforms suggested here. If this is the case, strong consideration should be given to permitting the individual States to establish their own distribution schemes incorporating the kind of formula reforms which best address their needs.

Conclusion

The illustrations presented in this paper indicate that the impact of revenue sharing is anything but neutral. Its deterrents to local governmental modernization (although relatively small in scope) are nevertheless clearly perceptible. Moreover, there is little doubt that some of the disincentives which so far have not had measurable impacts on efforts of local governmental modernization will have such impacts as the understanding of all the ramifications of revenue sharing increases. The firm dedication of local officials to the task of maximizing revenue sharing receipts will ensure such consequences. It is hoped, therefore, that a rising tide of dissatisfaction with these and other elements of the Revenue Sharing Act will be answered by prompt remedial action by the Congress.

NOTES

1. Henry S. Reuss, Revenue Sharing, Crutch or Catalyst for State and Local Governments? (New York, New York: Praeger, 1970), p. 142.
2. See Revenue Sharing and the Planning Process, Shifting the Locus of Responsibility for Domestic Problem Solving, Report of the Subcommittee on the Planning Process and Urban Development of the Advisory Committee to the Department of Housing and Urban Development (Washington, D.C.: National Academy of Sciences, 1974), p. 20.
3. See Advisory Commission on Intergovernmental Relations, Governmental Functions and Processes: Local and Area-wide - Substate Regionalism and the Federal System (Washington, D.C.: ACIR, 1974), p. 37.
4. The Genesee/Finger Lakes Region includes the counties of Monroe, Orleans, Genesee, Livingston, Ontario, Yates, Seneca, and Wayne.
5. Interagency Staff Report to the Federal Regional Council of Region II, Draft (1973).
6. See statement by George Romney in HUD News, July, 1971.
7. Dynamics Programs, Inc., An Evaluation of the CERC Program in Three Planned Variations Cities (Trenton, N.J.: Dynamics Programs, Inc., 1974).
8. See statement of Alan Campbell in The Advisory Commission on Intergovernmental Relations, Governmental Functions and Processes: Local and Areawide (Washington, D.C.: ACIR, 1974), p. 147.
9. See Advisory Commission on Intergovernmental Relations, American Federalism: Into the Third Century (Washington, D.C.: ACIR, 1974), pp. 15-16.
10. See Strengthening Local Government in New York, Report of the Temporary State Commission on the Powers of Local Government, Summary (1974), pp. 10-12.

11. See Lyle C. Fitch, "Reflections on the Case for the Heller Plan," Revenue Sharing and the City (Baltimore, Md.: Johns Hopkins University Press, 1968), pp. 82-83.
12. See James L. Sundquist, Making Federalism Work (Washington, D.C.: The Brookings Institution, 1969), p. 1.
13. See Terrance Sandalow, "Federal Grants and the Reform of State and Local Government" in Urban Affairs Annual Reviews, Financing the Metropolis, John P. Crecine, Ed., (Beverly Hills, Calif: Sage Publications, 1970), pp. 178-179.
14. Advisory Commission on Intergovernmental Relations, Periodic Congressional Reassessment of Federal Grants-in-Aid to State and Local Governments (Washington, D.C.: ACIR, 1961), p. 21.
15. See National Association of Counties, County News (September 23, 1974).
16. See Reuss, op. cit.
17. See Advisory Commission on Intergovernmental Relations, A State Response to Urban Problems (Washington, D.C.: ACIR, 1970), p. 10.
18. See Section 3602, Subsection 10-d of the New York State Education Law.
19. See Senate Bill S.1770, 92d Congress.
20. See Proceedings of the Conference on Revenue Sharing Research (Washington, D.C.: National Planning Association, 1974).
21. Richard P. Nathan, Monitoring Revenue Sharing (Washington, D.C.: The Brookings Institution, publication forthcoming)..
22. The local group carrying on this project is the Greater Rochester Intergovernmental Panel (GRIP).

23. 1973 revenue sharing receipts in Monroe County amounted to \$10.8 million or 2.7 percent of local governmental expenditures, excluding education, and 4.3 percent of local revenues also excluding education. This latter figure compared to an average annual increase of 11.6 percent in non-education-related local revenues over the preceding 3 years.
24. See Nancy H. Orr, Donald E. Pryor, Craig M. Smith, et al., A Proposed Model for a County Federation of School Districts (Rochester, N.Y.: Center for Governmental Research Inc., 1971).
25. See Report of the Advisory Committee to Study the Financing of Local Governmental Services (Rochester, N.Y., May, 1972).
26. See J.O. Smith and F.J. Grasberger, General Federal Revenue Sharing; the Formula and its Implications for Monroe County Municipalities (Rochester, N.Y.: Center for Governmental Research Inc., 1974).
27. See J. Burke and J.O. Smith, The Community of Brockport-Sweden, A Governmental Analysis and a Plan for its Future (Rochester, N.Y.: Center for Governmental Research Inc., 1974).
28. Because of significant disincentives inherent in current State legislation, the alternative of incorporation as a city was not considered.
29. For example, GRIP-NAPA, Preliminary Report of the Task Force on Governmental Finance and Taxation (Rochester, N.Y.: GRIP-NAPA, 1974).
30. See League of Women Voters of the Rochester Metropolitan Area, Federal Revenue Sharing in Monroe County (Rochester, N.Y.: League of Women Voters of the Rochester Metropolitan Area, 1974).
31. County of Monroe, 1975 Budget Plan.
32. Advisory Commission on Intergovernmental Relations, Unpublished Draft of Recommendations Regarding the Use of Local Non-Property Taxes, 1972.