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ISSUES

STATE-LOCAL RELATIONS

Issue Team Report

October 3, 1984

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Executive Branch Policy Development Program
1984-1985

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STATE-LOCAL RELATIONS

Issue Team Report

October 3, 1984

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I. Executive Summary

Issue Title: State-Local Relations (Fiscal and Service Relationships)

Team Leader: J.H. Fonkert, State Planning Agency

Subcabinet: Local and Regional Affairs

Summary of Issue

One of the most fundamental issues facing State Government is the division of powers and responsibilities between the State and its local governments. In recognition of this, the issue team was asked to consider a broad range of state-local issues, including most prominently the question of which level of government should deliver, finance or regulate particular public services. Rather than attempting to deal with the full range of topics presented to it, the team adopted the following charge:

The issue team is charged with reviewing the ways in which major functional responsibilities are shared by state and local government, and making recommendations for changes to the Local and Regional Affairs Subcabinet. The team will identify state-local relations issues which require state action in 1984-86, and is also charged with examining, and reporting on, the desirability of establishing an ongoing state-local advisory process.

The team undertook its work in three stages. First, the team had a series of meetings with representatives of local government associations to familiarize itself with local government concerns. Second, the team used a study by the Office of the Legislative Auditor on three state human services block grants as a case study of problems in state-local relations. Third, the team explored ways of improving the quality of debate on state-local issues and otherwise upgrading State Government's capacity to anticipate and identify emerging state-local issues requiring state action.

Findings and Conclusions

Among the team's most important findings were the following:

1. There is no focal point in state government for monitoring and responding to state-local issues.
2. Local officials appreciate opportunities to jointly discuss basic intergovernmental issues with state officials outside of the legislative process.

The issue team agreed in the conclusion that:

Questions regarding the division of responsibilities and powers between state and local governments, as well as the relationships between different types of local governments, are of such importance for responsible and efficient governance that the state should place high priority on improving the quality of state-local policymaking. Emphasis should be placed on (1) upgrading State Government's capacity to anticipate and identify emerging issues in state-local relations and local government affairs, and (2) improving the quality of debate on state-local relations issues.

Recommendation

A permanent commission, or similar body, with representatives from cities, counties, townships, school districts, and the state executive and legislative branches should be created to monitor local government issues and state-local relations, and to advise the Governor and legislature on state-local affairs.

The team believes that such a body will most effectively serve its purposes if it has a large degree of autonomy, and therefore prefers that it be statutorily created and have its own budget and staff. However, if budget constraints do not permit such an initiative, the team supports the appointment by the Governor of an advisory group, staff by the State Planning Agency, to advise the Governor on local government affairs. Issues pertaining to membership and staffing, as well as functions of an advisory commission, are discussed in the main body of the report.

Budget implications

Option 1 (preferred): statutory creation of an independent commission
estimated FY budget: \$180,000

Option 2: advisory group staffed by State Planning Agency

no direct budget impact, but absorbed cost equal to approximately
2.5 professional FTE and .5 clerical, plus miscellaneous meeting,
printing, travel expense (est. \$20,000)

II. Background and Charge

In January 1984, an issue team representing several state departments and agencies was created to investigate a number of state-local relations concerns. The team, under the direction of the State Planning Agency, included senior staff from the Metropolitan Council, the Metropolitan Airports Commission, and the Departments of Finance, Transportation, Health, Corrections, Human Services, Energy and Economic Development, and Revenue. The team was charged with preparing a report and recommendations to the Governor's Subcabinet on Local and Regional Affairs, by September, 1984.

The topic presented to the issue team included a variety of sub-topics under the general rubric of "fiscal and service relationships":

Fiscal and Service Relationships: which units of government should be providing/regulating/paying for which services; review of need for state mandates on local governments; continued need for privileges and exemptions enjoyed by local governments (e.g., liability caps, license plate fee exemptions); alternative service delivery options; special assistance programs for areas of the state experiencing severe economic distress; state regulation of local government activities (e.g., pensions, employment data, privacy, economic development).

The common theme in these topics is the question of how the state, as a government, relates to local governmental units. Put another way, it is the question of how the state government and local governments, both popularly elected, share the powers and responsibilities of government. A large portion of the general and special laws enacted by the state legislature deal with the powers and responsibilities of local governments, as well as their legal and fiscal relationship to the state. A complete list of these laws would include statutes dealing with the following matters and more:

- charters
- government form
- taxing powers (including levy authorizations and limits)

- general support aids and property tax relief
- annexation/incorporation
- service responsibilities (including mandates)

Early in its deliberations the issue team recognized that it could not deal with all the issues involved in the broad fiscal and service relationship topic.

Based on these discussions, the team adopted the following charge for itself:

The issue team is charge with reviewing the ways in which major functional responsibilities are shared by state and local government, and making recommendations for changes to the Local and Regional Affairs Subcabinet. The team will identify state-local relations issues which require state action in 1984-86, and is also charged with examining, and reporting on, the desirability of establishing an ongoing state-local advisory process.

III. Findings and Conclusions

The team's issue study extended through three phases:

- A. The team met with staff of the League of Minnesota Cities and the Association of Minnesota Counties to acquaint itself with local government concerns. A wide variety of issues were discussed, including city-county conflicts over land use powers, local government exposure to federal antitrust laws, state regulation of pensions, local implementation of comparable worth, and proliferation of special legislation for individual local governments.* Three important general findings grew out of these meetings (more detailed discussion in Appendix B):
1. The nature of the state's relationship with cities is different than with counties. Whereas the state-city relationship is largely fiscal, the state-county relationship is more program oriented.
 2. There is increased competition among local governments -- not only among cities or among counties, but between different types of governments.
 3. There is no focal point in state government for state-local relations.
- B. The team reviewed a report by the Office of the Legislative Auditor (Evaluation of State Human Service Block Grants, June, 1984) with an eye toward identifying issues in state block grant administration with implications for state-local relations in general. The team identified two important findings of the study (more detailed discussion in Appendix B):

*Several of these issues were subsequently nominated for inclusion in the Executive Branch Policy Development Program for 1984-85. An issue team has been formed to deal specifically with the special legislative issue.

1. Although block grants imply a less intrusive state role in local human service administration, there is a lack of consensus concerning the proper balance between state and local control.
 2. The state-local partnership is weakened when goals and role expectations are unclear, as is the case when state grants are extended without clear performance expectations.
- C. The Legislative Auditor report recommended creation of a state-local advisory commission on intergovernmental relations (ACIR), modeled after the U.S. ACIR, as a means for organizing research and debate on questions of state and local service responsibilities. The team spent its remaining time considering the desirability of creating some sort of permanent state-local advisory structure. The team concluded that questions regarding the division of responsibilities and powers between state and local governments, as well as the relationships between different types of local governments, are of such importance for responsible and efficient governance that the State should place high priority on improving the quality of state-local policy-making. Emphasis should be placed on:

- 1) upgrading state government's capacity to anticipate and identify emerging issues in state-local relations and local governmental affairs requiring state action and
- 2) improving the quality of debate on state-local relations issues.

Discussion of Conclusions

Both the executive and legislative branches of state government, as well as local governments, must cooperate to improve the State's ability to deal with local government and state-local issues. The role of each is considered briefly below.

legislature. The legislature's job is fairly obvious, yet difficult. It must create and support a general system of local government, while striking a balance between statewide policy interests and diverse local needs and situations. Two important facts influence the legislature's ability to deal

with local government issues. First, the legislature is a collection of representatives, each with his or her own local constituency. While genuinely concerned with the general welfare of the state as a whole, each is under pressure to protect local interests. Second, the scope of local government and state-local issues is so broad that virtually every legislative committee is involved. It is not reasonable, and perhaps not even desirable, to expect all local government issues be centralized in one committee; still, the legislature's attention for local issues is somewhat fragmented.

Executive Agencies. Numerous executive agencies have extensive dealings with local government. However, Minnesota does not have a broadly-inclusive Department of Community affairs as do some states. Rather, state-local relations are dispersed among many state agencies. No single state agency stands out as the focal point for state-local governmental relations. Apart from the State Planning Agency, which has a broadly-stated responsibility to coordinate policy development on the Governor's behalf, no state agency is clearly charged with monitoring local government affairs, identifying issues and recommending improvements in state-local relations.

Local governments. The role of local governments is colored by the fact that, while in a legal sense dependent on the state for their powers, they derive real political power from their direct relationship to local voters. Local elected officials are responsible not only for carrying out the responsibilities of local governments as set forth in state laws, but also for providing local services in accordance with the preferences of local citizens. These responsibilities may often conflict -- for example, when state mandated standards exceed what a community is willing to accept. Debates about such issues as "state mandates" and "local control" are really at heart debates about this tension.

The issue team believes that the combined ability of state and local governments to deal with local government and state-local issues is enhanced when both state officials and local officials understand the nature of this tension. Local officials should be expected to lobby on behalf of their individual local governments or for cities, counties or townships as a whole through their associations. But, city, county and township officials should also be willing to work together to effectuate a workable overall system of local government.

The issue team believes there is no lack of opportunity for individual local units or local government associations to press their parochial concerns. Local governments are well organized and effectively represented in the legislature and in most executive branch decision-making. However, the issue team finds no

means in either the executive or legislative branches for adequately focusing attention of broader questions of state local relations. These include such questions as:

- How broadly should local government powers be construed in state law?
- How should service delivery responsibilities be divided between the state and local governments, or among different types of local governments?
- Which levels of government should finance which services? From which tax sources?

These are fundamental issues that must be continually addressed. They can usually be dealt with only incrementally -- a bit at a time. Yet, numerous separate decisions regarding such issues as local government aid funding, property tax powers, welfare financing, education financing, local planning and zoning powers, and decentralization of human service planning and delivery define the overall nature of the state-local governmental system. The issue team believes that there is merit in (1) systematically setting general principles, or directions for state-local governmental relations, and (2) carefully monitoring the effect of state government actions on local government in particular, and the state-local governmental system in general.

IV. Recommendation and Options

Recommendation: A permanent commission or similar body, with representatives from cities, counties, townships, school districts and the state executive and legislative branches, should be created to monitor local government issues and state-local relations, and to advise the Governor and Legislature on state-local affairs.

The team suggests a membership plan such as the following:

- 2 city officials appointed by Governor
 - 2 county officials appointed by Governor
 - 2 township officials appointed by Governor
 - 2 school district officials appointed by Governor
 - 3 citizens (non-governmental) appointed by Governor
 - 4 Executive Branch officials appointed by Governor
 - 2 Representatives appointed by Speaker of the House
 - 2 Senators appointed by Senate Majority Leader
- 19 members

Purpose of Commission

The issue team believes that a well-designed, adequately staffed commission representing both state and local government officials would serve several useful purposes:

1. It would focus attention on, and signal the importance of, local government issues and state-local relations.
2. It would strengthen the Executive Branch's ability to proactively respond to issues, by providing a "sounding board" for policy initiatives.
3. It would facilitate identification of emerging issues, and increase the likelihood of remedial action to avoid crises.
4. It would focus attention on the need to consider the inter-relationships among counties, townships, cities and other local units.
5. It would provide local governments a forum for raising concerns outside the more politically charged legislative arena.

In summary, such an advisory organization could serve four basic kinds of functions:

- 1) consultation between state and local officials,
- 2) issue identification,

- 3) research and policy development, and
- 4) brokerage of information on intergovernmental issues.

The issue team, and local officials with who the team consulted, feel quite strongly that such an organization must be more than simply another forum for lobbying or expressing grievances. Neither should its purpose be to mediate disputes. There are other means for these. Rather, the real value of a permanent state-local advisory organization is its ability to deal with broader, more philosophical issues -- principles and directions against which specific actions can be judged.

Recommended Charge

The Governor should charge the commission with a clear set of responsibilities, and request a specific set of products from the commission in its first year. However, as the commission gains experience and credibility, it should be given discretion to develop its own agenda. This is an important capability if the commission is to serve one of its most important functions as a forum for identifying important emerging issues requiring attention.

The issue team recommends the the following charge for the advisory commission:

The commission shall monitor local government affairs and state-local relationships, identify issues needing attention by the state, and make policy recommendations to the Governor and legislature. This responsibility shall be met through several activities, including:

1. informal hearings and surveys to solicit local government attitudes on state-local issues,
2. review and comment on proposals submitted by the Governor,
3. preparation of research reports and issue papers on special topics, and
4. development of recommendations of specific issues.

The commission shall, in addition to any other activities undertaken toward meeting its charge, prepare an annual report identifying emerging state-local issues prior to each legislative session. This report shall be submitted to the Governor and legislature no later than November 15 of each year.

The issue team recommends that the Governor request the commission to study, and make recommendations concerning one major issue before the 1986 legislative session. Potential major issues for consideration include:

1. Local government implementation of comparable worth legislation.
2. Review of local government powers and home rule.
3. Ways to reduce the volume of special local legislation.
4. Clarification of state's policy for delivery of human services (response to Legislative Audit Commission Block grant study).
5. Conflicts between city, township and county planning and zoning powers.
6. County government modernization.

Organization and Structure

At least 11 states have statutorily created advisory panels, patterned after the U.S. Advisory Commission on Intergovernmental Relations. These usually include local government representatives, both state executive and legislative officials, and private citizens. Often they are independent commissions with their own appropriation.

In other states, similar organizations have been created by governor's executive order. These may be less permanent and be more closely identified with the Governor. Another popular approach is to create advisory groups attached to a state agency (such as a department of community affairs). These, however, often are closely tied to serving in an advisory capacity for the department's own programs, and are less able to deal with a wide variety of state-local issues.

Choice of a particular organizational approach depends on a number of design considerations, as well as expectations for the advisory group. Design questions include the following:

1. degree of independence
2. staffing
3. membership
4. legal basis for creation: executive order versus statute

These design issues are discussed more fully in the appendices.

Discussion of Major Alternative

The team believes that a large degree of autonomy would enhance such a body's respect as a dispassionate source of advice to the Governor and Legislature on state-local affairs. Therefore, a majority of the team prefers creations of an independent commission, closely following the model of the U.S. ACIR, with its own budget and staff.

However, if budget constraints do not permit such an initiative, the team gives qualified support to a less ambitious alternative. Under this approach, the Governor would make clear his desire for the State Planning Agency, through its Intergovernmental Division, to serve as a focal point for monitoring state-local affairs, identifying emerging local issues, and developing executive branch policy on major state-local issues. To assist the Agency to fulfill this responsibility, the Governor would appoint an advisory group of local officials, attached to and staffed by the Agency, to review Executive branch policy research and advise the Agency on state-local issues.

Such an alternative is attractive for several reasons. It would not require legislation, and would probably be less costly. More importantly, it is compatible with Governor Perpich's desire for the Planning Agency to coordinate Executive Branch policy development, and would fit well into the Agency's broader environmental scanning and issue development process.

However, some team members believe the lack of independence of such an advisory group would diminish its reputation and effectiveness. They note that such an advisory group might well be a useful forum for the Governor, but would not be the same sort of independent source of recommendations that an ACIR-type body would be. They further argue that statutory creation, and the act of appropriating funds, are important signals of the commitment of elected state officials to a meaningful intergovernmental dialogue.

APPENDICES

- A. Organization and Structure: Discussion of Options
- B. Discussion of Findings
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APPENDIX A

Organization and Structure: Discussion of Options

independence. Although 20 of its 26 members are appointed by the President, the U.S. Advisory Commission on Intergovernmental Relations is viewed largely as a nonpartisan, independent body. It is freestanding, and has its own appropriation and staff. Its reputation for high quality and nonpartisan research has made it more difficult for either the Congress or the President to interfere in the Commission's operation. The Commission's independence, in turn, enhances its ability to set its own agenda and make bold recommendations without fear of retribution.

Local officials who met with the issue team generally agreed that any state-local advisory commission should be free-standing -- that is, not attached to any existing state agency. The U.S. ACIR, in its study of state-local advisory bodies, concluded that advisory boards attached to departments of community affairs (Minnesota has none) were generally less effective than more autonomous groups. Their activities are often limited to the range of departmental activities, and they have a less visible presence in state government.

The issue team agrees that independence is desirable. The advisory commission should not be too closely identified with the legislature, the Governor or any one executive branch agency. If attached to a state agency or department, it would be best attached to a broad-based department of community affairs with a clear responsibility to monitor and evaluate state-local relations. A non-line agency, such as the State Planning Agency might be a second choice, since it, as a rule, does not manage direct services to local governments. SPA's respon-

sibility for long-range planning and policy development make it a potentially attractive location for such a commission. However, the Agency's close identity to the Governor might detract from the commission's legitimacy in the eyes of legislators and local officials.

staffing. Two kinds of staff are important to the successful operation of an advisory commission. First, staff (i.e., executive secretary or staff director) is necessary to manage the day-to-day business of the commission: meeting arrangements, correspondence, budgeting, etc. Secondly, the commission needs access to professional staff resources for its research and analysis needs.

Possible approaches to staffing include the following:

1. independent staff -- This approach assumes the desirability of maximizing the commission's independence. A commission's ability to deal with complex issues in a timely manner would most likely be enhanced if it hired and controlled its own staff. Staff would be loyal to the commission and not be encumbered by other demands on their time. Under this model, the commission would hire an executive director (or executive secretary), who would in turn hire and supervise a professional staff.
2. shared staff -- Under this approach the existing staff in a host state agency would be assigned on a part-time basis to staff the commission. The commission would hire no staff directly. A designated agency staff person would serve the role of executive director and coordinate necessary staff work. This approach takes advantage of existing staff expertise in local government affairs and state-local relations, and avoids the expense of hiring new, and possibly duplicative, staff.

3. commission executive/shared staff -- This approach is a hybrid of the independent and shared staff approaches. The commission would hire and control a full-time executive director. The executive director would solicit staff contributions as needed from one or more state agencies, the legislature, or perhaps even from local government associations. The approach gives the commission more control than the pure shared staff approach, while providing flexibility to call on existing staff resources as needed. However, without a strong legislative or gubernatorial mandate to do so, other agencies may be reluctant to cooperate fully, leaving the commission in a beggar situation.

Under any of these approaches, administrative support services such as accounting, payroll and personnel would probably be most efficiently performed by a host agency.

The size of the staff would depend on the expectations for the commission. Assuming an independent commission with its own staff, the staff might include an executive director, one or two clerical positions, and anywhere from 2 to 10 professional staff. The issue team does not believe a large staff is necessary, even for an independent commission. If the commission's work program is confined to only a few issues at a time, a staff of only 2 or 3 professionals would be needed.

Active state commissions following the ACIR model have from one to more than a dozen full-time staff. Commissions in North Carolina, South Carolina, Ohio and Tennessee have minimal staff. The Rhode Island Commission is staffed on a part-time basis by five staff in the Lt. Governor's Office. The Florida Commission has 5 full-time and 2 part-time staff. The Texas Commission's staff reached 26 at one time, but has been reduced to about a dozen through budget cuts.

membership. The proper balance of membership is critical to a commission's success. If important groups are not represented, or if groups feel they are unfairly represented, a commission will not be viewed as a legitimate source of advice. Several membership issues need to be considered:

1. levels of government -- It seems a foregone conclusion that a state-local advisory commission must have representation from both the state and local governments. However, several states have advisory panels consisting solely of local officials. These are typically created by executive order to advise the Governor on local policy issues. Advisory Councils to departments of community affairs also typically include only local officials.

Advisory commissions modeled after the U.S. ACIR include state and local government representatives. This increases their problem-solving capacity, and makes them more than mere forums for articulating grievances. The issue team believes strongly that both state and local governments should be included in any advisory commission created in Minnesota.

2. types of governments -- The U.S. Advisory Commission until recently has included city and county government representation. Townships have recently won representation after a long fight. School districts have also sought membership. The longstanding ACIR opposition to township, and especially school district, representation has been that they do not qualify as general purpose, full-service units of government.

The team and several local officials it talked to, generally favor school district representation because of the importance of school financing in the state's overall state-local fiscal system.

3. branches of government -- The U.S. ACIR and all state ACIR's include legislative branch representation. Legislative members are usually appointed by the legislative leadership (Speaker, President). In the case of the U.S. Commission, the President appoints three federal executive officials, as well as three private citizens. Most state ACIR's do not specifically call for executive branch appointments, but do provide for general gubernatorial appointments -- some of which may be executive branch officers. Iowa and Rhode Island specifically provide for executive branch representation. The argument for executive branch representation reflects the important day-to-day administrative and regulatory relationships between state agencies and local governments. Also, state agency participation in the advisory group may increase state agency interest in, and responsiveness to, commission recommendations.

Some believe legislators should not be included. They argue that the presence of legislators may cramp the commission's creativity and dilute the commission's capacity as a policy adviser to the Governor. Others, who see an advisory commission more as an independent source of recommendations on state-local issues believe legislative representation is important if the commission's work is to be respected in the legislature.

4. elected versus appointed officials -- The U.S. Commission includes both elected (Congressmen) and appointed (executive branch) federal officials, but only elected local officials. State advisory groups follow several approaches. Several specify that local government members' be elected officials. A few provide for elected or appointed officials. Appointed local officials (managers, administrators) are never included to the exclusion of elected officials. Local officials we talked to, and the issue team, believe strongly that first priority should be to include elected officials. However, appointed officials can bring

a different perspective and technical expertise to a commission, and should not be automatically discounted as members. One approach would be to provide that, for example, three city representatives be included: two mayors and one appointed official. In some cases, local government association staff are included as members. The team feels that this is undesirable.

5. citizen representatives -- Commissions in other states, as well as the U.S. ACIR, commonly include at-large citizen members appointed by the Governor.

Inclusion of citizen members reflects a belief that deliberation of intergovernmental issues benefits from citizen (non-governmental) as well as governmental input. Also, the appointment of at-large members gives the Governor an opportunity to bring persons with special expertise or viewpoints to the commission.

6. method of appointment -- In most cases, all except legislative members are appointed by the Governor. In the case of the U.S. ACIR, local representatives are appointed by the President from slates nominated by the national state and local government associations (NACO, NLC/USCM, NGA, NCSL, etc.). Similarly, most Governors make local appointments in consultation with local government associations. In one case (North Carolina) the city and county representatives are the association board members and association executive directors.

legal basis. A principal advantage of statutory creation is the greater permanency it implies. At least as important, however, is the fact that the quest for statutory creation automatically brings the legislature into the act. A commission created by the Governor, even if including legislators, is more likely to be viewed as the Governor's commission, and may be more vulnerable when changes in administration occur.

If the Governor is committed to the concept of a state-local advisory commission, but sees legislative approval as a problem, a possible strategy is to

create a commission by executive order and, after the commission has had a chance to demonstrate its utility, then seek statutory approval.

A related issue is the question of temporary, single topic task forces versus a permanent commission with a more general charge. States have commonly created temporary state-local advisory groups or task forces to deal with specific issues such as allocation of industrial revenue bond authority or development of state aid formulas. Such temporary groups are often productive, but are not viewed by the issue team as a substitute for a more general permanent state-local advisory commission. Rather, a state-local advisory commission may be a valuable sort of "umbrella" body to review and assimilate the work of special purpose task forces. Some special task forces might even be structured as subcommittees of the commission, and include representation from the general commission. Thus, a special task force to review local zoning powers might consist primarily of specialist zoning experts, but also include one or two advisory commission liaison members.

Why an independent advisory group?

Many persons acknowledge the importance of state-local intergovernmental issues, and the need to improve the state's capacity to deal intelligently with state-local relations, but question the need for a permanent, formal advisory structure or process. Such a group, they argue, can not make policy; the legislature of necessity must remain the focus of lobbying efforts on local government issues. Local governments, they argue have little reason to "buy-into" an advisory process, when the real decisions are made in the legislature.

Proponents of ACIR's and similar advisory groups argue that these objections miss the point. Granted, no advisory group takes the place of the legislature,

and local governments can not be expected to forego direct lobbying efforts. However, an advisory group is not intended to be just another forum for venting grievances. Rather, part of its value is precisely that it is a step removed from the heat of the legislative process. It is a place where local officials can raise emerging issues, where issues can be discussed and researched before crises arise. It is a place where state officials can test support for policies short of initiating formal legislature proposals. If both state and local officials enter into the process in good faith, an advisory group can be a place where each becomes more understanding of the needs and capabilities of the other.

Why is a new group needed? Why doesn't the existing legislative process provide ample opportunity for resolving state-local issues? An independent advisory group is valuable precisely because it is independent -- state and local officials are meeting on equal ground, unlike legislative hearings or administrative rules hearings where local officials may be at a disadvantage because they are guests. An advisory group can be a forum for debate among equals. The individual functions of an advisory group can each be performed by other institutions -- legislative research bureaus, departments of community affairs, legislative councils, etc. -- but not with the same results. An independent group has the advantage of direct participation from each level of government and is not burdened with the day-o-day operational problems of other institutions. An independent advisory group, unlike many alternative institutions, has the opportunity and responsibility to take a comprehensive view of intergovernmental issues, cutting across the parochial interests of each participant.

APPENDIX B

Discussion of Findings

Consultation with Local Officials

1. The nature of the state's relationship with cities is different than with counties or townships. Whereas the state-city relationship is largely fiscal, the state-county relationship is more program-oriented. Whereas the state has relatively little to do with the content of city or township programs, the major issues in state county relations involve questions of how the state-local partnership should be formed for the delivery of specific services, be they corrections, social services or highways. Much of the controversy in state-county relationships centers around the degree to which decisions about program content should be centralized at the state level or decentralized to the local level.
2. There is increased competition among local governments, not only among cities or among counties, but between different types of governments. As an example of the latter, increased powers of urban townships have raised new concerns from cities concerned with fringe development. Internal conflict among each type of government has also grown as local governments increasingly view such programs as Local Government Aid, pension financing and industrial revenue bond allocations as zero-sum games. Several splinter groups have broken off from the League of Cities and an increasing number of local governments retain their own lobbyists.
3. There is no focal point in state government for state-local relations. School districts deal primarily through the Department of Education, and counties have strong functional ties to some agencies such as Corrections, Human Services and Transportation. However, there is no department which has as its principal mission the management of state-local relations. There is no focal point in the Executive Branch of state government for monitoring local government affairs, identifying emerging issues, and proposing solutions.

State Block Grants: A Case Study in State-Local Relations

A consensus developed among team members that the financing and delivery of human services is one of the most important state-local relations issues at hand. Creation of three state "block grant" programs for social services, corrections, and health in the past several years involved fundamental decisions about the division of financing and service delivery responsibilities between the states and local governments. During the time the team was meeting, the

Legislative Audit Commission released a major study of the three block grants: the Community Social Services Act (CSSA), the Community Corrections Act (CCA), and the Community Health Services (CHSA) program. The issue team decided to review the report in some detail, with an eye toward identifying issues with implications for state-local relations in general.

Grants-in-aid in support of lower levels of government are generally of two types. At one extreme are general support grants -- that is, grants which can be used for nearly any purpose at the local recipients' discretion. These grants are usually allocated as formula-determined entitlements. Categorical grants, on the other hand, are grants in support of a narrowly defined set of eligible activities -- for example, youth job programs, child health services, or highways. These are sometimes apportioned by formula, but often are awarded on a competitive project application basis. Especially when allocated on a competitive application basis, the grantor agency maintains considerable control over the use of the funds.

Block grants are somewhere between categorical grants and general support aids. As the name suggests, they are often created by grouping, or "blocking" together several more narrow categorical grants. The aim is to simplify grant administration, but also to afford local government recipients a somewhat broader range of program discretion. Thus, instead of receiving several grants for specific types of social services, each with its own narrow eligibility requirements, a local government may receive one large formula-based grant in its place. Although the grant may carry with it planning and other procedural requirements, the idea is that the local government has more discretion to apportion the funds among the previous categorical programs in a manner more attuned to local priorities.

Apart from controversy over the overall levels of funding, it is the shift of decision-making authority from the state to the local governments which makes block grants controversial. Interest groups which were protected by state-promulgated categorical grants may not be able to influence decisions in their favor in some localities. They can be expected to lobby the state legislature and state agencies for more state spending control. Viewed in this way, it is apparent that the choice between block grants and categoricals is more than a philosophical choice for more or less local control, but also has practical implications for specific programs and interests.

Despite their common label as block grants, CSSA, CCA, and CHSA differ in important ways. CSSA, created in 1979, is most accurately termed a block grant. While involving no new money, it represented a major decentralization in decision-making. The principle behind the program is local discretion with state supervision. Although counties are not allowed to reduce spending for some categories, they are given more discretion to shift funds among seven "target" groups: families with neglected or abused children, dependent wards, vulnerable adults, the dependent elderly, mentally ill and retarded persons, chemically dependent persons, and others.

The CHS Act created more of a broadly-defined categorical grant than a block grant in that it was new and did not consolidate any existing programs. The state did not mandate specific programs. Rather, its principle aim was to encourage local governments, either independently or in concert, to create CHS agencies for delivery of community health services.

The Community Corrections program provided new funds for new community-based programs. It is more goal-oriented than the other two block grants; the idea

was to use state subsidies to encourage local programs to reduce reliance on state correctional institutions.

The LAC study made two important findings of general relevance to state-local relations:

- 1) Block grants (especially CSSA) imply a less intrusive state role, but there is a lack of consensus concerning the proper balance between state and local control.

"Because CSSA combined categorical grant programs and effectively removed most state mandates, it cancelled the guaranteed status that services for selected groups enjoyed . . . Local officials view the flexibility afforded them as a positive feature of block grants that enables local needs to be met; special interest advocates often believe that flexibility means that certain needy groups may go without services . . . Many special interest groups advocate a return to state categorical programs or enactment of state mandates or minimum standards for specified target groups." (p. 64).

- 2) The state-local relationship is weakened when goals and role expectations are unclear. The legislature is understandably reluctant to return large amounts of money for human services to local governments without some performance guarantees. There is a legitimate concern about local accountability for state funds. Yet, imposition of excessive requirements is in conflict with the goal of encouraging local discretion.

The LAC report made numerous specific recommendations for improving each of the three block grants. However, the concern here is with the reports' general lessons for improving state-local governmental relations. The report makes clear the complex and fundamental nature of decisions concerning the division of state and local responsibility. Any state government action regulating local affairs -- whether property tax limits, open meeting laws, human service mandates or financial reporting requirements, to name a few -- reflects a basic judgment concerning state interest versus local interest. Any state requirement, for that matter, represents a judgment that some particular action or standard is too important, in the mind of the legislature, to be left to local discretion. However, such decisions must be balanced against the practical necessity of local administration.

In its conclusions, the LAC report urges a comprehensive review of state-local relations in Minnesota, with special consideration to criteria for allocating state and local government powers and responsibilities. The report notes that, while technically creatures of the state, local governments have very real strengths stemming from their local constituencies. Speaking specifically of counties, the report notes that local governments bring unique features to the state-local partnership: "a decision-making structure that is open and accessible, an independent revenue source, and a sensitivity to local issues that cannot always be matched by state government" (p. 114).

The report suggest examples of some criteria for determining when state or local responsibility for financing or service delivery should prevail. For example, situations favoring state financial responsibility might include:

- 1) high levels of state mandating,
- 2) concern with civil liberties or guaranteed access to service regardless of income, and
- 3) existence of benefit "spillovers" which might discourage fully optional service levels by individual local units.

Decisions concerning assignment of service delivery or administration responsibilities might also reflect consideration of scale economies, the need for uniform service quality, or other circumstances affecting the quality and effectiveness of service outcomes. Finally, the LAC report urges consideration for creation of a state-local Advisory Commission on Intergovernmental Relations as a means for organizing research and debate on questions of state and local service responsibilities. The report does not analyze organizational options for such a body, or propose specific legislation.

APPENDIX C

1. List of State Intergovernmental Advisory Panels
2. State Intergovernmental Advisory Organizations Highlights of Current Work Programs



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

State Intergovernmental Advisory Panels
(as of March 15, 1983)

Nineteen (19) states have a functioning intergovernmental advisory panel. Eleven (11) of these panels are patterned after the national ACIR model, as indicated by an asterisk (*).

* FLORIDA

Advisory Council on Intergovernmental Relations
Statute - 1977

17 members - four senators appointed by the senate president; four representatives appointed by the speaker; and nine members, drawn from state and local governments and the public, appointed by the governor.

* GEORGIA

Commission on State Growth Policy
Statute - 1982

15 members - three senators appointed by the senate president; three representatives appointed by the speaker; and nine members, including two elected city officials and two elected county officials, appointed by the governor.

ILLINOIS

Commission on Intergovernmental Cooperation
Statute - 1937

32 members - the president of the senate, the minority leader, and seven senators; the speaker, the minority leader, and seven representatives; the secretary of the senate, clerk of the house, director of the legislative council, and executive secretary of the legislative reference bureau; the governor, lieutenant governor, attorney general, secretary of state, comptroller and treasurer; the directors of the departments of commerce and community affairs and central management services; two members appointed by the governor.

* IOWA

Advisory Commission on Intergovernmental Relations
Statute - 1982

21 members - two senators appointed by the senate president; two representatives appointed by the speaker; and four elected or appointed state officers, four elected or appointed county officers, four elected or appointed city officers, four elected or appointed school officials, and one regional council of governments staff member appointed by the governor.

LOUISIANA

Joint Legislative Commission on Intergovernmental
Relations

Statute - 1976

12 members - the president of the senate and five
senators; the speaker and five representatives.

MAINE

Governor's Municipal Advisory Council

Executive Order - 1979

11 members - all local officials appointed by the
governor.

MARYLAND

Commission on Intergovernmental Cooperation

Statute - 1937

18 members - eight senators and eight delegates;
and the presidents of the association of counties
and the municipal league or their designees.

*** MASSACHUSETTS**

Advisory Commission on Local Government

Executive Order - 1976 and Statute - 1981

40 members - three senators; three representatives;
29 municipal officials (mayors, managers and
selectmen); four school committee members; and
the secretary of the executive office of communities
and development.

MICHIGAN

Council on Intergovernmental Relations

Coalition of the Associations - 1975

8 members - two members each named by the governing
boards of the municipal league, townships
association, association of counties, and
association of regions.

*** NEW JERSEY**

County and Municipal Study Commission

Statute - 1966

15 members - three senators appointed by the senate
president; three assemblymen appointed by the
speaker; and three county officials, three city
officials, and three at-large members appointed
by the governor.

NEW YORK

**Commission on State-Local Relations
Statute - 1981**

10 members - five senators (three appointed by the majority leader and two appointed by the minority leader) and five assemblymen (three appointed by the majority leader and two appointed by the minority leader).

*** NORTH CAROLINA**

**Local Government Advocacy Council
Executive Order - 1978 and Statute - 1979**

19 members - two senators appointed by the senate president; two representatives appointed by the speaker; and six county representatives (five members of the board and the executive director of the county association), six municipal representatives (five members of the board and the executive director of the municipal league), and three at-large members appointed by the governor.

*** PENNSYLVANIA**

**Pennsylvania Intergovernmental Council
Memorandum of Agreement - 1975 and Incorporation - 1978**

20 members - five state legislators appointed the leadership (two from each house from the majority and minority, and the chairman of the Local Government Commission); 10 local government members (two appointed by each of the five associations); and five state executives, including the secretary of community affairs, appointed by the governor.

*** SOUTH CAROLINA**

**Advisory Commission on Intergovernmental Relations
Executive Order 1979**

11 members - two senators, two representatives, three local officials (one each from the municipal, county and regional associations), and four at-large members appointed by the governor.

SOUTH DAKOTA

**Local Government Study Commission
Statute - 1966**

15 members - four senators appointed by the leadership; seven representatives appointed by the leadership; and two county officials and two city officials appointed by the Legislative Research Council.

★ TENNESSEE

Advisory Commission on Intergovernmental Relations
Statute - 1978

28 members - five senators appointed by the speaker of the senate; five representatives appointed by the speaker of the house; the commissioner of finance and administration; the comptroller of the treasury; the president of the state development districts association; and four county officials, four city officials, two state executives, and five public members appointed by the governor.

★ TEXAS

Advisory Commission on Intergovernmental Relations
Statute - 1971

26 members - three senators appointed by the lieutenant governor; three representatives appointed by the speaker; the lieutenant governor; the speaker; and four city officials, four county officials, two school officials, two federal officials, two representatives of other political subdivisions, and four public members appointed by the governor.

VIRGINIA

Local Government Advisory Council
Executive Order - 1977 and Statute - 1978

26 members - the governor, lieutenant governor, and executive directors of the municipal league and county association; and 22 members who are elected officials from each of the planning district commissions appointed by the governor and confirmed by the General Assembly.

★ WASHINGTON

Advisory Commission on Intergovernmental Relations
Executive Order - 1982

21 members - the governor; the chairs and ranking minority members of the senate and house local government committees; six elected county officials; six elected city officials; the secretary of social and health services; and the directors of the planning and community affairs agency, the department of revenue, and the office of financial management.

NOTES: The Ohio State and Local Government Commission was established by statute in 1978, but is not currently active. Proposals are under review to provide funding and to reactivate the commission this year.

The Nebraska ACIR, created by executive order in 1981, is not currently active. The future of the panel is under study by the new administration.

STATE INTERGOVERNMENTAL ADVISORY ORGANIZATIONS

Highlights of Current Work Programs

FLORIDA Advisory Council on Intergovernmental Relations

- Complete report and recommendations regarding state annexation policy
- Conduct water and wastewater capital outlay needs study
- Assess revenue impact of proposed constitutional tax limit

GEORGIA Commission on State Growth Policy

- Review impact of state mandates
- Study tax equity issues
- Study state and local roles in growth and development

ILLINOIS Commission on Intergovernmental Cooperation

- Conduct public hearings on block grants and follow-up evaluation
- Track federal aid to the state and develop data base for tracking federal aid to local governments

IOWA Advisory Commission on Intergovernmental Relations

- Review open meetings law
- Study county government reorganization
- Assess law enforcement system including training requirements, and joint services and facilities
- Develop options for local government bond pools
- Examine county general assistance program

MAINE Governor's Municipal Advisory Council

- Review governor's legislative program
- Analyze state and local fiscal affairs
- Study solid and hazardous waste management

MARYLAND Joint Committee on Federal Relations

- Monitor Jobs Training Partnership Act operations
- Review selected interstate compacts

MASSACHUSETTS Local Government Advisory Committee

- Track implementation of new local aid formula
- Study pension reform
- Analyze legislation creating the Massachusetts Development Bank

NEW YORK Commission on State-Local Relations

- Issue interim reports on State's per capita revenue sharing program and constitutional tax and debt limits

NORTH CAROLINA Local Government Advocacy Council

- Develop computer-based model of state and federal aid programs
- Extend the computer-based fiscal model to enhance its ability to allocate federal and state expenditures to sub-state areas
- Complete study of state-local relations
- Monitor and make recommendations for implementation of North Carolina 2000 study in areas that effect local governments

PENNSYLVANIA Pennsylvania Intergovernmental Council

- Serve as state clearinghouse (E.O. 12372)
- Provide technical support to Block Grant Program
- Conduct local wage/salary survey
- Participate in a national 5-year study on "Fiscal Austerity and Its Consequences in Local Governments"

SOUTH CAROLINA Advisory Commission on Intergovernmental Relations

- Develop "Local Government Finance Act"
- Draft legislation to identify special purpose districts
- Develop proposals for sorting out government responsibilities

TENNESSEE Advisory Council on Intergovernmental Relations

- Promote consideration of property tax recommendations
- Study intergovernmental health/hospital care issues
- Study tax equivalent payments (PILOT)

TEXAS Advisory Commission on Intergovernmental Relations

- Study health care finance
- Review intergovernmental fiscal trends
- Develop community data profile for cities and counties
- Examine intergovernmental issues of radioactive waste disposal

WASHINGTON Advisory Commission on Intergovernmental Relations

- Review state infrastructure needs
- Examine state and local revenue systems
- Continue work on current state and local criminal justice issues

APPENDIX D

Issue Team Roster

J.H. Fonkert, Leader
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Carl Ohrn
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State Planning Agency
State Planning Agency
State Planning Agency
MnDOT
Department of Energy and Economic Development
Metropolitan Council
Metropolitan Airports Commission
Department of Health
Department of Revenue
Department of Corrections
Department of Human Services