

May 12, 1969

The President
The White House
Washington, D.C.

Dear Mr. President:

In a study directed initially at improving the system of State aid to local governments, the Advisory Commission unavoidably faced the question of financing public assistance. After many hours of debate and discussion extending over two meetings, the Commission voted to recommend that the Federal Government assume full financial responsibility for the provision of public assistance (including Medicaid and General Assistance) to needy people. The purpose of this letter is to present the Commission's views and review briefly the rationale behind its recommendation. The full text of the recommendation is attached.

As you know, vast differences have developed in welfare benefits and eligibility requirements among the States. These work in perverse fashion and give rise to intergovernmental inequities. States that provide a higher level of public assistance find their welfare rolls expanding, while states that provide a lower level find their share of caseloads decreasing. Moreover, State policymakers fear that tax increases dictated in large part by rapidly rising welfare costs will tend to exert a locational push on individuals and businesses. In addition, Governors and Mayors point out that greater reliance on a State-local revenue system heavily dependent upon consumption and property taxes as the source of welfare financing tends to make the rising welfare costs fall rather heavily on taxpayers with lower incomes. In short, States and local governments are under heavy fiscal and political constraints when it comes to providing adequate welfare assistance.

Court decisions and Federal regulations have largely removed public assistance policy from State-local control. The recent Supreme Court decision eliminating residence requirements undoubtedly will increase the welfare caseload. It has eliminated

any possibility that the more generous States could use residence requirements to discourage in-migration of individuals destined to go on welfare rolls. Both these impacts will exacerbate the State-local fiscal strain already imposed by public assistance.

Federal assumption would free up nearly \$5 billion of State and local revenue. It promises (a) to benefit most those States and cities where the poor have tended to congregate, (b) to reduce tax differentials between the city and suburbs, and (c) to diminish pressures on the local property tax.

Federal assumption need not be regarded as a "final" solution, indeed, the Commission believes it should not be so regarded. With complete Federal financing the Federal Government would have a far stronger incentive to explore alternative approaches for dealing with poverty.

I should report, in a related connection, a second recommendation voted by the Commission: That State governments move to assume substantially all the non-Federal costs of elementary and secondary education. A few States have already moved to this stage and California is giving serious consideration to it at the present time. The effect of the two recommendations combined would be to lift from the back of local government the two largest categories of expenditure--welfare and education--; thereby enabling a deployment of the property tax and other local revenue sources to meet other pressing local problems such as law enforcement, delinquency control, and urban re-education.

Respectfully,

Farris Bryant
Chairman

Enclosure