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

September 10, 1975

TO: Members of the Advisory Commission on
Intergovernmental Relations

FROM: Wayne F. Anderson *WFA*
Executive Director

SUBJECT: ACIR Briefing of House Subcommittee on
Intergovernmental Relations and Human
Resources

This briefing will take place in Room 2154 of the Rayburn Building from 4:00 to 5:00 p.m., Thursday, September 11, and will be followed by a reception in Room 2160 (The Gold Room) from 5:00 to 6:00 p.m.

Transportation to the Hill is by taxicab, so our regular meeting should recess about 3:15 p.m. to allow timely arrivals.

A list of the Subcommittee's members is attached. Nine have confirmed that they will attend the briefing.

**
Should
W. Anderson
Be Included*





ADVISORY
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WASHINGTON, D.C. 20575

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The Committee on Government Operations Chairman, Jack Brooks, and Ranking Minority Member, Frank Horton, are ex officio members of the subcommittee.



Current Activities of the Advisory Commission on Intergovernmental Relations

Administration of federal and state aid and growth of the public sector are topics of two major studies currently underway at the Advisory Commission on Intergovernmental Relations. Two additional Commission studies are in process in the areas of state and local taxation of military personnel and the impact on the state and local bond market of recent changes in deposit insurance and pledging requirements.

"Intergovernmental Grant System: Policies, Processes, and Alternatives" is the title of the grant study which is looking at project, formula, and block grants and which will design ways to enhance the effectiveness of each. The role of states as recipients, providers, and dispensers of aid (from their own and from federal sources) to their localities will also be a part of the study. The grant area is an important one for the Commission since as early as 1967, it recommended a three part mix of federal aid--block grants, categorical grants and general revenue sharing. The mix is now a reality, and the Commission is a logical choice to review the workings of that mix. General revenue sharing, the object of intensive Commission review last year, is not included in this project.

"The Growth of Government Spending and Taxing: Intergovernmental Causes, Effects, and Policy Options" is the tentative name of the second major Commission study. It will attempt to identify causes and effects of the increases in federal, state, and local government spending relative to the private sector and on the individual taxpayers (especially the low and middle income taxpayers). Particular attention will be paid to the state-local sector and the Social Security System which have accounted for the largest components of growth during the past 20 years.

A study of state and local taxation of military personnel, looks at the state and local taxation of military personnel in the area of sales, excise and income taxes. Federal tax treatment of military income and sales is not treated in the study.

Finally, work has begun on a study to look at the impact of municipal bonds and funds available for housing of a recent increase in deposit insurance for public units and the related reduction in pledging requirements. ACIR was directed to conduct this study by Congress in the law passed last fall raising the deposit insurance at commercial banks, savings and loan associations, mutual savings banks, and credit unions from \$20,000 to \$100,000 per account for public units.



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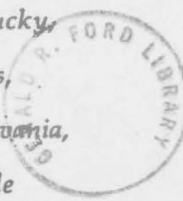
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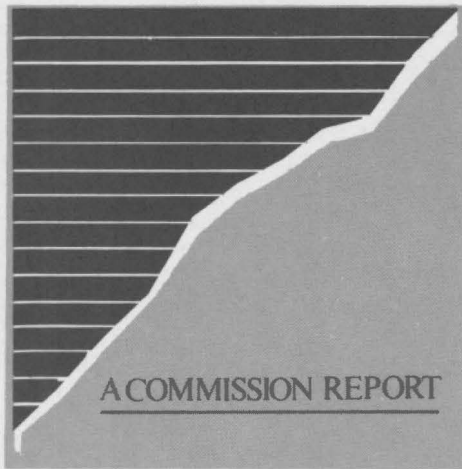
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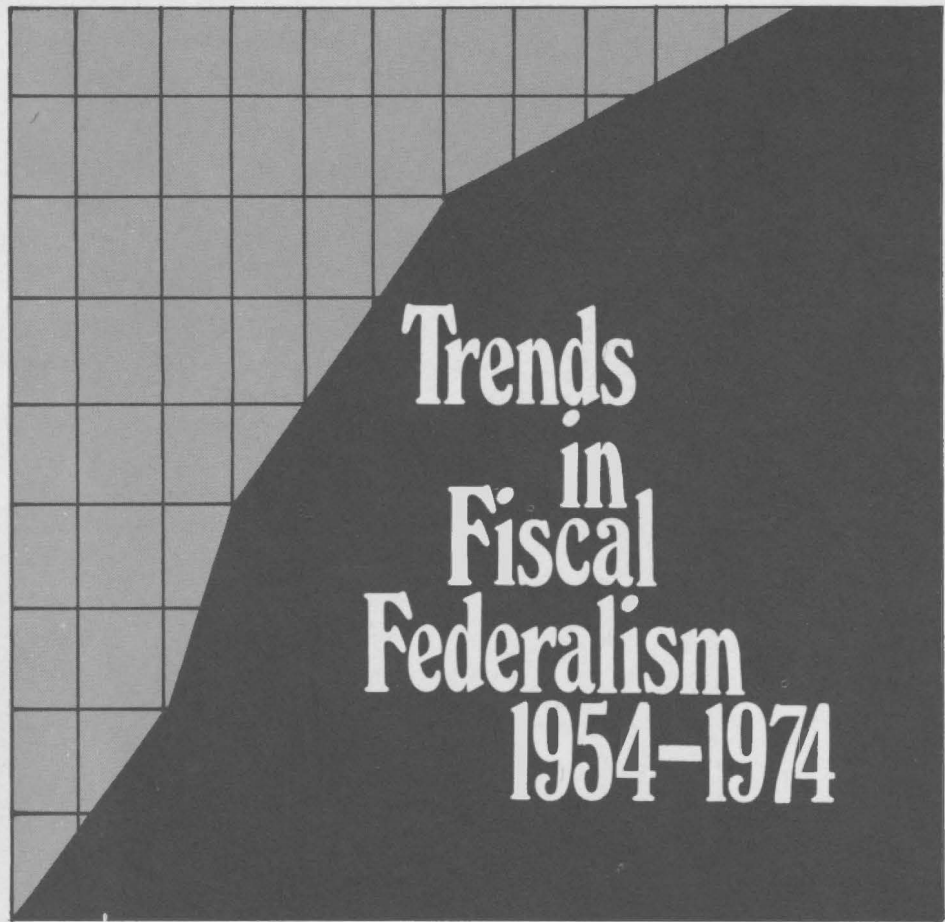
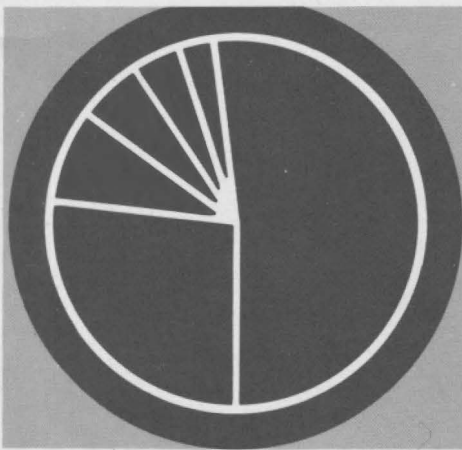
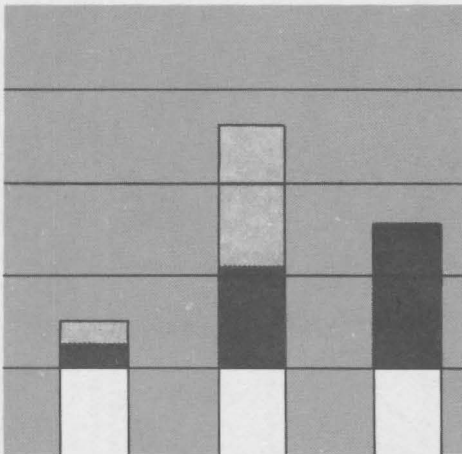
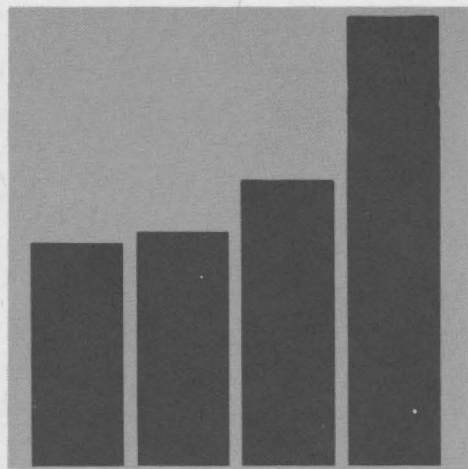
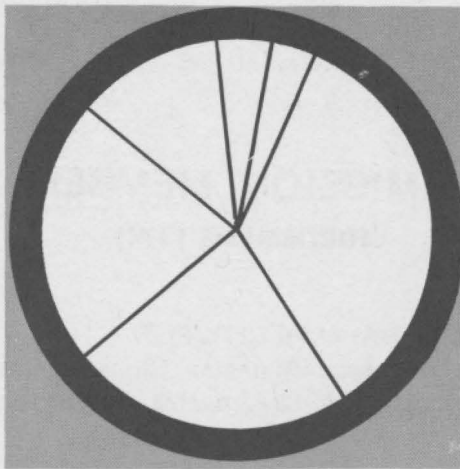
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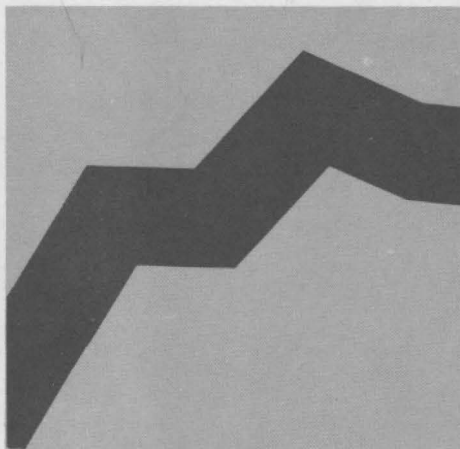
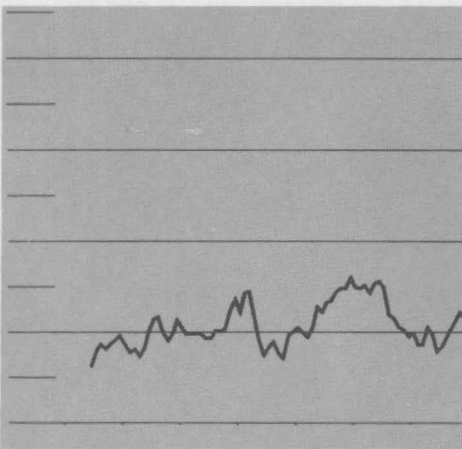




A COMMISSION REPORT



Trends in Fiscal Federalism 1954-1974



ACIR

ADVISORY
COMMISSION ON
INTERGOVERNMENTAL
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WASHINGTON, D.C. 20575

FEBRUARY 1975

M-86

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A COMMISSION REPORT



ADVISORY
COMMISSION ON
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RELATIONS

WASHINGTON, D.C. 20575 FEBRUARY 1975

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PREFACE

As a part of an ongoing research program, the staff of the Advisory Commission on Intergovernmental Relations gathers and analyzes factual information pertaining to fiscal federalism. Many of these analyses have been recognized as having value to the public and to policy-makers.

In this publication the Commission presents a factual overview of key trends in fiscal federalism for the 20-year period 1954-1974.

Robert E. Merriam
Chairman

ACKNOWLEDGMENTS

Frank Tippet, statistician, prepared the factual information for this report and Milton Kafoglis, senior academic resident, prepared the text which accompanies the statistical information. The work was supervised by John Shannon, assistant director.

Wayne F. Anderson
Executive Director

TRENDS IN FISCAL FEDERALISM

HIGHLIGHTS

As depicted by the charts and tables set forth in this report, the period 1954-1974 was characterized by significant growth in the public sector and important shifts in intergovernmental fiscal relationships. The most important of these developments are summarized below.

The public sector continues to absorb an increasing share of Gross National Product (GNP) despite significant relative declines in defense spending (Table 2).

- The share of GNP absorbed by the public sector rose from 26.5 percent in 1954 to 32.8 percent in 1974.
- Civilian domestic expenditures (including Social Security) increased dramatically from 12.9 percent of GNP to 25.4 percent in 1974.
- The share of GNP absorbed by national defense was cut nearly in half from 13.7 percent of GNP in 1954 to 7.4 percent in 1974.
- Half of the growth of civilian domestic expenditures represents new governmental growth which required either increased taxes or deficit spending; the other half represents a substitution of civil-

ian spending for defense spending.

- In spite of nominal income tax rate reductions and liberalized exemption and deduction allowances, effective federal income tax rates increased as inflation and economic growth pushed taxpayers into higher tax brackets.
- During the period 1954-1974, deficits of the Federal government totaled \$138-billion.

The relative increase in the size of the public sector reflects an increase in the demand for public goods, services and income transfer activities. But it may also reflect the operation of "Wagner's Law" which asserts that the public sector has an inherent or built-in tendency to grow at the expense of the private sector. The growth may also be explained in terms of the characteristics of tax systems which generate sufficient revenue growth for government to purchase an increasing proportion of expanding national output.

Most of the growth in the expanding Federal sector has occurred in Social Security and Federal aid programs (Table 4).

- Social Security now absorbs 5.4 percent of GNP compared to 1.2

percent in 1954; Social Security has emerged as the largest and fastest growing component of Federal domestic expenditure.

- Federal aid to state and local government increased from .8 percent of GNP in 1954 to 3.1 percent of GNP in 1974.

The rapid increase in Social Security taxes raises important public policy questions about the future financing of Social Security, and leaves less "room" for general taxation at the state and local level.

Though the rate of increase in Federal aid has now diminished, the matching and other conditions attached to most Federal aid programs suggest that the Federal government has increased the leverage or control it has over state-local budgetary decisions. "No strings attached" general revenue sharing accounts for less than 15.0 percent of Federal aid.

All levels of government have grown at rates exceeding the general growth of the economy, and aids to lower levels of government have steadily expanded (Tables 3, 9, and 10).

- In 1954, Federal domestic expenditures for all functions (including Social Security and Federal aid) accounted for 5.5 percent of GNP. By 1974 such expenditures absorbed 13.8 percent of GNP.
- In 1954, Federal domestic expenditures for all functions (including Social Security and Federal aid)

accounted for less than half (42.4 percent) of total domestic public sector expenditures. By 1974, Federal domestic expenditures for all functions were more than half (54.4 percent) of total domestic public outlays.

- Federal aid which accounted for 11.4 percent of state-local general revenue in 1954 expanded to 26.5 percent of state-local general revenue in 1974.
- The state-local sector also grew significantly as state-local expenditures from own funds expanded from 7.4 percent of GNP in 1954 to 11.6 percent in 1974.
- State aid to local governments, over half of which is for education, has increased steadily from 41.7 percent of locally derived revenue in 1954 to 57.5 percent in 1974.

There has been a sharpening of roles as the Federal government has become the dominant fiscal partner while the "work" of government is carried on primarily at the state-local levels (Tables 11 and 12).

- General civilian government employment now accounts for 14.6 percent of the nation's employed labor force. Four-fifths of this employment is in the state-local sector.
- During the period 1955-1973 employment at the state-local level increased by 119.5 percent compared to 17.1 percent at the Fed-

eral level and 35.8 percent in the private sector.

- Average annual earnings of Federal employees exceed average annual earnings in private industry by 46 percent and have increased more rapidly than earnings in any other major sector (Table 12).
- Average annual earnings of state-local employees have increased almost as rapidly as earnings of Federal employees and now exceed earnings in private industry by 6.0 percent (Table 11).

These comparisons highlight the importance of improving the productivity and personnel practices of state and local governments. Though productivity improvements at all levels are desirable, increasing productivity at the state and local level where direct use of resources is concentrated would have the greatest fiscal impact.

The Federal revenue system has become less diversified while state-local revenue systems have become more balanced and diversified (Tables 6 and 7).

- In 1954, Federal income tax and insurance trust revenue accounted for less than half (46.8 percent) of Federal revenue. By 1974 these two revenue sources accounted for more than two-thirds (67.9 percent) of total revenue, leading to a less diversified Federal revenue system.
- Increased reliance on Federal aid and state income taxes along with a relative decline in the contribution of property taxes has led to

more diversified and balanced state-local revenue systems.

- There is a slight tendency for state-local tax burdens to become more uniform from state to state.

There has been a dramatic increase in state-local tax burdens during the last 20 years (Table 8).

- State-local tax burdens rose from 7.6 percent to 12.1 percent of total personal income.
- The lowest state-local tax burdens are concentrated in the Southeast and Southwest; the highest tax burdens are in the Mideast and New England.
- States registering above average increases in tax burdens between 1953 and 1973 were concentrated in the New England, Mideast and Great Lakes Regions while below average increases occurred in the Southeast and Plains Regions.

The tax burden of the "average" family increased by 98.3 percent during the period 1953-1974 (Table 1).

- The "average" family in 1953 had an income of \$5,000 and paid 11.8 percent of family income in direct Federal, state and local taxes. By 1974, the "average" family had an income of \$13,000 and paid 23.4 percent of family income in such taxes.
- The tax burden of a family having an income of twice the "average" increased by 51.5 percent.

TRENDS IN FISCAL FEDERALISM 1953-1974

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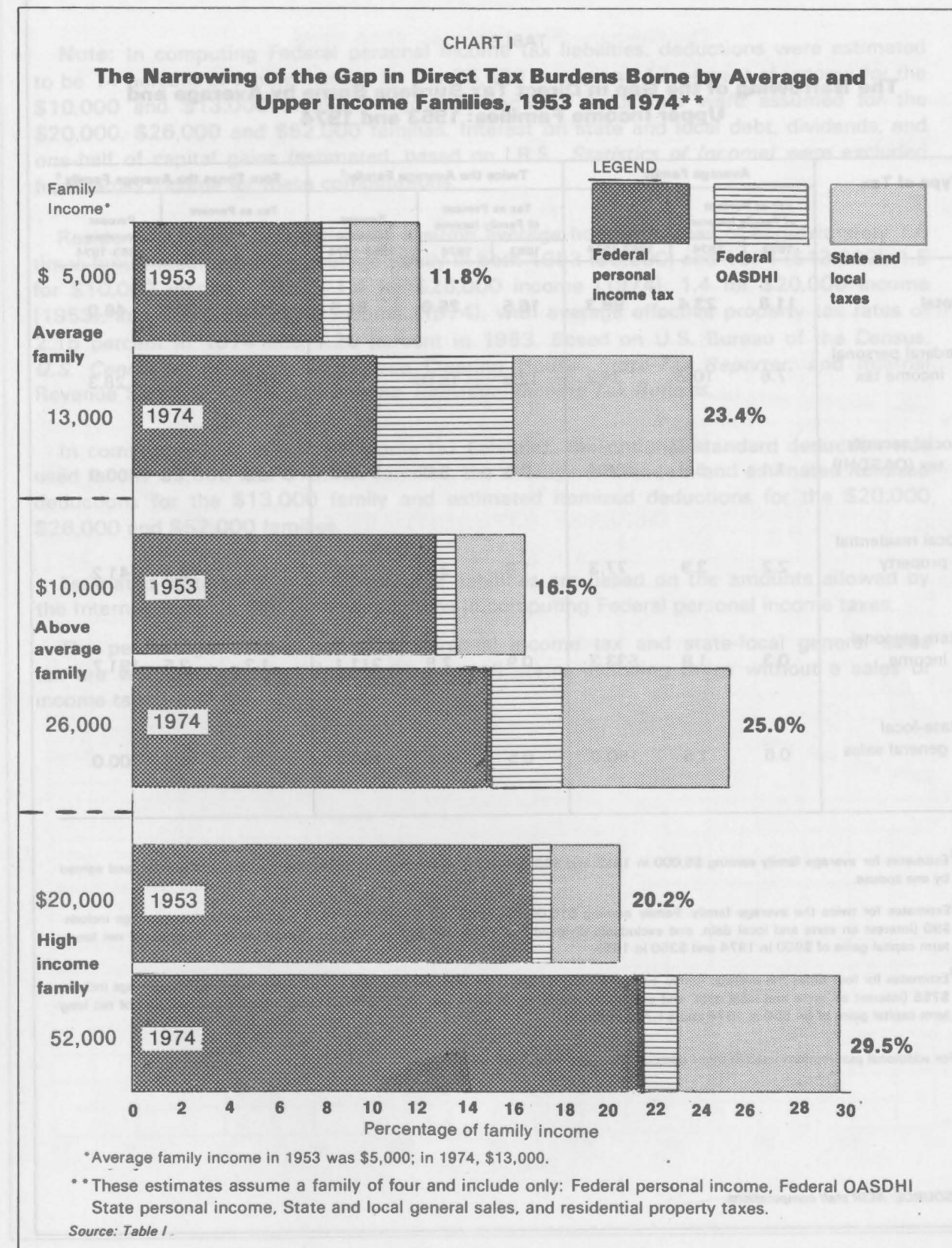


TABLE I

The Narrowing of the Gap in Direct Tax Burdens Borne by Average and Upper Income Families: 1953 and 1974

Type of Tax	Average Family ¹			Twice the Average Family ²			Four Times the Average Family ³		
	Tax as Percent of Family Income		Percent Increase 1953-1974	Tax as Percent of Family Income		Percent Increase 1953-1974	Tax as Percent of Family Income		Percent Increase 1953-1974
	1953	1974		1953	1974		1953	1974	
Total	11.8	23.4	98.3	16.5	25.0	51.5	20.2	29.5	46.0
Federal personal income tax	7.6	10.2	34.2	12.8	15.0	17.2	16.6	21.3	28.3
Social security tax (OASDHI)	1.1	5.9	436.4	0.5	3.0	500.0	0.3	1.5	400.0
Local residential property	2.2	3.9	77.3	1.8	3.1	72.2	1.7	2.4	41.2
State personal income	0.3	1.9	533.3	0.9	2.8	211.1	1.2	3.5	191.7
State-local general sales	0.6	1.5	150.0	0.5	1.1	120.0	0.4	0.8	100.0

¹ Estimates for average family earning \$5,000 in 1953 and \$13,000 in 1974 assuming all income from wages and salaries, and earned by one spouse.

² Estimates for twice the average family. Family earning \$10,000 in 1953 and \$26,000 in 1974 and assumes that earnings include \$90 (interest on state and local debt, and excludable dividends) in 1974 and \$25 in 1953; also assumes the inclusion of net long-term capital gains of \$900 in 1974 and \$350 in 1953.

³ Estimates for four times the average family. Family earning \$20,000 in 1953 and \$52,000 in 1974 and assumes that earnings include \$755 (interest on state and local debt, and excludable dividends) in 1974 and \$265 in 1953; also assumes the inclusion of net long-term capital gains of \$4,500 in 1974 and \$1,730 in 1953.

(For additional assumptions used in these computations, see "Note" on next page.)

SOURCE: ACIR staff computations.

Note: In computing Federal personal income tax liabilities, deductions were estimated to be 14 percent of family income for the \$5,000 family and 12 percent of income for the \$10,000 and \$13,000 families. Estimated itemized deductions were assumed for the \$20,000, \$26,000 and \$52,000 families. Interest on state and local debt, dividends, and one-half of capital gains (estimated, based on I.R.S., *Statistics of Income*) were excluded from family income for these computations.

Residential property tax estimates assume average housing values of approximately 1.8 times family income for the average family in both 1953 (\$5,000) and 1974 (\$13,000), 1.5 for \$10,000 income (1953), 1.4 for \$26,000 income (1974), 1.4 for \$20,000 income (1953), and 1.1 for \$52,000 income (1974), with average effective property tax rates of 2.15 percent in 1974 and 1.20 percent in 1953. Based on U.S. Bureau of the Census, *U.S. Census of Housing*; Commerce Clearing House, *State-Tax Reporter*; and Internal Revenue Service, *Statistics of Income, Individual Income Tax Returns*.

In computing state personal income tax liabilities, the optional standard deduction was used for the \$5,000 and \$10,000 families, the average of standard and estimated itemized deductions for the \$13,000 family and estimated itemized deductions for the \$20,000, \$26,000 and \$52,000 families.

Estimated state-local general sales tax liabilities are based on the amounts allowed by the Internal Revenue Service as deductions in computing Federal personal income taxes.

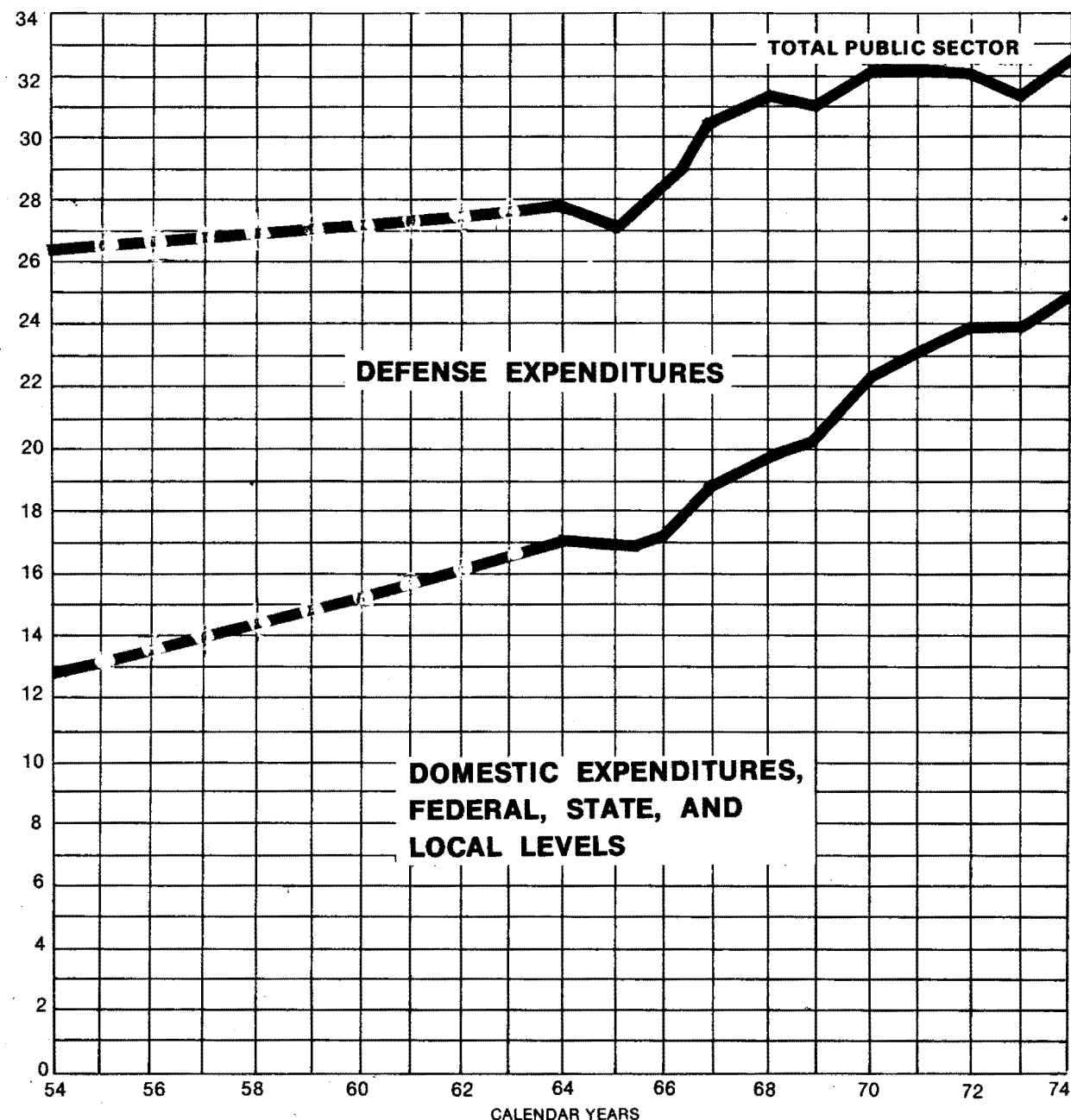
The percentages shown for state personal income tax and state-local general sales tax are weighted averages (population) for all states including those without a sales or income tax.

CHART II

The Growing Public Sector, 1954-1974

(The Relative Decline in Defense Expenditure Is More than Offset by Dramatic Growth in Domestic Federal, State, and Local Spending)

Expenditures
As
Percentages
of GNP
%



Source: Table II.

TABLE II

The Growing Public Sector¹: 1954, 1964, and 1969 through 1974 (Government Expenditure)

Calendar Year	Total Public Sector	Domestic (Federal, State, and Local)	Defense ² (Federal)	Total Public Sector	Domestic (Federal, State, and Local)	Defense ² (Federal)
	Amount (in billions)			As a Percent of GNP		
1954	\$ 96.7	\$ 46.9	\$ 49.8	26.5	12.9	13.7
1964	175.6	110.8	64.8	27.8	17.5	10.3
1969	290.0	191.6	98.4	31.1	20.6	10.6
1970	312.7	215.8	96.9	32.0	22.1	9.9
1971	340.1	245.2	94.9	32.2	23.2	9.0
1972	372.2	278.2	94.0	32.1	24.0	8.1
1973 ³	408.1	310.8	97.3	31.5	24.0	7.5
1974 est.	458.0	354.0	104.0	32.8	25.4	7.4
	Percentage Distribution			Annual Percent Change		
1954	100.0	48.5	51.5	—	—	—
1964	100.0	63.1	36.9	6.1 ⁴	9.0 ⁴	2.7
1969	100.0	66.1	33.9	10.6 ⁵	11.6 ⁵	8.9
1970	100.0	69.0	31.0	7.8	12.6	-1.5
1971	100.0	72.1	27.9	8.8	13.6	-2.1
1972	100.0	74.7	25.3	9.4	13.5	-0.9
1973	100.0	76.2	23.8	9.6	11.7	3.5
1974	100.0	77.3	22.7	12.2	13.9	6.9

¹National Income and Product Accounts.

²National defense, international affairs and finance, and space research and technology. Also includes the estimated portion of net interest attributable to these functions.

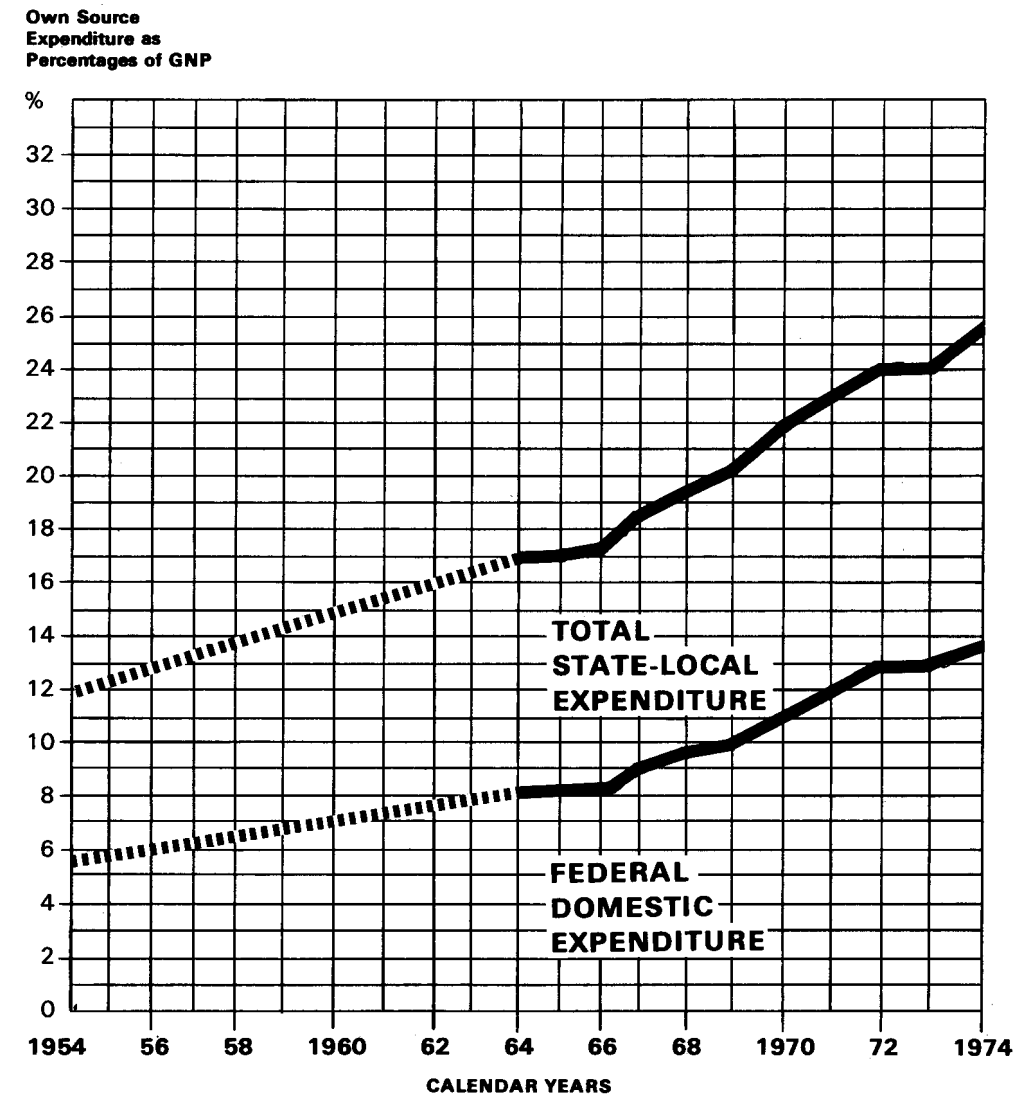
³Partially estimated.

⁴Annual average increase 1954 to 1964.

⁵Annual average increase 1964 to 1969.

SOURCE: ACIR staff compilation based on U.S. Department of Commerce, Office of Business Economics, *Survey of Current Business*, various years; *Budget of the United States Government*, various years; and ACIR staff estimates.

CHART III
The Growing Domestic Public Sector: 1954-1974



Source: Table III.

TABLE III
The Growing Domestic Public Sector¹: 1954, 1964, and 1969 through 1974
(Government Domestic Expenditure, From Own Funds)

Calendar Year	Total Domestic Expenditure (Federal- State-Local)	Federal Domestic Expenditure ²	State-Local Total Expenditure	Total Domestic Expenditure (Federal- State-Local)	Federal Domestic Expenditure ²	State-Local Total Expenditure
	Amount (in billions)			As a Percent of GNP		
1954	\$ 46.9	\$ 19.9	\$ 27.0	12.9	5.5	7.4
1964	110.8	53.3	57.5	17.5	8.4	9.1
1969	191.6	92.9	98.7	20.6	10.0	10.6
1970	215.8	107.0	108.8	22.1	11.0	11.1
1971	245.2	125.4	119.8	23.2	11.9	11.4
1972	278.2	150.7	127.5	24.0	13.0	11.0
1973 ³	310.8	166.9	143.9	24.0	12.9	11.1
1974 est.	354.0	193.0	161.0	25.4	13.8	11.6

Percentage Distribution			Annual Percent Change		
1954	100.0	42.4	57.6	—	—
1964	100.0	48.1	51.9	9.0 ⁴	7.9 ⁴
1969	100.0	48.5	51.5	11.6 ⁵	11.4 ⁵
1970	100.0	49.6	50.4	12.6	10.2
1971	100.0	51.1	48.9	13.6	10.1
1972	100.0	54.2	45.8	13.5	6.4
1973	100.0	53.7	46.3	11.7	12.9
1974	100.0	54.5	45.5	13.9	11.9

¹National Income and Product Accounts.

²Excludes Federal expenditure for national defense, international affairs and finance, space research and technology, and the estimated portion of net interest attributable to these functions. Includes Social Security (OASDHI) and all Federal aid to state and local governments including general revenue sharing payments.

³Partially estimated.

⁴Annual average increase 1954 to 1964.

⁵Annual average increase 1964 to 1969.

SOURCE: ACIR staff compilation based on U.S. Department of Commerce, Office of Business Economics, *Survey of Current Business*, various years; *Budget of the United States Government*, various years; and ACIR staff estimates.

TABLE III-A

The Growing Domestic Public Sector¹: 1954, 1964, and 1969 through 1974**(Government Domestic Expenditure, After Intergovernmental Transfers)**

Calendar Year	Total Domestic Expenditure (Federal-State-Local)	Federal Domestic Expenditure ²	State-Local Total Expenditure	Total Domestic Expenditure (Federal-State-Local)	Federal Domestic Expenditure ²	State-Local Total Expenditure
Amount (in billions)			As a Percent of GNP			
1954	\$ 46.9	\$ 17.0	\$ 29.9	12.9	4.7	8.2
1964	110.8	42.9	67.9	17.5	6.8	10.7
1969	191.6	72.6	119.0	20.6	7.8	12.8
1970	215.8	82.6	133.2	22.1	8.5	13.6
1971	245.2	96.4	148.8	23.2	9.1	14.1
1972	278.2	113.3	164.9	24.0	9.8	14.2
1973 ³	310.8	126.4	184.4	24.0	9.8	14.2
1974 est.	354.0	149.5	204.5	25.4	10.7	14.7
Percentage Distribution			Annual Percent Change			
1954	100.0	36.2	63.8	—	—	—
1964	100.0	38.7	61.3	9.0 ⁴	9.7 ⁴	8.5 ⁴
1969	100.0	37.9	62.1	11.6 ⁵	11.1 ⁵	11.9 ⁵
1970	100.0	38.3	61.7	12.6	13.8	11.9
1971	100.0	39.3	60.7	13.6	16.7	11.7
1972	100.0	40.7	59.3	13.5	17.5	10.8
1973	100.0	40.7	59.3	11.7	11.6	11.8
1974	100.0	42.2	57.8	13.9	18.3	10.9

Note: All Federal aid to state and local governments, including general revenue sharing payments is included as state-local expenditure and excluded from Federal domestic expenditure.

¹National Income and Product Accounts.

²Excludes Federal expenditure for national defense, international affairs and finance, space research and technology, and the estimated portion of net interest attributable to these functions. Includes Social Security (OASDHI).

³Partially estimated.

⁴Annual average increase 1954 to 1964.

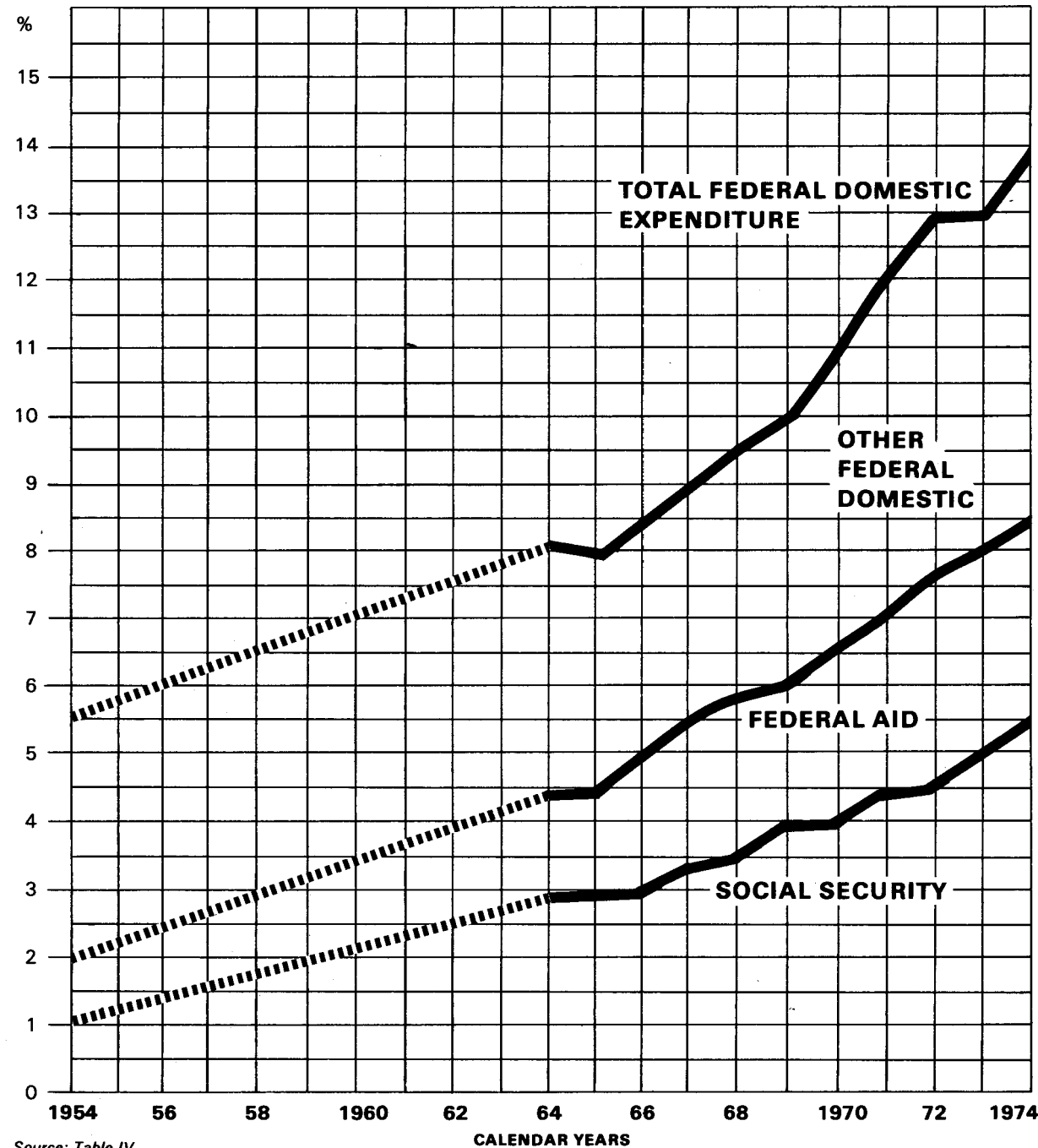
⁵Annual average increase 1964 to 1969.

SOURCE: ACIR staff compilation based on U.S. Department of Commerce, Office of Business Economics, *Survey of Current Business*, various years; *Budget of the United States Government*, various years; and ACIR staff estimates.

CHART IV

**Social Security and Federal Aid Emerge as the New Dimensions
in Our Steadily Expanding Federal Domestic Sector: 1954-1974**

Own Source
Expenditures As
Percentages of GNP



Source: Table IV.

TABLE IV

**Social Security and Federal Aid Emerge as the New Dimensions in our Steadily
Expanding Federal Domestic Sector¹: 1954, 1964, and 1969 through 1974**

(Federal Domestic Expenditure)

Calendar Year	Federal Domestic Expenditure			Federal Domestic Expenditure		
	Social Security (OASDHI)	Federal Aid ²	All Other ³	Social Security (OASDHI)	Federal Aid ²	All Other ³
	Amount (in billions)			As a Percent of GNP		
1954	\$ 4.2	\$ 2.9	\$12.8	1.2	0.8	3.5
1964	17.5	10.4	25.4	2.8	1.6	4.0
1969	35.4	20.3	37.2	3.8	2.2	4.0
1970	41.2	24.4	41.4	4.2	2.5	4.2
1971	47.6	29.0	48.8	4.5	2.7	4.6
1972	53.1	37.4	60.2	4.6	3.2	5.2
1973 ⁴	64.3	40.5	62.1	5.0	3.1	4.8
1974 est.	76.0	43.5	73.5	5.4	3.1	5.3
	Percentage Distribution			Annual Percent Change		
1954	21.1	14.6	64.3	—	—	—
1964	32.8	19.5	47.7	15.3 ⁵	13.6 ⁵	7.1 ⁵
1969	38.1	21.9	40.0	15.1 ⁶	14.3 ⁶	7.9 ⁶
1970	38.5	22.8	38.7	16.4	20.2	11.3
1971	38.0	23.1	38.9	15.5	18.9	17.9
1972	35.2	24.8	39.9	11.6	29.0	23.4
1973	38.5	24.3	37.2	21.1	8.3	3.2
1974	39.5	22.3	38.2	18.2	6.2	18.4

¹ National Income and Product Accounts.

² Federal aid under this series "National Income Account," differs slightly from the Federal payments (Census) series used in a subsequent table showing Federal aid by major purpose. The major difference is the inclusion of Federal payments for low-rent public housing (est. at \$1.3-billion in 1974) in the Census series but excluded by definition from this series. Includes Federal general revenue sharing.

³ Includes direct Federal expenditure for education; public assistance and relief, veterans benefits and services; commerce, transportation, and housing; etc.

⁴ Partially estimated.

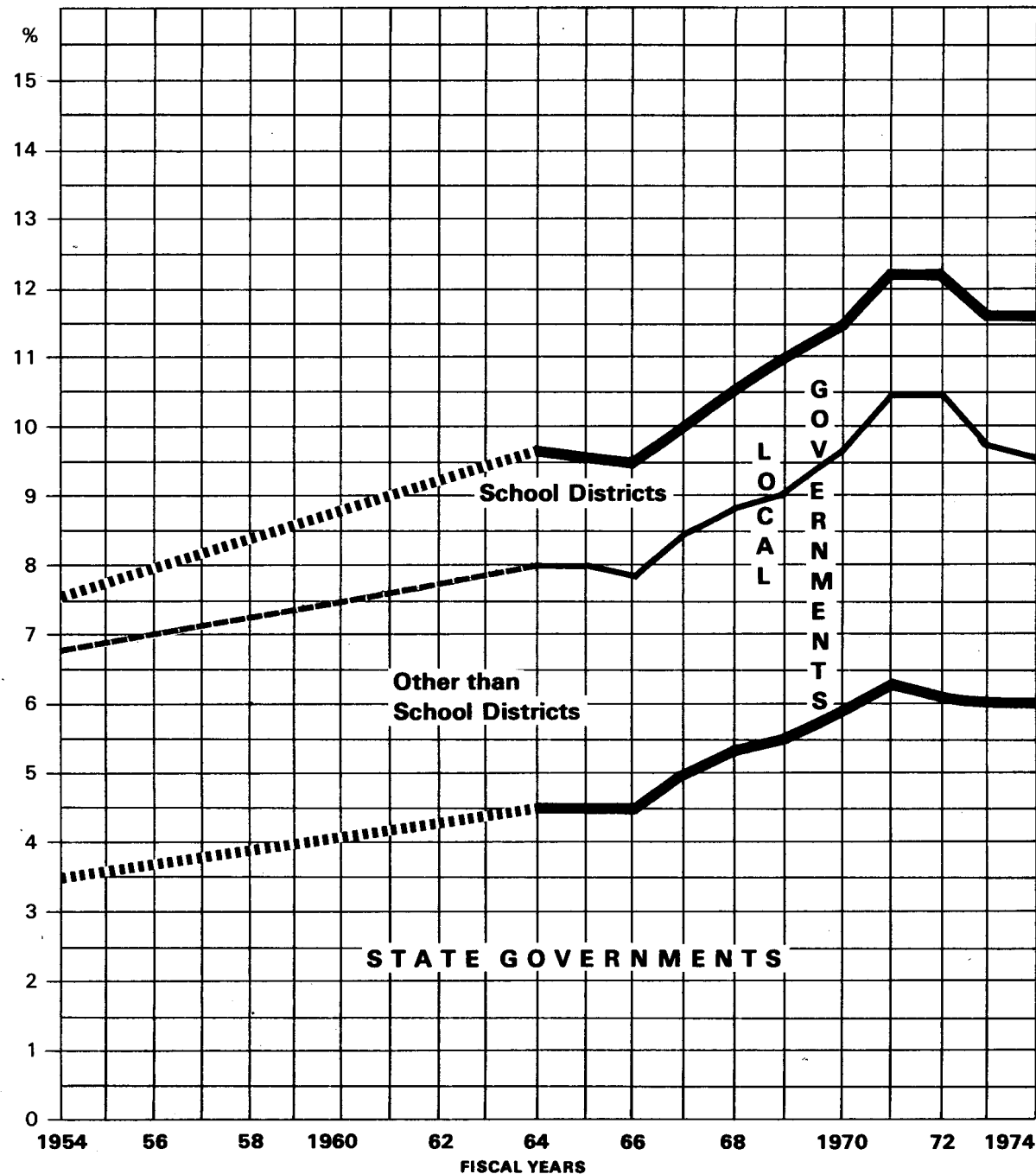
⁵ Annual average increase 1954 to 1964.

⁶ Annual average increase 1964 to 1969.

SOURCE: ACIR staff compilation based on U.S. Department of Commerce, Office of Business Economics, *Survey of Current Business*, various years; *Budget of the United States Government*, various years; and ACIR staff estimates.

CHART V
The Increasing State Share of The State-Local Sector: 1954-1974

Own Source
Expenditures as
Percentages of GNP



Source: Table V.

TABLE V
The Increasing State Share of the State-Local Sector:
1954, 1964 and 1969 through 1974
(State and Local General Expenditure, From Own Funds)

Fiscal Year	Expenditure From Own Funds ¹			Expenditure From Own Funds ¹		
	State Governments	Local Governments		State Governments	Local Governments	
		Other Than School Districts	School Districts		Other Than School Districts	School Districts
	Amount (in millions)			As a Percent of GNP		
1954	\$12,861	\$10,561	\$ 4,314	3.6	2.9	1.2
1964	27,685	21,283	10,332	4.5	3.5	1.7
1969	49,306	32,471	15,798	5.5	3.6	1.8
1970	55,437	36,955	17,082	5.8	3.9	1.8
1971	63,750	42,119	18,659	6.3	4.2	1.8
1972	68,624	46,415	20,581	6.2	4.2	1.9
1973	74,535	45,483	21,812	6.1	3.7	1.8
1974 est.	81,000	49,000	23,500	6.0	3.7	1.8
	Percentage Distribution			Annual Percent Change		
1954	46.4	38.1	15.6	—	—	—
1964	46.7	35.9	17.4	7.9 ²	7.3 ²	9.1 ²
1969	50.5	33.3	16.2	12.2 ³	8.8 ³	8.9 ³
1970	50.6	33.8	15.6	12.4	13.8	8.1
1971	51.2	33.8	15.0	15.0	14.0	9.2
1972	50.6	34.2	15.2	7.6	10.2	10.3
1973	52.6	32.1	15.4	8.6	-2.0	6.0
1974	52.8	31.9	15.3	8.7	7.7	7.7

Note: The National Income and Product Accounts series, used in the previous tables, does not provide a breakdown between state and local governments. This table is based on data from the U.S. Bureau of the Census series, and is on a fiscal year basis.

¹ Excludes Federal aid, and utility, liquor store, and insurance trust expenditures. Insurance trust systems are government administered programs for employee retirement and social insurance protection relating to unemployment compensation, workmen's compensation, old age, survivors', disability, and health insurance, and the like.

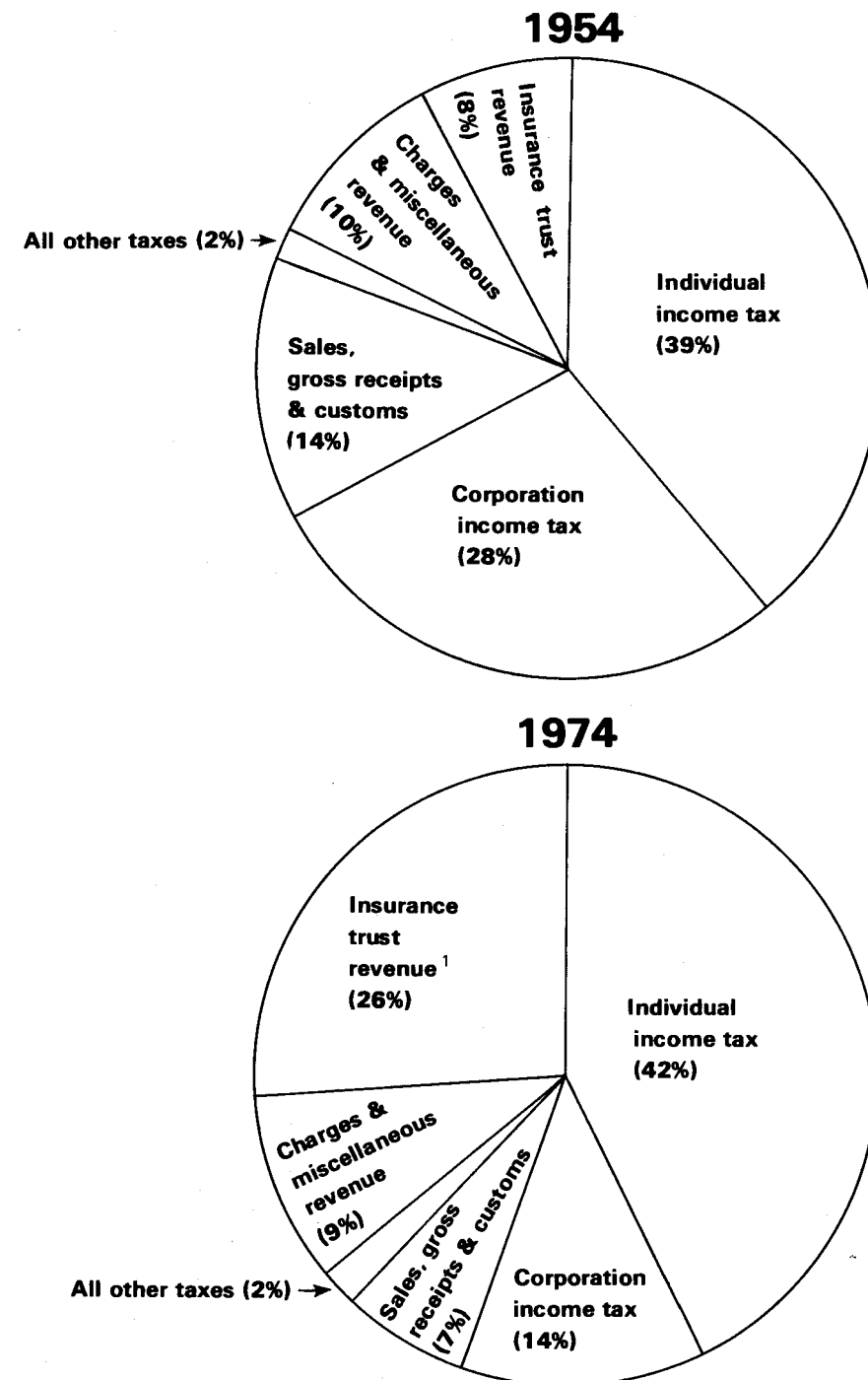
² Annual average increase 1954 to 1964.

³ Annual average increase 1964 to 1969.

SOURCE: ACIR staff compilation based on U.S. Bureau of the Census, *Governmental Finances*, various years; and ACIR staff estimates.

CHART VI

The Federal Individual Income Tax and the Social Security Tax Now Dominate the Federal Revenue System: Fiscal Years 1954 and 1974



¹ Mainly Social Security receipts (24 percent of total revenue in 1974).

TABLE VI

The Federal Individual Income Tax and the Social Security Tax Now Dominate the Federal Revenue System: 1954, 1964, and 1969 through 1974

Fiscal Year	Total Revenue	General Revenue						Insurance Trust Revenue (Includes OASDHI)
		Total	Tax Revenue				Charges and Miscellaneous	
			Total ¹	Income		Sales, Gross Receipts, and Customs		
				Individual	Corporation			
Amount (in billions)								
1954	\$ 75.8	\$ 69.8	\$ 62.4	\$ 29.5	\$ 21.1	\$ 10.4	\$ 7.4	\$ 6.0
1964	121.0	102.3	90.5	48.7	23.5	14.8	11.8	18.7
1969	199.6	162.8	146.0	87.2	36.7	17.8	16.8	36.8
1970	205.6	163.6	146.1	90.4	32.8	18.3	17.5	42.0
1971	202.5	156.9	137.3	86.2	26.8	19.4	19.6	45.7
1972	223.4	172.1	153.7	94.7	32.2	20.1	18.4	51.3
1973	247.8	187.6	165.5	103.2	36.2	19.7	22.1	60.2
1974 ²	281.0	209.0	184.0	118.8	38.7	20.5	25.0	72.0 ³
Annual Percent Change								
1954	—	—	—	—	—	—	—	—
1964	4.8 ⁴	3.9 ⁴	3.8 ⁴	5.1 ⁴	1.1 ⁴	3.6 ⁴	4.8 ⁴	12.0 ⁴
1969	10.5 ⁵	9.7 ⁵	10.0 ⁵	12.4 ⁵	9.3 ⁵	3.8 ⁵	7.3 ⁵	14.5 ⁵
1970	3.0	0.5	0.1	3.7	-10.6	2.8	4.2	14.1
1971	-1.5	-4.1	-6.0	-4.6	-18.3	6.0	12.0	8.8
1972	10.3	9.7	11.9	9.9	20.1	3.6	-6.1	12.3
1973	10.9	9.0	7.7	9.0	12.4	-2.0	20.1	17.3
1974	13.4	11.4	11.2	15.1	6.9	4.1	13.1	19.6
Percentage Distribution								
1954	100.0	92.1	82.3	38.9	27.8	13.7	9.8	7.9
1964	100.0	84.5	74.8	40.2	19.4	12.2	9.8	15.5
1974	100.0	74.4	65.5	42.3	13.8	7.3	8.9	25.6 ³

¹ Including amounts for categories not shown separately.

² Partially estimated.

³ Includes OASDHI receipts of \$67.5-billion (24 percent of total revenue).

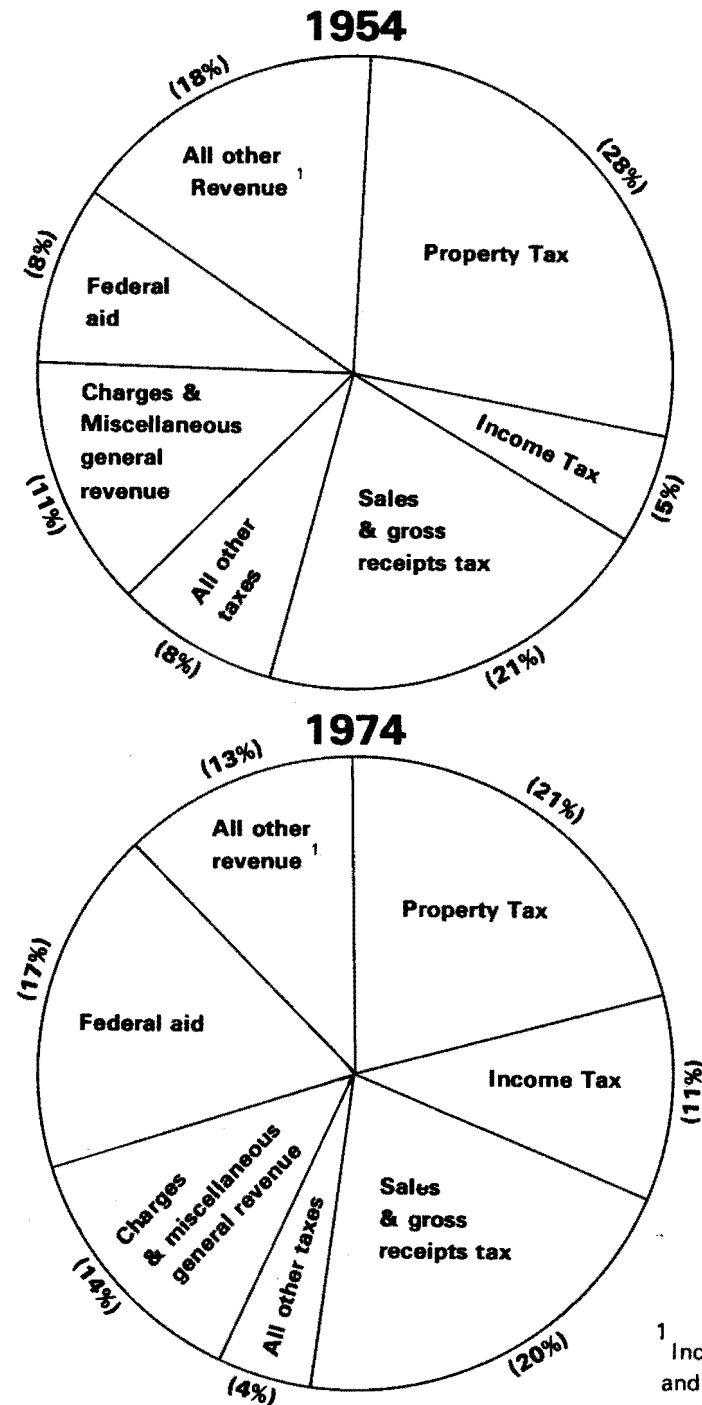
⁴ Annual average increase 1954 to 1964.

⁵ Annual average increase 1964 to 1969.

SOURCE: ACIR staff compilation based on U.S. Bureau of the Census, *Governmental Finances*, various years; and ACIR staff estimates.

CHART VII

The State and Local Revenue System Becomes More Diversified with the Relative Decline in Property Taxes and Relative Increase in State Income Taxes and Federal Aid: Fiscal Years 1954 and 1974



Source: Table VII.

¹ Includes utility, liquor store, and insurance trust revenue.

TABLE VII

The State and Local Revenue System Becomes More Diversified with Relative Decline in Property Taxes and Relative Increase in State Income Taxes and Federal Aid: 1954, 1964, and 1969 through 1974

Fiscal Year	Total State-Local Revenue	General Revenue							Utility, Liquor Store, and Insurance Trust Revenue
		Total	Federal Aid	Tax Revenue				Charges and Miscellaneous General Revenue	
				Total ¹	Property	Sales, and Gross Receipts	Income		
Amount (in billions)									
1954	\$ 35.4	\$ 29.0	\$ 3.0	\$ 22.1	\$ 10.0	\$ 7.3	\$ 1.9	\$ 4.0	\$ 6.4
1964	81.5	68.4	10.0	47.8	21.2	15.8	5.5	10.7	13.0
1969	132.2	114.5	19.2	76.7	30.7	26.5	12.1	18.7	17.6
1970	150.1	130.8	21.9	86.8	34.1	30.3	14.6	22.1	19.4
1971	166.1	144.9	26.1	95.0	37.9	33.2	15.3	23.8	21.2
1972	189.7	166.4	31.3	108.8	42.1	37.5	19.7	26.3	23.4
1973	217.6	190.2	39.3	121.1	45.3	42.0	23.4	29.8	27.4
1974 ²	234.3	204.8	41.0	131.8	48.8	47.2	25.6 ³	32.0	29.5
Annual Percent Change									
1954	—	—	—	—	—	—	—	—	—
1964	8.7 ⁴	9.0 ⁴	12.8 ⁴	8.0 ⁴	7.8 ⁴	8.0 ⁴	11.2 ⁴	10.3 ⁴	7.3 ⁴
1969	10.2 ⁵	10.9 ⁵	13.9 ⁵	9.9 ⁵	7.7 ⁵	10.9 ⁵	17.1 ⁵	11.8 ⁵	6.2 ⁵
1970	13.5	14.2	14.1	13.2	11.1	14.3	20.7	18.2	10.2
1971	10.7	10.8	19.2	9.4	11.1	9.6	4.8	7.7	9.3
1972	14.2	14.8	19.9	14.5	11.1	13.0	28.8	10.5	10.4
1973	14.7	14.3	25.6	11.3	7.6	12.0	18.8	13.3	17.1
1974	7.6	7.7	4.3	8.8	7.7	12.4	9.4	7.4	7.7
Percentage Distribution									
1954	100.0	81.9	8.5	62.4	28.2	20.6	5.4	11.3	18.1
1964	100.0	83.9	12.3	58.7	26.0	19.4	6.7	13.1	16.0
1974	100.0	87.4	17.5	56.3	20.8	20.1	10.9 ³	13.7	12.6

¹ Including amounts for categories not shown separately.

² Partially estimated.

³ Receipts from individual income taxes in 1974 were \$19.6-billion (8.4 percent of total revenue).

⁴ Annual average increase 1954 to 1964.

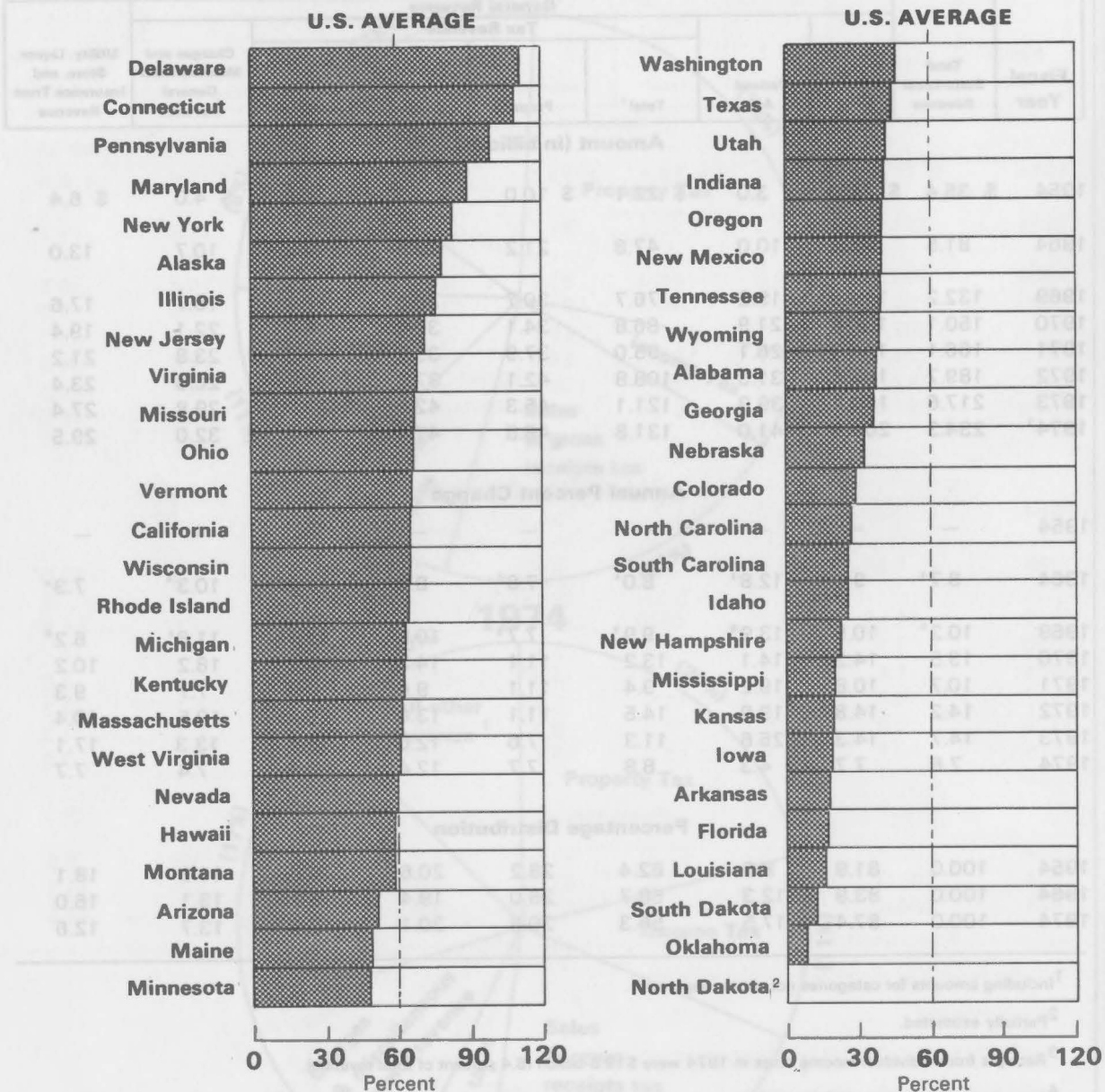
⁵ Annual average increase 1964 to 1969.

SOURCE: ACIR staff compilation based on U.S. Bureau of the Census, *Governmental Finances*, various years; and ACIR staff estimates.

CHART VIII

Most States Registering an Above Average Increase in Tax Burdens Between 1953 and 1973 are Located in The New England, Mideast and Great Lakes Regions¹

(State-Local Tax Revenue in Relation to State Personal Income)



¹Average State-local tax burdens rose from 7.6 percent to 12.1 percent of personal income — an increase of 60 percent.

²Percentage decrease (— 14.9 percent).

Source: Table VIII.

TABLE VIII

Most States Registering an Above Average Increase in Tax Burdens Between 1953 and 1973 Are Located in the New England, Mideast and Great Lakes Regions

(State-Local Tax Revenue in Relation to State Personal Income)

State and Region	Tax Revenue as a Percent of Personal Income			State Percent Related to U.S. Average (U.S. = 100.0)		
	1973	1953	Percent Increase or Decrease (—)	1973	1953	Percent Increase or Decrease (—)
UNITED STATES¹	12.09	7.58	59.5	100.0	100.0	—
NEW ENGLAND	13.36	7.90	69.1	110.5	104.2	6.0
Connecticut	12.80	6.06	111.2	105.9	79.9	32.5 ²
Maine	13.29	8.95	48.5	109.9	118.1	— 6.9
Massachusetts	14.19	8.77	61.8	117.4	115.7	1.5
New Hampshire	10.21	8.28	23.3	84.4	109.2	— 22.7 ³
Rhode Island	11.61	7.02	65.4	96.0	92.6	3.7
Vermont	16.01	9.62	66.4	132.4	126.9	4.3
MIDEAST	13.80	7.46	85.0	114.1	98.4	16.0
Delaware	8.91	4.21	111.6	73.7	55.5	32.8 ²
Maryland	12.00	6.33	89.6	99.3	83.5	18.9 ²
New Jersey	11.24	6.59	70.6	93.0	86.9	7.0
New York	16.23	8.79	84.6	134.2	116.0	15.7 ²
Pennsylvania	12.19	6.17	97.6	100.8	81.4	23.8 ²
GREAT LAKES	11.29	6.78	66.5	93.4	89.4	4.5
Illinois	11.21	6.37	76.0	92.7	84.0	10.4
Indiana	10.07	7.08	42.2	83.3	93.4	— 10.8
Michigan	12.08	7.31	65.3	99.9	96.4	3.6
Ohio	9.86	5.87	68.0	81.6	77.4	5.4
Wisconsin	14.78	8.91	65.9	122.2	117.5	4.0
PLAINS	11.32	8.25	37.2	93.6	108.8	— 14.0
Iowa	11.08	9.22	20.2	91.6	121.6	— 24.7 ³
Kansas	10.53	8.71	20.9	87.1	114.9	— 24.2 ³
Minnesota	13.74	9.38	46.5	113.6	123.7	— 8.2
Missouri	10.34	6.14	68.4	85.5	81.0	5.6
Nebraska	10.40	7.69	35.2	86.0	101.5	— 15.3 ³
North Dakota	9.59	11.27	— 14.9	79.3	148.7	— 46.7 ³
South Dakota	11.72	10.79	8.6	96.9	142.3	— 32.0 ³
SOUTHEAST	10.56	7.86	34.4	87.3	103.7	— 15.8
Alabama	9.59	7.00	37.0	79.3	92.3	— 14.1
Arkansas	9.43	7.92	19.1	78.0	104.5	— 25.4 ³
Florida	10.70	9.20	16.3	88.5	121.4	— 27.1 ³
Georgia	10.43	7.67	36.0	86.3	101.2	— 14.7
Kentucky	10.59	6.47	63.7	87.6	85.4	2.6
Louisiana	12.02	10.43	15.2	99.4	137.6	— 27.8 ³
Mississippi	11.38	9.37	21.5	94.1	123.6	— 23.9 ³
North Carolina	10.49	8.25	27.2	86.8	108.8	— 20.2 ³
South Carolina	10.67	8.61	23.9	88.3	113.6	— 22.3 ³
Tennessee	10.10	7.32	38.0	83.5	96.6	— 13.6
Virginia	10.38	6.09	70.4	85.9	80.3	7.0
West Virginia	10.97	6.81	61.1	90.7	89.8	1.0

TABLE VIII

**Most States Registering an Above Average Increase in Tax Burdens Between
1953 and 1973 Are Located in the New England, Mideast and
Great Lakes Regions (Cont'd.)**

(State-Local Tax Revenue in Relation to State Personal Income)

State and Region	Tax Revenue as a Percent of Personal Income			State Percent Related to U.S. Average (U.S. = 100.0)		
	1973	1953	Percent Increase or Decrease (—)	1973	1953	Percent Increase or Decrease (—)
SOUTHWEST	10.22	7.34	39.2	84.5	96.8	— 12.7
Arizona	12.70	8.50	49.4	105.0	112.1	— 6.3
New Mexico	12.06	8.66	39.3	99.8	114.2	— 12.6
Oklahoma	9.67	9.07	6.6	80.0	119.7	— 33.2 ³
Texas	9.75	6.68	46.0	80.6	88.1	— 8.5
ROCKY MOUNTAIN	11.66	8.60	35.6	96.4	113.5	— 15.1
Colorado	11.44	8.93	28.1	94.6	117.8	— 19.7 ³
Idaho	11.11	9.00	23.4	91.9	118.7	— 22.6 ³
Montana	12.07	7.62	58.4	99.8	100.5	— 0.9
Utah	12.17	8.44	44.2	100.7	111.3	— 9.5
Wyoming	12.04	8.73	37.9	99.6	115.2	— 13.5
FAR WEST⁴	13.53	8.34	62.2	111.9	110.0	1.7
California	13.99	8.41	66.3	115.7	110.9	4.3
Nevada	12.72	7.93	60.4	105.2	104.6	0.6
Oregon	11.72	8.24	42.2	96.9	108.7	— 10.9
Washington	11.80	8.07	46.2	97.6	106.5	— 8.4
Alaska	8.92	5.03 ⁵	77.3	73.8	66.4	11.1
Hawaii	13.05	8.23 ⁵	58.6	107.9	108.6	— 0.6

¹Excluding the District of Columbia.

²Indicates states that have increased their relative tax burdens by 15 percent or more.

³Indicates states where the relative tax burden has fallen by 15 percent or more.

⁴Excluding Alaska and Hawaii.

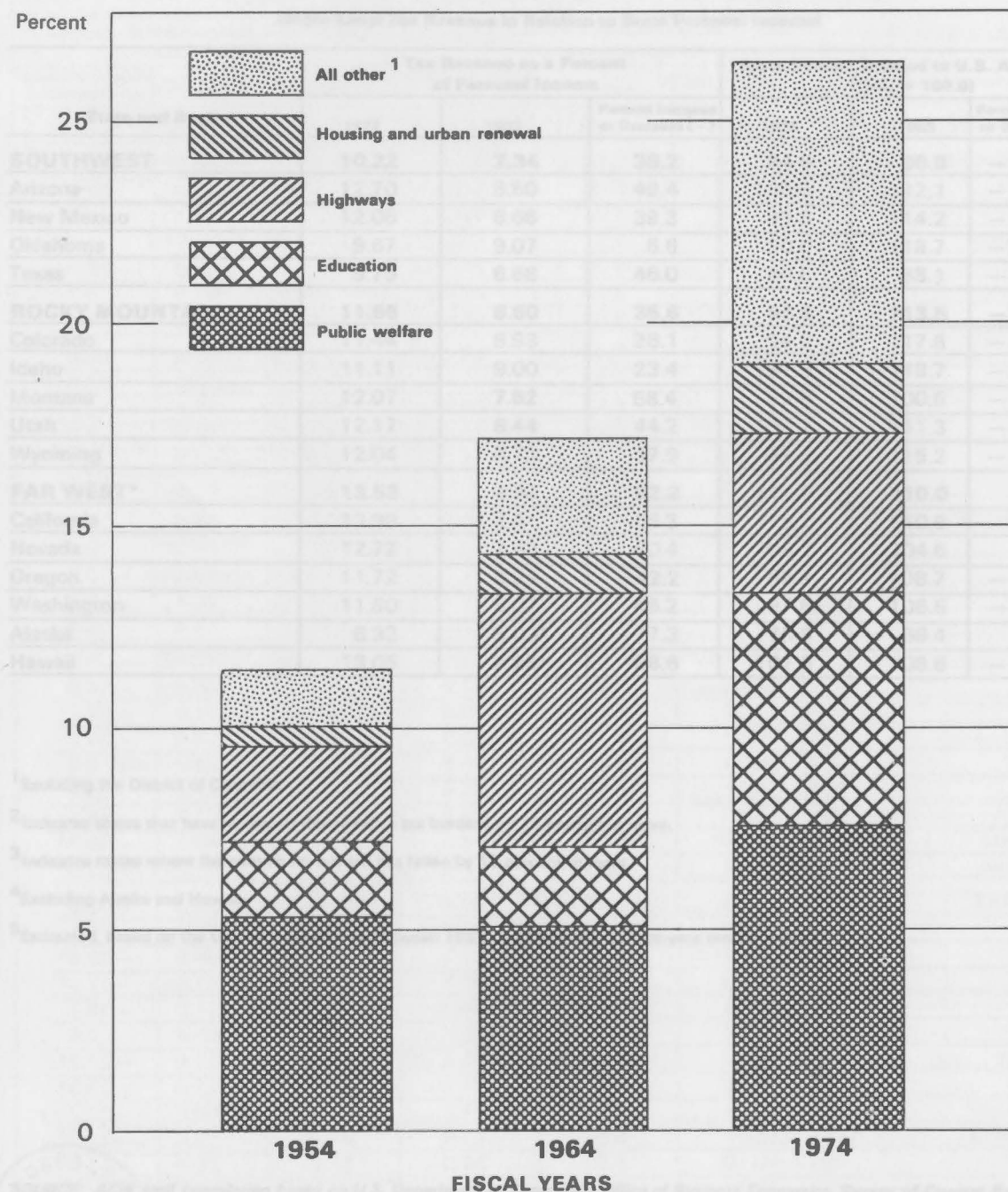
⁵Estimated, based on the U.S. average change between 1953 and 1957 (the earliest year readily available).

SOURCE: ACIR staff compilation based on U.S. Department of Commerce, Office of Business Economics, *Survey of Current Business*, various years; and U.S. Bureau of the Census, *Governmental Finances*, various years.

CHART IX

Federal Aid Registers a Dramatic Increase in Relation to State-Local Own Source Revenue: 1954-1974

(Federal Aid as a Percent of State-Local General Revenue From Own Sources)



¹ Includes general revenue sharing payments in 1974 (3.7 percent of state-local revenue)

Source: Table IX

TABLE IX

Federal Aid Registers a Dramatic Increase in Relation to State-Local Own Source Revenue: 1954, 1964, and 1969 through 1974

Fiscal Year	Total Federal Aid		Education	Highways	Public Welfare	Housing and Urban Renewal	All Other (Including Revenue Sharing ¹)
	Amount	As a Percent of State-Local General Revenue From Own Sources					
Amount (in millions)							
1954	\$ 2,967	11.4	\$ 475	\$ 530	\$ 1,439	\$ 90 *	\$ 433
1964	10,097	17.3	1,371	3,628	2,973	564	1,561
1969	19,421	20.4	4,775	4,352	6,358	921	3,015
1970	23,257	21.4	5,844	4,608	7,574	1,609	3,622
1971	27,500	23.2	6,802	4,987	9,766	1,611	4,334
1972	33,584	24.9	7,941	5,108	13,251	1,981	5,303
1973	41,666	27.6	8,666	5,276	12,097	2,121	13,506
1974*	43,500	26.5	9,200	5,650	13,000	2,300	13,350
Annual Percent Change							
1954	—	—	—	—	—	—	—
1964	13.0 ²	—	11.2 ²	21.2 ²	7.5 ²	20.1 ²	13.7 ²
1969	14.0 ³	—	28.3 ³	3.7 ³	16.4 ³	10.3 ³	14.1 ³
1970	19.8	—	22.4	5.9	19.1	74.7	20.1
1971	18.2	—	16.4	8.2	28.9	0.1	19.7
1972	22.1	—	16.7	2.4	35.7	23.0	22.4
1973	24.1	—	9.1	3.3	-8.7	7.1	154.7
1974	4.4	—	6.2	7.1	7.5	8.4	-1.2
Percentage Distribution							
1954	100.0	—	16.0	17.9	48.5	13.0	14.6
1964	100.0	—	13.6	35.9	29.4	5.6	15.5
1974	100.0	—	21.1	13.0	29.9	5.3	30.7

* Estimate.

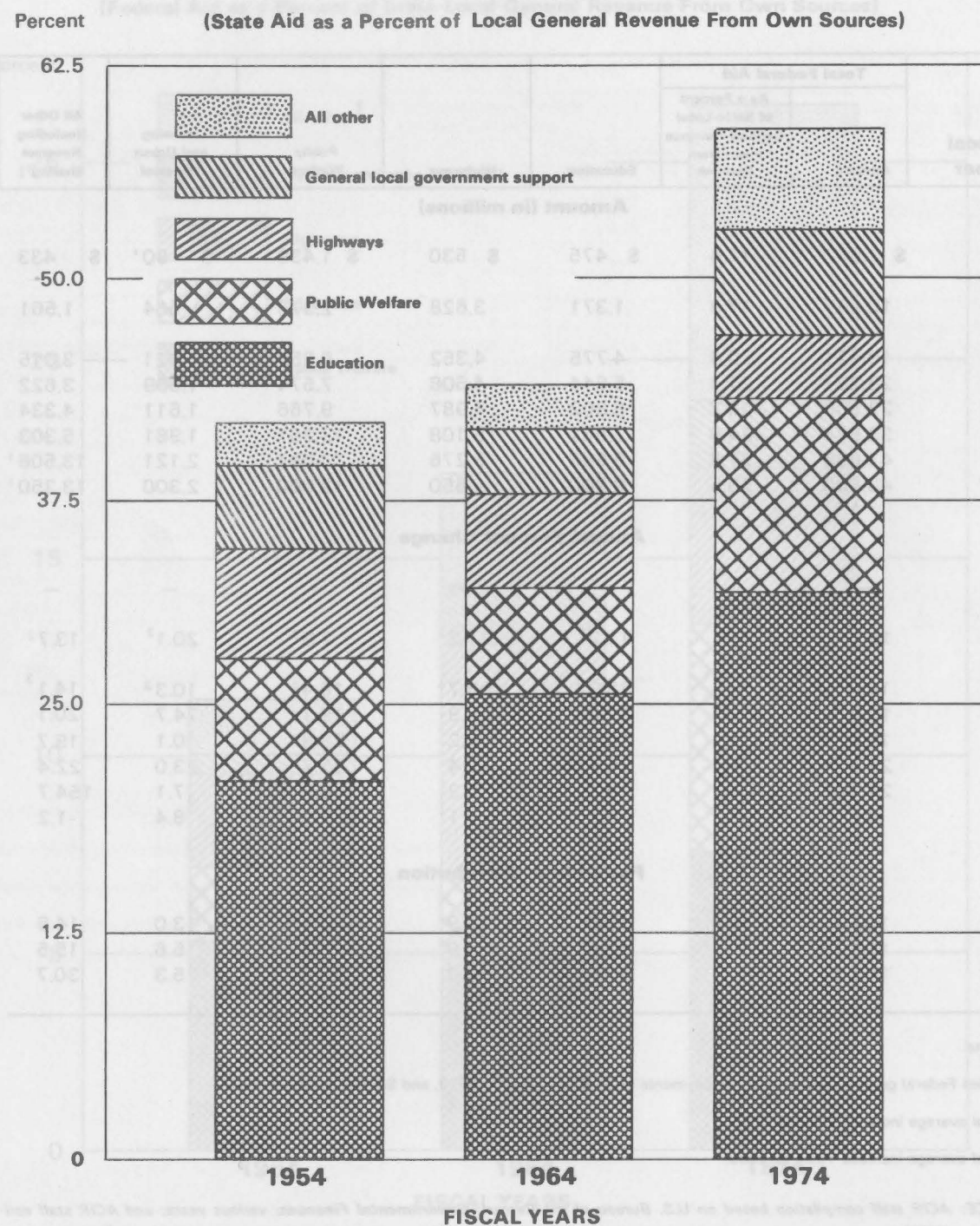
¹ Includes Federal general revenue sharing payments of \$6,636-million in 1973, and \$6,100-million in 1974.

² Annual average increase 1954 to 1964.

³ Annual average increase 1964 to 1969.

SOURCE: ACIR staff compilation based on U.S. Bureau of the Census, *Governmental Finances*, various years; and ACIR staff estimates.

CHART X
State Aid Registers Steady Increase in Relation to Local Own Source Revenue:
1954-1974



Source: Table X.

TABLE X
State Aid Registers Steady Increase in Relation to Local
Own Source Revenue: 1954, 1964, and 1969 through 1974

Fiscal Year	Total State Aid		General Local Government Support	Education	Highways	Public Welfare	All Other
	Amount	As a Percent of Local General Revenue From Own Sources					
Amount (in millions)							
1954	\$ 5,679	41.7	\$ 600	\$ 2,930	\$ 871	\$1,004	\$ 274
1964	12,968	42.9	1,053	7,664	1,524	2,108	619
1969	24,779	54.0	2,135	14,858	2,109	4,402	1,275
1970	28,892	56.2	2,958	17,085	2,439	5,003	1,408
1971	32,640	57.3	3,258	19,292	2,507	5,760	1,823
1972	36,759	57.0	3,752	21,195	2,633	6,944	2,235
1973	40,822	57.9	4,280	23,316	2,953	7,532	2,742
1974 est.	45,000	57.5	4,700	25,800	3,200	8,400	2,900
Annual Percent Change							
1954	—	—	—	—	—	—	—
1964	8.6 ¹	—	5.8 ¹	10.1 ¹	5.8 ¹	7.7 ¹	8.5 ¹
1969	13.8 ²	—	15.2 ²	14.2 ²	6.7 ²	15.9 ²	15.6 ²
1970	16.6	—	38.5	15.0	15.6	13.7	10.4
1971	13.0	—	10.1	12.9	2.8	15.1	29.5
1972	12.6	—	15.2	9.9	5.0	20.6	22.6
1973	11.1	—	14.1	10.0	12.2	8.5	22.7
1974	10.2	—	9.8	10.7	8.4	11.5	5.8
Percentage Distribution							
1954	100.0	—	10.6	51.6	15.3	17.7	4.8
1964	100.0	—	8.1	59.1	11.8	16.3	4.8
1974	100.0	—	10.4	57.3	7.1	18.7	6.4

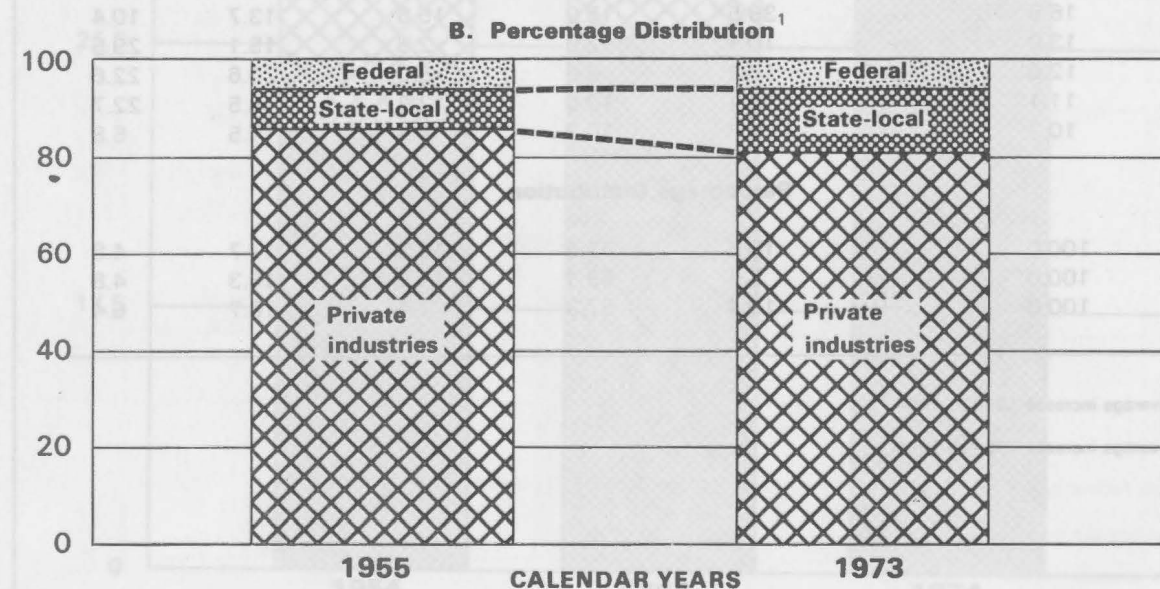
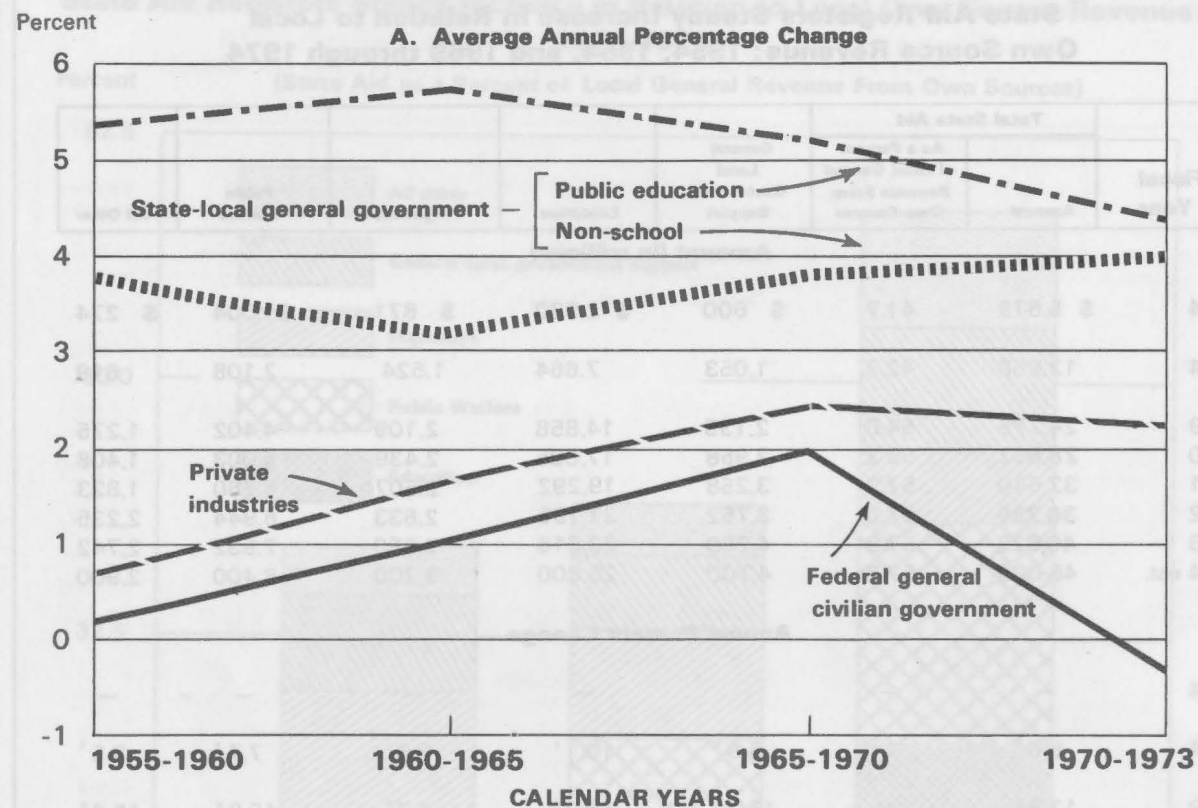
¹Annual average increase 1954 to 1964.

²Annual average increase 1964 to 1969.

SOURCE: ACIR staff compilation based on U.S. Bureau of the Census, *Governmental Finances*, various years; and ACIR staff estimates.

CHART XI

The State-Local Sector Registers the Greatest Employment Gains: 1955-1973



¹Excluding Federal military (3.0-million in 1955 and 2.3-million in 1973)

Source: Table XI

TABLE XI

The State-Local Sector Registers the Greatest Employment Gains: 1955-1973

A. Number of Full Time Equivalent Employees

Industry	Number of Full Time Equivalent Employees (in thousands)					Percent Increase or Decrease (—)
	1973	1970	1965	1960	1955	
All industries	75,948	71,587	62,586	57,098	54,864	38.4
Private industries	61,246	57,138	50,742	46,676	45,103	35.8
Agriculture, forestry & fisheries	1,388	1,373	1,658	1,923	2,040	— 32.0
Mining	643	629	637	701	807	— 20.3
Contract construction	3,954	3,481	3,212	2,863	2,807	40.9
Manufacturing	20,147	19,415	18,087	16,761	16,959	18.8
Transportation	2,422	2,430	2,296	2,359	2,583	— 6.2
Communication	1,148	1,112	871	832	831	38.1
Electric, gas & sanitation services	728	691	626	616	587	24.0
Wholesale and retail trade	14,060	12,907	10,916	9,874	9,234	52.3
Wholesale trade	3,835	3,579	3,103	2,828	2,600	47.5
Retail trade	10,225	9,328	7,813	7,046	6,634	54.1
Finance, insurance & real estate	3,709	3,364	2,768	2,472	2,186	69.7
Services	13,047	11,736	9,671	8,275	7,069	84.6
General civilian government	11,093	10,062	8,269	6,934	5,854	89.5
Federal	2,010	2,036	1,837	1,745	1,716	17.1
State & local	9,083	8,026	6,432	5,189	4,138	119.5
Public education	4,812	4,226	3,289	2,494	1,915	151.3
Non-school	4,271	3,800	3,143	2,695	2,223	92.1
Government enterprises & military ¹	3,605	4,383	3,841	3,484	3,902	— 7.6

Government Employment as a Percentage of Private Industry Employment

General civilian government	18.1	17.6	16.3	14.9	13.0
Federal	3.3	3.6	3.6	3.7	3.8
State & local	14.8	14.0	12.7	11.1	9.2
Public education	7.9	7.4	6.5	5.3	4.2
Non-school	7.0	6.7	6.2	5.8	4.9
Government enterprises & military	5.9	7.7	7.6	7.4	8.6

Private-Public Employment Growth: 1955-1973

Private	35.8%
Federal general civilian government	17.1
State-local general government	119.5
Public education	151.3
Non-school	92.1

¹Federal military, 2.3-million in 1973; and Federal, state, local enterprises, 1.3-million in 1973.

SOURCE: ACIR staff compilations based on U.S. Department of Commerce, *Survey of Current Business*, various years (National Income Account).

TABLE XI

The State-Local Sector Registers The Greatest Employment Gains: 1955-1973 (Cont'd.)

B. Average Annual Percent Change in Number of Employees

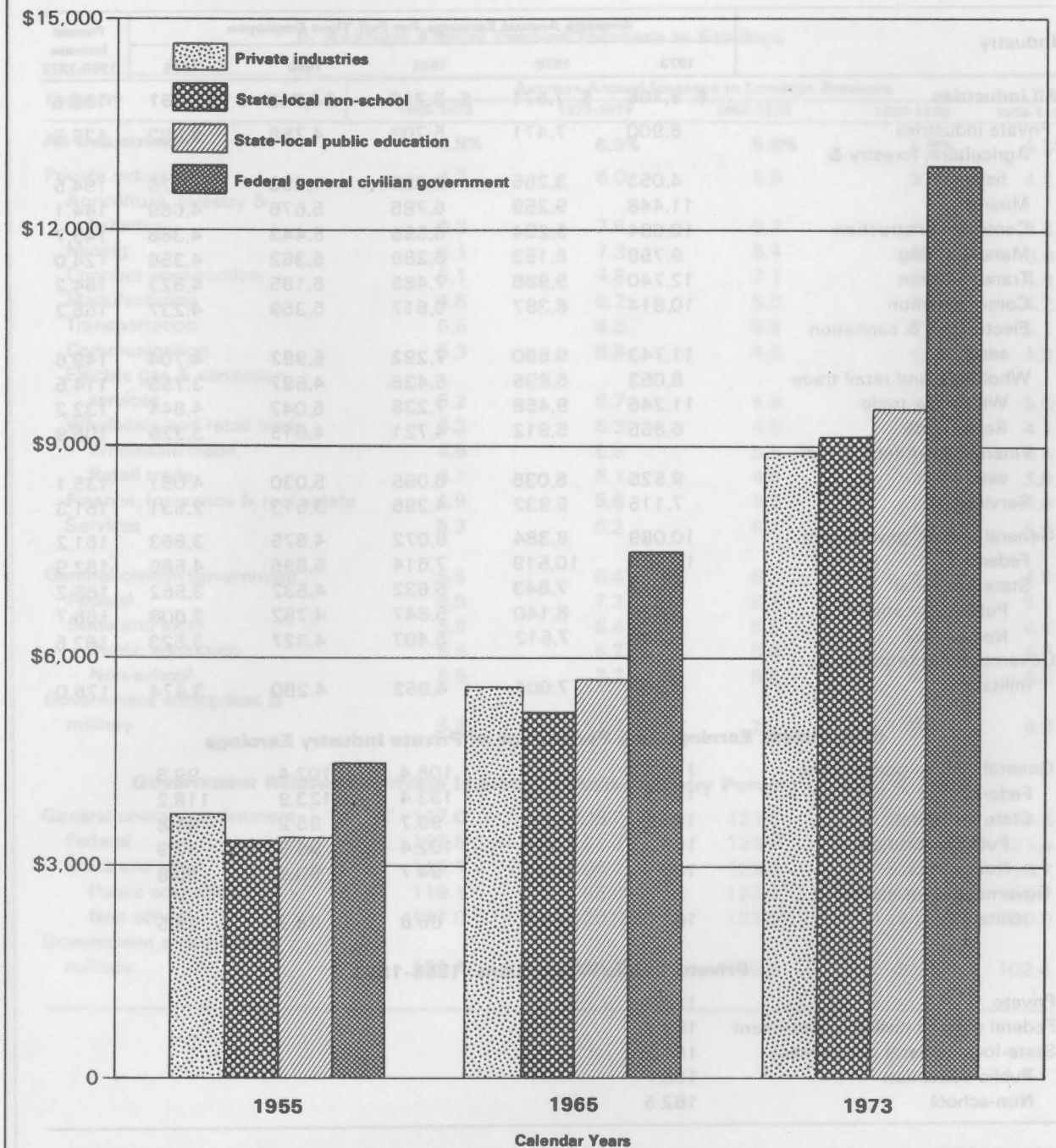
Industry	Average Annual Increase or Decrease (-) in Number of Employees Between -				
	1955-1973	1970-1973	1965-1970	1960-1965	1955-1960
All industries	1.8%	2.0%	2.6%	1.9%	0.8%
Private industries	1.7	2.3	2.4	1.7	0.7
Agriculture, forestry & fisheries	-2.1	0.4	-3.7	-2.9	-1.2
Mining	-1.3	0.7	-0.3	-1.9	-2.8
Contract construction	1.9	4.3	1.6	2.3	0.4
Manufacturing	1.0	1.2	1.4	1.5	-0.2
Transportation	-0.4	-0.1	1.1	-0.5	-1.8
Communication	1.8	1.1	5.0	0.9	*
Electric, gas & sanitation services	1.2	1.8	2.0	0.3	1.0
Wholesale and retail trade	2.4	2.9	3.4	2.0	1.3
Wholesale trade	2.2	2.3	2.9	1.9	1.7
Retail trade	2.4	3.1	3.6	2.1	1.2
Finance, insurance & real estate	3.0	3.3	4.0	2.3	2.5
Services	3.5	3.6	3.9	3.2	3.2
General civilian government	3.6	3.3	4.0	3.6	3.4
Federal	0.9	-0.4	2.1	1.0	0.3
State & local	4.5	4.2	4.5	4.4	4.6
Public education	5.3	4.4	5.1	5.7	5.4
Non-school	3.7	4.0	3.9	3.1	3.9
Government enterprises & military	-0.5	-6.3	2.7	2.0	-2.2
Government Related to Private Industry (Private Industry Percent Change = 100.0)					
General civilian government	211.8	43.5	166.7	211.8	485.7
Federal	52.9	-17.4	87.5	58.8	42.9
State & local	264.7	182.6	187.5	258.8	657.1
Public education	311.8	191.3	212.5	335.3	771.4
Non-school	217.6	173.9	162.5	182.4	557.1
Government enterprises & military	-29.4	-273.9	112.5	117.7	-314.3

* Less than 0.05 percent.

SOURCE: ACIR staff compilations based on U.S. Department of Commerce, *Survey of Current Business*, various years (National Income Account).

CHART XII

Federal Employees Register The Greatest Wage Gains: 1955-1973

Average
Annual
Earnings

Source: Table XII.

TABLE XII

Federal Employees Register the Greatest Wage Gains: 1955-1973**A. Average Annual Earnings**

Industry	Average Annual Earnings Per Full Time Employee					Percent Increase 1955-1973
	1973	1970	1965	1960	1955	
All industries	\$ 9,106	\$ 7,571	\$ 5,710	\$4,743	\$3,851	136.5
Private industries	8,900	7,471	5,708	4,759	3,882	129.3
Agriculture, forestry & fisheries	4,053	3,255	2,053	1,658	1,376	194.5
Mining	11,448	9,259	6,785	5,676	4,689	144.1
Contract construction	10,694	9,294	6,595	5,443	4,388	143.7
Manufacturing	9,758	8,153	6,389	5,352	4,356	124.0
Transportation	12,740	9,988	7,485	6,185	4,823	164.2
Communication	10,814	8,397	6,617	5,369	4,237	155.2
Electric gas & sanitation services	11,743	9,680	7,292	5,992	4,704	149.6
Wholesale and retail trade	8,053	6,895	5,436	4,597	3,755	114.5
Wholesale trade	11,246	9,458	7,238	6,047	4,844	132.2
Retail trade	6,855	5,912	4,721	4,015	3,329	105.9
Finance, insurance & real estate	9,525	8,035	6,055	5,030	4,051	135.1
Services	7,115	5,932	4,295	3,513	2,831	151.3
General civilian government	10,089	8,384	6,072	4,875	3,863	161.2
Federal	12,984	10,519	7,614	5,895	4,589	182.9
State and local	9,448	7,843	5,632	4,532	3,562	165.2
Public education	9,624	8,140	5,847	4,752	3,608	166.7
Non-school	9,248	7,512	5,407	4,327	3,523	162.5
Government enterprises & military	9,589	7,001	4,952	4,280	3,474	176.0

Government Earnings as a Percentage of Private Industry Earnings

General civilian government	113.4	112.2	106.4	102.4	99.5
Federal	145.9	140.8	133.4	123.9	118.2
State and local	106.2	105.0	98.7	95.2	91.8
Public education	108.1	109.0	102.4	99.9	92.9
Non-school	103.9	100.5	94.7	90.9	90.8
Government enterprises & military	107.7	93.7	86.8	89.9	89.5

Private-Public Wage Gains: 1955-1973

Private	129.3
Federal general civilian government	182.9
State-local general government	165.2
Public education	166.7
Non-school	162.5

SOURCE: ACIR staff compilations based on U.S. Department of Commerce, *Survey of Current Business*, various years (National Income Account).

TABLE XII

Federal Employees Register the Greatest Wage Gains: 1955-1973 (Cont'd.)**B. Average Annual Percent Increase in Earnings**

Industry	Average Annual Increase in Earnings Between				
	1955-1973	1970-1973	1965-1970	1960-1965	1955-1960
All Industries	4.9%	6.3%	5.8%	3.8%	4.3%
Private industries	4.7	6.0	5.5	3.7	4.2
Agriculture, forestry & fisheries	6.2	7.6	9.7	4.4	3.8
Mining	5.1	7.3	6.4	3.6	3.9
Contract construction	5.1	4.8	7.1	3.9	4.4
Manufacturing	4.6	6.2	5.0	3.6	4.2
Transportation	5.5	8.5	5.9	3.9	5.1
Communication	5.3	8.8	4.9	4.3	4.8
Electric gas & sanitation services	5.2	6.7	5.8	4.0	5.0
Wholesale and retail trade	4.3	5.3	4.9	3.4	4.1
Wholesale trade	4.8	5.9	5.5	3.7	4.5
Retail trade	4.1	5.1	4.6	3.3	3.8
Finance, insurance & real estate	4.9	5.8	5.8	3.8	4.4
Services	5.3	6.2	6.7	4.1	4.4
General civilian government	5.5	6.4	6.7	4.5	4.8
Federal	5.9	7.3	6.7	5.3	5.1
State and local	5.6	6.4	6.8	4.4	4.9
Public education	5.6	5.7	6.8	4.2	5.7
Non-school	5.5	7.2	6.8	4.6	4.2
Government enterprises & military	5.8	11.1	7.2	3.0	4.3

Government Related to Private Industry (Private Industry Percent Change = 100.0)

General civilian government	117.0	106.7	121.8	121.6	114.3
Federal	125.5	121.7	121.8	143.2	121.4
State and local	119.1	106.7	123.6	118.9	116.7
Public education	119.1	95.0	123.6	113.5	135.7
Non-school	117.0	120.0	123.6	124.3	100.0
Government enterprises & military	123.4	185.0	130.9	81.1	102.4

SOURCE: ACIR staff compilations based on U.S. Department of Commerce, *Survey of Current Business*, various years (National Income Account).

SELECTED ACIR PUBLIC FINANCE REPORTS

- Intergovernmental Cooperation in Tax Administration*, A Commission Report A-7, (Washington, D.C.: June 1961), 20 pp.
- Local Nonproperty Taxes and the Coordinating Role of the State*, A Commission Report A-9, (Washington, D.C.: September 1961), 68 pp.
- The Role of the States in Strengthening the Property Tax*, A Commission Report A-17, Washington, D.C.: Government Printing Office, June 1963, Vol. I (187 pp.) and Vol. II (182 pp.).
- Federal-State Coordination of Personal Income Taxes*, A Commission Report A-27, (Washington, D.C.: Government Printing Office, October 1965), 203 pp.
- State-Local Taxation and Industrial Location*, A Commission Report A-30, (Washington, D.C.: Government Printing Office, April 1967), 114 pp.
- Fiscal Balance in the American Federal System*, A Commission Report A-31, (Washington, D.C.: Government Printing Office, October 1967), Vol. I, 355 pp.
- Fiscal Balance in the American Federal System—Metropolitan Fiscal Disparities*, A Commission Report A-31, (Washington, D.C.: Government Printing Office, October 1967), Vol. II, 393 pp.
- State Aid To Local Government*, A Commission Report A-34, (Springfield, Virginia: National Technical Information Service, April 1969), 105 pp.
- Urban America and the Federal System*, Commission Findings and Proposals M-47, (Springfield, Virginia: National Technical Information Service, October 1969), 140 pp.
- Federal Approaches To Aid State and Local Capital Financing*, A Commission Report A-37, (Washington, D.C.: Government Printing Office, September 1970), 71 pp.
- Revenue Sharing—An Idea Whose Time Has Come*, An Information Report M-54, (Washington, D.C.: Government Printing Office, December 1970), 29 pp.
- Measuring the Fiscal Capacity and Effort of State and Local Areas*, An Information Report M-58, (Washington, D.C.: Government Printing Office, March 1971), 209 pp.
- In Search of Balance—Canada's Intergovernmental Experience*, A Commission Report M-68, (Washington, D.C.: Government Printing Office, September 1971), 123 pp.
- Financing Schools and Property Tax Relief—A State Responsibility*, A Commission Report A-40, (Washington, D.C.: Government Printing Office, January 1973), 261 pp.
- City Financial Emergencies: The Intergovernmental Dimension*, A Commission Report A-42, (Washington, D.C.: Government Printing Office, July 1973), 186 pp.
- The Value-Added Tax and Alternative Sources of Federal Revenue*, An Information Report M-78, (Washington, D.C.: Government Printing Office, August 1973), 86 pp.
- The Expenditure Tax: Concept, Administration and Possible Applications*, An Information Report M-84, (Washington, D.C.: Government Printing Office, March 1974), 56 pp.
- Changing Public Attitudes on Governments and Taxes*, A Commission Survey S-3, (Washington, D.C.: Government Printing Office, June 1974), 9 pp.
- Local Revenue Diversification: Income, Sales Taxes & User Charges*, A Commission Report A-47, (Washington, D.C.: Government Printing Office, October 1974), 85 pp.
- General Revenue Sharing: An ACIR Re-evaluation*, A Commission Report A-48, (Washington, D.C.: Government Printing Office, October 1974), 65 pp.
- The Property Tax in a Changing Environment*, An Information Report M-83, (Washington, D.C.: Government Printing Office, March 1974), 297 pp.

What is ACIR ?



The Advisory Commission on Intergovernmental Relations (ACIR) was created by Congress in 1959 to monitor the operation of the American federal system and to recommend improvements. ACIR is a permanent national bipartisan body representing the executive and legislative branches of Federal, State and local government and the public.

Of the 26 Commission members, nine represent the Federal government, 14 represent State and local governments and three represent the general public. Twenty members are appointed by the President. He names three private citizens and three Federal executive officials directly and selects four governors, three State legislators, four mayors and three elected county officials from slates nominated, respectively, by the National Governors' Conference, the Council of State Governments, the National League of Cities/U.S. Conference of Mayors, and the National Association of Counties. The other six are Members of Congress—three Senators appointed by the President of the Senate and three Representatives appointed by the Speaker of the House. Commission members serve two-year terms and may be reappointed. The Commission names an Executive Director who heads the small professional staff.

After selecting specific intergovernmental issues for investigation, ACIR follows a multi-step procedure that assures review and comment by representatives of all points of view, all affected levels of government, technical experts and interested groups. The Commission then debates each issue and formulates its policy positions. Commission findings and recommendations are published and draft bills and executive orders are developed to assist in implementing ACIR policies.



16th Annual Report
ACIR:
THE YEAR
IN REVIEW



Advisory Commission on Intergovernmental Relations
WASHINGTON, D.C. 20575 • JANUARY 1975

M-88



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



January 31, 1975

Dear Mr. President:

I have the honor to submit the Sixteenth Annual Report of the Advisory Commission on Intergovernmental Relations, pursuant to Public Law 86-360 which requires the submission of a report on or before January 31st of each year. As provided in the statute, this report also is being transmitted to the Vice President and to the Speaker of the House of Representatives.

Respectfully submitted,

Robert E. Marrian
Robert E. Marrian

16th Annual Report
**ACIR:
THE YEAR
IN REVIEW**

REM/ee
enc.

Advisory Commission on Intergovernmental Relations
WASHINGTON, D.C. 20575 • JANUARY 1975
M-88

The President
The White House



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

January 31, 1975

Dear Mr. President:

I have the honor to submit the Sixteenth Annual Report of the Advisory Commission on Intergovernmental Relations, pursuant to Public Law 86-380 which requires the submission of a report on or before January 31st of each year. As provided in the statute, this report also is being transmitted to the Vice President and to the Speaker of the House of Representatives.

Respectfully submitted,


Robert E. Merriam, Chairman

REM/em
enc.

The President
The White House

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ACIR: The Year in Review

The work of the Advisory Commission on Intergovernmental Relations in 1974 centered on efforts to identify and suggest remedies for the revenue problems of state and local governments, the structural problems of those units, and the problems of providing services at the state, regional, and local levels. These three goals were pursued through a series of related research efforts and through an expanded effort at publicizing Commission recommendations and providing technical assistance to governments interested in adopting them.

Focusing on state and local revenue, the Commission concluded the first phase of its revenue sharing monitoring project; conducted additional research and surveys and published new studies on the local property tax; encouraged local revenue diversification by reversing an earlier position and calling for adoption of local sales and income taxes; and, at year's end, began a major study of Federal grant programs.

With the awareness that local governments may not be institutionally or geographically able to provide the range of desired services, even if they are fiscally able to do so, the Commission continued its work on local government modernization and substate or regional instrumentalities. In February, the Commission

adopted the last two reports in its comprehensive six-volume study of substate regionalism dealing with local government reorganization and the performance of functions at the local, regional, and state levels. The Commission also moved to apply the basic principles of its substate regionalism study to immediate, pressing problems. To that end, at its winter meeting the Commission adopted a nine-point program applying some of those principles to the planning, funding, and provision of transportation in metropolitan and rural areas.

Particular attention was also paid in 1974 to encouraging appropriate units of government to adopt Commission recommendations treating the three concerns: strengthening state and local revenue systems, modernizing local governments, and rethinking the distribution of responsibility for the provision of services. Since many of these reforms call for state action as a first priority, ACIR focused its implementation efforts most heavily on the state capitols.

The ACIR Approach

ACIR is a national, bipartisan body established by Congress in 1959 to study points of intergovernmental conflict and tension and to make recommendations for easing them and thereby improving the system. Because of its unique stature as a per-



manent commission, ACIR is able to follow-up on its recommendations, encouraging and assisting the legislative and executive branches of Federal, state, and local governments to implement them.

The work of the Commission flows in three stages: staff research and information gathering at the direction of the Commission; policy making by the Commission; and efforts by both Commission and staff to see that adopted policies are implemented.

Research and Policy Making. The Commission prepares an agenda of topics for study and investigation. Information is gathered by a variety of methods including library research, Commission hearings, staff surveys and field studies.

To assure that all relevant aspects of each study topic are reflected in the findings and background sections of a report, the staff conducts "thinkers' sessions" at the beginning of a research project to help define its scope. "Critics' sessions" are scheduled near the completion of a project to avoid errors of omission or bias in the draft prepared for the Commission. Participants in these shirt-sleeve sessions usually include representatives of Congressional staffs and appropriate government agencies, spokesmen of public interest groups, members of the academic community, and representatives of relevant civic, labor, and business associations.

When the background and findings are prepared, they are presented to the Commission with alternative recommendations. The Commission debates the report at a public meeting and votes on policy recommendations.

Implementation

The Commission recognizes that its contribution to strengthening the federal system will be rightfully

measured largely by its degree of success in actually fostering significant improvements in the relationships between and among Federal, state, and local governments. Hence, it devotes a significant share of its resources to encouraging the consideration of its recommendations for legislative and administrative action by governments at all levels.

When the Commission makes recommendations for changes at the national level, draft bills are frequently developed for consideration by Congress. Congressional members of the Commission have introduced these measures, which are referred to appropriate committees and considered along with other pending legislation.

Commission recommendations for changes at the national level are transmitted to the Congress, the President, his executive office, or the heads of individual departments and agencies as appropriate. Pursuant to its statutory mandate instruction to "make available technical assistance to the executive and legislative branches of the Federal government in the review of proposed legislation to determine its overall effect on the federal system," ACIR receives many requests from Congressional committee chairmen, the Office of Management and Budget, and other Federal agencies to review and comment on proposals and pending legislation. If the proposal deals with a subject on which the Commission has taken a policy position, that fact is reported along with the Commission's supporting arguments. If the Commission has taken no policy position on the subject, that fact is reported. Frequently, when a proposal would have a significant impact on intergovernmental relations, and when there is sufficient guidance from Commission recommendations on related matters, staff comments are offered clearly labeled "Staff Comments."

The ACIR staff also receives frequent requests from Congressional committees and executive agencies to advise and assist in the development of proposals that would implement Commission recommendations for action or that are in areas where the staff has competence. Within the limits of available staff, the Commission responds affirmatively to these requests.

ACIR recommendations for state action are translated into model legislative language for consideration by state legislatures. These draft proposals are made available to Governors, state legislative leaders, state administrative officials, other state and local policymakers, and interested citizens.

In 1974, state implementation efforts were focused on the twin objectives of assuring the widest possible distribution of Commission recommendations to relevant public officials and of expanding direct technical assistance to the states. To those ends, ACIR distributed several thousand "Legislator's Guides" proposing state action on ACIR recommendations, and in response to this expanded exposure, staff was significantly involved in providing technical assistance at the request of more than 20 states. That assistance involved preparing specially tailored materials, modifying ACIR model bills, testifying before legislative committees, and working with citizen study commissions, state agencies, legislative committees, and Governors' staffs. ACIR staff also presented papers on its work or undertook other implementation activities at some 20 major national conferences, policy workshops, and other forums in 1974.

In addition, the Commission seeks formal support for its recommendations from the various organizations of state and local officials with which it cooperates, such as the National

Governors' Conference; the Council of State Governments; the National Conference of State Legislatures; the National Association of Counties; the International City Management Association; state leagues of municipalities and associations of counties; citizen groups; business, professional, and labor organizations; taxpayers' leagues; bureaus of government research; and other public and private interest groups.

Information Services. ACIR maintains a growing information program. Periodically, Federal, state, and local officials, leaders of public interest groups, and other appropriate organizations across the country receive *Information Bulletins*, staff analyses of current issues; the *Information Interchange Service*, a transmittal service excerpting and reprinting items of intergovernmental interest; and *Congressional Watch*, which follows Congressional legislation and reports on action of intergovernmental interest. The staff also publishes information reports — in-depth analyses of subjects of emerging interest — providing findings and general conclusions, but containing no recommendations.

In 1974, ACIR also developed the *Action Agenda* to provide issue background and describe ACIR recommendations for government decisionmakers who need briefer materials than the standard research volumes. In addition, staff has begun packaging the *Action Agendas* with model draft bills and other supporting materials in *Legislator's Guides*.

In all, staff released nine *Information Bulletins*, six *Interchanges*, four *Congressional Watches*, three *Action Agendas*, and three *Legislator's Guides* during the year.

The Commission staff periodically publishes a fiscal encyclopedia titled *State and Local Finances: Significant Features*. This information report is



a compilation of statistical tabulations from ACIR studies and other sources that serve as a handbook on state-local fiscal systems. A 1973-74 edition, published early in 1974, contains a substantial expansion of information on the property tax.

The Commission staff monitors the action of the states as they fulfill their responsibilities as the "legal parents" of their counties and cities. Each year the Commission publishes a volume titled *State Action* which summarizes those and other key State actions of an intergovernmental nature. *State Action 1973* published in early 1974 focused on state and local governments' accountability, efficiency, and fiscal self-sufficiency.

OMB Circular A-85

ACIR is the administrator of OMB Circular A-85 which provides an assured mechanism for state and local government review of draft Federal regulations having substantial intergovernment implications. The procedure calls for state and local chief executives to suggest changes in the proposals to reflect the interests of elected officials. ACIR distributes the proposals among the general government interest groups for comment and sets up meetings to resolve conflicts. The groups are the National Governors' Conference, Council of State Governments, National League of Cities, U.S. Conference of Mayors, National Association of Counties, and the International City Management Association.

In addition to normal A-85 administration and to the production of an A-85 annual report for the director of the Office of Management and Budget, the Commission staff actively participated with OMB, the Federal agencies, and the public interest groups representing state and local governments in a series of thorough

reviews of the language and performance of Circular A-85 during 1974.

Monitoring Revenue Sharing

In 1974, ACIR completed the first phase of its revenue sharing monitoring project. Undertaken at the specific request of President Nixon when he signed the *State and Local Fiscal Assistance Act of 1972*, the two-year monitoring effort has included four informal public hearings, two of which were held in 1974; a nationwide public opinion poll conducted in 1973; and two surveys of public officials, including one which sampled congressional views in 1974.

Public Hearings. The Commission's two 1974 revenue sharing hearings focused on widely controversial features of the revenue sharing program: use of funds to support social-service-type programs, citizen participation, and enforcement of the non-discriminatory provisions of the law. At its Chicago hearing the Commission heard testimony from that city's fiscal officers, the Rev. Jesse Jackson of Operation PUSH, Mayor Richard G. Hatcher of Gary, Indiana, and panels representing city managers, the United Way, and the Brookings Institution. The Washington, D.C., session included testimony from representatives of the public school boards and the National Clearinghouse on Revenue Sharing—a consortium of citizen's groups monitoring the program.

The main themes running through the two hearings were:

- A concern that local officials might not take full account of the views of their various constituencies, especially the poor, the black, and other minorities.
- A realization that the degree of citizen participation in deciding how to use revenue

sharing funds varies across the board, with no pattern emerging for large central cities, smaller communities, or rural areas.

- A trend toward greater use of revenue sharing dollars for operating expenses and less for capital improvements exists. This may be the result of at least three basic concepts. First, some jurisdictions may have greater confidence in the continuation of the program. Second, some areas may wish to have a record of using their allotments for operating expense to strengthen the case for Congress to continue the program at least at present funding levels. Third, in some jurisdictions, inflation has hurt to the point that virtually all available revenues must go for current expenses.

Survey. The Commission assisted the Intergovernmental Relations Subcommittee of the House Government Operations Committee in the development and conduct of a survey of Congressional attitudes regarding the effectiveness of the revenue sharing program and the prospects for its renewal.

Almost 40 percent of the Congressional membership responded to the questionnaire. The results showed support for program renewal as well as an undercurrent of concern about whether the funds were used in accordance with Congressional expectations. Some skepticism was also apparent regarding the extent to which the states needed the funds in light of what, at the time of the survey, looked like substantial budget surpluses.

Monitoring Results and Recommendations. At its September 1974

meeting, the Advisory Commission on Intergovernmental Relations completed and ordered the publication of the first comprehensive re-evaluation of Federal general revenue sharing. The report strongly urged the early and permanent extension of the program.

The Commission found that the program had harnessed the superior fiscal resources of the Federal government to help states and local governments meet their own program and budget needs, and thereby fostered decentralized decision making.

The study also found that revenue sharing helped to narrow the fiscal gap between rich and poor states and between affluent suburbs and inner cities. It noted that the revenue sharing distribution formulae would be even more equalizing without provisions which require allocations to county areas (but not county governments), municipalities, or township governments to be not less than 20 percent nor more than 145 percent of the average statewide local per capita entitlement. Still, the Commission recommended continuation of the current formula because — despite the above ingredients — the current formula has a significant equalizing effect and because any major change in the formula would threaten the state-local consensus in support of the program.

The Commission supported effective enforcement of civil rights requirements, but suggested that a large separate enforcement staff in the Office of Revenue Sharing (ORS) is not the answer. Instead, the Commission recommended that ORS make additional arrangements with existing Federal, state, and local government agencies to enforce civil rights compliance.

On another major issue, the Commission took note of the allegation frequently expressed at ACIR convened hearings, and elsewhere, that



little revenue sharing money is being devoted to improving or expanding services for the poor. The Commission study found, however, that because of "fungibility" it is virtually impossible to track the flow of funds, determine the impact on expenditure and tax patterns, and evaluate benefits for various social and economic groups.

The Commission weighed the case for Federal budget flexibility and frequent Congressional review over revenue sharing appropriations against the case for state and local government assurance of the permanence and dependability of this funding source. Stressing the need for permanence, the Commission called on Congress to finance revenue sharing out of a permanent trust fund rather than the current method of a five-year appropriation, and to tie the funding to a constant percentage of the Federal personal income tax base.

Property Tax Revisited

The study of the property tax and property tax relief were major items on the Commission's work program in 1974, as they have been at various times in the past.

Major Actions. In 1974, the Commission published *The Property Tax in a Changing Environment: Selected State Studies* which updates ACIR's 1963 property tax report, *The Role of the States in Strengthening the Property Tax*. The bulk of this new study, published as an information report, consists of descriptions of property tax developments between 1963 and 1973 in 33 individual states. Preceding those state-by-state reports is an overview of the decade's property tax developments in all the states.

Based on the Commission's 20 recommendations in the 1963 report and the property tax relief recommenda-

tion in the 1967 report, this new study specifies four basic types of state property tax reform action:

- **Legitimacy.** Close the gap between assessment law and practice;
- **Openness.** Provide each taxpayer with the information he needs to judge the fairness of his assessment and establish a simple appeals procedure;
- **Technical Proficiency.** Assure that the assessor has the qualifications and the equipment necessary to establish and maintain accurate estimates of market value, and provide an administrative structure that facilitates this objective; and
- **Compassion.** Provide tax relief for those whose property taxes represent extraordinary burdens in relation to current income.

In contrast to the general belief that the states are making little or no headway toward property tax reform, this study found that:

... Numerous improvements have been made in many states in the past decade. Considering the political and economic obstacles to reforming assessment administration, the record of change is impressive even though numerous reform measures are still required by most states to bring the property tax to an acceptable level of administration and equity.

State efforts during the 1963-1973 decade to improve the legitimacy of the property tax included dramatic assessment level increases in Kentucky and Oregon. Kentucky moved toward its legal requirement of full

value assessments. Oregon abandoned fractional assessment and then proceeded to bring assessments to within hailing distance of its new full value standard. A number of other states moved to bring assessment law and practice into closer conformity by changing their standards to reflect what seemed achievable.

Greater openness was brought into the assessment system during the decade by such actions as requiring that taxpayers be notified of assessment changes (15 states) and that taxpayers be notified of appeals procedures (eight states). During the decade, 18 states either initiated or improved assessment-sales ratio studies; over 40 states now provide this vital information on a regular basis.

A number of state actions to improve technical proficiency also were taken. Over a third of the states reorganized and strengthened their property tax supervisory agencies between 1963 and 1973, and 12 states took steps to consolidate local assessing jurisdictions. Certification of assessors on the basis of qualifying examinations is now required in 16 states.

Evidence of greater compassion is that all 50 states and the District of Columbia now provide for a circuit-breaker, homestead exemption, or some other type of property tax relief, at least for low-income, elderly homeowners. The majority of these programs are state funded, and more than a third of them include renters as well as owners. During the decade, the circuit-breaker (the subject of the next section) was developed and became the most popular form of property tax relief.

After reviewing the actions of the 50 states in the 1963-1973 decade, 12 states (listed below in alphabetical order) were identified as leaders in property tax reform:

California	Florida
Kentucky	Maine
Maryland	Michigan
Minnesota	Montana
Oregon	Tennessee
Washington	Wisconsin

The Latest on Property Tax Relief.

Since Wisconsin pioneered the circuit-breaker approach to residential property tax relief in 1964 and ACIR recommended this type of relief in 1967 (*Fiscal Balance in the American Federal System*), the circuit-breaker — which relates the property tax burden to income and provides for a state rebate of the "excess" or "overload" — has enjoyed increasing popularity. Today 24 states, and the District of Columbia have such a program; half were adopted in 1973 and 1974. Three additional states have locally financed and administered circuit-breaker programs in some jurisdictions.

To keep up with developments in this important and dynamic area, ACIR surveyed state tax agencies to obtain current information on circuit-breaker provisions, benefits, and costs. The results are presented in *Property Tax Circuit-Breakers: Current Status and Policy Issues*. Some of the key findings are:

- More than 3-million claimants are sharing in about \$450-million of benefits annually.
- State average per capita costs range from less than \$.10 to nearly \$32.00, averaging \$4.40.
- Benefits per claimant average \$148, but range from \$19 to \$317.
- 19 programs include renters as well as owner-occupants.
- Five programs include the non-elderly as well as the elderly.



In addition to survey findings, the report also discusses key policy variables among which policymakers must choose in designing or revamping a circuit-breaker program. Another section also considers some basic criticisms recently leveled against circuit-breakers, and concludes that the criticisms do not undermine the desirability of circuit-breaker programs.

New Mexico's Experiment. New Mexico has introduced a tax relief program with a new wrinkle that is potentially even more effective than circuit-breakers in relieving tax overloads. The program, called the Low Income Comprehensive Tax Credit (LICTC), was enacted in 1972 and revised in 1973 and 1974. It provides relief from some part of all state and local taxes for families that fall below the official poverty line. The relief is granted through a refundable credit against the New Mexico income tax.

Local Government Modernization/Reassignment of Functions

At its February 1974 meeting in Washington, D.C., ACIR completed action on its study of the problems and prospects for local governments and substate regions. Having already made a series of recommendations regarding the structure and function of substate districts (Umbrella Multi-jurisdictional Organizations — UMJOs) at its June 1973 meeting,¹ the Commission turned in February to the two companion elements of the study: local government modernization and reassignment of functions.²

¹See ACIR, *Regional Decision Making: New Strategies for Substate Districts*, A-43, October, 1973.

²See ACIR, *The Challenge of Local Governmental Reorganization*, A-44, February, 1974; and *Governmental Functions and Process: Local and Areawide*, A-45, February, 1974.

The Commission concluded that the rapid proliferation of Federally supported districts, state established districts, special districts and public authorities, regional councils, and areawide coordinating procedures was a commentary on the outmoded jurisdictional pattern of many local governments. It, therefore, adopted a series of recommendations for local government modernization that will complement the UMJO program. This agenda encompasses a half-dozen broad and interrelated objectives:

- to urge the states to place their statutory authority clearly behind a set of enforceable standards relating to municipal incorporation, local government viability, and annexation;
- to seek state establishment of local government boundary commissions to apply these standards in specific instances and to assume a continuing responsibility for the modification of substate district and county boundaries; the dissolution or merger of special districts and non-viable general local government units; and similar problems;
- to revitalize the structure of county governments with a packet of nine reform proposals which would sort out and reconcile county and municipal servicing responsibilities and carry out a new state role that supports these efforts;
- to seek state enactment of permissive legislation authorizing five different reorganization options: multicounty consolidation, city-county merger, "modernized" county, multi-

purpose regional service corporations, and conversion of an UMJO into a general purpose government;

- to provide for the formation of broadly representative, permanent state advisory commissions on intergovernmental relations to probe on a continuing basis the structure, functions, finances, and relationships of governmental levels in the state; and
- to urge the Federal executive branch and Congress to adopt policies which accommodate state and local efforts to reorganize governments at the substate regional and local levels.

The Commission found that present patterns of local assignment of functions are often haphazardly determined by fiscal pressures on state and local government and numerous Federal and state program initiatives. These frequently result in inappropriate and conflicting functional assignments among state, regional, and local levels.

To divide the responsibilities among the levels more consistently and logically, the Commission adopted recommendations calling upon the states to enact an on-going policy and process to deal with the problem. The legislation would formulate general criteria for answering basic questions of the assignment of functions. ACIR also urged the Federal government to respect state and local policies in this area.

The Transportation Report

Building on the findings and recommendations of the substate regionalism study, as well as a year's additional research on the special

problems associated with this functional area, the Commission voted in December 1974 to adopt a nine-point agenda to deal with the nation's regional transportation needs. Covering questions of planning, funding, and service provision, the plan would, if adopted, bring about major changes in Federal, state, and local practices.

Major provisions of the new ACIR policy include:

1. The urban system, secondary highway system, and mass transportation Federal aid programs should be merged into a single block grant to be distributed among metropolitan and non-metropolitan regions according to a formula based primarily on population.

2. This new unified grant could be used for any transportation mode and for either capital or operating purposes; it would be supported by earmarked monies from the National Highway Trust Fund and by regular Congressional appropriations.

3. The funds would be channeled through the states for regions wholly within a single state if the state has — as the Commission believes every state should — a strong intermodal department of transportation (DOT) responsive to overall policy control by the Governor. A substantial intermodal program of financial assistance for regional systems' funds would go directly to regional policy bodies in all interstate regions and in those states not meeting these criteria.

4. Ultimately the funds would be passed on to the appropriate construction, maintenance, and operating units, and, in some



cases, to individual transportation users, by the designated regional policy body in each area in accordance with its own plans and policies.

5. The regional bodies designated for these important Federal aid roles would be required to have well defined authoritative decision making powers, but their form could vary: a strengthened regional council similar to the one in Minneapolis-St. Paul; a city-county consolidated metropolitan government, like that in Jacksonville, Nashville, or Indianapolis; or even a state agency working closely with the locally controlled regional body having responsibilities under the state's substate districting system and under OMB Circular A-95.

6. These regional bodies would have expanded powers to plan and program regional transportation projects in accordance with their comprehensive regional plans and policies. They also would be empowered to monitor and participate in the proceedings of transportation, community development, environmental, and other related regulatory bodies to help coordinate regulatory decisions with comprehensive planning policies.

7. The regional policy bodies would work with a state authorized regional intermodal transportation authority which would have the power to raise funds, coordinate and assist the activities of existing transportation provider organizations, subsidize certain classes of transportation users — like the elderly or the poor — and directly provide such needed transportation fa-

cilities or services as may otherwise be unavailable.

8. State and local transportation financing policies should be made more flexible so that impediments removed from the Federal aid programs would not be perpetuated by out-dated state and local limitations.

9. Finally, the Congress and state legislatures should consider consolidating the various transportation regulatory bodies they have established, creating single intermodal ones charged with considering — in addition to economic criteria — modal productivity and efficiency, energy conservation, desired community development, environmental protection, enhanced mobility, and unhindered access.

Local Revenue Diversification — Income Taxes, Sales Taxes, and User Charges

Finding persuasive new evidence of the plight of local governments which are mainly limited to the property tax, the Commission voted in 1974 to modify its previous and essentially negative position regarding local sales and income taxes. The Commission recommended that states permit general purpose local governments to adopt either a local sales tax or an income tax, or both, in order to achieve a more balanced use of the basic state-local tax instruments — property, income, and sales taxes. Recognizing the pitfalls of an uncoordinated use of local sales and income taxes, the Commission coupled its recommendation with necessary state safeguard actions — the most important of which is the need for a uniform local tax base which should conform to that

of the state if the state imposes the levy.

The Commission was persuaded to alter its previous position on the basis of several developments:

- evidence that local taxpayers favor sales and income taxes over higher property taxes when confronted with the need to increase local revenue yields.
- the steady growth of local sales and income taxes.
- the greater responsiveness of local sales and income taxes to natural economic growth and inflation.
- the recent experience of Virginia with its local sales tax and Maryland with its local income tax which demonstrates that the pitfalls of the "unfettered tax anything" approach can be avoided.

The Commission also recommended that Congress explicitly authorize state governments to impose a sales tax on firms making sales in states where they maintain no place of business and that the sales tax be equal to the state rate plus a single local rate, with the local sales tax position to be distributed by formula among local governments. The Commission also called for the Federal government to withhold local income taxes from Federal employees, and for the states to authorize and encourage local governments to adjust fees and user charges annually to at least reflect changes in financial costs, and to provide technical assistance and consultation as to appropriate areas, methods, and rates of charges.

Changing Public Attitudes on Governments and Taxes

For the third time, the Commission sponsored a public opinion sur-

vey to determine public attitudes toward several matters of intergovernmental concern. The results of this survey, conducted in April 1974, lead to the following conclusions:

- Although more people continue to choose the Federal sector as the level of government providing the most for the taxpayers' money, this percentage has declined in each of the three years that the survey was undertaken. In April 1974, the Federal government was virtually tied with the local level, while state government, still in third place, has gained in public favor.

- While the public feels that it gets the most from the Federal and local levels, the tax instruments used by these two sectors were regarded as the least fair. Both the Federal income tax and the local property tax were regarded with nearly equal taxpayer discontent, with state income and sales tax encountering far less public opposition. In contrast to prior years — and most dramatically with the 1972 survey — public hostility toward the Federal income tax has sharply increased while discontent with the property tax has diminished.

- Public approval of the general revenue sharing program is widespread and increasing. Only 13 percent of the respondents, indicated that they opposed this Federal program, with 65 percent registering their approval and 22 percent responding "don't know."

- Regressivity and unfair assessments were the two most frequently expressed reasons for



the public opposition to the property tax.

Trends In Fiscal Federalism: 1954-1974

ACIR issued a report which sets out in charts and tables several significant developments in fiscal federalism 1954-1974. Among the major findings are:

- Most of the growth in the expanding Federal sector has occurred in social security and Federal aid programs.
- All levels of government have grown at rates exceeding the general growth of the economy, and aids to lower levels of government have steadily expanded.
- The Federal revenue system has become less diversified while state-local revenue systems have become more balanced and diversified.
- There has been a dramatic increase in state-local tax burdens during the last 20 years.
- The tax burden of the "average" family increased by 98.3 percent during the period 1953-1974.
- The growth in the average wage of Federal employees has outstripped the wage performance of any other major sector — public or private.
- The percentage increase in the number of state and local employees has exceeded that of any other major sector of the economy — public or private.

American Federalism: Into the Third Century

Published in May 1974 as the result of three grants from the American

Revolution Bicentennial Commission, *American Federalism* provides an agenda for government improvement for the next 25 years. The ACIR study begins with an account of the origins and history of American federalism. It then lays out the challenges of the future, calling for the revitalization of local government, the strengthening of the states, the streamlining and humanizing of the administration of justice, the achievement of balanced growth, and the restoration of fiscal balance in the federal system.

STUDIES IN PROGRESS

Bank Tax Study

In late 1973 ACIR undertook a bank tax study in response to a Congressional directive. That directive stemmed from concern that recent changes in Federal statutes affecting state taxation of financial depositories might have adverse impacts on interstate banking and commerce. The study relates to the application of state and local "doing business" taxes (primarily income taxes) on out-of-state commercial banks, mutual savings banks, and savings and loan associations.

In requesting ACIR recommendations for legislation "which will provide equitable state taxation" on out-of-state depositories, Congress declared that "the national goals of fostering an efficient banking system and the free flow of commerce among the states will be furthered by clarifying the principles governing state taxation of interstate transactions of banks and other depositories." (Public Law 93-100, sec. 7.)

Long established restrictions on the authority of states to tax national banks were ended in 1969, when P.L. 91-156 specified that states may tax these banks under the same rules which they apply to state chartered banks. Under the revised law, it

would be possible for two or more states with taxing jurisdiction over a given depository to use different types of reports and records. Congressional committees indicated concern that the possibilities of multiple taxation of the same base, increased compliance burdens, and uncertainties about liability for taxation might affect interstate flows of loans and deposits.

During 1974, staff for the bank tax study consulted with state tax administrators, state and Federal regulatory officials, state legislators, and representatives of depository institutions and then drafted a series of alternative recommendations for consideration by the Commission. These were discussed at a Commission meeting in mid-December and will lead to formal action by ACIR in early 1975.

Study of Federal Aid Programs

In its 1967 examination of intergovernmental fiscal and administrative policies (*Fiscal Balance in the American Federal System*), ACIR called for a new Federal aid "mix" which would recognize the need for flexibility in the types of financial assistance provided to state and local governments. This "mix" would involve a combination of Federal categorical grants-in-aid, block grants, and per capita general support payments (revenue sharing). Each of these mechanisms was viewed as accomplishing different objectives. The categorical grant would stimulate and support specific programs in the national interest and underwrite demonstration and experimentation projects; the block grant would give states and localities considerable flexibility in meeting needs within broad functional areas while pursuing national objectives; and revenue sharing would provide additional financial resources to state and local governments without functional re-

straints to conduct programs in response to their own priorities.

Now that a tripartite Federal aid system similar to that recommended by the Commission almost seven years ago has been established, a review of these objectives in light of the experience to date is in order. The on-going debate over the use of general revenue sharing funds by state and local governments, the continuing confusion regarding the distinctive statutory and administrative features of block grants, and the continuing concern over the future of categorical grants make this reassessment particularly timely.

In the spring of 1974, the Commission authorized the staff to begin work on a report concerning "The Intergovernmental Grant System: Policies, Processes, and Alternatives."

The basic purpose of this study is to evaluate the traditional and recent issues involving project, formula, and block grant programs and design ways of enhancing the effectiveness of these instruments. The role of the states as prime recipients of Federal assistance, as direct providers of services to their citizens, and as dispensers of aid (from their own and from Federal sources) to their localities also will be probed. In this, the Commission's 1969 report on *State Aid to Local Government* will be updated. General revenue sharing will not be covered, except to recognize its nature and magnitude within the intergovernmental system, due to the recent report by the Commission on this program (*General Revenue Sharing: An ACIR Re-Evaluation*).

Differential State-Local Taxation of Military Personnel

Federal law currently requires that military personnel be treated differently from other citizens for the purpose of state and local taxation. The *Soldiers and Sailors Civil*



Relief Act, for example, specifies that a member of the armed forces is liable for state and local income taxes only in his chosen "state of domicile" — regardless of where his military pay is earned. This differs from the treatment accorded civilians and has apparently led to some general confusion among taxpayers and tax administrators. The result has been revenue losses and tax avoidance. In addition, state and local governments cannot withhold income taxes from military paychecks. This rule hampers tax enforcement efforts and creates hardships for military taxpayers who must then pay these taxes in a lump sum when they come due.

Military personnel is also exempted by the *Buck Act* from state and local sales and excise (particularly cigarette and liquor) taxes when they purchase goods and services on a military base.

The staff will examine the pros and cons of continuing the special state and local tax status of military personnel and estimate the revenue losses which state and local governments suffer because of current Federal provisions.

The Effect of Recent Changes in the FDIC Provisions on The State and Local Bond Market

In Public Law 93-495, enacted in December, 1974, the Congress directed the Commission to conduct a study of the impact of providing full federal deposit insurance for public unit deposits of \$100,000 per account on funds available for housing, on state and local bond markets, and on state "pledging" laws.

The law calls for a report to the Congress on the results of its study no later than October 28, 1975.

Revision of ACIR Model Bills

In November of 1974, the Commission launched a comprehensive revision

of its *State Legislative Program* of approximately 130 model bills. Several factors were responsible for this drafting effort: the recent adoption of Commission recommendations on substate districting, local government modernization, and state-local fiscal relations which superseded existing policy positions; the emergence of new ways of dealing with intergovernmental problems which rendered some of the earlier model ACIR legislation obsolete; and staff implementation experience which suggested changes in the format of individual bills and the packaging of related legislative proposals.

The project is being funded by a grant from the U.S. Department of Housing and Urban Development.

Growth in Our Intergovernmental Fiscal System: Two Major Issues

Over the last 15 years, the Commission has examined a wide variety of intergovernmental tax coordination issues and has placed special policy emphasis on proposals designed to strengthen the state-local revenue systems. It has become increasingly apparent, however, that the time has come to take a much broader look at the steady growth in our total Federal-state-local fiscal system.

At its December 1974 meeting, the Commission authorized such a study, to be conducted in two parts: first, mechanisms that may account for growth in the public sector, and, second, the impact of the growing financial burdens on various groups of taxpayers.

In studying the growth in the Federal-state-local sector, for which expenditures have increased from 26.5 percent of GNP in 1954 to almost 33 percent of GNP in 1974, special attention will be accorded those institutional factors which tend to dilute, avoid, or transfer political responsibility

for revenue and expenditure decisions. These factors include:

- increasing elasticity of Federal and state revenues and the effect of this increase on inducing increased expenditures;
- the effect of Federally mandated expenditures on state and local governments and the effect of state mandated expenditures on local governments;
- the effect of inflation on the tax system, particularly on the personal income tax.

This study will examine several possible ways to improve political decisions and accountability. Among these are:

- the indexation of Federal and state personal income taxes so that revenue growth is tied to increases in real income, not price increases;
- the use of local tax and expenditure limitation strategies such as those used by several states and at least one Canadian province;
- the requirement that intergovernmental fiscal impact statements be prepared in connection with all Federal and state legislation calling for major changes in public outlays or revenue systems;
- the requirement that higher levels of government assume or share fiscal responsibility for mandated expenditures.

The second major concern triggered by the steady growth of our

Federal-state-local fiscal system relates to its direct impact on taxpayers in general and to low- and lower-middle-income taxpayers in particular. The estimated direct tax burden borne by the average family has virtually doubled in the last 20 years — rising from about 12 percent in 1954 to 24 percent of total family income in 1974.

ACIR's examination to date indicates that two major factors are primarily responsible for the fact that the tax burden borne by the average family is rising at a considerably faster rate than that of the upper-income family. Those factors are the inability of low-income tax payers to take advantage of tax write-offs and the growth in the Social Security tax.

The staff will examine several policies that would ease the tax impact of the rising public sector on low- and middle-income families. These include:

- Possible modification of the present Federal income tax treatment of state and local taxes so as to enable low- and middle-income taxpayers to obtain a more generous write-off — the possible use of positive and negative tax credits and Federal circuit-breakers.
- Possible modification of the treatment of interest and taxes for renters under present IRS provisions. Unlike homeowners, renters are currently denied these "write-off" opportunities.
- Possible liberalization of the standard deduction privilege to compensate low- and moderate-income taxpayers for the rapid rise in state and local taxes and housing costs.



Appendix A

Permanent Staff

(December 31, 1974)

Anderson, Wayne F., Executive Director
Walker, David B., Assistant Director
Shannon, F. John, Assistant Director
Beam, David, Intern
Bowman, John H., Senior Government Resident in Public Finance
Bunn, Elizabeth A., Secretary
Clarke, Lavinia B., Secretary
Cutler, Natalie J., Research Assistant
Davis, Marinda T., Secretary
Evans, Phyllis, Secretary
Ferrell, Lynn D., Intern
Fried, Esther, Administrative Officer
Gabler, L. Richard, Senior Analyst
Gilson, Lawrence D., Director of Policy Implementation
Hahn, Thomas D., Accountant
Jones, MacArthur C., Duplicating Machine Operator
Kafoglis, Milton, Senior Academic Resident in Public Finance
McDowell, Bruce D., Senior Analyst
Moore, Margaret E., Secretary
Myers, Will S., Senior Analyst
Nolin, Evelyn, Secretary
Richter, Albert J., Senior Analyst
Roberts, Diana M., Production Manager
Ross, Ronald L., Mail Room Supervisor
Silberg, Linda, Secretary
Smith, Betty W., Secretary to Executive Director
Steinko, Franklin A., Jr., Assistant to the Executive Director
Stenberg, Carl W., Senior Analyst
Suyderhoud, Jack, Intern
Tanaka, Toshiko, Receptionist
Thomas, Gloria K., Secretary
Tippett, Francis X., Statistician
Veseth, Michael A., Intern
Ward, Gloria D., Secretary
Wright, Carol M., Librarian

Appendix B

Official Consultants

Albert J. Abrams, secretary of the New York State Senate, Albany, New York
William Anderson, professor emeritus of political science, University of Minnesota, Minneapolis, Minnesota
Frank Bane, former chairman of ACIR, Washington, D.C.
John E. Bebout, state program director, Institute for Urban Studies, University of Houston, Houston, Texas
George C. S. Benson, director, Henry Salvatori Center and President Emeritus, Claremont Men's College, Claremont, California
John C. Bollens, professor of political science, University of California, Los Angeles, California
George Break, professor of economics, University of California, Berkeley, California
Frank L. Britt, executive manager, Toledo Area Governmental Research Association, Toledo, Ohio
Alan K. Campbell, dean, The Maxwell Graduate School of Citizenship and Public Affairs, Syracuse University, Syracuse, New York
Arnold Cantor, assistant director of research, AFL-CIO, Washington, D.C.
William N. Cassella, executive director, National Municipal League, New York, New York
William G. Colman, governmental consultant, Potomac, Maryland
Charles F. Conlon, executive director, Federation of Tax Administrators, Chicago, Illinois
William L. Day, professor and managing editor of "Illinois Issues," Sangamon State University, Springfield, Illinois
L. Laszlo Ecker-Racz, consultant, Arlington, Virginia
Daniel J. Elazar, professor of political science and director, Center for the Study of Federalism, Temple University, Philadelphia, Pennsylvania
Neely Gardner, professor of public administration, University of Southern California, Los Angeles, California
C. Lowell Harriss, professor of economics, Columbia University; Economic Consultant, Tax Foundation, Inc., New York, New York
Lawrence Howard, professor of public and international affairs, University of Pittsburgh, Pittsburgh, Pennsylvania
Victor Jones, professor of political science, University of California, Berkeley, California
Richard Leach, professor of political science, Duke University, Durham, North Carolina





Eugene C. Lee, director, Institute of Governmental Studies and professor of Political Science, University of California, Berkeley, California
Carl H. Madden, chief economist, Chamber of Commerce of the United States, Washington, D.C.
James Maxwell, professor emeritus, Department of Economics, Clarke University, Worcester, Massachusetts
Arthur Naftalin, professor, School of Public Affairs, University of Minnesota, Minneapolis, Minnesota
Oliver Oldman, professor of law, Harvard School of Law, Cambridge, Massachusetts
James A. Papke, professor of economics, Purdue University, Lafayette, Indiana
Joseph A. Pechman, director of economic studies, The Brookings Institution, Washington, D.C.
Carl Pforzheimer, Jr., director, National Association of State Boards of Education, New York, New York
Frank Schiff, vice president and chief economist, Committee for Economic Development, Washington, D.C.
James L. Sundquist, senior fellow, The Brookings Institution, Washington, D.C.
Mabel Walker, consultant, Milford, New Jersey
George H. Watson, president, Friends World College, Huntington, New York
Murray L. Weidenbaum, professor of economics, Washington University, St. Louis, Missouri
Joseph F. Zimmerman, professor of political science, State University of New York, Albany, New York

Appendix C

Financial Support

From its inception, the Commission has relied upon Congressional appropriations, but it was hoped that in 1974 the state and local governments would shoulder more of the Commission costs. The past year has seen a shift in the sources of contributed financial support of the Commission. Normally, the Commission has solicited state and local governments directly for contributions of \$500 to \$5,000.

In 1974, the Commission sought to work out a national contribution plan with the National Governors' Conference, Council of State Governments, National League of Cities, U.S. Conference of Mayors, National Association of Counties, National Conference of State Legislatures, and the International City Management Association. Efforts to negotiate the plan are continuing, and the Commission's objective is a \$100,000 contributions level—approximately 10 percent of Commission costs.

The Commission also receives funds from non-profit organizations for speaking engagements and other ACIR staff participation. Approximately \$8,500 was received by the Commission in 1974 as either travel reimbursement or honoraria.

Federal agencies contract with ACIR in connection with projects that tie in closely with the ongoing work of the Commission. Projects funded by other agencies in 1974 included a study for the National Commission on Water Quality (\$16,500) to "assist in creating a forecasting model capable of predicting state and local revenues and expenditures," another for the American Revolution Bicentennial Administration (\$10,000) to develop a "nationwide program to stimulate citizen dialogue in public and community affairs," and a project for the Department of Transportation (\$82,000) that led to a Commission report complete with recommendations and findings on the "feasibility and necessity of structuring metropolitan areawide public agencies to plan, implement, and finance transportation projects."

In addition, the Department of Health, Education and Welfare (\$363,888) has asked the Commission to study the whole spectrum of categorical and block grants — procedures, administration, costs, impacts, regulations, etc. This is a current project of the Commission staff and will result in a full Commission report.

As a matter of Commission policy, all state, local, and miscellaneous contributions are used to supplement and strengthen ACIR services to state and local government. The grant and contract funds from other Federal agencies are used for consultants and temporary personnel to carry out the specific research projects for which the funds are granted.

Appendix D

Salaries and Expense Statement

Object Classification	FY 1974 Actual (in thousands of dollars)	FY 1975 Estimate
Personnel Compensation	\$ 646	\$ 777
Personnel Benefits	60	68
Travel and Transportation of Persons	43	44
Transportation of Things	2	3
Rent, Communications, and Utilities	83	189
Printing and Reproduction	182	57
Other Services	77	69
Supplies and Materials	37	19
Equipment	5	8
TOTAL OBLIGATIONS	\$1,135	\$1,234



Appendix E

Publications

Reports Published in 1974

- *American Federalism: Into the Third Century. ACIR Report M-85. May 1974. 48 pp. \$.90. An action agenda for the next several years.
- *The Expenditure Tax: Concept, Administration and Possible Applications. ACIR Report M-84. March 1974. 64 pp. \$.70. A study of the expenditure tax — a tax on spending rather than income — as an alternative means of strengthening the Federal revenue system.
- *The Property Tax in a Changing Environment. ACIR Report M-83. March 1974. 312 pp. \$3.60. A 32 state analysis of the property tax.
- *State Actions 1973: Toward Full Partnership. ACIR Report M-82. January 1974. 40 pp. \$.85. Information and reference report summarizing selected state constitutional and legislative actions during 1973 that were directed toward local units of government, particularly those in urban areas.
- *Federalism in 1973: The System Under Stress. ACIR Report M-81. January 1974. 24 pp. \$.60. A report on the state of the federal system in 1973.
- ACIR: The Year in Review. Fifteenth Annual Report. ACIR Report M-80. 32 pp.
- *Federal-State-Local Finances: Significant Features of Fiscal Federalism. ACIR Report M-79. February 1974. 344 pp. \$3.05. Charts and tables indicating how and where states and local governments get their funds and how and where they spend them.
- *Local Revenue Diversification: Income, Sales Taxes & User Charges. ACIR Report A-47. October 1974. 96 pp. \$1.60. A study of the use of local sales and income taxes and user charges as mechanisms to diversify state-local revenue systems.
- *A Look to the North: Canadian Regional Experience. Volume V of Substate Regionalism and the Federal System. ACIR Report A-46. February 1974. 144 pp. \$1.70. A report on Canada's experiences in the reorganization of metropolitan governments.
- *Governmental Functions and Processes: Local and Areawide. Volume IV of Substate Regionalism and the Federal System. ACIR Report A-45. February

1974. 176 pp. \$2.00. A study of the assignment of public service responsibilities to State, areawide, and local units.

***The Challenge of Local Governmental Reorganization.** Volume III of **Substate Regionalism and the Federal System.** ACIR Report A-44. February 1974. 200 pp. \$2.20. A study of various traditional methods of regional cooperation and of local and areawide governmental reorganization.

Changing Public Attitudes on Governments and Taxes. ACIR Report S-3. 9 pp.

Policy Reports (Currently Available)

***Regional Decision Making: New Strategies for Substate Districts.** Volume I of **Substate Regionalism and the Federal System.** ACIR Report A-43. October 1973. 433 pp. \$3.80.

Hearings on Substate Regionalism. Volume VI of **Substate Regionalism and the Federal System.** ACIR Report A-43a. October 1973. 63 pp.

***City Financial Emergencies: The Intergovernmental Dimension.** ACIR Report A-42. July 1973. 186 pp. \$2.25.

***Regional Governance: Promise and Performance.** Volume II of **Substate Regionalism and the Federal System.** ACIR Report A-41. May 1973. 356 pp. \$3.45.

***Financing Schools and Property Tax Relief — A State Responsibility.** ACIR Report A-40. January 1973. 272 pp. \$2.50.

***Multistate Regionalism.** ACIR Report A-39. April 1972. 271 pp. \$2.00.

***State-Local Relations in the Criminal Justice System.** ACIR Report A-38. August 1971. 308 pp. \$2.25.

***Federal Approaches to Aid State and Local Capital Financing.** ACIR Report A-37. September 1970. 71 pp. \$1.00.

***Making the Safe Streets Act Work: An Intergovernmental Challenge.** ACIR Report A-36. September 1970. 78 pp. \$1.00.

***Labor-Management Policies for State and Local Government.** ACIR Report A-35. September 1969. 263 pp. \$2.00.

***State Aid to Local Government.** ACIR Report A-34. April 1969. 105 pp. \$1.00.

***Intergovernmental Problems in Medicaid.** ACIR Report A-33. September 1968. 122 pp. \$1.25.

***Urban and Rural America: Policies for Future Growth.** ACIR Report A-32. April 1968. 186 pp. \$1.50.

***Fiscal Balance in the American Federal System.** ACIR Report A-31. October 1967. Vol I, 385 pp. \$2.50. Vol. II, **Metropolitan Fiscal Disparities**, 410 pp. \$2.25.

***Building Codes: A Program for Intergovernmental Reform.** ACIR Report A-28. January 1966. 103 pp. \$60.

State-Federal Overlapping in Cigarette Taxes. ACIR Report A-24. September 1964. 62 pp.

Statutory and Administrative Controls Associated with Federal Grants for Public Assistance. ACIR Report A-21. May 1964. 108 pp.

Industrial Development Bond Financing. ACIR Report A-18. June 1963. 96 pp.

Intergovernmental Responsibilities for Water Supply and Sewage Disposal in Metropolitan Areas. ACIR Report A-13. October 1962. 135 pp.

Local Nonproperty Taxes and the Coordinating Role of the State. ACIR Report A-9. September 1961. 68 pp.

Intergovernmental Cooperation in Tax Administration. ACIR Report A-7. (Summary). October 1965. 14 pp.

State and Local Taxation of Privately Owned Property Located on Federal Areas. ACIR Report A-6 (Summary). August 1965. 17 pp.

Coordination of State and Federal Inheritance, Estate, and Gift Taxes. ACIR Report A-1. January 1961. 134 pp.

Information Reports (Currently Available)

***The Value-Added Tax and Alternative Sources of Federal Revenue.** ACIR Report M-78. August 1973. 86 pp. \$1.15.

***State Action on Local Problems—1972.** ACIR Report M-77. April 1973. 45 pp. \$70.

****Striking a Better Balance: Federalism in 1972.** Fourteenth Annual Report. ACIR Report M-76. January 1973. 74 pp. (N.T.I.S. Order No. PB-224972.)

***State Action on Local Problems—1971.** ACIR Report M-75. April 1972. 24 pp. \$40.

***State-Local Finances: Significant Features and Suggested Legislation. 1972 Edition.** ACIR Report M-74. 420 pp. \$3.00.

****Federalism in 1971: The Crisis Continues.** Thirteenth Annual Report. ACIR Report M-73. February 1972. 50 pp. (N.T.I.S. Order No. PB 224971.)

***Profile of County Government.** ACIR Report M-72. December 1971. 148 pp. \$1.25.

****The New Grass Roots Government? Decentralization and Citizen Participation in Urban Areas.** ACIR Report M-71. January 1972. 21 pp. (N.T.I.S. Order No. PB 224939.)

***Special Revenue Sharing: An Analysis of the Administration's Grant Consolidation Proposals.** ACIR Report M-70. December 1971. 63 pp. \$40.

***Who Should Pay for Public Schools?** ACIR Report M-69. October 1971. 44 pp. \$35.

***In Search of Balance—Canada's Intergovernmental Experience.** ACIR Report M-68. September 1971. 123 pp. \$1.25.

New Proposals for 1972: ACIR State Legislative Program. ACIR Report M-67. August 1971. 98 pp.

***Prosecution Reform.** ACIR Report M-66. September 1971. 9 pp. \$25.

***Police Reform.** ACIR Report M-65. August 1971. 30 pp. \$40.

***Correctional Reform.** ACIR Report M-64. August 1971. 13 pp. \$30.

***Court Reform.** ACIR Report M-63. July 1971. 31 pp. \$35.

***County Reform.** ACIR Report M-61. April 1971. 31 pp. \$40.

***State Action on Local Problems—1970.** ACIR Report M-60. April 1971. 14 pp. \$35.

Federalism in 1970. Twelfth Annual Report. ACIR Report M-59. January 1971. 25 pp.

***Measuring the Fiscal Capacity and Effort of State and Local Areas.** ACIR Report M-58. March 1971. 209 pp. \$1.75.

***A State Response to Urban Problems: Recent Experience Under the "Buying-In" Approach.** ACIR Report M-56. December 1970. 20 pp. \$35.

***State Involvement in Federal-Local Grant Programs—A Case Study of the "Buying-In" Approach.** ACIR Report M-55. December 1970. 71 pp. \$70.

***Revenue Sharing—An Idea Whose Time Has Come.** ACIR Report M-54. December 1970. 29 pp. \$30.

New Proposals for 1971. ACIR State Legislative Program. ACIR Report M-53. November 1970. 45 pp.

***The Commuter and the Municipal Income Tax.** ACIR Report M-51. April 1970. 32 pp. \$25.

****Eleventh Annual Report.** Features a 10-year review of major developments in the American federal system. ACIR Report M-49. January 1970. 88 pp. (N.T.I.S. Order No. PB189668.)



1970 Cumulative ACIR State Legislative Program. ACIR Report M-48. August 1969. 524 pp.

***Urban America and the Federal System.** ACIR Report M-47. October 1969. 140 pp. \$1.25.

***Federalism and the Academic Community: A Brief Survey.** ACIR Report M-44. March 1969. 55 pp. \$.60.

****Sources of Increased State Tax Collections: Economic Growth vs. Political Choice.** ACIR Report M-41. October 1968. 19 pp. (N.T.I.S. Order No. PB180767.)

****State Legislative and Constitutional Action on Urban Problems in 1967.** ACIR Report M-38. May 1968. 29 pp. (N.T.I.S. Order No. PB 178982.)

****Metropolitan Councils of Government.** ACIR Report M-32. August 1966. 69 pp. (N.T.I.S. Order No. PB 178981.)

****Catalogs and Other Information Sources on Federal and State Aid Programs: A Selected Bibliography.** ACIR Report M-30. June 1967. 26 pp. (N.T.I.S. Order No. PB 178980.)

State Technical Assistance to Local Debt Management. ACIR Report M-26. January 1965. 80 pp.

Performance of Urban Functions: Local and Areawide. ACIR Report M-21. September 1963. 281 pp.

Factors Affecting Voter Reactions to Governmental Reorganization in Metropolitan Areas. ACIR Report M-15 (Summary). May 1962. 80 pp.

Other Reports Available From ACIR

Revenue Sharing and Taxes: A Survey of Public Attitude. ACIR Report S-2. 8 pp.

Public Opinion and Taxes. ACIR Report S-1. 19 pp.

10-Year Record of the ACIR. Joint hearings before the Intergovernmental Relations Subcommittees of the House and Senate Committees on Government Operations, 92nd Congress, 1st Session. November 1971. 118 pp.

Unshackling Local Government. (Revised Edition). Survey of proposals by ACIR. 24th Report by the House Committee on Government Operations, 90th Congress, 2nd Session. April 1968. 71 pp.

Five-Year Record of ACIR and Its Future Role. Joint hearings before the Subcommittees on Intergovernmental Relations of the Senate and House Committees on Government Operations, 89th Congress, 1st Session, May 1965. 257 pp.

The Final Report of the Commission on Intergovernmental Relations (Kestnbaum Report). U.S. House of Representatives, Committee on Government Operations, House Document No. 198, 84th Congress, 1st Session. June 1955. 311 pp.

Hearings Before the Advisory Commission on Intergovernmental Relations on Intergovernmental Problems in Medicaid. September 1968. 29 pp.

Notes

*Publications marked with an asterisk may be purchased directly from the Superintendent of Documents, Government Printing Office, Washington, DC 20402.

**To order publications marked with a double asterisk, write directly to the National Technical Information Service, Springfield, Virginia 22151, giving PB number. Paper copies \$6.00. Microfiche (4"x6" sheets) 95 cents.

As the supply permits, single copies of most publications listed may be obtained without charge from the Advisory Commission on Intergovernmental Relations, Washington, DC 20575.



what is acir?

The Advisory Commission on Intergovernmental Relations (ACIR) was created by Congress in 1959 to monitor the operation of the American federal system and to recommend improvements. ACIR is a permanent national bipartisan body representing the executive and legislative branches of Federal, State and local government and the public.

Of the 26 Commission members, nine represent the Federal government, 14 represent State and local governments and three represent the general public. Twenty members are appointed by the President. He names three private citizens and three Federal executive officials directly and selects four governors, three State legislators, four mayors and three elected county officials from slates nominated, respectively, by the National Governors' Conference, the Council of State Governments, the National League of Cities/U.S. Conference of Mayors, and the National Association of Counties. The other six are Members of Congress—three Senators appointed by the President of the Senate and three Representatives appointed by the Speaker of the House. Commission members serve two-year terms and may be reappointed. The Commission names an Executive Director who heads the small professional staff.

After selecting specific intergovernmental issues for investigation, ACIR follows a multi-step procedure that assures review and comment by representatives of all points of view, all affected levels of government, technical experts and interested groups. The Commission then debates each issue and formulates its policy positions. Commission findings and recommendations are published and draft bills and executive orders are developed to assist in implementing ACIR policies.

