

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

January 15, 1968

To : Members of the Advisory Commission
on Intergovernmental Relations

From : Executive Director

Subject: Selection of New Topics for the Commission's
Work Program at the February Meeting

The status of our work program now allows one new project to be taken on in each of our two areas of work--Taxation and Public Finance and Governmental Structure and Functions.

As has been the previous practice the Commission may wish to make its selection from the list of items set forth in this memorandum or, other items may be advanced by individual members and be found to have majority support.

At one of its early meetings the Commission adopted the following criteria to guide in the selection of problems and issues for investigation:

- (a) Relative importance and urgency of the problem;
- (b) Manageability from a staff standpoint; and
- (c) Degree to which the Commission can make a unique contribution toward the solution or amelioration of the problem

On occasion when the Commission has been choosing between two or more closely competing items for study, the question has been raised-- "Why not select both, one to be studied immediately subsequent to the other?" The difficulty with this approach is that by the time No. 1 is

- b. A study of realigning functional responsibilities would undoubtedly throw additional light on the various factors that appear to be related to the centralization of financial responsibility, that has taken place in this country and elsewhere over the course of time. As such, this study would add additional evidence to what is presently a rather sketchy portrait of the "centralization tendency" in the United States.
- c. An important argument against this topic at this time is the broad National study of the welfare problem by a special commission just established by President Johnson.

NATIONAL CONFERENCE OF STATE LEGISLATIVE LEADERS

December 26, 1967

Mr. William G. Colman, Director
Advisory Commission on Intergovernmental Relations
New Executive Office Building
726 Jackson Place, N. W., Suite 5208
Washington, D. C.

Dear Mr. Colman:

The Executive Committee of the NCSLL at a meeting on December 2 voiced a serious concern which all state legislative leaders feel concerning the impact of the federal program known as Medicaid. It appears that the Congressional authorization for this program has put the states in the position of being committed to some extremely large expenditures without any state control. Some of the members present expressed their feeling that the program as presently constituted may seriously jeopardize their financial picture.

In order to provide the NCSLL with the background information it needs in order to formulate a specific program on Medicaid, I should like to enter a formal request for a study of this subject by the Advisory Commission. We would suggest that this study cover the legislative background as well as the program and its implications for the states. It would serve to formulate our thinking and provide us with the basis for whatever joint action the state legislative leaders feel is necessary.

I understand the Commission meets again on February 2 or 3 and I would appreciate your bringing this request before then. We would hope that the study could be commenced immediately so that our members will have this information at the earliest possible date.

Sincerely,

John L. O'Brien
President

JLO:lc
cc: Hon. C. George DeStefano
Hon. Jesse M. Unruh
Hon. Ben Barnes

Governmental Structure and Functions

A. Large-Scale Projects

1. The Intergovernmental Impact of Political Parties in the States and Metropolitan Areas

The American political party system with its national, State and local components has been a major preserver of the Federal principle. As a loose-knit, decentralized, fairly pragmatic system, it has facilitated the processes of nominations, elections, and representation--while, at the same time, providing a vital arena for developing consensus and achieving compromise--vital functions in a democratic, representative, federal system. With the bulk of the elective offices at the State and local levels, major authority over nominations, elections, and other political functions are assigned to these levels and their party systems have served thus as a buttress of political decentralization.

Yet, significant changes have occurred in the State and local parties: interparty competition has increased at the State level, new approaches to drafting party platforms have emerged, new relationships have developed between the executive and legislative wings of parties, the older bases of local political organizations have eroded in many municipalities with new ones taking their place, and arewide problems and efforts have appeared in many urban and rural places but without much political party involvement per se. These and other changes have put the State and local parties at the crossroads.

The Commission in various reports has explored ways of strengthening the formal and functional features of State and local governments, especially as they relate to urban problems. The party systems that

underpin these governments require comparable attention. Assessment of their role--as they interrelate to the challenges of bigger State and local governments and bureaucracies; of more intricate and intense State-local relationships; of transcendent regional problems in urban and rural areas; and of a continuing and growing Federal involvement in all of these problems--would provide the bases for identifying ways and means of relating the political party framework to the processes of State-local and interlocal relations.

Estimated completion time for this project would be 9-12 months.

Arguments for undertaking this project would include:

- a. The Commission has never undertaken a study of the informal, political dimensions of intergovernmental relations.
 - b. The growing agreement on the need for State and local institutional change and functional revitalization make it critically important that the political party dimension of these efforts be properly highlighted.
2. The Intergovernmental Dimensions of State Public Utility Regulatory Activities

The growing complexity of the industries regulated and the increasingly nationwide aspects of their activities have directed attention to State public utility programs (including electricity, gas, telephone, water and transportation utilities such as railroads, motor buses, and common and contract carrier trucks).

Certain common areas of present interest and concern can be identified. A recurring theme is the need for more adequate representation of the broad general public interest. This was early reflected

in the establishment of a consumers council in the Coal Board, one of the depression regulatory agencies. More recently it has been highlighted by the broader discussion of an "ombudsman" to represent the public interest generally in government. Another common area of concern is the need for regulatory agencies to be provided with resources and capability adequate to deal with the frequently highly sophisticated and heavily staffed corporations which are being regulated. The appropriate and proper distribution of authority between the Federal Government and the States has received continuing attention. Finally, efforts to discover ways in which States can cooperate with one another and with Federal agencies in dealing with such regulatory problems having an impact beyond their own borders are of growing importance.

The division of jurisdiction between Federal and State regulatory agencies responsible for public utility regulation is based on the distinction between interstate and intrastate commerce. This frequently raises exceedingly complex problems in separating utility properties and expenditures between interstate and intrastate portions of their business. A related problem is the extent to which varying State regulations and requirements should apply to interstate operations within their borders. Although there are a number of problems in reconciling Federal and State regulation which are common to all of the utilities there are others that are unique to particular utilities.

For example, one of the major problems in interstate commercial motor vehicle operations are the varying and sometimes mutually exclusive State requirements covering safety lighting and other special fittings and equipment. Licensing and certification standards for common carrier

and contract truck operators in interstate commerce also vary considerably. Meeting all of the varying requirements frequently imposes heavy burdens. Although less frequent and vexing, similar problems arise in connection with the regulation of railroads, such as the "full crew" requirements in some States. Technical advances in the generation, transmission, and distribution of electricity permitting massive interconnected power pools is necessitating increased cooperation between Federal and State commissions, since neither has complete regulatory responsibility.

A somewhat different intergovernmental relations problem arises because of the increasing participation of local governments and other public agencies in the provision of electricity and water and the operation of rapid transit lines. The jurisdiction of State regulatory agencies over rates, service standards, extension of service, safety standards, and other policies of publicly owned utilities varies considerably from State to State with a resulting disparity in responsibility. Wide variation also exists in the extent to which the State agency has jurisdiction over rates, service standards, and extension of service pursuant to interlocal contracts and agreements among local governments. As a result smaller governments may find themselves at the mercy of the larger jurisdiction providing the utility service.

The estimated research time necessary to complete this study would be approximately 9 to 12 months.

As the above suggests, arguments for placing the topic on the Advisory Commission's study agenda include:

- a. No recent studies have been made of the intergovernmental dimensions of public utility regulation.
- b. The growing interdependence of public utility activities underscore the need for a current examination of regulatory authority.
- c. The emergence of a growing number of local government-owned public utilities presents new questions--heretofore unasked--regarding the jurisdiction of State regulatory bodies.

3. The Intergovernmental Aspects of Insurance Regulation

During the early growth of the insurance industry in the United States the doctrine of Paul v. Virginia, declaring that insurance was not interstate commerce, set the stage of the establishment of State regulatory programs. In 1944, the South-Eastern Underwriters Case reversed the earlier decision, declared insurance to be interstate commerce, and applied Federal anti-trust laws to it. The following year, however, the McCarran-Ferguson Act (PL 15), while reaffirming the court's application of the anti-trust laws to the business of insurance, asserted as national policy that the States were to continue to regulate and tax insurance business.

The activities of the insurance rate-making bureaus, which call for concerted action on the part of insurance companies, have been a matter of continuing Federal concern within the framework of anti-trust jurisdiction. The extension of Federal jurisdiction in motor vehicle safety matters has again focused interest on the exceedingly complex area of motor vehicle liability insurance. Growing consideration of consumer protection by both the States and the Federal Government has drawn attention to possible abuses and activities in restraint of trade in connection with the selling of credit insurance to borrowers. These

and additional problems have raised a number of issues left unresolved by the South-Eastern Underwriters Case and the McCarran-Ferguson Act.

The estimated research time for this study would be 6 to 9 months.

As the foregoing demonstrates, the basic arguments for including it on the study agenda include:

- a. The anti-trust implications of insurance rate-making bureau activities are a source of increasing concern.
 - b. The motor vehicle liability insurance is now an inter-governmental issue--given recent Federal highway safety legislation.
 - c. The need for greater consumer protection is becoming increasingly apparent in this field.
4. The Role and Record of Interstate Compacts and Interstate Regional Commissions

The Constitution of the United States provides for interstate compacts and the States have relied on them throughout our history. Thirty-six such compacts were entered into between 1783 and 1920 and another 65 between 1920 and 1955. Since then, more than 20 others have been established. Prior to 1920, most compacts were bi-state and involved boundary settlements. Subsequently, many were drafted for regional or even nationwide adoption with on-going authority for planning, operating, and even regulating in various governmental areas. It appears clear now that the compact device potentially may extend to the whole range of permissible legislative authority, and some have forecast that compact agencies will become a much more widely accepted and familiar governmental form in this country.

A survey of this device would assess its record to date, including its use, sponsors, legal questions, and accomplishments; it would also consider the problems and prospects of compacts as a mechanism for Federal-State, as well as interstate collaboration.

With the 1961 enactment by Congress of a statute granting its consent and providing adherence of the national government to the Delaware River Basin Compact, a new dimension to interstate cooperation was added. With the subsequent enactment of the Appalachia legislation and the Public Works and Economic Development Act of 1965, the Federal-multi-State form of cooperation was expanded and afforded additional potentialities. While the record of these recently established regional development and water basin commissions is brief, it already has raised questions of intergovernmental significance (e.g., to what extent should the Federal co-chairman implement national policies in the exercise of his authority? What is the appropriate role of the chairman vis-a-vis separate Federal departmental interests? What is the appropriate pattern of representation and voting strength on these commissions?, etc.).

The estimated research time for this study would be 9 to 12 months.

The arguments for its adoption include:

- a. The interstate (compact) and Federal-interstate options provide alternatives to direct Federal action for meeting the regional needs of our citizens.
- b. The Federal-interstate device includes two markedly different legal approaches; the compact or enabling Federal legislation; these are a source of considerable controversy in the States, Congress, and the Department of Justice.

- c. No definitive study has been made of the relative merits of these two approaches or of the Federal-interstate device itself.

5. State-Local Relations in Law Enforcement

As the Nation faces continued crime and increasing crimes of violence, as demonstrations and riots grow in intensity and frequency, as the illegal use of drugs grows, attention is sharply focused on law enforcement at the local level where primary responsibility resides. Yet the role of the States in providing leadership, assistance, and enabling legislation, also becomes particularly important. Recent studies have provided valuable knowledge of many of the problems, deficiencies, and failures in the present system and have proposed significant approaches to solutions. Nevertheless, the relationship of States to local governments and their respective roles in law enforcement merit intensive study.

Under our division of powers ^{is} the local governments, and particularly cities, which bear the major burden of law enforcement and the nature of involvement is conditioned primarily by State constitutions, laws, and institutions. Yet, State responsibility has not been clearly institutionalized. In some States the office of Attorney General shares responsibility with a State police force or Department of Public Safety. Departments of Local Affairs have some involvement in a number of States. In most States, however, there is no clear focal point. Furthermore, State support in the form of financial and technical assistance is frequently extremely limited. The role of the States in training and recruitment, employee relations, criminal investigations, communications and laboratories is diffused

finished, circumstances may have changed to remove No. 2 as a timely and urgent topic. Consequently selections within each of the two functional areas into which the Commission's staff is divided have been made on a single basis, with the staff work on the selected project beginning immediately.

Because of the fairly limited size of the Commission's professional staff, we would recommend one additional ground rule for your consideration in selecting a new project for each of the two areas of work. We have just completed two rather "massive" studies--studies that have preoccupied the entire staff for the past year or more. This has caused us to slight the promotional and implementation phases of our responsibilities. So to provide a better work distribution in the future, we would prefer not to be conducting two long-range and large-scale studies at the same time. If a large scale project is chosen in one area we would hope that a short range, smaller project would be chosen in the other area. Of course, a smaller scale project could be selected for each area.

In the hope that the above suggestion might find favor with members of the Commission, the lists of projects which follow have been subdivided into "large-scale" and "smaller-scale" categories. A brief description and argumentation is provided for each possible project.

Wm. G. Colman

and vague. The law enforcement roles of the State police and National Guard units take on increased significance with growing unrest and violence. The relation of State offices of Attorney General to local law enforcement and particularly local prosecutors, with their dual role of enforcing State and local laws, needs clarification. These issues are sharpened by current proposals for national grant programs for law enforcement. The need to clarify the respective roles of State support for law enforcement is a top priority question in contemporary intergovernmental relations.

The estimated research time for this study topic would be approximately 6 to 9 months.

Arguments for its adoption include:

- a. Existing reports and studies on this subject have not explored it full.
- b. Effective law enforcement--regardless of Federal action--will inevitably depend on meaningful action in the State-local area.

The major argument against adoption would be that the subject was covered, albeit generally, in the recent Report of the President's Commission on Law Enforcement and Administration of Justice.

B. Smaller-Scale

1. Intergovernmental Responsibilities for Manpower Training, Development, and Utilization

In a time of steady economic expansion, the Nation continues to confront the problem of providing jobs for all who want them. At the same time, many jobs go unfilled for a lack of qualified workers. The major causes of this paradoxical mismatch of jobs and people are technological advances--automation--shifting labor demands from semi- and unskilled workers to skilled and professional workers; and the long-standing inadequacies of our system in educating and training the underprivileged, most specifically, those in urban ghettos and rural pockets of poverty. The lack of employment opportunities for the Negro poor is often diagnosed as the main source of frustration and hopelessness that pervades urban ghettos.

In recent years, studies by various national groups have focused on different facets of the overall problem of reducing unemployment, including the National Commission on Technology, Automation and Economic Progress; the President's Committee on Manpower; and the Presidential Task Force on Rural Poverty. Numerous new national programs have been enacted bearing on the problem, including the Manpower Development and Training Act of 1962, the Economic Opportunity Act, and the Elementary and Secondary Education Act. These and previously existing programs involve intergovernmental approaches, as in the State-Federal employment service, vocational education, and community action programs.

The Commission has looked at parts of the problem of under- and unemployment in previous studies. In its 1965 report on Metropolitan Social and Economic Disparities, it recommended steps for better

administration of employment services across State lines in interstate metropolitan areas. In its 1966 report on Intergovernmental Relations in the Poverty Program, the Commission proposed coordinated State-Federal planning of the anti-poverty impact of job creation and job training programs. In the current study of urbanization and new community development, measures are proposed for overcoming locational obstacles to matching jobs and manpower.

A new Commission study would identify the full intergovernmental dimensions of the problem of matching jobs and people, including its relationship to both the problem of poverty and technological automation; describe present intergovernmental assignment of responsibilities for education, training, retraining, and employment services; evaluate the barriers to their most effective functioning; and suggest intergovernmental actions for improvement.

The estimated research time for this study would be 4 to 6 months.

Arguments for its adoption include:

- a. The topic deals with a major domestic problem and one that can only be attacked on an intergovernmental front.
- b. Studies and reports to date have largely handled it in a vertical, in-depth, fashion with no across-the-board review of intergovernmental relations in this field.

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

Government, which has mandated collective bargaining work for the private sector, now is having trouble in its own house. Picket lines are being set up and manned by teachers, public transit workers, and even by firemen. A technique increasingly resorted to by public employees to circumvent no-strike laws is attendance at "professional meetings."

The significant question seems to be not only whether there ought to be collective bargaining for public employees, but how it might be provided to the satisfaction of the public and public servants. Some experts feel that the traditional methods used in the private employment field have been so well established, that a different approach for public employment is out of the question. Others feel that new and better methods must be found.

The Commission study would review the background of the new militancy among public employees' organizations, the special problems of employee-management relations in the public sector, State laws on the organizing of public employees and prohibitions against strikes. The study would attempt to evaluate the continuing debate on public employee strikes as well as current collective negotiation efforts in State and local government. Finally, the Commission study would explore the advantages and disadvantages of various possible courses of action to deal with the problem of public employee collective bargaining.

The estimated research time for this study would be roughly 4 to 6 months.

Arguments for including it on the Commission's study agenda include:

- a. This is one of the most timely intergovernmental topics before us.
 - b. The Commission has neglected the field of public personnel administration having issued only one report in this area--Transferability of Public Employee Retirement Credits Among Units of Government, in 1962.
3. Relationships Between School Boards and Units of General Local Government

The relationship and division of authority and responsibility between units of general local government--cities, counties, town, or townships--and the public school body has always been a difficult problem of local government in this country. The rising revenue requirements for public education have made these questions more acute in recent years, as increased expenditures have required sharply increased taxes. Schools now account for almost half of total local government expenditures.

The basic question of intergovernmental relations in this area is the degree to which the education function should be governed and financed in a manner different from other functions of local government--hospitals, welfare, libraries, etc. Specifically, should a general governing body have authority to change the budget adopted by an elected school board, or should a school board have authority to set a tax rate by its own decision without reference to a general governing body such as a city council or a county board of supervisors. Associated

questions include those of where responsibility should rest for building construction, purchasing, and school site location. New significance has been given the issue, by the rising national stress on education as a basic means of overcoming poverty, and the growth of Federal programs that involve coordinated use of a wide range of local resources, such as the anti-poverty and model cities programs.

A Commission study would identify the key questions of inter-governmental relations, analyze the advantages and disadvantages of various types of existing school-local government relationships over the country; and set forth pro and con arguments for alternative policy positions which the Commission might wish to consider.

The estimated research time for this study would be roughly 6 months.

Arguments for its adoption include:

- a. This is one of the longest-simmering intergovernmental issues at the local level, involving such matters as basic relationships between general purpose and the major special-purpose local government; the merits of singling out one function over others for special organizational and financial treatment; and the basic conflict between two professions (general government and education) as to priorities to be followed in fashioning local government.
 - b. The Commission has given limited attention to the education function except for its financing.
4. The Role of the State University in Intergovernmental Affairs

The exigencies of our times have thrust State universities into the mainstream of intergovernmental relations. Federal, State and local governments already have made major demands on the institutions of higher education and this trend has not run its course. Traditionally,

the university has assumed the "trinity of teaching, research, and service," as President Edgar F. Shannon, Jr., of the University of Virginia, has phrased it. But today, the challenges of the latter two functions have over-spilled their traditional bounds.

Universities are being and will continue to be called upon to help prepare personnel to staff the public and private sectors; conduct research that is relevant to social and technical problem-solving; conduct adult education programs for elected and appointed public officials; study patterns of institutional reform for local, metropolitan, State, and Federal governments; and encourage basic research in functional areas of State, regional, and national development--as in transportation, manpower, environmental science, capital structure, public health, and human resources. Moreover, the unique intellectual and institutional qualities of the university explain why governments turn to them for these services.

Yet in meeting these intergovernmental obligations, the university may lose sight of its primary purpose of achieving excellence in teaching and scholarship. Without a proper balancing of service, scholarships, and teaching, the university's function, administration, and societal position becomes fragmented, confused, and weakened.

The estimated research time for this study would be 4 to 6 months.

- a. Expansion of the role and responsibility of State universities in Federal-State-local relations has been largely an unheralded, unrecognized, and partly unconscious development; hence, it requires focused attention and study.

- b. As a new partner in the intergovernmental fraternity, the State university merits examination in terms of public demands made of it; their costs; the new relationships created by these demands; and the paramount question of whether this new university role will undermine academic freedom and involve it too heavily in political and day-to-day affairs.

Taxation and Finance

(One project to be selected)

A. Large-Scale

1. State Aid to Local Governments

This study would examine the various fiscal arrangements now employed by States in extending financial aid to local governments. More specifically, it would examine the assignment of governmental responsibilities for such major programs as welfare, health, and highways. Considerable attention would be focused on specific techniques such as grants and shared taxes for bringing local needs and fiscal resources into better alignment, particularly among jurisdictions within metropolitan areas. The study would also examine the cases for State general support programs and test out for States the relative equalization merits of sharing State revenue with local governments on the basis of population, non-educational expenditure, welfare case loads, and local tax resources.

The estimated research time for this study would be 6 to 9 months.

The following arguments could be advanced for placing this subject on the Advisory Commission's study agenda.

- a. This study of State aid to local governments stands out as a "necessary corollary" to the Commission's recent comprehensive study of the Federal aid system.
- b. A study of this subject would be timely from a fiscal policy standpoint because there is growing agreement on the proposition that States will have to extend aid to local governments on a more generous and "equalizing" basis. The rise of the "lopsided" suburban jurisdictions (rich, poor, middle income, and industrial enclaves) and the growing fiscal tensions

experienced by many of our central cities justify a searching re-examination of the role which States should play in coming to the financial aid of local governments, particularly in metropolitan areas.

- c. Because this subject has not been researched on a comprehensive basis in recent years, it would also make a first-rate contribution to the literature in this field, particularly timely because the Commission will have detailed State and local fiscal data just generated by the 1967 Census of Governments.

2. Effects of Property Taxation Upon Land Use

This study would examine the effects of the present system of property taxation on land use. As such, it would include: (a) an investigation of the growing belief that the existing property tax structure discourages rehabilitation of property in the central city and encourages premature and haphazard development of land along the suburban fringe (b) a tabular presentation--to the extent possible--designed to show the heterogeneity of property tax receipts among local (and State) governmental units and the impact of such levies on land use, (c) an appraisal of alternative property tax systems, or possible reforms, including--but not necessarily limited to--Great Britain and Australia, (d) an assessment of the locational effects of varying property tax levels and structures by industry.

The estimated research time necessary to complete this study would be approximately 6 to 9 months. The following arguments could be advanced for placing this subject on the Advisory Commission's study agenda:

- a. In view of the growing Federal and State concern for orderly development of metropolitan areas in general and rehabilitation of central cities in particular, the study has obvious intergovernmental implications.
- b. By focusing on the economic effect of the property tax, this study would "round out" the Commission's treatment of the property tax. It would balance off our earlier concern for strengthening administrative procedures and would be particularly timely in view of the newly developed effective property tax rate data to be published in the 1967 Census of Governments.
- c. The study could be broadened to include not only the effect of local property taxes on land use, but also the effects of Federal and State policies.

3. User Taxes and Miscellaneous Fees

This study would investigate a revenue raising device that, according to some, has a presently untapped potential for further growth. As such, the study would include the following specific issues: (1) a descriptive discussion of the various user charges presently imposed--including college tuition fees, (2) a tabular presentation of the varying degrees to which State (and local) governments rely upon these charges, (3) the estimated revenue potential of this tax source, (4) the change in receipts from Federal (and State government) grants-in-aid that would result if user charges were incorporated in programs currently using measures of fiscal capacity as a basis for allocation, (5) the changes that would result in the previous ACIR "tax utilization index" that would emerge if such revenues were included, and (6) exploration of additional State and local activities where the "user charge" concept may be applicable and an estimate of this revenue potential.

The estimated research time for this study would be approximately 6 to 9 months.

The following arguments could be advanced for placing this subject on the Advisory Commission's agenda:

- a. This study would be topical since an increased reliance on these devices would (a) permit a reduction or slower acceleration of the more traditional taxes, and (b) facilitate tax reform, particularly the property tax on business, and thereby promote greater equity in the fiscal structure--areas of considerable interest to citizens as well as government officials.
 - b. Since these fiscal instruments are applicable to local (as well as State and Federal government), this study would complement previous Commission Reports dealing with financial resources of metropolitan areas. It would therefore add a dimension to the question of what the local metropolitan governments are doing to meet their problems from their own resources which some have viewed as a "precondition," and which most would agree, is a necessary adjunct to increased State and Federal assistance.
 - c. This subject would be a valuable addition to the literature which has largely ignored this topic (presumably for the reason given below).
 - d. Counterbalancing these merits, at least in part, is the fact barring a major overhaul of the property tax that user charges and miscellaneous fees are--and are destined to be--a minor component of general revenues for any governmental sector. Such a study, therefore, might lack potency in the degree of change it would help influence.
4. Realignment of Financial and Administrative Responsibilities for Public Education

This study would examine the present system of divided responsibilities for public education. It would investigate (a) the intergovernmental arrangements, financial and administrative, to determine strengths and weaknesses of the present and alternative

approaches, (b) the inter- and intra-state disparities resulting from the existing system, and (c) the fiscal capacity of alternative levels of local government to support public education.

The research time to complete this study would be approximately 6 to 9 months. The following arguments can be advanced for placing this subject on the Advisory Commission's study agenda.

- a. Such a study would be timely in view of the hard pressed fiscal situation for many local governments and some States. Since there are large-scale revenue implications--involving freed resources for certain governmental levels and new obligations for others--the study would complement the recent Fiscal Federalism Report.
- b. A study of realigning functional responsibilities would undoubtedly throw additional light on the various factors that appear to be related to the centralization of financial responsibility, that has taken place in this country and elsewhere over the course of time. Moreover, since public education is a field with considerable local identification, this study would also indicate points of conflict with increased centralization. As such, this study would add additional evidence to what is presently a rather sketchy portrait of the "centralization tendency" in the United States.

B. Smaller-Scale

1. Central City Taxation of Commuters

This study would examine earnings taxes designed to get commuters to share part of the burden of providing city services. It would investigate: (1) whether commuters take more from the city in services than they contribute directly and indirectly to revenues, (2) whether such taxes discourage individuals and businesses from locating in the city, and (3) the equity issues involved in commuter oriented taxes.

The estimated research time would be approximately 4 to 6 months. The following arguments can be advanced for placing this subject on the Advisory Commission's agenda.

- a. Such a study would be timely in view of the hard-pressed fiscal situation of many central cities.
- b. The study has obvious intergovernmental implications, particularly in the context of the Commission's previous studies of income tax coordination and fiscal balance.
- c. It would give the Commission the opportunity to comment on efforts to reconcile tax liabilities to the place of residence and the place of work.
- d. The major counter-argument for undertaking this study is that commuter taxation is thus far limited principally to unique situations in a few, albeit populous, places in Kentucky, New York, Ohio, Pennsylvania, Michigan, and Missouri.

2. Intergovernmental Responsibilities for Medicaid

This study would examine present State experience with financing hospital and physician care of the "near needy." Two critical issues would be analyzed: (a) the substantive question of defining "near needy" and (b) the intergovernmental issue--whether the financing of this joint Federal-State program should be "nationalized" completely.

The estimated time for conducting research is 3 to 4 months.

The arguments in favor of placing this project on the Advisory Commission's study agenda are as follows:

- a. Medicaid is an extremely timely issue. Few programs are causing as much financial stir as this program.
- b. The nationalization issue would give this subject sufficient "intergovernmental character" to justify placing it on the Commission's agenda. It must be

admitted, however, that the substantive issue--that of defining the "near needy"--is the more important matter for research and policy decision.

- c. This study fairly bristles with "Private Federalism" issues--relationships between government and the medical profession, hospitals, drug industry, and medical insurance underwriters.
 - d. An ACIR study of the subject has been urged by the National Conference of State Legislative Leaders (correspondence attached).
3. Re-alignment of Financial and Administrative Responsibilities for Public Welfare

This study would examine the present system of divided responsibilities for public welfare. It would investigate (a) the intergovernmental arrangements, financial and administrative, to determine strengths and weaknesses of the present and alternative approaches; (b) the inter- and intra-state disparities resulting from the existing system; and (c) the economic consequences of these disparities--in terms of central city, suburban financial strains, the locational pull of migrants and business, etc.

Despite the breadth of the subject the estimated research time would be approximately 3 to 4 months because of the considerable work already done on this subject within the Commission and by several other groups over the past several years.

The following arguments can be advanced for placing this subject on the Advisory Commission's study agenda.

- a. Such a study would be timely in view of the hard pressed fiscal situation for many local governments and some States. Since there are large-scale revenue implications--involving freed resources for certain governmental levels and new obligations for others--the study would complement the recent Fiscal Federalism Report.