

October 27, 1967

Recommendations Adopted by the Advisory Commission on Intergovernmental Relations in Its Report "Fiscal Balance in the American Federal System"

Secretary Fowler's Dissent on Recommendation No. 1

Secretary Fowler expresses the following reservation: I am in agreement with this recommendation insofar as it calls for a more flexible grant-in-aid system and for consolidation of grants into broad functional areas. I also strongly favor more State and local participation in the development of joint governmental programs. The Administration is taking action along these lines in carrying out the President's directives in his message to the Congress on "Quality of American Government" on March 20, 1967.

As to methods of giving additional assistance to State and local governments beyond the present programs, many alternatives have been advanced including: substantial Federal tax credits for State income taxes; Federal assumption of a larger share of welfare costs (either directly or through such devices as guaranteed income or negative income tax); expanded urban programs with adequate funding of the Model Cities program and more flexibility provided through an urban development fund which merges different grant programs; and general support grants with a wide range of proposed formulas for distributing funds to States and to localities.

In my view, it would be premature to choose at this time between these and other alternatives, and, consequently, I do not endorse making a recommendation in this area at this time. We are faced with extremely heavy demands on our Federal fiscal resources. Even in the post-Vietnam period there will be many claimants for Federal expenditures and for tax reduction. Each of the alternatives proposed involves large amounts of money. Some of the new grant programs which are now small will certainly increase, and the plight of our cities, so well documented in this report, demands that our urban programs expand substantially. Furthermore, a proposal in principle is far from being a fully developed proposal. All the alternatives involve difficult problems of implementation relating to techniques, intergovernmental relationships, standards and the like, and a wide difference of opinion presently exists as to the proper solution of these problems.