This Week
Special Report on Financial Management, Pages 5-12.

County News

"The Wisdom to Know and the Courage to Defend the Public Interest"

NACo

Vol. 10, No. 32 Aug. 14, 1978 Washington, D.C.

House Slashes CETA

Reps. Obey, Jeffords Lead Attack

WASHINGTON, D.C.—The House of Representatives approved a series of amendments on Aug. 9 placing major restrictions on public service employment. The amendments created the severest House challenge to the Comprehensive Employment and Training Act (CETA) since its inception in 1973.

By large margins, the House approved measures that would eliminate $1 billion for antirecession public service jobs, reduce the maximum and average salaries for CETA workers, prohibit CETA funds from being used to make retirement contributions for CETA workers, and take away CETA money from local governments found guilty of misusing the funds.

After these restrictive amendments passed, Rep. Augustus Hawkins (D-Calif.), the floor leader of the bill, pulled the bill from the House floor.

OBEY CUTS WAGES

Rep. David R. Obey (D-Wis.) offered a package of amendments cutting public service employment (PSE) wage levels in the House-reported bill. The Obey package passed 230 to 175. His amendments reduced the mandated average from $7,800 to $7,000 and established the maximum federally funded PSE wage at $10,000. Local supplementation up to a maximum of $12,000 would be allowed only when average local wages exceed the national average.

Under the Obey amendments, the Labor Department would have discretion to make annual adjustments in the average CETA wage of $7,000 that do not exceed changes in the consumer price index. This discretion appears moot given the Office of Management and Budget's (OMB) opposition to increasing PSE wages.

JEFFORDS REDUCES PSE JOBS

Rep. James M. Jeffords' amendment to reduce the Title VI authorization by $1 billion passed 221 to 181. The Jeffords amendment cut $500 million outright from Title VI (Countercyclical PSE) and transferred $400 million to youth programs in Titles IV and VIII, and $100 million to the private sector initiatives program in Title VII. This amendment could reduce the number of PSE jobs from 725,000 to 600,000 nationally; if retained in the final bill, it will increase the national unemployment rate by one- to two-tenths of a percentage point.

Although the Jeffords amendment appears drastic for Title VI PSE on first examination, it has positive benefits in its escalator clauses for authorization levels for other titles. For example, Title II authorizations increase from:

- $4 billion in fiscal '79 to
- $4.29 billion in fiscal '89 to
- $4.583 billion in fiscal '81 to
- $4.876 billion in fiscal '82.

Authorizations for youth programs under Title IV increase from:

- $2.25 billion in fiscal '79 to
- $2.4 billion in fiscal '80.

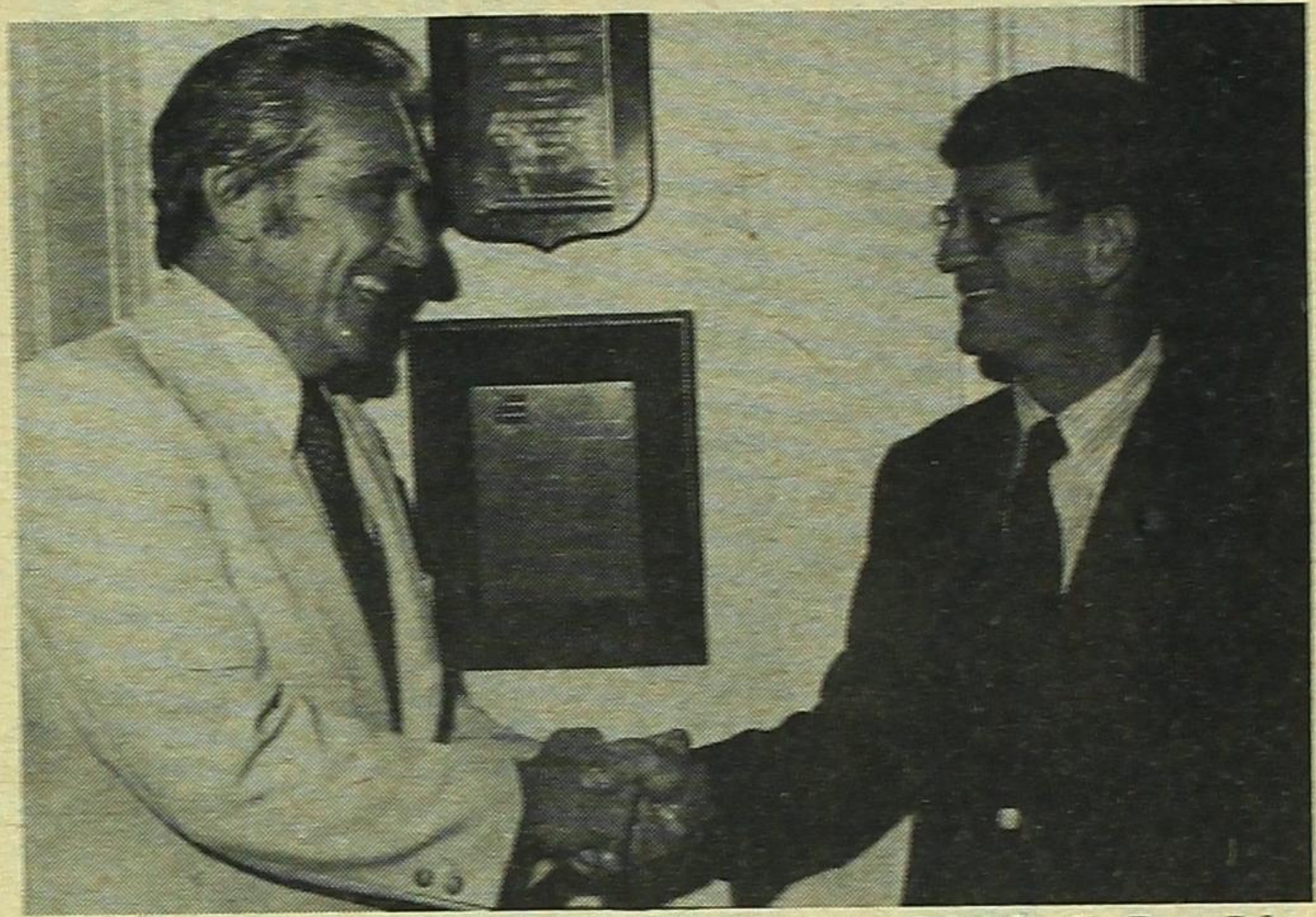
Authorization for the private sector initiatives program, Title VII increase from:

- $500 million in fiscal '79 to
- $525 million in fiscal '80.

The authorization for the Young Adult Conservation Corps (YACC) in Title VIII increases from:

- $267 million in fiscal '79 to
- $290 million in fiscal '80.

In reducing the Title VI authorization to $3.2 billion, the Jeffords amendment permits that ceiling to trigger off when the national unemployment rate exceeds 6.5 percent and provides an authorization of such sums as necessary. If the rate of unemployment is such that the number of jobs authorized by Section 601 (i.e., 25 percent of the number of unemployed in excess of 4 percent) requires less of an authorization than the established $3.2 billion level, then the lesser amount shall become the authorization ceiling.



Bernard F. Hillenbrand, NACo executive director, left, thanks Rep. John Krebs (D-Calif.) for his efforts on the amendment to limit retirement benefits. (Editor's note: NACo apologizes to Rep. Krebs for using the wrong picture in last week's *County News*.)

RETIREMENT

After extensive debate and several amendments to the NACo-sup

See CETA, page 2

Finance Clears Countercyclical

SENATE FINANCE COMMITTEE AT WORK—Senate Finance Committee drafts countercyclical aid extension. Seen, from left, are: Committee Chairman Russell B. Long (D-La.); Sens. Carl Curtis (R-Neb.), Clifford P. Hansen (R-Wyo.), Robert Dole (R-Kan.), and John C. Danforth (R-Mo.).

WASHINGTON, D.C.—The Senate Finance Committee has approved legislation to extend the countercyclical fiscal assistance program for two years and to add a second title to the program.

The committee, chaired by Sen. Russell B. Long (D-La.), voted 10-5 to report out the "Intergovernmental Antirecession Act of 1978." The bill was co-sponsored by Sens. William Hathaway (D-Maine), Edmund Muskie (D-Maine), Daniel Patrick Moynihan (D-N.Y.), Gaylord Nelson (D-Wis.), and others.

The program will provide assistance to states and local governments with high unemployment.

The action of the Finance Committee comes one week after the House subcommittee on intergovernmental relations and human resources voted to table all consideration of the current countercyclical program which expires Sept. 30.

The existing program has aided more than 1,750 counties with high unemployment rates to avoid employee layoffs and reductions in levels of public services. Although national unemployment rates have declined, urban and rural county governments continue to experience high unemployment and severe economic distress.

Title I of the Senate bill is essentially a two-year extension of the current program. It will operate by a 6 percent national unemployment trigger, with local eligibility to be determined by a minimum unemployment rate of 4.5 percent.

For each quarter of national unemployment at 6 percent, $125 million would be distributed. For each additional one-tenth of one percent above the 6 percent unemployment rate, an additional $30 million would be provided.

The new bill alters the method of determining the trigger by which the program operates.

The new program will utilize the unemployment rates of two consecutive calendar quarters, as opposed to the current program which uses unemployment figures for only one quarter. The bill also deletes reference to the unemployment rate in the last month of any quarter. These changes are intended to greatly stabilize the program and better reflect national economic trends.

In addition, the bill will hold harmless those counties where the unemployment rate was reduced solely because of the new method employed by the Bureau of Labor Statistics (BLS) to determine those rates.

The Finance Committee adopted a second title, 8 to 3, which was proposed by Sen. Long. Title II will pro-

See PANEL, page 4

Legislative Countdown

A weekly report by NACo's Executive Director Bernard F. Hillenbrand See page 16.

How Did Your Congressman Vote on CETA?

Two key votes on CETA public service jobs lost on the floor of the House Aug. 9. (See story page 1.) The Jeffords amendment slashed $1 billion from the authorization for Title VI public service jobs. The Obey amendment drastically lowered both the ceiling and average for PSE wages.

NACo urges you to take a look at your congressman's votes on these two key issues.

Remember, thanks are at least as important as criticisms.

Jeffords Amendment

Ayes (to cut PSE)—221

Ambro
Anderson, Ill.
Andrews, N.C.
Andrews, N. Dak.
Applegate
Archer
Armstrong
Ashbrook
AuCoin
Badham
Bafalis
Barnard
Baucus
Bauman
Beard, Tenn.
Bedell
Bennett
Bevill
Bowen
Breaux
Breckinridge
Brinkley
Brooks
Broomfield
Brown, Mich.
Brown, Ohio
Broyhill
Burgener
Burke, Fla.
Burleson, Tex.
Butler
Byron
Cederberg
Chappell
Clausen, Don H.
Clawson, Del
Cleveland
Cochran
Cohen
Coleman
Collins, Tex.
Conable
Conte
Corcoran
Cornwell
Coughlin
Crane
Cunningham
Daniel, Dan
Daniel, R.W.
Davis
de la Garza
Derwinski
Devine
Dickinson
Dicks
Dornan
Duncan, Ore.
Duncan, Tenn.
Edwards, Ala.
Edwards, Okla.
Emery
English
Erlenborn
Ertel
Evans, Colo.
Evans, Del.
Fenwick
Findley
Fish
Fisher
Fithian
Flippo
Florio
Foley
Forsythe
Fountain
Fowler
Frenzel
Fuqua
Gammage
Gephardt
Gibbons
Ginn
Glickman
Goodling
Gore
Gradison
Grassley
Gudger
Guyer
Hagedorn
Hall
Hamilton
Hammerschmidt
Harkin
Hefner
Heftel
Hightower
Hillis
Holt
Hubbard
Hyde
Ireland
Jacobs
Jeffords
Jenrette
Johnson, Colo.
Jones, N.C.
Jones, Okla.
Jones, Tenn.
Kazen
Kelly
Kemp
Keys
Kindness
Kostmayer
LaFalce
Lagomarsino
Latta
Leach
Lehman
Lent
Levitas
Long, Md.
Lott
Lujan
Luken
McClory
McCloskey
McCormack
McEwen
McKay
Madigan
Mahon
Mann
Marlenee
Marriott
Martin
Mattox
Mazzoli
Michel
Milford
Minish
Mitchell, N.Y.
Mollohan
Montgomery
Moore
Moorhead, Calif.
Myers, Gary
Myers, John
Neal
Nichols
O'Brien
Panetta
Pattison
Pettis
Pickle
Pike
Pressler
Preyer
Pritchard
Pursell
Quayle
Quie
Quillen
Railsback
Regula
Roberts
Robinson
Rogers
Rose
Rousselot
Rudd
Runnels
Ruppe
Ryan
Santini
Sarasin
Satterfield
Sawyer
Schulze
Sebelius
Sharp
Shuster
Simon
Skelton
Skubitz
Smith, Iowa
Smith, Neb.
Spence
Stangeland
Stanton
Steed
Stockman
Stump
Symms
Taylor
Thone
Treen
Trible
Tucker
Ullman
Vander Jagt
Volkmer
Waggonner
Walker
Walsh
Wampler
White
Whitehurst
Whitley
Wiggins
Wilson, Bob
Wilson, Tex.
Winn
Wirth
Wydler
Wylie
Young, Fla.
Young, Mo.

Noes (NACo position)—181

Addabbo
Akaka
Alexander
Ammerman
Anderson, Calif.
Annunzio
Ashley
Aspin
Baldus
Beard, R.I.
Benjamin
Biaggi
Bingham
Blanchard
Blouin
Boggs
Boland
Bolling
Bonior
Bonker
Brademas
Brodhead
Brown, Calif.
Buchanan
Burke, Calif.
Burlison, Mo.
Burton, John
Burton, Phillip
Caputo
Carney
Carr
Carter
Cavanaugh
Chisholm
Clay
Collins, Ill.
Conyers
Corman
Cornell
Cotter
D'Amours
Danielson
Delaney
Dellums
Dent
Derrick
Dingell
Dodd
Downey
Drinan
Early
Eckhardt
Edgar
Edwards, Calif.
Eilberg
Evans, Ga.
Evans, Ind.
Fary
Fascell
Flood
Ford, Mich.
Ford, Tenn.
Fraser
Garcia
Gaydos
Giaimo
Gilman
Gonzalez
Green
Hanley
Hannaford
Harrington
Harris
Harsha
Hawkins
Heckler
Holland
Hollenbeck
Holtzman
Horton
Howard
Huckaby
Hughes
Ichord
Johnson, Calif.
Jordan
Kastenmeier
Kildee
Krebs
Lederer
Leggett
Livingston
Lloyd, Calif.
Long, La.
Lundine
McDade
McFall
McHugh
McKinney
Maguire
Markey
Marks
Meeds
Metcalfe
Meyner
Mikulski
Mikva
Miller, Ohio
Mineta
Mitchell, Md.
Moakley
Moffett
Moorhead, Pa.
Mottl
Murphy, Ill.
Murphy, N.Y.
Murphy, Pa.
Murtha
Myers, Michael
Natcher
Nedzi
Nix
Nolan
Nowak
Oskar
Oberstar
Obey
Ottinger
Patten
Patterson
Pease
Pepper
Perkins
Poage
Price
Rahall
Rangel
Reuss
Richmond
Rinaldo
Risenhoover
Roe
Roncalio
Rosenthal
Rostenkowski
Roybal
Russo
Scheuer
Schroeder
Seiberling
Shipley
Slack
Snyder
Solarz
St Germain
Staggers
Stark
Steers
Steiger
Stokee
Stratton
Studds
Thompson
Thornton
Traxler
Udall
Van Deerlin
Vanik
Vento
Walgren
Watkins
Waxman
Weaver
Weiss
Wolff
Wright
Yates
Yatron
Young, Alaska
Zablocki
Zeferetti

Not Voting—30

Abdnor
Beilenson
Burke, Mass.
Diggs
Flowers
Flynt
Frey
Goldwater
Hansen
Jenkins
Kasten
Krueger
Le Fante
Lloyd, Tenn.
McDonald
Mathis
Miller, Calif.
Moss
Rhodes
Rodino
Rooney
Sikes
Sisk
Spellman
Teague
Tsongas
Whalen
Whitten
Wilson, O.H.
Young, Tex.

On the vote were the following pairs:
Mrs. Lloyd of Tennessee for, with Mr. Burke of Massachusetts against.
Mr. McDonald for, with Mr. Rodino against.
Mr. Sikes for, with Mr. Rooney against.
Mr. Flynt for, with Mrs. Spellman against.
Mr. Teague for, with Mr. Miller of California against.
Mr. Whitten for, with Mr. Krueger against.
Mr. Moore changed his vote from "no" to "aye."

Obey Amendment

Ayes (to limit PSE wages)—230

Alexander
Ambro
Ammerman
Anderson, Ill.
Applegate
Archer
Armstrong
Ashbrook
Ashley
Aspin
Badham
Bafalis
Barnard
Baucus
Bauman
Beard, Tenn.
Bedell
Bennett
Bevill
Biaggi
Bowen
Breaux
Brinkley
Brooks
Broomfield
Brown, Ohio
Broyhill
Buchanan
Burgener
Burke, Fla.
Burleson, Tex.
Burlison, Mo.
Butler
Byron
Carter
Chappell
Clausen, Don H.
Cleveland
Cochran
Cohen
Coleman
Collins, Tex.
Conable
Conte
Corcoran
Cornwell
Cotter
Coughlin
Crane
Cunningham
Daniel, Dan
Daniel, R.W.
de la Garza
Delaney
Dent
Derwinski
Devine
Dickinson
Dornan
Duncan, Tenn.
Edwards, Ala.
Edwards, Okla.
Emery
English
Erlenborn
Ertel
Evans, Colo.
Evans, Del.
Evans, Ga.
Fascell
Fenwick
Findley
Fish
Fithian
Flippo
Florio
Flynt
Forsythe
Fountain
Fowler
Frenzel
Fuqua
Gammage
Giaimo
Gibbons
Ginn
Glickman
Goodling
Gradison
Grassley
Gudger
Guyer
Hagedorn
Hall
Hamilton
Hammerschmidt
Hanley
Harkin
Hefner
Hightower
Hillis
Holt
Hyde
Ichord
Ireland
Jacobs
Jeffords
Jenrette
Johnson, Colo.
Jones, N.C.
Jones, Okla.
Jordan
Kazen
Kelly
Kemp
Keys
Kindness
Krebs
Lagomarsino
Latta
Leach
Lehman
Lent
Livingston
Long, Md.
Lott
Lujan
McClory
McCloskey
McDade
McEwen
McKay
Madigan
Mahon
Mann
Marlenee
Marriott
Martin
Mattox
Mazzoli
Michel
Milford
Miller, Ohio
Minish
Moffett
Mollohan
Montgomery
Moore
Moorhead, Calif.
Moorhead, Pa.
Mottl
Murphy, Ill.
Murphy, N.Y.
Myers, Gary
Myers, John
Natcher
Neal
Nichols
Obey
Panetta
Pettis
Pickle
Pike
Poage
Preyer
Pritchard
Quayle
Quie
Quillen
Railsback
Regula
Risenhoover
Roberts
Robinson
Rogers
Rose
Rostenkowski
Rousselot
Roybal
Rudd
Runnels
Ruppe
Russo
Santini
Sarasin
Satterfield
Sawyer
Sebelius
Shuster
Sikes
Skubitz
Slack
Smith, Iowa
Smith, Neb.
Snyder
Spence
St Germain
Staggers
Stangeland
Stanton
Steed
Steiger
Stockman
Stump
Symms
Taylor
Thone
Treen
Trible
Udall
Ullman
Waggonner
Walker
Walsh
Wampler
Watkins
White
Whitehurst
Whitley
Whitten
Wiggins
Wilson, Bob
Wilson, Tex.
Winn
Wirth
Wolff
Wright
Wydler
Young, Fla.
Zablocki

Noes (NACo position)—175

Addabbo
Akaka
Anderson, Calif.
Andrews, N.C.
Andrews, N. Dak.
Annunzio
AuCoin
Baldus
Beard, R.I.
Beilenson
Benjamin
Bingham
Blanchard
Blouin
Boggs
Boland
Bonior
Bonker
Brademas
Breckinridge
Brodhead
Brown, Calif.
Brown, Mich.
Burke, Calif.
Burton, John
Burton, Phillip
Caputo
Carney
Carr
Cavanaugh
Cederberg
Chisholm
Clay
Collins, Ill.
Conyers
Corman
Cornell
D'Amours
Danielson
Davis
Dellums
Derrick
Dicks
Diggs
Dingell
Dodd
Downey
Drinan
Duncan, Ore.
Early
Eckhardt
Edgar
Edwards, Calif.
Eilberg
Evans, Ind.
Fary
Fisher
Flood
Foley
Ford, Mich.
Ford, Tenn.
Fraser
Garcia
Gaydos
Gephardt
Gliman
Gonzalez
Gore
Green
Hannaford
Harrington
Harris
Harsha
Hawkins
Heckler
Heftel
Holland
Hollenbeck
Holtzman
Horton
Howard
Hubbard
Huckaby
Hughes
Johnson, Calif.
Jones, Tenn.
Kastenmeier
Kildee
Kostmayer
LaFalce
Lederer
Levitas
Lloyd, Calif.
Long, La.
Luken
Lundine
McCormack
McFall
McHugh
McKinney
Maguire
Markey
Marks
Meeds
Metcalfe
Meyner
Mikulski
Mikva
Mineta
Mitchell, Md.
Mitchell, N.Y.
Moakley
Murphy, Pa.
Murtha
Myers, Michael
Nedzi
Nix
Nolan
Nowak
O'Brien
Oakar
Oberstar
Ottinger
Patten
Patterson
Pattison
Pease
Pepper
Perkins
Pressler
Price
Pursell
Rahall
Rangel
Reuss
Richmond
Rinaldo
Roe
Roncalio
Rooney
Rosenthal
Ryan
Scheuer
Schroeder
Schulze
Seiberling
Sharp
Simon
Skelton
Solarz
Spellman
Stark
Steers
Stokes
Stratton
Studds
Thompson
Traxler
Tucker
Van Deerlin
Vander Jagt
Vento
Volkmer
Walgren
Waxman
Weaver
Weiss
Whalen
Wilson, C.H.
Wylie
Yates
Yatron
Young, Alaska
Young, Mo.
Zeferetti

Not Voting—27

Abdnor
Bolling
Burke, Mass.
Clawson, Del.
Flowers
Frey
Goldwater
Hansen
Jenkins
Kasten
Krueger
Le Fante
Leggett
Lloyd, Tenn.
McDonald
Mathis
Miller, Calif.
Moss
Rhodes
Rodino
Shipley
Sisk
Teague
Thornton
Tsongas
Vanik
Young, Tex.

On this vote were the following pairs:
Mr. Teague for, with Mr. Burke of Massachusetts against.
Mr. McDonald for, with Mr. Rodino against.
Messrs. Gonzalez, Downey, Ford of Tennessee, and Mrs. Heckler changed their votes from "aye" to "no."
Mr. Lehman changed his vote from "no" to "aye."

Call

NACo's Hotline for an update on CETA action in Congress. Keep up with the latest developments.

202/785-9591

CETA Bill Scuttled by Changes

Continued from page 1

ported Krebs (D-Calif.) substitute the Erlenborn (R-Ill.) amendment retirement benefits, the Krebs substitute lost by voice vote. The Erlenborn amendment then passed by vote of 254-148. This amendment would "grandfather" full federal payment of retirement benefits for those PSE participants enrolled prior to Jan. 1, 1980. It retains the equal benefit language in Section 208(a)(4) of existing CETA law (P.L. 93-203), thereby eliminating all references to job classifications of CETA workers in the reported bill.

Thus, the Erlenborn amendment appears to allow the use of separate classifiations for the purpose of excluding retirement benefits. The amendment goes on to state that "Nothing ... (in this language) ... shall be deemed to require the enrollment of persons employed in public service jobs in retirement systems or plans for the purpose of providing retirement benefits based on age, service, or both."

In pulling the bill off the House floor at 10 p.m. on Aug. 9, Hawkins did not give any clear indication whether he would bring the bill back to the House floor prior to the Aug. 18 recess or wait until after Labor Day.

The Senate will probably vote on CETA this week. Please call the NACo hotline for further updates.

—Jon Weintraub

COUNTY NEWS

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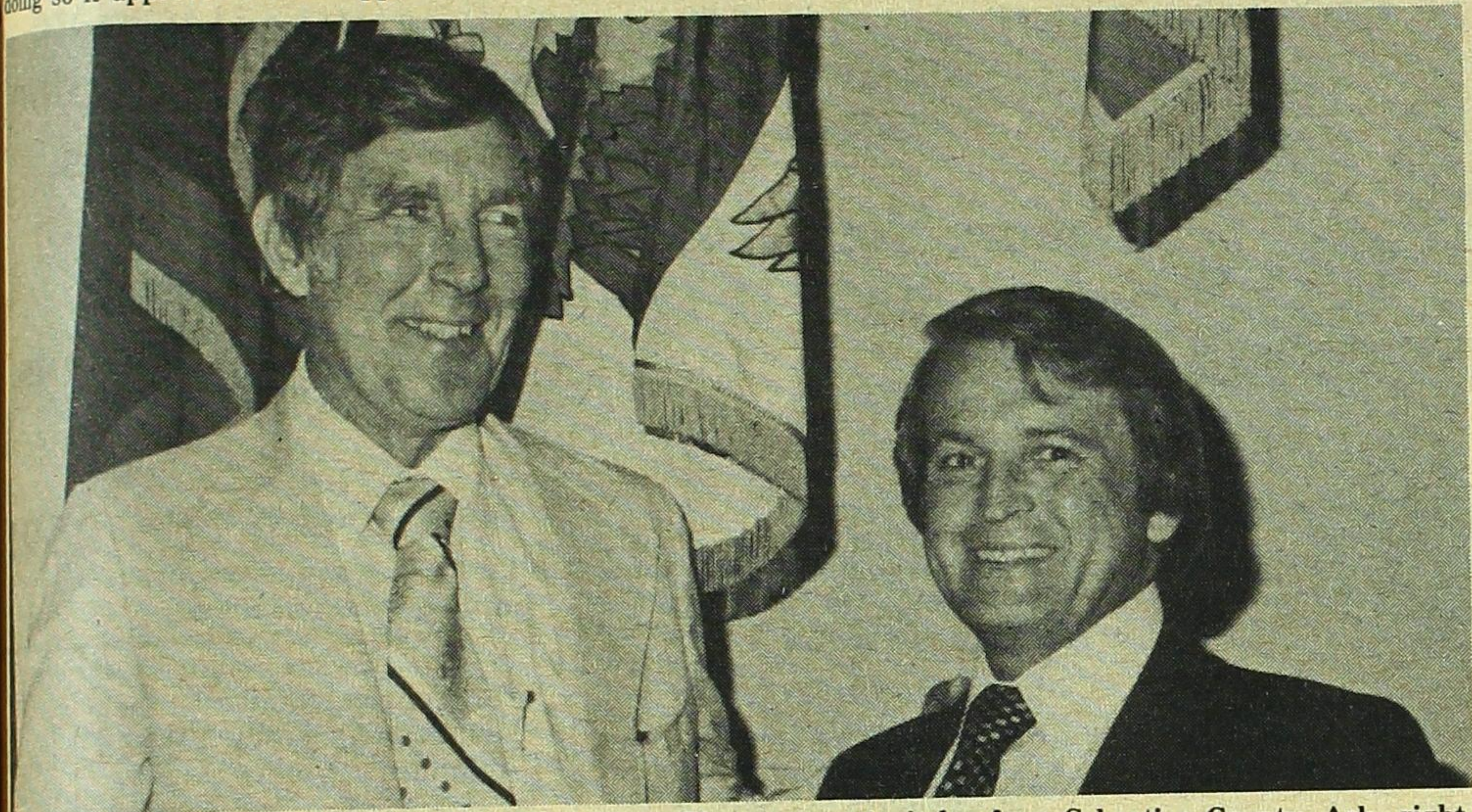
Senate Approves EPA's Funding

WASHINGTON, D.C.—The Senate approved the Appropriations Committee report for fiscal '79 funding of the Environmental Protection Agency last week with only one significant change. The Senate reduced the wastewater construction grant appropriation by $250 million. In doing so it approved a total appropriation for that program of $4.25 billion, $50 million more than the House approved some weeks ago.

All other recommendations of the Appropriations Committee and its subcommittee were approved. They include:

- $60 million for Section 175 local nonattainment planning under the Clean Air Act.
- $15 million for local resource recovery studies under Section 4008(a)(2) of the Resource Conservation and Recovery Act (RCRA).
- $15 million for local solid waste planning under Section 4008(a)(1) of RCRA.
- $39 million for Section 208 water quality management planning under the Clean Water Act. This is in addition to $11 million appropriated in 1978 which will be spent during the first quarter of fiscal '79 for 208 planning. The carryover resulted, in part, from a loan of $11 million to other parts of the water quality program and the clean air program by EPA. The loan was approved earlier by House and Senate Appropriations Committees.

Conference action is not expected until after the August recess of the House.



INACTIVE MILITARY INSTALLATIONS—Glenn Thames, county judge from Sebastian County, Ark., right, and Rep. Morris K. Udall, chairman of the House Committee on Interior and Insular Affairs, discuss testimony on S. 74, which adds inactive military installations as entitlement lands in the payments-in-lieu of taxes program.

NACo Supports Addition to Payments-in-Lieu Program

WASHINGTON, D.C.—Last week, NACo testified before the House Interior and Insular Affairs subcommittee on energy and the environment in favor of a bill which would add inactive military installations as entitlement lands in the payments-in-lieu of taxes program.

The legislation amends P.L. 94-565, referred to as the payments-in-lieu of taxes act, to qualify inactive military installations as entitlement acres under Section 6 of the act. Sponsored by Sen. Dale Bumpers (D-Ark.), S. 74 recognizes the tax immunity burden to local governments with semiactive or inactive military installations located within their boundaries.

S. 74 IS CONSISTENT with the Public Land Law Review Commission's findings that counties must still finance full local government services such as law enforcement, road maintenance, health services, etc., despite a restricted tax base caused by the tax immunity of federally owned lands.

The addition of lands that are designated by the Army as semiactive or inactive installations and are retained by the Army for mobilization purposes or for support of reserve training include over 1.09 million acres of such tax exempt lands situated in the following states: Arkansas, 71,080 acres; California, 716,828 acres; Georgia, 8,823 acres; Maryland, 238 acres; New York, 107,551 acres; Pennsylvania, 119 acres; South Carolina, 1,004 acres; Utah, 119 acres; Virginia, 121,954 acres; Washington, 3,021 acres; and Wisconsin, 59,776 acres.

Of the total 1.09 million acres, 668,940 acres lie within Fort Irwin in San Bernardino County, Calif. Since this county has already reached the ceiling for in-lieu payments, these lands would not account for any additional payments. Annual payments for the remaining 421,576 acres are estimated to be $313,661.

COUNTIES WHERE these lands are located are prevented from including the lands in their tax base. Previously, when the military bases were active, this tax immunity burden was partially offset by education impact aid, and the economic activity generated by federal employees. Enactment of S. 74 will provide some revenue to replace the previous payments and economic activity to partially compensate for the tax immunity of these lands.

S. 74 also makes two other changes in the payments-in-lieu program. First, it would authorize payments under P.L. 94-565 for lands acquired for federal parks where the state and local governments, in effect, act as agent for the federal government.

The parks involved in, and the states affected by, this situation are: Mammoth Cave National Park, Ky.; Big Bend National Park, Tex.; Big Cypress National Preserve, Fla.; Everglades National Park, Fla.; Cumberland Gap National Historical Park, Tenn., Ky., and Va.; Natchez Trace Parkway, Miss. and Tenn.; Blue Ridge Parkway, Va. and N.C.; Cape Hatteras National Seashore, N.C.; Great Smokey Mountains National Park, N.C. and Tenn.; and Shenandoah National Park, Va.

THE SECOND change would authorize payments to incorporated municipalities in Alaska located outside of organized boroughs.

NACo believes it was legislative oversight to exclude existing local governments located in Alaska outside of organized boroughs, and therefore, supports the provision in S. 74 to authorize payments to these municipalities.

Members of the House Interior and Insular Affairs Committee should be contacted as soon as possible and urged to support S. 74.

House Interior and Insular Affairs Committee

DEMOCRATS

Morris K. Udall, Ariz., Chairman	George Miller, Calif.
Phillip Burton, Calif.	Ted Risenhoover, Okla.
Robert W. Kastenmeier, Wis.	James J. Florio, N.J.
Lloyd Meeds, Wash.	Dawson Mathis, Ga.
Abraham Kazen Jr., Tex.	Philip R. Sharp, Ind.
Teno Roncalio, Wyo.	John Krebs, Calif.
Jonathan B. Bingham, N.Y.	Edward J. Markey, Mass.
John F. Seiberling, Ohio	Peter H. Kostmayer, Pa.
Harold Runnels, N.M.	Baltasar Corrada, P.R.
Bob Eckhardt, Tex.	Austin J. Murphy, Pa.
Goodloe E. Byron, Md.	Nick Joe Rahall II, W.Va.
Jim Santini, Nev.	Bruce F. Vento, Minn.
Paul E. Tsongas, Mass.	Jerry Huckaby, La.
James Weaver, Ore.	Lamar Gudger, N.C.
Bob Carr, Mich.	James J. Howard, N.J.

REPUBLICANS

Joe Skubitz, Kan.	*Steven D. Symms, Idaho*
Don H. Clausen, Calif.	*James P. (Jim) Johnson, Colo.*
Philip E. Ruppe, Mich.	*Robert J. Lagomarsino, Calif.*
Manuel Lujan Jr., N.M.	*Dan Marriott, Utah*
Keith G. Sebelius, Kan.	*Ron Marlenee, Mont.*
Don Young, Alaska	*Eldon Rudd, Ariz.*
Robert E. Bauman, Md.	*Mickey Edwards, Okla.*

IN SENATE

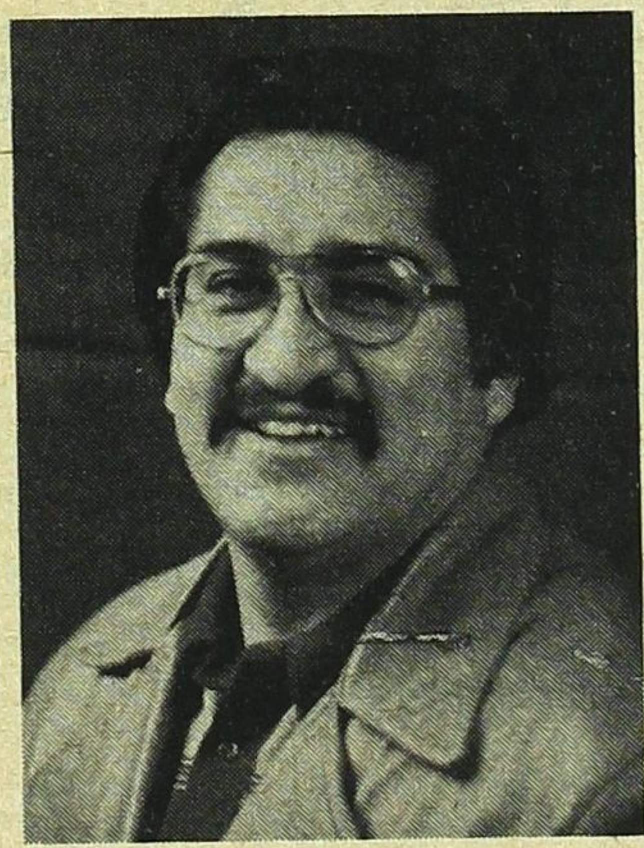
Hearings Will Delay Title XX

WASHINGTON, D.C.—The Senate Finance Committee has decided to hold one day of hearings before taking action on H.R. 12973, the House-passed bill to increase federal funding for social services. The hearing date is set for Aug. 18 at which time NACo will testify in support of passage.

The House overwhelmingly passed H.R. 12973 which will increase the federal ceiling for Title XX of the Social Security Act from the current level of $2.5 billion (plus an additional $200 million earmarked for day care) to $2.9 billion in fiscal '79, $3.15 billion in fiscal '80, and $3.45 billion in fiscal '81. This three-year increase of $750 million would allow states and counties to maintain current levels of social services and allow for modest program expansion.

The Senate Finance Committee is scheduled to take action after Labor Day which leaves little time before the scheduled congressional adjournment on Oct. 7. The bill will be scheduled for full Senate vote following the Senate Finance Committee hearings and action.

Sen. Daniel Patrick Moynihan (D-N.Y.) requested the one day of hearings to discuss the allocation formula under which Title XX funding is funneled to each state. The current formula is based on state population and the senator feels this is unfair to states with high welfare population.



Mirelez

Mirelez Joins National Health Planning Panel

WASHINGTON, D.C.—Commissioner Pete Mirelez of Adams County, Colo. has been appointed to the National Council on Health Planning and Development by Health, Education and Welfare (HUD) Secretary Joseph Califano.

The first county official to serve on the 15-member council, Mirelez is a member of NACo's Health and Education Policy Steering Committee.

The National Health Planning and Resources Development Act of 1974 (P.L. 93-641) authorized the development of the council, which is responsible for advising and making recommendations with respect to national guidelines for health planning and the implementation and administration of the act. Newly appointed with Mirelez are Philip Lee, M.D., of the University of California at San Francisco, and Robert Biblow, president of the Health Insurance Plan of Greater New York.

Conferees Named for Elderly Bill

WASHINGTON, D.C.—House conferees responsible for the Older Americans Act were appointed last week, one week after the Senate approved its reauthorization.

The conferees are: Carl Perkins (D-Ky.), John Brademas (D-Ind.), Edward Beard (D-R.I.), George Miller (D-Calif.), Dale E. Kildee (D-Mich.), Cecil Heftel (D-Hawaii), Augustus Hawkins (D-Calif.), Mario Biaggi (D-N.Y.), Albert Quie (R-Minn.), James Jeffords (R-Vt.), and Larry Pressler (R-S.D.).

Earlier, the Senate named the following conferees: Harrison Williams (D-N.J.), Thomas Eagleton (D-Mo.), Edward Kennedy (D-Mass.), Alan Cranston (D-Calif.), S.I. Hayakawa (R-Calif.), and Jacob Javits (R-N.Y.).

Although no conference date has been set, NACo recommends county officials get in touch as soon as possible with these conferees to support the following provisions.

In the Senate's bill:

- Language that recommends a role for local elected officials on the advisory boards of area agencies on aging. (One of NACo's three major recommendations.)
- Consolidation of Title III which allows localities more flexibility than House version in providing social services. (NACo's second major recommendation.)
- A requirement that state plans on aging be based upon area agency plans on aging.

In the House version, NACo supports:

- A three-year planning cycle. (NACo's third major proposal during reauthorization.)
- A nonfederal share that remains at 10 percent. (The Senate version would increase local contribution to 15 percent in fiscal '80.)
- A neutral interstate allocation formula based simply on the number of people 60 and older.

Send copies of your letters to Jim Koppel, Legislative Representative, NACo.

TAX CONFERENCE SPEAKERS—Rep. James C. Corman (D-Calif.), right, chairman of the House subcommittee on public assistance and unemployment, will address the opening session of NACo's Tax and Finance Conference Sept. 17-19 in Los Angeles. Seen with him is Seth Taft, president, board of commissioners, Cuyahoga County, Ohio and vice chairman of NACo's Taxation and Finance Steering Committee, who will moderate one of the workshops.

Corman to Speak at Tax Conference

WASHINGTON, D.C.—Rep. James C. Corman (D-Calif.), chairman of the House subcommittee on public assistance and unemployment compensation, will address the opening session of NACo's National Conference on Tax and Finance Issues of Local Government in Los Angeles, Calif. Sept. 18. The conference, Sept. 17-19, will focus on tax reform activities and the challenge of operating effective government services within fiscal limitations, emphasizing sound financial management.

Corman was the chief architect of the welfare reform package introduced during this session of Congress. Corman's proposal included shifting the financial burden of the welfare system from the local property taxes, which in some counties absorb as much as 50 percent of the county budget, to the federal government. Although no action was taken on the welfare reform package this year, Corman will introduce the bill again in the next Congress.

At the conference, Corman will also discuss the impact of Proposition 13 and other tax reform efforts on intergovernmental relations. The opening session will be followed by workshops designed to examine important financial management issues, such as performance evaluation, alternative revenue sources, pension funds administration, and the impact of federal and state mandates on local budgets.

EVELLE YOUNGER, California Attorney General and gubernatorial candidate has also agreed to be a speaker at the conference. Younger, as attorney general, is currently involved with a number of civil suits resulting from passage of Proposition 13. He will speak at a plenary session on Tuesday, Sept. 19.

Conference and hotel registration forms appear on this page. For further conference information, contact Elizabeth Rott of the NACo staff.

Panel Extends Countercyclical

Continued from page 1

vide $125 million only when national unemployment is below 6 percent and above 5 percent. Under this title, allocations for state and local governments would be determined by the existing countercyclical formula or by using the formula employed in the revenue sharing program—whichever is the higher. The higher of the two amounts would be distributed under the countercyclical formula in each state.

Minimum eligibility will remain at 4.5 percent local unemployment.

The bill now goes to the Senate floor for action, which could come before Congress recesses for Labor Day. A detailed analysis of the new bill will appear in next week's *County News*.

Countercyclical assistance was originally authorized by Title II of the Public Works Employment Act of 1976 at a level of $1.25 million for five quarters (through June 1977). It was expanded by the Intergovernmental Antirecession Act of 1977 at a level of $2.25 billion through September 1978.

—Elliott Alman

Lake Restoration Meeting Set

WASHINGTON, D.C.—How local and state governments can best conduct programs for restoring lakes will be discussed in a national conference sponsored by the Environmental Protection Agency (EPA) in Minneapolis on Aug. 22-24.

The conference is designed to enhance the effectiveness of the Federal Water Pollution Control Act, Section 314, which provides federal grants to municipal and state governments to restore publicly owned freshwater lakes.

Methods by which local authorities can protect lakes will be presented and the successful state restoration programs conducted in Minnesota, Florida, South Dakota, and Vermont will be explored. Federal experts will present an overview of governmental grant programs for pollution control.

The conference, which is being coordinated by Battelle's Columbus Laboratories, will be held Tuesday through Thursday at the Sheraton Ritz Hotel, Minneapolis, Minn. Additional information may be obtained from Susan Armstrong, Battelle's Columbus Laboratories, 505 King Ave., Columbus, Ohio 43201, 614/424-7769.

National Conference on Taxation and Finance Issues of Local Government

Hosted by
NACo Home Rule/Taxation and Finance/Labor Management Team
County Supervisors Association of California
County of Los Angeles

Biltmore Hotel, Los Angeles, Calif.
Sept. 17-19, 1978

Sunday, Sept. 17

Registration and reception

Monday, Sept. 18

Policy and program sessions on Proposition 13 and tax reform measures

- Impact on service delivery
- Tax limitations and its implications
- The impact of tax reforms on intergovernmental relations
- What steps California has taken following Proposition 13
- The erosion of home rule
- The increase in fragmentation of government programs

Tuesday, Sept. 19

Program sessions on financial management practices

- Program evaluations
- Revenue/expenditure forecasting
- Alternative revenue sources
- Budgeting as a decision-making tool
- State and federal mandated costs
- Pension fund administration
- Investment management

We wish to express our appreciation to the U.S. Civil Service Commission Bureau of Intergovernment Personnel Program which is sponsoring this meeting.

For more program information, contact: ***Elizabeth Rott at NACo, 202/785-9577***

Delegates to NACo's 1978 Taxation and Finance Conference can preregister for the conference and reserve hotel space by completing this form and **returning it to NACo.**

CONFERENCE REGISTRATION

Conference registration fees must accompany this form before hotel reservations will be processed. **Enclose check, official county voucher or equivalent. No conference registrations will be made by phone.**

Refunds of the registration fee will be made if cancellation is necessary, provided that **written notice is postmarked no later than Sept. 1.**

Conference registration fees: $55 preregistration $65 on-site registration   **(Make check payable to NACo)**

Name________________ County________________

Title________________ Telephone (______)________

Address________________

City________________ State________ Zip________

For office use only

Check # ________

Check amount: ________

Date received: ________

HOUSING RESERVATION:

Special conference rates will be guaranteed to all delegates whose reservations are sent to the NACo office and are postmarked by Aug. 22. After that date, available housing will be assigned on a first-come basis.

Los Angeles Biltmore $34 single $44 double/twin

Name________________

Arrival date/time________________ Departure date/time________________

No room deposit required. Rooms may be guaranteed by credit card number.

Credit card company and number________________

Special hotel requests________________

Send preregistration and hotel reservation to: **National Association of Counties**
Taxation and Finance Conference
1735 New York Ave., N.W.
Washington, D.C. 20006
ATTN.: Elizabeth G. Rott
For further housing information, call NACo Conference Registration Center: 703/471-6180.

New County Times

On County Modernization

HUD CONFERENCE

Local Officials Identify Priority Fiscal Problems

by Shelley Kossak
Research Associate, NACoR

The impact of federal and state mandated costs; the management of costly pension plans; the inability to project future revenues were among the top financial concerns identified at a recent conference, sponsored by the Department of Housing and Urban Development (HUD).

The national conference was the first time officials, representing all jurisdictions of local and state government, met for the specific purpose of discussing improvements in their financial practices. Forty-five officials, selected from local workshops held earlier in the year, met in Washington, D.C. in June to determine the most critical problems facing local governments, and to identify appropriate means for dealing with those problems.

The national conference on "Financial Management Needs of Local Government" was the culmination of a four-month consultation process with state and local government officials, public interest groups and professional organizations. Their objective was to assist HUD in developing a financial management capacity sharing program—plans for which are currently being circulated in draft form. (See related article, page 8.)

HUD has been involved in capacity building programs for local government for the past few years, but recently decided to focus on one area—financial management—as a means of generating improvement. HUD turned to local and state organizations in order to appropriately identify financial problems at the local level. An extensive and carefully designed needs identification process became the first phase of HUD's project. In total, 49 workshops were held; 921 elected and appointed officials representing 676 cities and counties from 47 states were involved. State offices of community affairs, community development agencies and housing authorities were also represented. The initial workshop process generated 91 problem statements (priorities for local government) which were then culled into a list of 41 consolidated problems.

See HUD, page 8

Fiscal Management

Financial management is an area receiving growing attention as local governments are trying to keep pace with inflation and public demands.

The Department of Housing and Urban Development (HUD) recognizes these pressures and has established a financial management capacity sharing program to assist local governments. Al Seigel of HUD discusses the program's focus on page 8.

The 21 financial priority issues and some suggested solutions are presented on pages 8-9. These issues were identified at local workshops which culminated in a national conference on financial management (see related articles on the conferences).

Other articles in the supplement provide an in-depth view on some of the priority topics. Philip Rosenberg describes how performance evaluation measurements can be used. Mike Mett takes a look at the reasons behind rising pension costs. Home rule and financial flexibility is the topic of an article by Larry Gamm and Joseph James.

Brian Rapp poses questions local officials need to answer in developing a financial management program.

An update on implementing California's Proposition 13 and the allocation of the state surplus is reviewed by John McTighe of San Diego County, Calif.

A look at possible future (by 1985) effects of tax reform actions is presented by Carol Berenson and Shelley Kossak.

Leanna Brown of Mercer County, N.J. indicates sound financial practices will help restore citizen confidence in government.

This supplement was prepared by Shelley Kossak, NACoR, and Linda Ganschinietz, NACo, in cooperation with the Department of Housing and Urban Development.

PROPOSITION 13

The Rugged Road Ahead

by John J. McTighe
Chief of Policy Analysis
San Diego County, Calif.

Proposition 13 came along at a time when the average effective rate of property taxation in California was 2.3 percent. Hence, the prospect of reducing the effective rate to an iron clad 1 percent of market value for a 57 percent reduction in taxes was quite appealing to California voters.

Not only were property taxes among the highest of any state in the nation, but Californians had been hearing for two years about huge surpluses in the state treasury—ranging up to $5.5 billion. In the meantime, the governor and state legislators had been promising meaningful property tax relief for a year and a half with no action to back up their promises. All the while, real estate values, particularly residential, skyrocketed throughout the state.

An efficient system of property assessment, coupled with the increase in market values, caused huge increases in assessments and taxes. The first shock wave was noticed in 1976, when the Los Angeles County assessor reassessed hundreds of thousands of parcels, some of which had not been reassessed for five years or more. With market values increasing in many parts of Southern California upwards of 20 percent per year, many homes received a doubling or even tripling of their former assessed values. And along with the large increases in value went equally large increases in taxes.

The Actual Package

The provisions of Proposition 13 are few and simple. These features give them popular appearance and, at the same time, for a highly structured state taxing system make them extremely complex to deal with.

First, real property taxes are limited to 1 percent of the full cash value of real property.

Second, the 1 percent tax is to be collected by the counties and apportioned according to law, to any districts within the counties.

Third, property taxes to pay the cost of bonded indebtedness approved by voters prior to the enactment of the initiative are exempt from the 1 percent limitation.

Fourth, the full cash value of real property is rolled back to the assessor's valuation as of 1975-76 and is limited to increases not to exceed 2 percent annually thereafter, unless property changes ownership or is newly constructed. In such cases, the full cash value shall be the appraised value at the time of ownership change or completion of construction.

Fifth, any future increases in state taxes are required to receive a two-thirds vote of both houses of the Legislature. Further, the Legislature is prohibited from imposing any new ad valorem taxes on real property, or sales or transaction taxes on the sales of real property.

Sixth, cities, counties, and special districts are authorized to impose special taxes with a two-thirds vote of the "qualified electors" as long as they are not ad valorem property taxes, or sales or transaction taxes on the sale of real property.

Implementing Proposition 13

Since passage of Proposition 13 on June 6, both the Legislature and the state board of equalization have put in place the necessary mechanics to implement its provisions. At the same time, a number of challenges to the initiative have been filed with the state supreme court. To date, the Legislature has provided for the allocation of the remaining property taxes and for the dispersal of $5 billion in state surplus to local agencies. The board of equalization has issued emergency regulations governing assessment practices for 1978-79. The Supreme Court has taken jurisdiction over the suits filed with it and has given the parties until Aug. 11 to file arguments.

The Legislature's plan to spend the $5 billion state surplus to aid local governments in the first year under Proposition 13 was, ironically, contained in Senate Bill 154; the same bill which barely was defeated on the last day of the 1977 session.

Once the allocation issue was resolved, a conference committee proceeded to deal with the more difficult problem of how to divide up the $5 billion surplus to cover the approximate $7 billion loss of property tax revenues. When all the smoke had cleared, public schools, including community colleges, received the largest share at $2.1 billion. Counties received $1.48 billion. Cities received $250 million and special districts were given $125 million. There was an additional $900 million set aside for emergency loans to local governments during 1978-79.

Even with the total direct allocation of the $3.955 billion from the surplus, local governments in California will need to make reductions in programs, services and personnel in 1978-79 totaling $3.076 billion as follows:

(Millions of Dollars)

	Property Tax Loss	Direct State Relief	Net Reduction
Schools	$3,691	$2,100	$1,591
Counties	2,159	1,480	679
Cities	731	250	481
Special Districts	450	125	325
Total	**$7,031**	**$3,955**	**$3,076**

Funds Impose Restrictions

The state money was not allocated, however, without strings attached. Funds allocated to cities, counties and special districts carried the requirement that police (sheriff) and fire protection programs were to be funded at the same level of service as provided in 1977-78. Additionally, no agency would be eligible for money from the state surplus if it gave its employees a cost-of-living raise above that granted to state government employees.

In an effort to expedite the allocation bill, the legislative leadership decided not to specify a percentage increase in the bill, but, instead, to deal with cost-of-living increases in the budget bill. The budget was, at the time, tied up by disagreement between the Assembly and Senate on the issues of cost-of-living raises for state employees and welfare recipients, and on funding abortions for the poor.

When the budget bill was finally approved by both houses, it contained cost-of-living increases of 2.5 percent for state employees and Aid to Families with Dependent Children (AFDC) recipients. In approving the budget, Gov. Jerry Brown blue-penciled the salary increases with the following comment:

> "...for this year, I have frozen state hiring and salaries to provide maximum assistance to local government and minimize the total number of layoffs as well as cutbacks in programs for the elderly and the handicapped."

Consequently, any local government which receives funds from

See BUYING, page 12

A Tool to Measure Program Effectiveness

This paper was prepared by Philip Rosenberg, assistant director for research, Government Finance Research Center of the Municipal Finance Officers Association for the Department of Housing and Urban Development's (HUD) Financial Capacity Building Program.

Performance evaluation is a means of determining and measuring program effectiveness. It is the final step of a process that moves from planning and goal setting through budgeting and implementation to completion.

Performance evaluation should be distinguished from the monitoring of programs. Monitoring focuses on process rather than output and compares actual to anticipated progress. Performance evaluation should take long-term goals into consideration and, therefore, short-term negative effects can be accepted.

Performance can be measured in two ways: effectiveness—the degrees to which desired results were achieved; efficiency—the measurement of results in terms of the resources needed to achieve them. Both concepts are important to evaluation.

Design and Structure

In setting up a performance evaluation system, a local government should:

- Establish a staff unit to collect and analyze information about each project;
- Recognize that long-term projects should be evaluated against long-term objectives;
- Use the results of evaluations in subsequent planning and budgeting activity.

The starting point for performance evaluation is program planning and budgeting where departmental goals and objectives are set. A department's goal is a broad statement that attempts to justify the existence of the department and establishes its direction. After goals are defined, objectives should be established for each departmental activity and quantitative methods developed to measure them.

An objective is a specific, measurable achievement which an activity seeks to accomplish within a given time. Good objectives are not easy to develop. They must be:

- **Results-Oriented.** Good objectives focus directly on what is to be produced. They are not concerned with the resources employed by an agency or whether the department intends to reorganize or to improve its physical facilities. Such matters are secondary.

- **Specific.** Good objectives state what will be achieved in narrow terms. They do not include general expressions of philosophy as do statements of program purposes or agency goals.

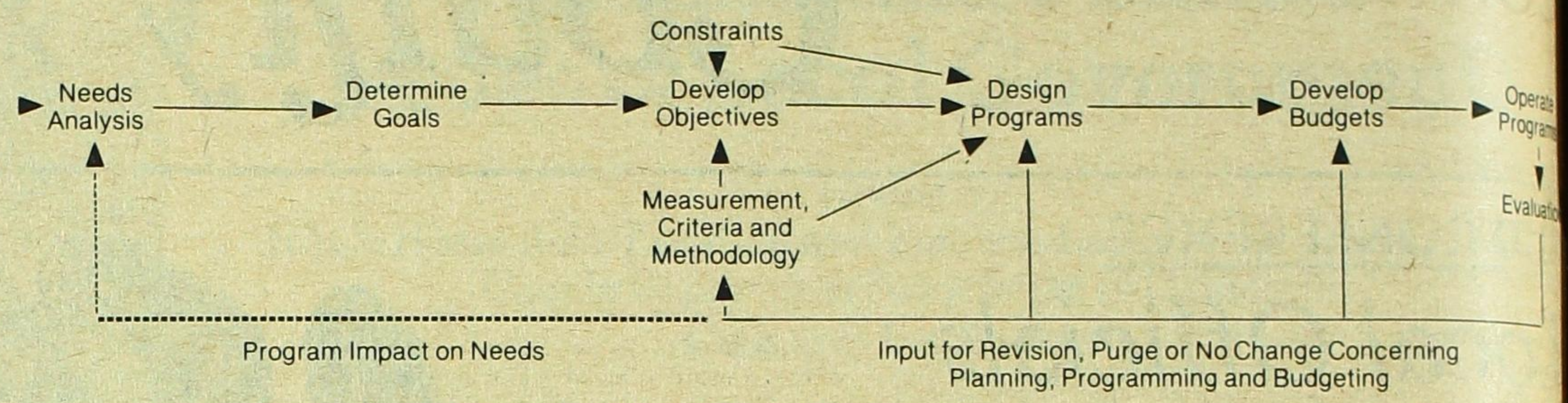
- **Achievable in Measurable Terms.** It must be possible to determine whether an objective has been attained. Therefore, there must be a way to measure the achievements set forth in an objective.

- **Attainable Within a Specified Time.** Objectives associated with the annual operating budget tend to be stated in annual terms, but there must be some finite time period so that results can be evaluated when that period is passed.

Objectives are the beginning point for evaluating local government. For example, objectives for a police department activity, "investigation," might be:

- To achieve and maintain clearance rates equal to or better than the national standard for all crimes assigned for investigation;
- To provide speedy investigation and prompt arrest of those involved in distributing illegal drugs, especially in schools;
- To increase citizens' common sense defenses against crime through lectures in schools, at civic meetings, and through dissemination of educational materials.

Program Planning, Management and Evaluation Framework



Community Development Block Grant Budgetary and Financial Management by Philip Rosenberg, Municipal Finance Officers Association and John Dalton, Peat, Marwick, Mitchell and Company MFOA, 1978, Chicago, Illinois 60601

For the department head or program manager, the criteria of evaluation must encompass all the intended efforts and benefits of the program. It is essential that department heads fully understand the reporting schedule and what information is required of them. Like objectives, measures of effectiveness are result-oriented rather than process-oriented. They should measure a program's effectiveness as stated in its objectives, as well as its efficiency.

For best results, departments must be assured that the projects included in their resource planning will be evaluated on a basis consistent with departmental objectives.

Since the evaluation of results, coupled with program monitoring, provides the basis for changing objectives and programs and for reallocating resources to achieve the government's goals more effectively, performance evaluation must be tied to the jurisdiction's own program planning and budgeting calendar. If project objectives established in the budget stage are not clearly articulated, performance evaluation will be ambiguous and misleading.

A review of the budget will help to refine **objectives** (are the objectives too broad and poorly structured?); **program** (is the program design appropriate; should the program be modified or purged?); and **resources** (are the resources adequate to support the program; can the same objective be attained by a less expensive program?).

Process of Performance Evaluation

The process of evaluation requires the measurement of results against certain criteria. The selection of performance evaluation criteria considers the following:

- Are the evaluative criteria commonly used for these programs related to specific purposes?
- Do they provide a good basis for measuring the success or failure of the key activities within the programs?
- Can they be used in determining problem areas or areas in which management improvement action could be taken?

The actual measurement of project output will assist the local government to determine:

- Whether planned results were attained;
- Whether unexpected positive or negative results were attained;
- Whether the expected results were realistic (and if a program or project should be continued at the same level, continued in a modified form, or be eliminated).

It is important, therefore, that criteria:

- Use data that are accurate and subject to convenient collection and validation. However, this does not mean that effectiveness measures should be limited to the data already available.
- Consider the program's impact on other local government objectives.
- Take into account the intended beneficiary of the program.
- Define the form of output expected.
- Take into account the perception of program results by decision makers.

Effectiveness can be measured in many ways. The quality of the project's product can be measured. For example, a reduction in the number of housing units that are less than decent, safe and sanitary is a measure of effectiveness of a housing rehabilitation program. Comparative measurements of effectiveness can be made. For example, if the objective of the rehabilitation of a neighborhood facility is to improve the level of service delivery, a comparison of the average number of users before and after rehabilitation is a measure of the program's effectiveness. Program impacts can also be measured. For example, the effectiveness of a coordinated physical improvement project for a specific geographic area can be measured by the percentage of decrease in the number of residential homes abandoned.

It is difficult to find a quantifiable measure of objectives for human service programs. Therefore, it becomes necessary to use some other quantifiable variable or proxy measure generally related to the objectives. For example, it is impossible to measure the personal satisfaction derived from a neighborhood facility. However, it is possible to measure the number of persons using the neighborhood facility, and it may be assumed that this measure is roughly proportional to satisfaction.

Measures may be refined to determine the project's effectiveness on a population group, neighborhood, census tract, or an entire jurisdiction.

Reporting on Performance Evaluation

In view of the variety of physical and service-oriented programs, methods of performance evaluation will vary greatly. A basic performance evaluation system need not rely on extensive statistical information. The evaluation may take the form of interviews, citizen questionnaires or random telephone surveys.

The program evaluator may interview the providers of the program or service to determine their ideas of the project's effectiveness, as well as those of its intended recipients. Sometimes carefully worded questions may be directed to the criteria needed to evaluate a program's effectiveness; sometimes evaluation may simply mean taking a numbers count.

Organizing the Evaluation

In organizing performance evaluation, local government should consider the following:

- Specific benefits to be gained from an evaluation program.
- Value of the existing system for performance evaluation program, need for revisions, or requirements for a new system.
- Organizational responsibilities and assignments for program design and implementation.
- A schedule for design and implementation.

A system that formalizes and standardizes the performance evaluation process must be developed. It should spell out who establishes the performance evaluation criteria, who is responsible for carrying out and reporting the evaluation, and how the results will be treated.

Benefits

The benefits of a sound performance evaluation program include:

- Improved assessment of the program's impact on local government needs and the relevance of program objectives;
- Improved assessment of program achievements in relationship to stated objectives;
- Improved allocation of resources through improved program plans and budgets as positive results and adverse trends of present programs are identified.

EXTENSION OF HOME RULE POWERS

Effects on Fiscal Management?

by Larry Gamm
Associate Professor of Community Development
The Pennsylvania State University
and Joseph James
Professor of Urban Affairs
University of Pittsburgh

In what ways can the extension of home rule powers contribute to increased capacity and flexibility in financial administration in counties? The question is posed because of two recent occurrences: the emphasis being placed on financial management priorities and capacity building in local governments, and the passage of Proposition 13 in California (the reduction of property taxes by 57 percent and a limit on increases).

Home rule status empowers a local government to do those things it chooses to do which are not in conflict with the national constitution or with state prohibitions. This status is intended to offer some relief from the traditional "Dillion's Rule" defined state-local relationship under which a local jurisdiction may perform only those functions specifically empowered by the state. Although many states have authorized counties and municipalities to adopt home rule status, the advantages available to these home rule jurisdictions in comparison to nonhome rule jurisdictions vary from state to state.

An Example

The following analysis is based primarily upon the author's observations of Pennsylvania county home rule efforts.

Seventeen of Pennsylvania's 67 counties have attempted to adopt a home rule charter or are in some stage of charter study under the Home Rule Charter and Optional Plans Law of 1972. To date, five counties have adopted charters since 1973 and join the city and county of Philadelphia, which adopted a home rule charter 20 years ago.

Nearly all of the 17 charter proposals move away from the commission form of government which is mandated for nonhome rule counties. Most propose the addition of an elected executive and a few the council-manager form of government. In most cases, the elected executive has budgetary, appointment, and veto powers similar to those under the strong mayor-council form of government.

Administrative Structure

Under these charters, then, fiscal and budgetary authority are centered in the elected executive or manager with provisions made for approval by the legislative body. All charters having an elected executive provide the executive with general veto power and most permit an item veto on appropriation measures. The legislative body has the power to override the veto. Most of the charters also have a department of administration, administrative services, budget management/or finance. In most, but not all, the head of these departments is appointed by the executive (either elected or appointed) rather than by the council. Administrative accountability and economies, in some instances, are proposed by

See CHARTERS, page 7

hose Events Which Can Hamper Control of Public Pension Costs

by Michael Mett
Supervisor, Milwaukee County, Wis.

The time has come for the public sector to take a realistic look the future costs of paying for employee pensions—both earned d promised.

This reexamination takes several forms. The first is an mination of what has happened, i.e. the existing agreements for nefits which will accrue and will have to be paid. The second is examination of the "mortgage" that public pensions place on payers. This long-term "mortgage" aspect is viewed, by some, a means by Congress and some state legislatures of regulating funding of state and local pension plans. These regulations are otivated by the desire to guarantee a source for payment of ure pensions costs and to maintain quality management of the sets of public pension plans.

The passage of Proposition 13 in California (the reduction by 57 rcent of local property taxes) is also indicative of the demand better financial management of public assets.

And while attention on public pension management is lcomed, little focus has been given to how public pension costs n be controlled or disciplined. An examination of public pension stems should weigh the interest and the demands of taxpayers ainst the need for adequate compensation and career incentives r county employees.

Some events which tend to frustrate control over public pension sts need to be identified:

- The granting by state legislatures to public employee ganizations the right to collectively bargain for public pension neifts;
- The granting by state legislatures to local public employee ganizations the right to have an arbitrator mandatorily termine contract settlements, which may or may not reflect the ility of a local unit of government to pay the costs of such an ard;
- The inability to measure at the time such benefits are granted e true costs of "pension promises"; and
- The inability to measure the frequency of early retirement or anging medical conceptions of disability.

These four developments constitute the greatest threat to sound nancial management of public pension obligations.

anagement's problem in dealing in each of the four areas is inted out by a thorough examination of the imbalance nerated by competing interests. These four developments are t limited to those states permitting public employee ganizations the right to bargain for pension benefits, but also ply to local governments which permit employee organizations bargain for pensions and who also agree to mandatory bitration.

Sliding Scale

The collective bargaining process makes sound management of nsion systems difficult. For example, a local government that shes to control its pension obligations for future employees ose most recently hired) may have to obtain the consent of esent employees in order to implement a different and less stly benefit schedule. Implementation of this new plan (for the ost recently hired employees) might not be easily attained, but in e long run, it would assure them adequate compensation when ey reach the mandatory retirement age or if they choose to retire rlier. The plan would also enable local governments to control sing pension costs and help reduce the possibility of having to t other services to meet pension obligations or the possibility of fiscal crisis.

ouble Dipping

Another problem is that many public pension plans do not have benefit schedule which permits the reduction in payments when pplemented by Social Security. Public officials are finding that ore and more persons are electing to retire earlier than the andatory age. Officials are also finding that when some mployees do retire and acquire their public pension, they also are ceiving Social Security. When the two benefit plans are added gether, the amount received is sometimes greater than the mployee's current take-home (net) paycheck.

Many local government pension systems permit retirement at ther age 60 or 20 years of service; or at age 55 or 30 years of rvice without actuarial reduction. "Normal retirement" under cial Security is defined as between the ages of 62-65 (for males) d does have an actuarial reduction attached. For example, if a ale employee who at 65 would receive a monthly pension of 00, decided instead to retire at 62, the actuarial reduction would 20 percent, or a pension of $320 a month. Without the actuarial duction the payment would be the full amount no matter what e age or length of service once the minimum requirements are et (e.g., 20 years of service).

Those charged with the management of the pension system ust address the controversial issue of reducing pension benefits cording to the possibility of other sources of income for the cipient. In trying to correct existing pension plan benefits cause of inflation, public officials must not ignore the ssibility of the recipient's collecting Social Security and/or oving into another job before reaching Social Security age.

The collection of both a public pension and Social Security has ceived the label of "double dipping" and has earned the ustration of taxpayers who feel they are having to subsidize both stems.

Binding Arbitration

Mandatory arbitration of employee disputes is another factor which impedes control of pension costs. In some cases, the arbitrator is not required, either by state or local law when making an award, to consider the ability of the local government to fund present or future pension benefits (which may be adjusted in the award). Arbitration of this nature hinders sound financial management by local governments.

Since many states place a tax levy limit on local government units, an award by an arbitrator may require an outlay of funds beyond the local government's ability to pay. The local government then finds itself making "radical surgery" decisions on other public programs in order to stay within the state tax levy limit, and still meet its pension obligation.

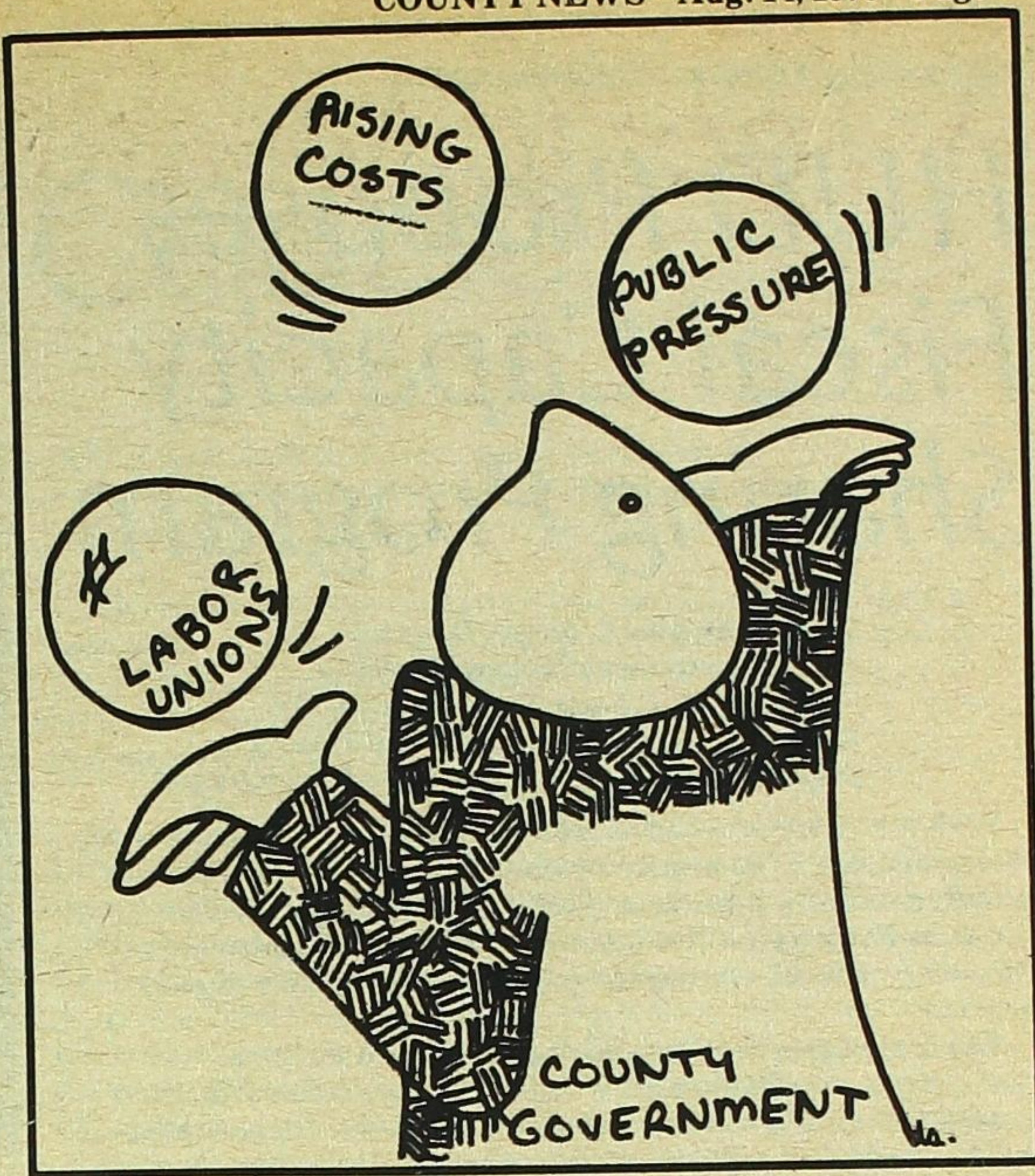
In effect these mandatory arbitration statutes or agreements by the local government remove control from the trustees and financial managers of local public pension plans. Financial management of local public pensions is not possible with unlimited collective bargaining for pensions, mandatory arbitration for pension benefits, and the ability of arbitrators to ignore the capability of the local government to pay. If arbitrators are to direct pension awards for public employees, it is essential for them to understand the full costs and actuarial considerations before committing taxpayer funds.

Additional Problems

Control and financial management of public pensions is also made more difficult by the inability to measure the cost of pension benefit proposals at the time they are discussed and acted upon; and to predict the frequency of early retirement, as well as the changing concepts of job disability.

Pension benefit increases are often built automatically into collective bargaining agreements (i.e., the benefits increase as salaries increase, and salaries increase as the cost of living increases). This has, in effect, produced a public pension cost "merry-go-round" in many state and local pension plans—presenting a valid reason to seriously examine whether the best financial management device for public pensions is a new benefit schedule for newly hired employees.

Also, the numbers of early retirement and the determination of disability cannot be adequately measured before granting such benefits (i.e., in an agreement with the public employee



organizations). Thus, even the best actuarial advice can only be expected to yield a projection of future expenses.

Actuarial experience can be evaluated by having an actuary examine and compare past experience to the original assumption to see if past funding of pension and disability obligations has been sufficient. Unfortunately, by the time this is accomplished, a fixed and legally binding obligation may have been created or bargained away by the governmental unit.

Thus, a "cooling-off period" should be required when any new pension benefit for public employees is placed on the bargaining table. This would give public managers time to cost out the new pension benefits and determine the financial impacts.

An examination of those events which frustrate management of public pensions suggest what is needed for improved local control: knowledge of actual costs in a timely fashion; a requirement that parties in the collective bargaining process in the public sector identify and consider known costs and their effect; the ability of the public body to pay for those benefits; and better development of predictive tools to measure pension plan experience, especially in the areas of disability and early retirement area (e.g., full benefits versus actuarial reduction).

With this new focus on financial management of public pensions, the unique public pension plan in each state can be addressed, and, at the same time, provide some thought to urging Congress to reconsider public pension benefits for both existing and future government employees.

HOME RULE

Charters Can Extend Fiscal Flexibility

Continued from page 6

calling for elimination or consolidation of many of the statutorily mandated elected row offices. Only two of these offices—controller and district attorney—are retained as elected offices in most of the charters; the elected sheriff is retained in about one-half.

Most of the charters specify fewer than 10 departments and all authorize the governing body to develop or to change the appointed administrative structures set forth in the charter. Flexibility in administrative arrangements is provided in most of the charters. The changing nature of county responsibilities is reflected in other ways: provisions for departments of community services, development, human services (resources), or intergovernmental programs are included.

Fiscal Provisions

In addition to proposed structural changes which might increase the home rule county's administrative capacity, many charters include provisions relating specifically to fiscal procedures. All of the 17 charters require preparation of a capital budget and most require multiyear fiscal planning on the part of the elected or appointed executive officer, subject to council review and approval. Nearly one-half of the charters provide the county legislative body with independent post-audit authority in addition to the authority granted the controller. An almost equal number call for program budgeting and several for performance auditing. In most of the charters, the pre-audit function is shared by the treasurer or finance officer, the controller, and the legislative body.

Especially important to the prevention of fiscal crises which might arise if the governing body failed to adopt a budget before a fiscal year began, most of the charters provide for a "budget deadlock" provision. In such instances, the executive's fiscal plan is to be the spending program until such time as the governing body acts on the budget.

Taxation Provisions

In the area of taxation, the property tax valuation process is placed with the treasurer or finance director (in nearly all cases this is proposed as an appointive office). Most of the charters also provide for the creation of a separate board of assessment appeals. In nonhome rule counties, the tax valuation process and appellate function are placed with a single board. Most of the charters leave tax rates to the discretion of the county legislative body; the remainder limit tax rates to those set in general law or the respective county code. Debt restrictions are governed by general state law and thus are not mentioned in any of the charters.

A review of the home rule charters developed by the government study commissions in Pennsylvania indicates the citizens' groups have correctly perceived their counties as multimillion dollar operations faced with growing responsibilities. Most attempt to provide administrative authority relationships, extensive financial control and oversight, improved budgetary procedures, and flexibility in fiscal management and taxation. Although only one-third of the proposed charters have been adopted by the voters, they may point the way to some of the changes which might be made by counties with or without home rule authority.

Forced Economies

It is possible, however, that county home rule charter writing could lead directly or indirectly to forced economies within county government. County government study commissions in Pennsylvania, for example, could proposed and voters could adopt home rule charters which set limits on tax rates which are below the limits set by the state codes governing the counties. Or only somewhat less restrictive, a charter could combine such tax limits with provisions requiring approval by referendum to exceed these limitations.

Shift to Other Revenues

One municipal bonds' market analyst suggests that an expanding Proposition 13 movement might contribute to increased pressures for local government consolidation. Another result, he suggests could be that a decline in issuance of general obligation bonds might be combined with a shift to revenue bonds to finance facilities and services. Local government consolidation is less of a possibility than a shift to other sources of revenue. Revenue bonds, charges and fees are almost synonymous with independent special districts. An initial impulse which might be followed by a local jurisdiction faced with "forced economies" would be to create additional special districts and/or to shift revenue generation efforts to fees and charges. In other words, any Proposition 13 movement (tax reform effort) may work directly against the efforts of counties and states, which through home rule authorization and other powers, are working to increase county capacity to provide services.

HUD Proposes Fiscal Capacity Sharing Program

by Alan R. Siegel, Director
Government Capacity Building
and Henry J. Anna, Program Specialist
Office of Policy Development and Research
U.S. Department of Housing and Urban Development

With the information developed at a national conference on the financial needs of local governments, including identification of priority problems, Housing and Urban Development's (HUD) Capacity Building Division staff drafted a proposed plan for a financial management capacity sharing program. (See related article.)

The draft was sent at the end of July to all conference participants, as well as to other federal, state, and local officials, academicians, and private citizens for comment. These comments will be used to make final revisions, and the plan will be implemented beginning in October.

The program the capacity building staff has proposed is intended to take maximum advantage of what is already being done in local government financial management. Our plan is to work with the associations of local governments, and those of the states, in making information sharing, training, and technical assistance opportunities available to local governments.

Assisting Local Governments

Of course, the key part of the capacity sharing program deals with local governments themselves. The proposed program is built around the Local Governments Section, under the Government Capacity Building Division. Included will be a training and technical assistance unit to work with state and regional organizations that provide these services to local governments; a national information-sharing unit; a financial management resource center; and a new publications and materials unit.

The recommendations of the national conference made it clear that the program must work with state and federal government agencies. We need to encourage the states and federal agencies to lift the burdens and barriers to financial improvement that they place on local government financial management. In working with state governments, we are using the Advisory Commission on Intergovernmental Relations to develop a package of legislative options on local government financial management.

NACo and other local government groups are represented on a technical review committee which is designed to assure local government input into the process of recommending change at the state level. The review committee has already made suggestions which have resulted in useful changes in the drafts of model legislation.

Our plans for working with the federal agencies are not as well advanced. In reducing barriers to improvement of local financial management, we will have to start with HUD itself. Improvement in HUD regulations and practices may serve as an example to other federal agencies. Once that is well on the way, we can turn to other projects dealing with the federal role in local financial management.

Responding to the Problems: An Example

While the details may change after we receive the reviewers' comments, we are encouraged and excited about the way the program is taking shape. The draft plan goes through each of the 21 problems identified by the national conference. The responses to each problem are based on the suggestions made at the conference. We tried to include all of the recommendations for each problem, and used reports of the prior workshops and conferences for further detail when necessary.

A good example of how this worked out is the revenue and expenditure forecasting problem. First we noted the several aspects of the problem:

• Some jurisdictions are interested in the methodological problems associated with developing econometric models for forecasting on a multiyear basis;

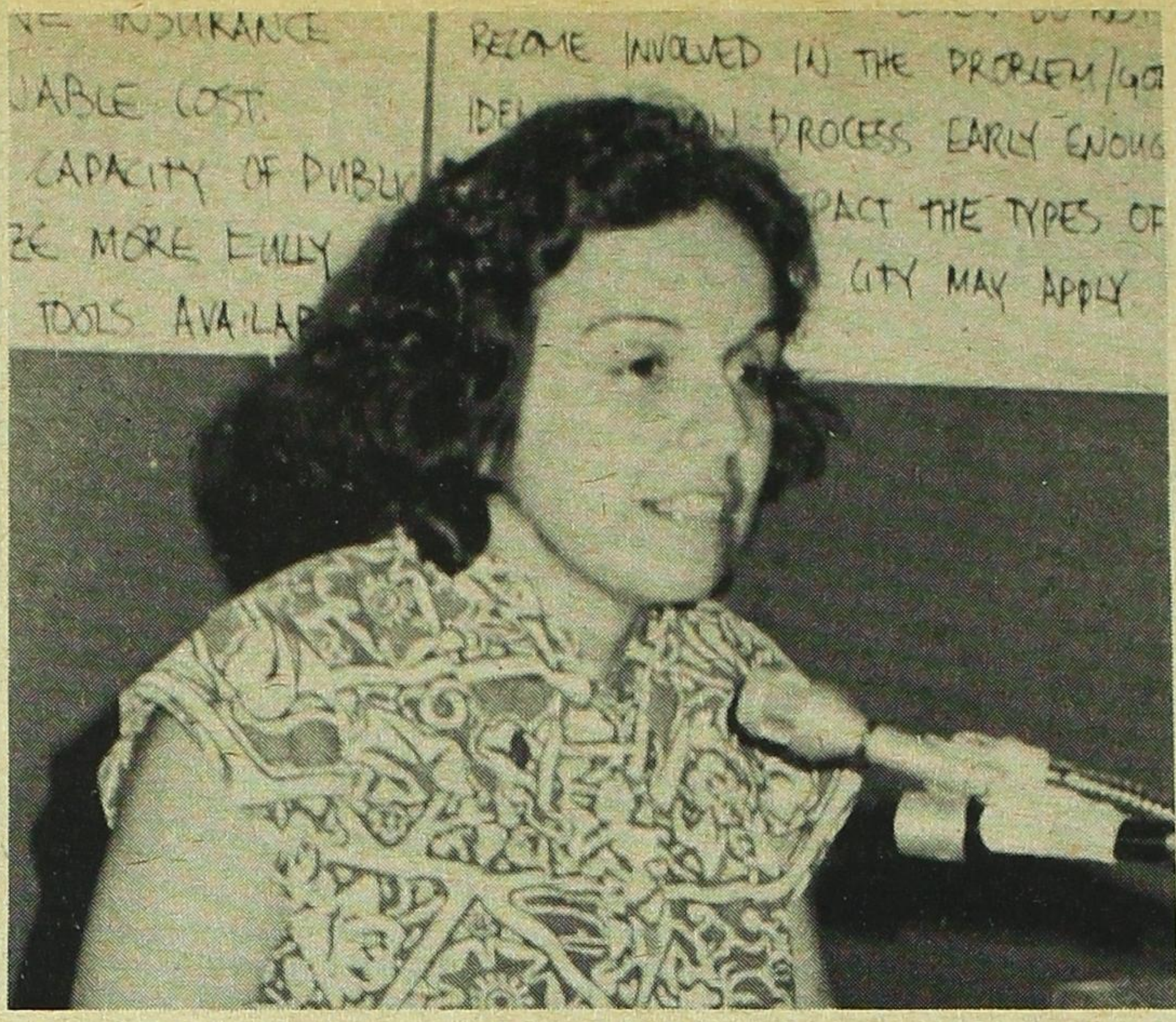
• Other jurisdictions are interested in relatively simple approaches to forecasting which have proven reliable for shorter-range projections;

• Many jurisdictions want better approaches to deal with uncertainty in projecting revenues from state and federal governments.

The planned responses to this problem involve almost all parts of the capacity sharing program. To work on methodology issues, we propose a series of national problem-solving workshops. These workshops would be arranged by the national information-sharing unit of the program through one or more of the local government associations which have an interest in the problem. The workshops would bring together local government practitioners who have experience in dealing with revenue and expenditure forecasting and other local government officials who are interested in developing forecasting capabilities. The workshops will emphasize the sharing of information and experiences, and the practitioners will be asked to assess the various techniques currently in use. The workshop proceedings will be documented and made available to other jurisdictions.

On the short-range forecasting problems, the training and technical assistance unit of the program would encourage various organizations to expand their activities. There are a number of organizations, including state associations of counties, municipal

See HUD'S, page 10



Donna Shalala, assistant secretary, Office of Policy Development and Research (HUD), welcomes participants from nine public interest groups to HUD's National Conference on the Financial Management Needs of Local Government.

HUD W

Continued from page 5

A Complex Issue

Financial management has long been consid financial officers, auditors and accountants, et for the most part, ignored the issue except at b a fiscal crisis.

Approval of a statewide tax initiative finally attention on financial management. Two days p conference, California citizens gave their vote Proposition 13 which provided for a 57 percent property taxes and put limits on the amount of event added a special dimension for the nation participants who were already aware of the imp task.

Donna Shalala, assistant secretary for HUD's Development and Research, began the meeting department's commitment to incorporate the p directions established during the consultation p capacity sharing program.

"By exchanging information on financial ma problems and solutions, we can begin to collec

21 Top Financial Problem

Participants at the national conference were given the task of selecting the priority problems facing local governments in the area of financial management. From a consolidated list of major financial issues identified at workshops conducted by nine public interest groups, 21 items were selected as most significant for local government. Local officials at the conference also recommended possible solutions to these problems and specific actions for the Department of Housing and Urban Development (HUD) to take in assisting local jurisdictions to improve their financial capabilities. These suggested solutions will help in determining the design of HUD's financial management capability sharing program. The problem statements and the suggested solutions are not listed in any priority order; each problem statement/solution is considered of equal importance. The following are only a portion of the proposed recommendations:

1. The area of financial management has been viewed from the perspective of technique rather than policy and management.

2. Local governments currently lack the ability, information and techniques to adequately project future revenues (particularly federal and state) and expenditures.

3. Local governments fail to analyze and consider the fiscal impact of their decisions and are generally unable to establish a local fiscal policy.

Suggested Solutions

• Ensure that staff is accurate in its input into the process and in analysis of date.

• Educate public about the value of competent staff in the financial management area and why funds should be spent in this area.

• Change the role of the finance director; budgeting should be the primary skill as opposed to accounting; existing talent should be tapped.

• Use media to inform public.

• Upgrade university curriculum to improve education of public financial managers.

4. There is an inability to tie together performance measurement and evaluation, budgeting and accounting to hold agencies accountable for expenditures in terms of services provided.

Suggested Solutions and Actions for HUD

• Develop models of integrated systems for various sized jurisdictions (some do exist).

• Use existing federal audit requirements as guidelines.

• Provide self-assessment manual checklists to local governments.

• Provide a "circuit rider" (traveling) financial expert.

There is a need for capital improvement programming which accurately reflects the total priority capital needs of communities (including housing) and the impact on the operating budget.

Suggested Solutions

• Develop technology transfer networks where success programs can be shared with others.

• Develop public relations programs to make citizens a capital improvement needs.

• Develop the capacity of local jurisdictions.

6. Reliable indicators are not used or available evaluating the performance and impact of local government services and activities.

Suggested Solutions

• Establish mechanisms to develop indicators.

• Conduct citizen surveys of service effectiveness.

• Share information among jurisdictions.

• Establish a skills and information bank including cata manuals of information, referral by phone and case studies

7. Difficulty arises in responding to resistance increased local property taxes to pay for rapidly expenditures.

Suggested Solutions

• Educate the public about property tax in language the understand.

• Investigate other ways to raise revenues.

• Improve coordination between taxing units (city, cour school district, special districts).

• Equalize assessments.

8. Cities are experiencing a decline of the cent tax base and a competition with suburbs for reve

9. There is a lack of federal policy to attack pri development practices such as redlining.

Suggested Solutions

• Approach code enforcement with caution since such enforcement causes relocation problems.

• Involve all levels of government and the private secto strategies to attack the problem.

• Encourage a "mix" in development.

• Develop multifaceted and flexibile programs in order local government's individual needs and character.

10. Local governments do not have the capacit obtain the appropriate insurance coverage at a reasonable cost.

Suggested Solutions

• Undertake strong loss prevention programs.

• Implement safety programs.

• Develop national insurance for local governments— insurance.

• Promote local government self-insurance.

11. There is a need to increase the capacity of sector management to utilize more fully the fina management tools available.

Suggested Solutions

• Develop short information materials.

• Develop training programs geared to several audienc

• Develop specific training in accounting systems, aud budgeting, reporting, and policy and standards.

/o|op Charts Local Financial Course

methods by which difficulties in managing urban finances can be solved," she said.

Conference participants were then put to work. With the assistance of facilitators from the Academy for Contemporary Problems, the 41 problem statements produced at the initial workshops were clarified and voted on. From the beginning of the identification process, HUD recognized the importance of highlighting differences and specific requirements that would emerge from the various orientations of the several groups. The conferees were given the opportunity to caucus by interest groups to approve the rankings and/or to add any problems to the original list. Twenty-one problem statements were eventually identified as the most significant financial management issues (see box on this page) facing state and local governments.

The remainder of the conference was devoted to discussing recommended solutions, and specific actions HUD could take to assist local governments. The government capacity building staff of HUD has said there is no single solution; some of the answers already exist within local government. "What is needed is an effective means of spreading the various improvement approaches to other areas where there is an interest," noted one HUD official.

Financial Reporting

Local officials frequently stressed the need for "on-going" education of those involved in financial management: financial officers, administrators, and elected officials. Practical manuals, concise case studies, training and development workshops that are geared toward several audiences, and information exchanges were among the recommendations of participants. One local official pointed out, "Local workshops are critical ... HUD can really play a role by bringing the talent to us rather than making us go to Washington."

The intergovernmental area produces a different set of problems for local government. State and federal oversight, mandated programs, guidelines and reporting requirements are sometimes contrary to sound financial practices. For example, in states requiring line item budgeting, local governments that may have switched to program budgeting find they must maintain two budgets and two sets of records. Conferees suggested to HUD that a research program to assess the effect of mandated costs be established along with an interagency effort to simplify federal agency requirements for local government financial reporting.

HUD is working with the Advisory Commission on Intergovernmental Relations (ACIR) to develop models toward improved financial management legislation in states.

The conference concluded with an address by David Garrison, deputy assistant secretary for policy development who spoke of the need for educating Congress on the importance of this initiative. He reemphasized HUD's commitment to the consultation process.

The nine public interest groups who had received grants from HUD for the initial workshops and for the national conference are: the Council of State Community Affairs Agencies (COSCAA), the International City Management Association (ICMA), the Joint Center for Political Studies (JCPS), the Municipal Finance Officers Association (MFOA), the National Association of Housing and Redevelopment Officials (NAHRO), the National League of Cities (NLC), the Urban Consortium of Public Technology, Inc. (PTI), the U.S. Conference of Mayors (USCM), and the National Association of Counties (NACo). A grant was also awarded to the National Training and Development Service (NTDS) to produce the national conference.

...cing Local Governments

...here is a lack of carefully developed, valid, ...and generally accepted standards/principles ...uating municipal financial condition including ...ded and unfunded liabilities.

...d Solutions and Actions for HUD

...ways to develop financial indicators and standards in ...ion with the International City Management Association ...sities.

...minate the concept and techniques for evaluating ...conditions of local governments in a form both the ...d the local governments can understand.

...uct joint workshops among credit analysts and local ...nts and include appropriate public interest groups and ...

...here is a lack of understanding on how to assess ...ocessing needs, how to analyze different ...ter applications, and how to determine the ...efits of automation.

...d Solutions

...nformation networks to share failures and successes.

...elop in-house "users committee" in local government.

...ensions

...d Solutions

...elop nonfixed variable benefit plans.

...elop ways to bring about full disclosure concerning ...abilities.

...elop general standards for actuarial studies.

...tate and federal oversight and control of local ...ment financial management is sometimes ...y to good financial management practices.

...for HUD

...urage states to review their budgeting procedures and ...re modern methods.

...nsor model legislation.

...t local governments in getting states to reduce the ...f information required.

...ocal governments lack the ability to cope with ...e fiscal and administrative impacts of federal ...e mandated costs.

...d Solutions

...ure that a fiscal impact statement on the mandated costs ...ogram be prepared before federal or state legislation is ...

... local government to recover the costs of mandated ...

...ome financial management requirements of ...(state pass-through) grant programs are ...ictory to accepted local government financial ...ement practices and thus impose undue ...s. Nonuniform application/reporting/auditing ...ments associated with federal grants and the ...g degrees to which federal agencies apply their own requirements place an unnecessary burden on the staff resources of urban governments.

Suggested Solutions

- Require local governments to meet standard accounting practices as developed by the Municipal Finance Officers Association, not by HUD.
- Insist on vigorous enforcement of the federal grant and cooperative agreement act.
- Review the integrated grant program to eliminate conflicts.
- Coordinate auditing and reporting requirements within HUD.

18. Federal grants distort local priorities. Federal guidelines prevent innovative integration of programs to achieve local goals.

Actions for HUD

- Develop a better system to assess local government needs.
- Set priorities at local level and use as a basis for HUD to develop programs. (Block grants were designed to do this.)
- Continue to review the value of block grants versus categorical grants.
- Conduct research on how federal grant programs (i.e., CETA) have worked so that legislation can be modified as required.
- Develop a pilot project seeking communities which can benefit from the success of other communities on this problem; develop modes.

19. Coherent federal policies which recognize particular problems of small- and middle-sized governments (50,000 to 500,000 population) are lacking.

Suggested Solutions

- Spread out block grants; expand general revenue sharing.
- Use university resources.

Actions for HUD

- Set aside certain funds in each grant program for small governments with populations under 50,000.
- Pass-through regional funding grants to smaller jurisdictions for technical assistance.
- Formalize the relationship between local governments and HUD regional staffs to use experts (technical assistance).

20. There is a lack of grants targeted to black and brown populations to achieve equity in the support of needed public services and facilities in minority communities.

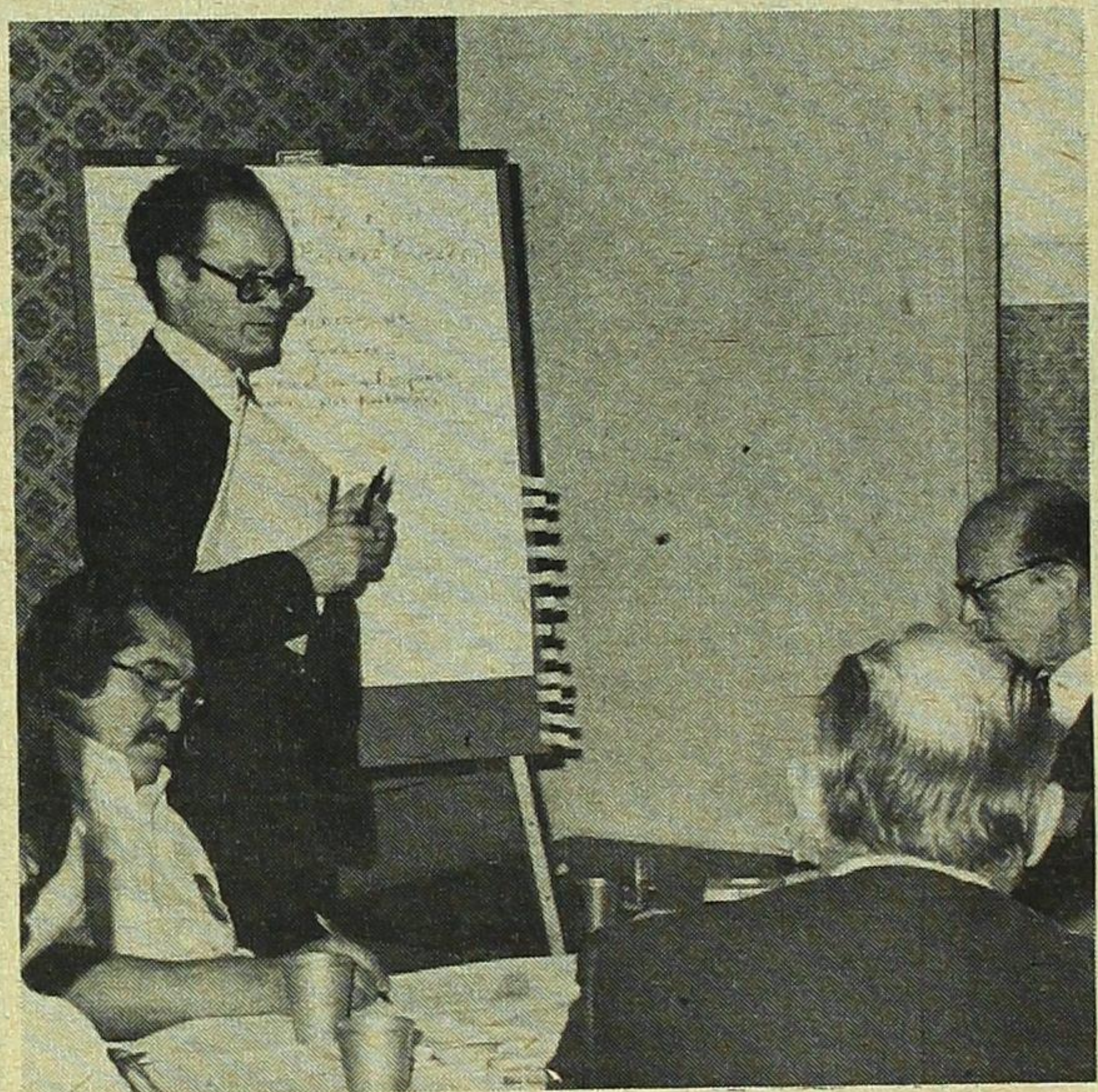
Actions for HUD

- Provide technical assistance and staffing for effective monitoring.

21. Employee relations: labor unions and civil service.

Suggested Solutions

- Develop a computerized prototype cost/assessment system in labor negotiations.
- Establish a mechanism to reward management efficiency.
- Establish information systems which describe performance/efficiency and include a cost-conscious attitude.



Kenneth Rainey, vice president of the Academy for Contemporary Problems, listens to the fiscal concerns of county officials at NACo's Financial Management Workshop in Denver.

Managing County Finances: Focus of Denver Workshop

Fifty elected and appointed county officials were invited to a recent NACo Financial Management Workshop to discuss financial concerns and to share experiences in managing county finances. Individuals represented various roles within local management (county executive, manager, treasurer, auditor, finance director, or budget officer); 24 states; small and large population size jurisdictions.

The one-day conference, held this past May in Denver, was one of several (see article on national conference) sponsored by the Department of Housing and Urban Development (HUD) in its effort to respond to increasing financial pressures facing local government. The NACo participants were asked to identify financial problems and needs most important to them, and recommend possible solutions along with ways HUD could assist in improving county financial management.

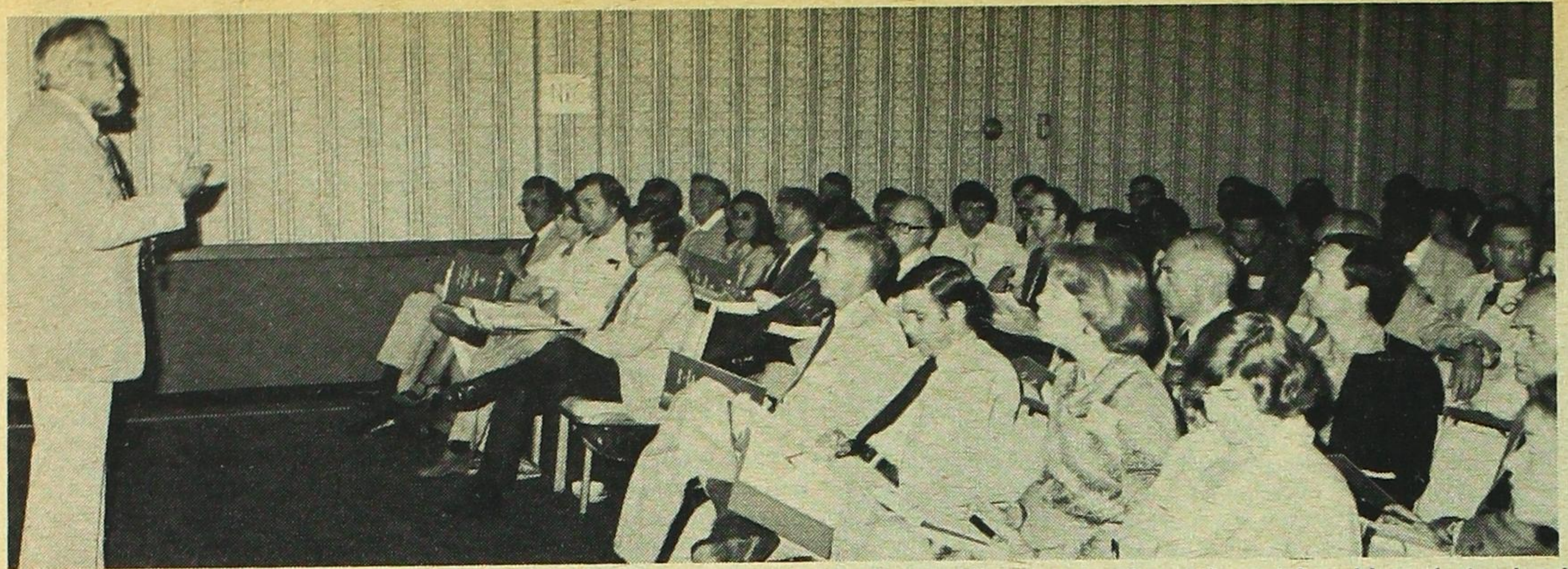
Al Siegel, director of HUD's government capacity building division, began the workshop by explaining HUD's involvement in the area of financial management and the importance of county officials gathering for the workshop.

He stressed HUD's role as the facilitator rather than a developer of original solutions, and spoke of providing technical assistance through established mechanisms whenever possible. "We want to help managers and elected officials do a better job in using the financial information they do have," noted Siegel.

Staff members from the Academy for Contemporary Problems acted as facilitators to both the small- and medium-sized groups which gave participants ample opportunity to express their views. The morning session generated a list of approximately 180 problems, which reflect the varied activities of county financial management. These were categorized into the functional areas of: budgeting; accounting; auditing and reporting; treasury management, debt and pensions; and intergovernmental relations.

At an afternoon panel session, county officials were encouraged

See 50, page 10



Participants at HUD's National Conference go through the process of selecting the most significant financial problems facing local governments.

50 County Officials List Top Financial Concerns in Denver

Continued from page 9

to discuss their own successful approaches to certain problems. Lois Parke, chairman, New Castle County, Del., commented on a "grants budget" she designed for categorical grant programs in her county.

How state actions affected county government in 1977 was analyzed by John Thomas, executive director of the State Association of County Commissioners of Florida. "In each of the past years, the major issues of concern have been environmental, social and government reform. This year there is a stark contrast; 65 percent of the items mentioned (data from the states) were directly, or indirectly, fiscal in nature," said Thomas.

Donald Brezine, Green County (Xenia, Ohio) administrator, suggested a project roster as an effective fiscal tool, explaining that the roster allows financial managers and decision makers to view each program as a separate entity. He also said that an essential objective of the county administrator's office was "to help the board of county commissioners to decide and act rather than merely react."

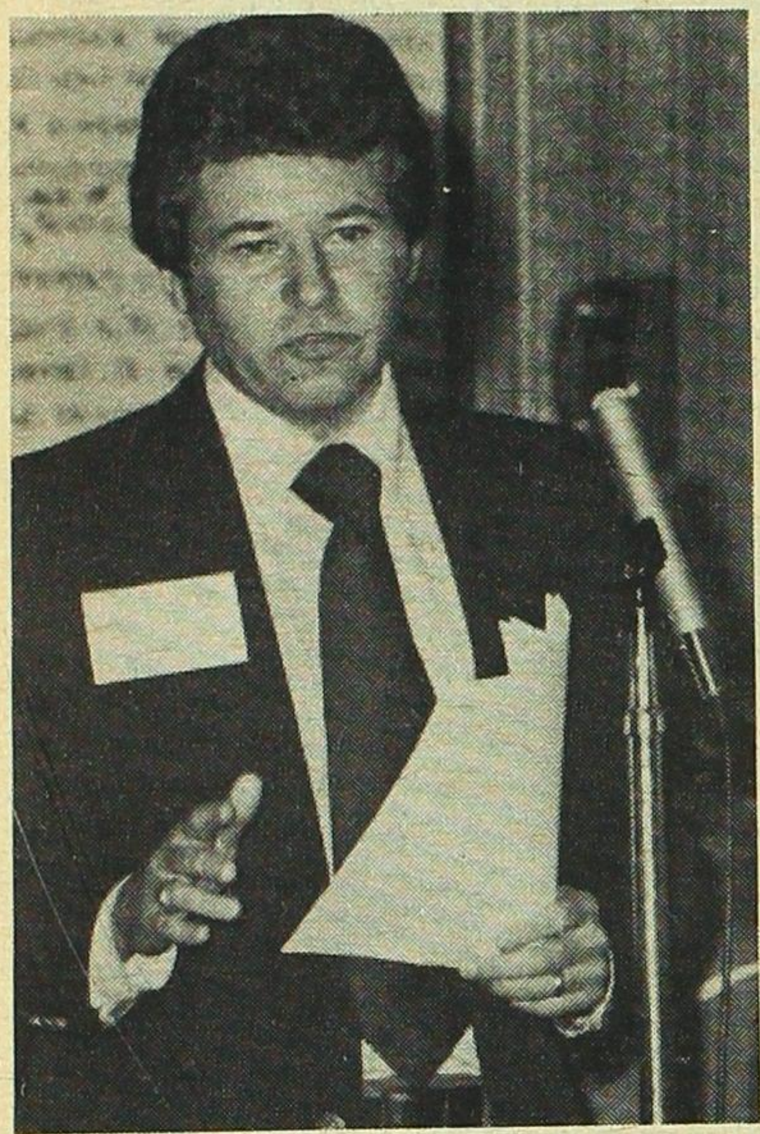
Assistant County Executive Brian Rapp outlined the financial management improvements and strategy being implemented in Santa Clara County, Calif..Rapp presented three conclusions that influenced efforts to improve county financial management; and emphasized their application to all counties:

- Financial management objectives are different for different time periods.
- Different users require different financial information for different purposes.
- Current financial practices impede the ability to provide management oriented financial information.

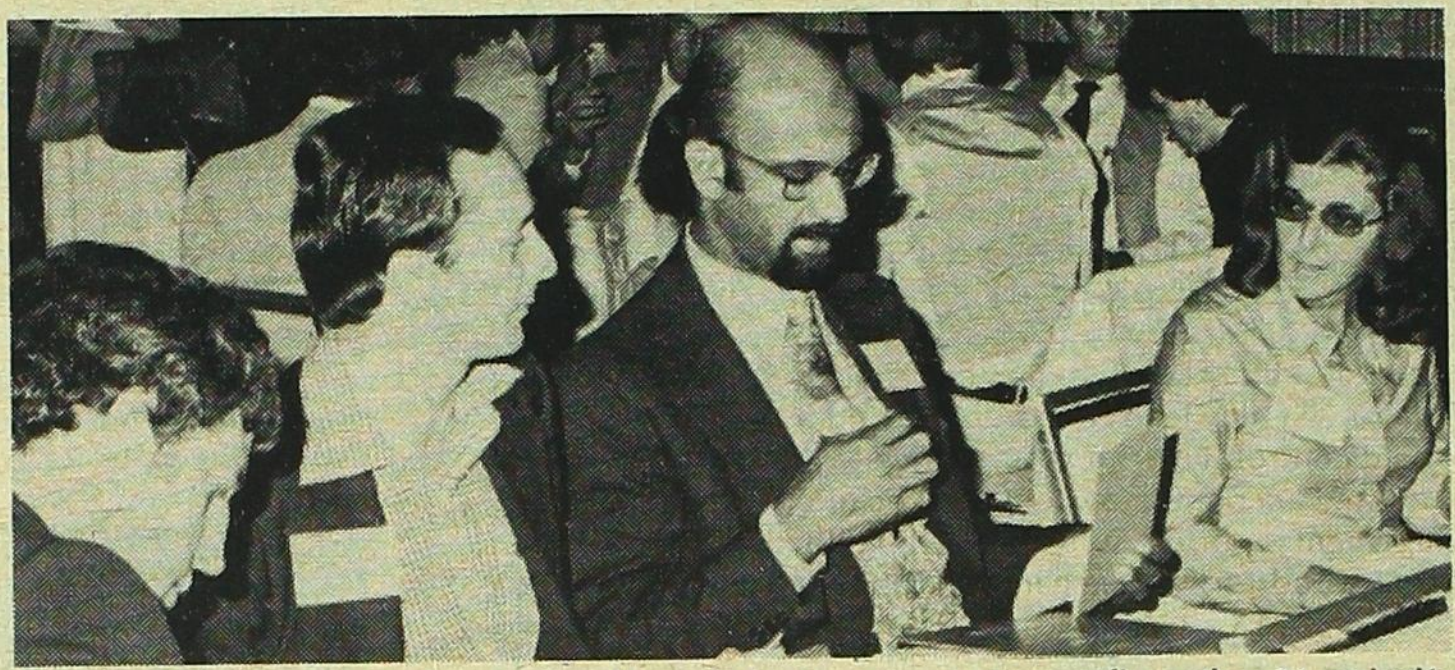
Several themes surfaced repeatedly throughout the day-long workshop: the inability to forecast limited revenue sources; the local impact of federal and state mandated programs; the lack of performance indicators; and the need for fiscal management training.

County officials had little difficulty in determining the most crucial problems facing today's county government. The following emerged as priority problems:

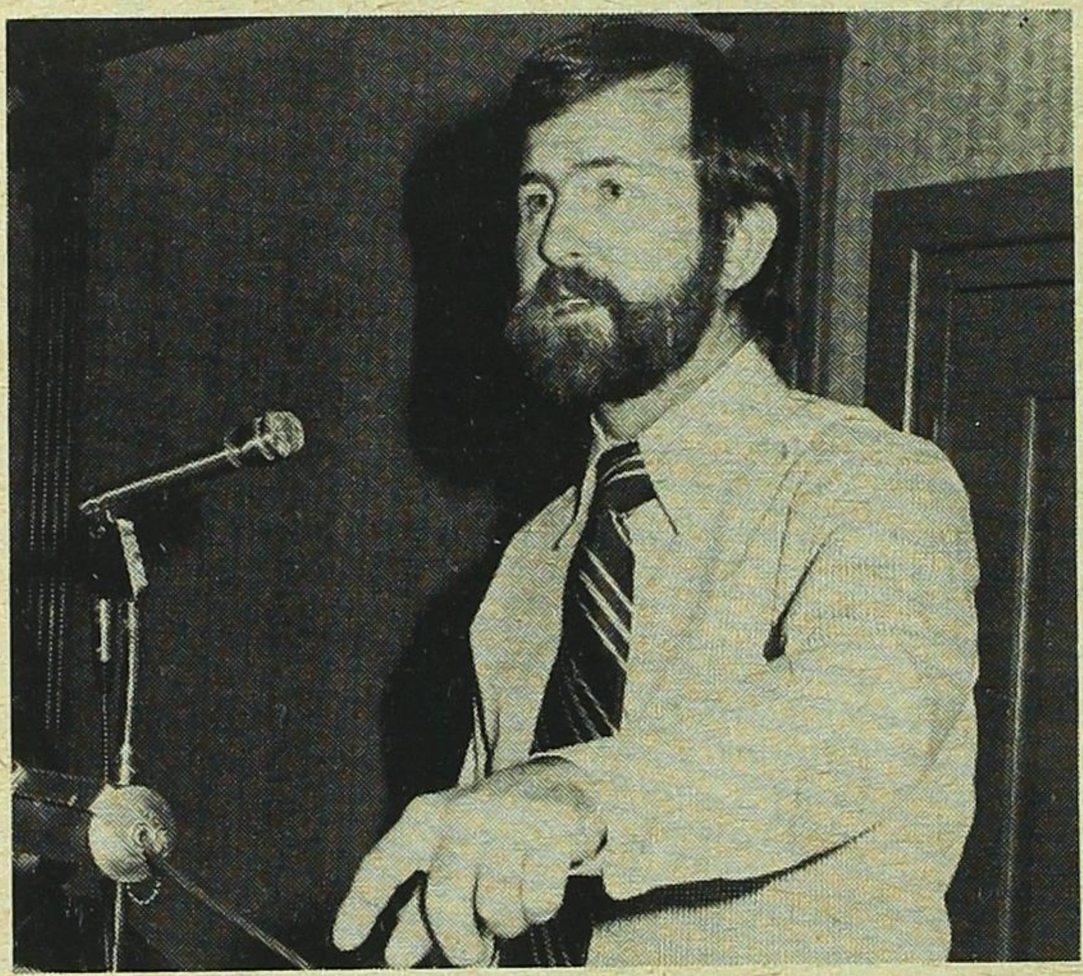
- Limited capacity for revenue, expenditure and service needs forecasting.
- Inadequate knowledge of good financial management practices on the part of elected officials, department heads and staffs.
- State limits on revenue sources, tax rates and level of indebtedness.
- State mandated service responsibilities without financial support.
- Federal mandated costs without financial support.
- Need for uniform accounting and reporting policies and procedures.
- Antiquated state laws on structure and finance.
- Inability of counties to maintain programs after federal demonstration and seed money dry up.
- Inability to tie performance measurements to budgeting and accounting.
- The way in which federal grants distort local priorities.
- Cumbersome and nonstandard federal reporting requirements.



John Thomas reports the salient recommendations from his discussion group.



NACo participants at the national conference caucus to confirm the 21 priority problems, seated left to right: Jim Snow, auditor, Salt Lake County, Utah; Jeff Wentworth, commissioner, Bexar County, Tex; Clifford Graves, chief administrative officer, San Diego County, Calif. and Lois Parke, councilman, New Castle County, Del. John Thomas, executive director, Florida State Association of Counties, is seen in left photo.



Brian Rapp, assistant county executive, Santa Clara County, Calif. discusses his county's efforts at improving their financial practices.

HUD's Capacity Sharing Program

Continued from page 8

leagues, departments of community affairs, universities, and councils of governments, which currently conduct training and technical assistance programs for local governments.

We are proposing two methods to make effective use of these organizations. We will develop a training and technical assistance secretariat which will provide for better communications and exchange of information among the various organizations. In addition, we will award small grants to these organizations to be used to develop new training courses and technical assistance approaches and to adapt existing approaches and materials to the needs of specific groups of local governments.

At times, we may find that no useful publications or materials are available on a given topic. To help fill these gaps, a new publications and materials unit will support the documentation of relevant local governments experiences. For example, in the forecasting problem, this unit would develop case studies on successful approaches.

To deal with the uncertainty problem, the program will need to work with state governments and with federal agencies. The State Governments Section is working to encourage states to review and reform their legislation and regulations on local government financial management. One of the specific tasks of this section will be to recommend ways to reduce uncertainty in local government funds provided by the states.

The Federal Agencies Section will work with various federal agencies and encourage them to reduce the burdens they place on local government's ability to forecast revenues. In addition, we will attempt to start a dialogue among various agencies on how to reduce uncertainties in federal funding for local government.

Finally, we are proposing a financial management resource center. This would be a small, in-house effort by the program staff It will provide a focal point for specific information requests and inquiries from local government officials. The resource center would include a library of financial management publications and materials which have been assessed by local government practitioners.

In operating as a resource center, the staff would be backed up by practitioner-experts whom we will identify through various activities. The resource center will be designed to complement the work that NACo and other local government associations are doing in this area.

This brief preview cannot cover all of the parts of our proposed program in detail. Additional copies of the draft plan are available if you are interested in the full details. Call 202/755-5613 or write: Alan R. Siegel, Director, Government Capacity Building Division, Office of Policy Development and Research, Room 8114, U.S. Department of Housing and Urban Development, Washington, D.C. 20410.

Practical Ways of Improving Local Government Management

The following are excerpts from Managing Local Government for Improved Performance/A Practical Approach, Westview Press, Boulder, Colo., 1977, and is reprinted with permission from the authors.

by Brian W. Rapp and Frank M. Patitucci
Westview Press, Boulder, Colo., 1977

...In the wake of the New York City experience, financial institutions that hold municipal bonds, accounting and finance professionals, state and federal legislators, and citizens throughout the country have asked themselves whether what happened in New York could also happen to their local governments. The standard response has been, "No—New York City is unique; it couldn't happen here!" Certainly, the precise events and circumstances that resulted in near-bankruptcy for New York will not occur in other cities and counties. Yet, as Charles Bowen points out, the financial information necessary to make such determinations is not generally available to investors, analysts, or the public in a way that would permit this question to be answered conclusively. Unfortunately, the same financial and accounting practices that concealed New York City's crises are employed today in many other counties and cities, similarly concealing potential major fiscal problems.

Impact on Process and Performance

...Like management tools, financial practices by themselves do not have a direct impact on the management process. But these practices can aid or impede the effort of political leaders and municipal managers to properly employ resources to manage the business of a local government for performance. In many cases, the restrictions or impediments imposed by financial practices limit flexibility and complicate the process of allocating and spending resources to meet public needs.

States are primarily responsible for restrictions on the authority of local governments to generate revenue. For example, local governments have no taxing power except that granted by the state constitution or by state law. They must seek approval from the legislature for any new kind of tax they wish to levy, and in some states they must obtain legislative approval if they want to raise the level of an existing tax. ...

Not only are local-government officials restricted in their ability to raise revenue, they are also restricted in their ability to use it. ... Federal and state laws and regulation and local charters and ordinances may restrict the use of state highway taxes to streets and roads, federal grants to manpower training or land-use planning, and a specific percentage of local property taxes to the acquisition of new park land.

Such restrictions on the use of revenue may produce bizarre results that are as incomprehensible to local-government practitioners as they are to citizens. For example, it may be difficult to explain to citizens or to city employees why police sergeants and detectives are being laid off because of a shortage of revenue while at the same time untrained police paraprofessionals are being hired because of the availability of federal funds to counteract high unemployment in the area. ...

Similar limitations apply to debt financing. Most state laws and city charters require a vote of the people prior to the issuance of bonds. Such a requirement can make the determination of the means of financing public projects subject to political considerations that may not be related at all to the merits of a

Continued on next page

Local Management Questions to Ask Yourself

specific project. Such restrictions, however, are not consistently applied; certain bond issues may not require a vote of the people because special state laws, court orders, or other circumstances exempt them from the requirement.

Current municipal financial practices permit, and in some cases, encourage, the recording and use of financial information that inaccurately reflects the costs of providing government services or the financial conditions of the local government at a particular time. These practices satisfy finance officers' or the accountants' requirements for a clear and precise audit trail that follows incoming funds to the point at which they are disbursed. However, this is not the kind of information needed by political leaders and managers in order to carry out decision-making responsibilities.

Assessing Financial Health

In simple terms, *financial health* refers to the capacity of a local government to meet its short-term and long-term financial obligations while providing stated levels of service ...

Unfortunately, no one has yet developed a generally accepted or widely applicable model for assessing and predicting the long-term financial health of a local government ...

This difficulty is compounded by a number of factors. One such factor is the practice of making "transfer" payments from higher levels of government to a local government. In recent years such transfers have significantly affected both the amount of revenue received by local governments and the relationships between the ones who finance and the ones who receive government services.

Another factor is the manner in which financial information is accounted for and recorded by local government. Fund accounting and other municipal accounting practices often confuse rather than clarify information needed to determine a local government's financial health. ...

A third factor is that, unlike private corporations, local governments do not provide standard information to support bond financing. ... Bond rating, one of the few common denominators for comparing the financial performance of local governments, are often based on fragmentary and less-consistent information than are corporate ratings.

A last factor is that projections of financial health present both political and analytical problems. A financial forecast can raise important political questions; for example, should a past policy be continued; Will a new initiative succeed or fail in the legislative process? ... In short, a financial forecast may be limiting political options, thus making the forecaster unpopular. Analytical problems may be just as signifcant, in that analyses may reveal inadequate sources of information, the uncertainty of future funding, and the difficulty of anticipating the mix of future services.

The following criteria represent what we believe are the most important questions to ask about a local government's financial health:

• **Does a local government know the full costs of the services it provides?** In order to assess the financial health of a local government, one must first determine accurately the actual cost of the mix of services being provided. Only if the true costs of services are known can one determine whether the local tax base or other sources of revenue will be sufficient to pay for them or whether sufficient value is received for the costs incurred. This question attempts to determine whether the full costs of present and future services are calculated, understood, and communicated in financial reports. ...

• **Are the individual and corporate citizens of a local government capable of paying the full costs of current and future services?** The demographic characteristics of a community, the strength and diversity of its industrial and commercial base, its physical characteristics, and many other variables create the local economic conditions that determine a community's ability to support a given level of local-government services. ...

• **Does a local government provide comparable and consistent information concerning its financial health?** The current and projected financial condition of a local government is a relative concept; that is, we can understand its implications in one local government only if we can compare that government with others. Comparability is especially important to those who lend money to municipalities. In order to make appropriate comparisons, financial information must be provided in a uniform and comparable manner from one jurisdiction to another.

Raising and Spending Financial Resources

The ways in which local governments are permitted to raise and spend financial resources may have a significant effect on performance. ...

Our concern here is with the relationship between revenue received and services provided, the ability of a local government to obtain debt financing, and the restrictions placed on raising or using public monies.

• **Is revenue received related to services provided?** ... It is possible in some cases to relate a service directly to the price or fee the public pays for it, thereby creating performance incentives. Therefore, where possible, specific services should be paid for by fees rather than by general funds.

• **Does the local government have access to debt financing?** Local government should borrow in a prudent manner in order to finance investments in long-term capital assets and, at times, to cover short-term cash needs. The capacity to issue bonds successfully at low interest rates requires a good standing in the bond market. Such credit ratings are based primarily on the wise use of debt in the past, the underlying financial health of the local government, the absolute amount of debt outstanding at any time, and the government's record of debt servicing and repayment.

• **Are there unnecessary restrictions on the raising and using of financial resources?** Local governments not only must adhere to local ordinances in raising revenue, they must also abide by state and federal laws and regulations in order to qualify for so-called shared (transferred) revenue. This question examines whether the requirements that accompany funding are unnecessarily complicated and restrictive. ...

Providing Financial Information for Decision Making

... An emphasis on acquiring the necessary financial information to support the decision-making responsibilities of local-government officials is essential when the performance of local government is the main concern. In this regard, two questions must be asked:

• **Is the finance and accounting system uniform, and is it integrated with other management systems?** ... Unfortunately, all too often different departments and agencies within the same government unit use different accounting methods. At a minimum, such inconsistency leads to confusion and to a lack of adequate financial control. To be of most service to decision makers, a finance and accounting system must be integrated with other management reporting systems, specifically those which report budgetary and performance information.

• **Is finance and accounting information useful and usable?** Finance and accounting information that can be understood by citizens as well as by elected and appointed public managers can provide a critical contribution to the political decision-making process. This question examines whether a city's finance and accounting system produces information that is tailored to the needs of a variety of users ranging from accounting clerks to members of the general public.

Meeting Fiduciary Responsibilities

City treasurers, controllers, and finance directors are charged with the fiduciary responsibility of ensuring that funds are collected, safeguarded, and used strictly in accordance with legislative and regulatory restrictions ... Within the local-government finance community there is disagreement about which accounting and auditing principles and practices should be used in meeting this responsibility. In contrast to the practice in the private sector, annual independent audits in accordance with generally accepted accounting principles are seldom conducted for governments. ...

Local governments are entrusted with the custody of large balances of financial assets (cash and securities). While in the hands of a local government, these assets should be used as efficiently as possible while remaining subject to proper protection. To ensure that a local government is maintaining proper custody of the resources taxpayers entrust to it, the following questions should be asked:

• **Are financial assets professionally managed?** Responding to the profit motive, private businesses attempt to maximize the profitability of all their assets. Because a public business receives revenue independent of its performance, it does not feel this incentive so acutely. This question examines whether government officials manage assets—idle cash, retirement funds, and the like—so as to obtain the maximum return feasible within prudent levels of risk.

• **Is an audit of financial statements and accounting records conducted annually?** ... An independent audit by a public-accounting firm provides an additional check on government at relatively low cost and is preferable to an audit by another government agency or by an elected or appointed government auditor.

POINT OF VIEW

Counties Face Fiscal Challenges

by Leanna Brown, President
New Jersey Association of Counties

In an era of taxpayer unrest, counties are being challenged to provide, through sound financial management, the necessary example to restore citizen confidence in government.

Ironically, an outcome of the present taxpayer revolt against escalating local and state taxes is that if these taxes are limited, more responsibility may be shifted to the federal government where expenditures are harder to control by the local taxpayer. Recently, an editorial in *The New Jersey Star Leader* compared the federal government's operation with county and state operations. It found that the latter governments had leaner operations and concluded the tax revolt should be aimed at the federal level.

However, the current "taxpayers' revolt" is aimed at the level closest to them because it is easier for the taxpayer to go to the county seat than to the state capitol or to Washington, D.C.

Professional Talent

In order to meet the enormous demands for service and to increase efficiency, counties in New Jersey have been streamlining operations and stressing the importance of having professionals at the helm. Seventeen of New Jersey's 21 counties have administrators whose duty is to carry out the daily operations of the county and keep a fiscal handle on the county's revenues and expenditures. This top level administrative talent must be justly compensated in government as it is in the private sector, a concept that taxpayers must understand and accept.

Although elected officials rely on their professional staff to make financial projections and prepare the budget, the policy decisions are and must be made by the elected officials who are directly responsible to the citizens. This places a duty upon elected officials to become more familiar with financial management practices and sound financial management of revenues and expenditures. In New Jersey, the proximity to the city of New York and its financial problems has been a constant reminder of the danger of poor fiscal management.

In New Jersey, the state budget is required to be balanced and is strictly controlled by the state department of community affairs which watches over county and municipal budgets. New Jersey was one of the first states to require financial disclosure for marketing bonds. Although New Jersey's home rule for counties provides for structural change, little change has occurred in the area of increased financial flexibility (levying of taxes, tax limits).

Whether a change in county structure (five counties have changed their form of government) will result in financial savings cannot, as yet, be determined; there has not been sufficient time for any analysis. Many counties that do not have a charter are, however, upgrading their financial management process by hiring professional talent and restructuring their fiscal systems.

How to Provide Services

County offiials are looking at a variety of methods to provide services more effectively and efficiently. The problem with many services such as insurance, utilities and pensions is not that they—are mandated by the state, but that the costs are simply too high for the local government.

The debate over the delivery of services by a particular level of government has been centered on which level of government can best provide the service for the least cost. Academicians continue to subscribe to the theory that regional and metropolitan governments are the best means of consolidating services and preventing duplication. Counties, however, are already that level of government which, by working in partnership with municipalities and the state, are accomplishing the same predicted objectives and savings.

The problem of efficient service delivery is not resolved by merely transferring the service area from one level of government to another. Other methods, such as interlocal service agreements between and among counties and municipalities, prove effective. In some instances, the service can best be provided by a private sector organization. Whatever method is used, the bottom line for county officials and the taxpayer is the cost of quality for the necessary services. Sometimes this means that the taxpayer must be willing to pay for the quality of the service demanded. Again it is essential that taxpayers' priorities be a part of the decision-making process.

In making these service priority decisions, county officials have been confronted by the boards and commissions established to oversee the service that is either mandated by the state or locally initiated. These boards and commissions sometimes feel that since they hold a unique statutory position, their funds cannot be reduced by the county. County officials must take a hard look at all services to determine if the service is still needed, too expensive, or could be provided by other means. These decisions are not easy to make, but they are the basis for sound financial management.

Federal Impact

Through federal legislation such as the Comprehensive Employment and Training Act (CETA), General Revenue Sharing, and the Community Development Act, counties have been brought into new service areas. It is, therefore, more important for county officials to improve their relations and visibility with the taxpayer.

If taxpayers are made aware of the value of the services they receive for their county tax dollars and understand the cost of services, they will be in a better position to voice their concerns to elected officials about local priorities. It is essential that taxpayers' priorities are a part of the decision-making process given the limited local resources. It is also essential that county officials realize that public funds are derived from various sources, all coming from the local taxpayer, and insist upon sound financial protection of those resources.

Conclusion

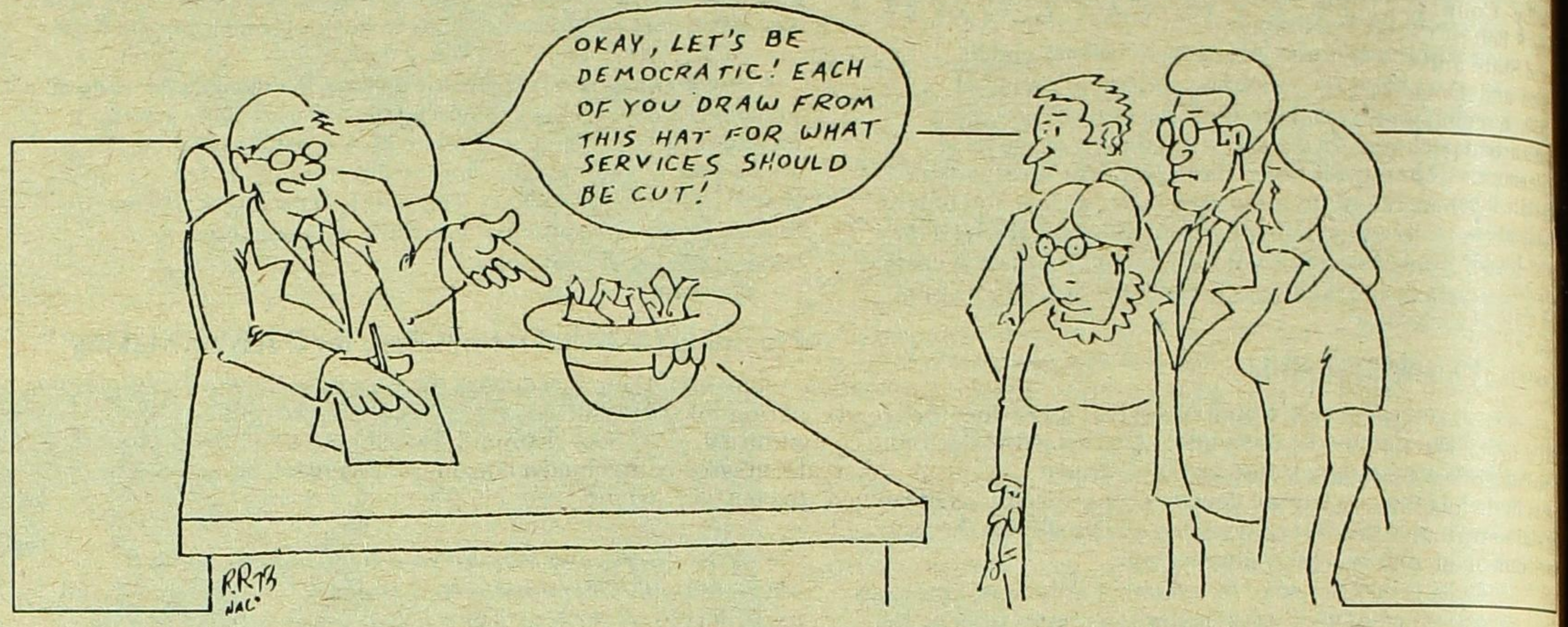
More interaction among counties is needed to avoid having to "reinvent the wheel." Both NACo and state associations of counties have assisted in this matter. The legislative and research efforts by these organizations serve as a resource center and benefit counties, not only in meeting the financial challenges but also by strengthening county government and home rule in the process.

It's Seven Years After Proposition 13

by Carol A. Berenson and Shelley Kossak
Research Associates
National Association of Counties Research, Inc.

The Jarvis-Gann initiative (Proposition 13), whether responsible legislation or not, gave citizens a direct vehicle to vent their discontent with both government and inflation. As a result, local governments in California face legal problems, fiscal questions, and an unpredictable future. What services, if any, does the public want cut? What constitutes a change in ownership for the reassessment of property? What are the implications for home rule in local government?

Let us assume the role of seer and examine what effects "Proposition 13" and similar initiatives could have on the government in the future.



... It is the year 1985. Seven years ago the Jarvis-Gann initiative stimulated similar spending and tax limitation efforts nationwide. In those states and localities where efforts were already underway, Proposition 13 provided the impetus that proponents had hoped for. Out of the 33 states examining possible tax reform measures, 22 enacted modifications in government spending policies. Four states adopted tax revisions substantially the same as Proposition 13, which placed strict limitations on local property tax collection.

Local Government

Although Proposition 13 was a strike against all levels of government, local jurisdictions received the brunt of the blow. It was a definite step backward after many years of progress.

The severe limitations placed on local government's ability to extract revenues in the years following the taxpayers' revolt forced them to turn to the states and the federal government for fiscal assistance. Although there were public statements to the contrary, counties and cities relinquished a portion of that precious commodity called "local autonomy."

This, in turn, caused a high turnover in elected officials with many individuals declining to run for re-election because of the reduced discretion of their offices. One local official commented, "The headaches far outweigh the rewards of public life. Citizens are still clamoring for services, but I have little authority as to how the money should be spent."

Strapped by tax limitations, local governments shifted to new and higher user fees and service charges to generate additional sources of revenue. User fees on water, gas, electricity, and telephones sharply escalated along with existing business license fees for retailers, wholesalers, manufacturers, residential and commercial rental property.

Today there are street maintenance and trash collection charges; library, museum and arboretum entrance fees. A popular source for collecting revenue has been recreation and park activities. Entry had traditionally been free in most county-operated facilities. Now in some places it costs $10 for public beach parking, tennis courts, and golf courses. Although an increase in a beach parking fee of $1 may seem slight, it brought in an additional $1 million to one community.

The fees, however, have had a regressive effect on some citizens. Lower income homeowners paid more indirect costs in charges and fees than they received as a result of the property tax reductions. On the other hand, the upper income homeowner benefitted with a sizeable savings in property taxes that was only slightly reduced by the cost of service fees. User fees and service charges are based on consumption. Had the fees been based on income or wealth, the lower income citizen would have fared better.

Police and fire protection services, schools (basic curriculum) and medical care experienced no major disruption. Some of their "extra" activities were cut, but basically these services remained intact. Nonessential services such as libraries, recreation, consumer protection and conservation programs tended to receive the first budget cuts.

Duplication of services between cities and counties was essentially eliminated. In certain areas, the city became the sole provider of police protection, and in other instances, the county provided public transportation for both city and county residents. In still other cases, the county and city contracted with private businesses for the delivery of specific services which they could provide on a more economical basis.

Tax limitation amendments also created a few innovative public and private partnerships, in addition to stimulating the private sector's economy. Private day care centers, church-affiliated organizations, and private health care services effectively absorbed the activities formally operated by the government. Citizens in private housing developments formed recreation associations, permitting some public swimming pools and recreation centers to remain open. Private physicians formed associations to purchase and operate public hospitals that otherwise would have had to close.

In general, the economy seems to have survived in those states where citizen groups were effective in passing legislation which required tax savings to be returned to the consumer. Landlords were required to pass on some of their property tax reductions in the form of rent reductions. Utility companies had to share their profits via rebates or reduced rates to customers. Some industries, which competed locally, passed their lower property taxes onto customers. Those industries competing on an interstate basis did not face the same pressures to reduce prices.

Of the four states which adopted tax limitations similar to Proposition 13, one state took an agressive role in trying to attract new industry. Lured by low corporate taxes, the new industries revitalized the state. Moreover, the new jobs brought people to the state which, in turn, sparked new homes and apartment construction, and increased the tax rolls. Because of this expanded tax base, the state was more successful in providing schools and social service programs.

Another state which adopted a tax limitation fell into financial disaster almost immediately. The state was without the advantage of having any surplus in its treasury. The local governments were forced to sharply reduce social services, education, and recreation programs, and were continuously baffled in trying to meet their payrolls.

Layoffs, resulting from Proposition 13, were not as disastrous as anticipated. The seniority system protected the older tenured workers while many newer members of the workforce—young workers, women, and minorities—lost their jobs. In increasing numbers those affected turned to the private sector for employment. Many who worked for government in social programs found similar challenges in the newly created private endeavors in these fields.

The State

Significant legislative changes occurred mostly in states with large budget surpluses. The majority of the surplus was returned to counties, cities, schools, and special districts in order to absorb some of their revenue losses. State legislatures distributed these funds according to various formulas; however, local officials had little control over how they were allocated.

State emergency fund programs were established to aid local jurisdictions with any crisis or unexpected expenditure (e.g., natural disasters). These, however, were only initial measures. State governments also assumed complete fiscal responsibility for most social service programs and court services. The heavy welfare burden formally handled by counties is now administered at the state level. County hospitals and mental health clinics did not close their doors; they were either supplemented with state funds or turned over for state or private administration.

The impact of limits on local tax and spending authority did not result in dramatic changes in services provided to the public. Nevertheless, there are other types of changes. As noted earlier, state government was forced to provide increasing financial support to local government; there was a corresponding shift of control.

Now states which hold the purse strings feel they have the right to control how the money should be spent, although many would argue that local officials are in the best position to evaluate citizen needs. In any case, local governments' fiscal flexibility is severely limited.

There is an irony: many individuals who voted for Proposition 13 type initiatives were also a part of the grass roots movement calling for more local control.

The Federal Government

The word from Washington during the summer of 1978 was not to expect the federal government to bail out California or any other state which might impose similar tax limitations. This was continually stressed despite the $2 billion tax windfall the federal government gained in higher income taxes paid by California residents. The Carter administration, at that time, was concerned about its strategy to achieve a balanced budget.

Passage of "Proposition 13" initiatives hit hardest on the disadvantaged, minorities, and those with special needs. Although state surpluses were channeled back to local jurisdictions, funds for local programs for these individuals were cut back. The situation was further aggravated by the unwillingness of citizens to assume the responsibility of taking care of their own.

The federal government found itself in a position similar to the states; it was forced to assume more of the funding responsibility for programs on the local level. Special interest groups persistently lobbied Washington for their share of the federal budget. In some instances, the federal government provided direct financial assistance. In others, Congress waived local matching requirements of some social service programs provided on the local level. Maintenance of effort regulations, which require state and local units to meet a specified level of effort, were reduced to salvage national priorities. In 1984, Washington did come to the rescue of one state which was on the verge of bankruptcy, but only after a long and bitter debate.

The federal government was simultaneously trying to cope with opposing forces. As the cost of operating federal programs reached massive proportions, federal officials and congressional representatives experienced substantial pressures to establish a balanced budget and greater efficiency in government. The costs of national programs such as Medicare/Medicaid, energy, and Social Security were becoming overwhelming.

The 70's could be described as "the age of inflation" when Americans learned to live with escalating prices. The 1980s has become "the decade for limitations." Although the federal treasury is plentiful, it is not an unlimited source for every demand. The public is learning to cope with the realization that fewer resources may mean reduced services. Citizens have options, but they have to make their choices within cost-effective limits. The rumblings which began in California in June 1978 eventually were heard and felt at all levels of government.

"Buying Time" After Prop. 13

Continued from page 5

the state relief program will not be permitted to grant their employees cost-of-living increases in 1978-79. Additionally, those agencies which had multiyear contracts with their employees that included increases for 1978-79, are faced with the dilemma of receiving state relief funds and breaking existing contracts (authorized by SB154), or turning down the relief funds and honoring their contracts.

Programs to Be Supported

The programs for which the state has provided funding for this year only are as follows:

Program	Amount (Millions of Dollars)
Supplemental Security Program (SSI/SSP)	$167.6
Medi-Cal	418.0
AFDC	
Grants	257.0
Administration	63.2
Boarding Homes and Institutions	92.3
Food Stamp Administration	21.5
Child Support Enforcement	24.5
Total	**$1,044.1**

In the case of all but the boarding homes and institutions and child support enforcement programs, the state is assuming the total local share of the programs for 1978-79.

The additional $436 million being paid to counties is based on the relative net property tax reduction after giving credit for the amount of revenues received from the direct buyouts of the above social service programs. As a condition of receipt of these monies, counties are required not to reduce their expenditures for health services more than the net percentage reduction in property taxes after credit for the direct relief.

Looking for Future Revenues

It must be stressed that the state relief funds are for one year only. California is in a rather unique position among states to have the "luxury" of a large surplus to cushion the initial effects of the massive 57 percent property tax reduction. This money will be used, however, only as a stop-gap measure to buy time for the Legislature to deal with the more fundamental questions of the size, financing and services that will be provided by California's local governments in the future. To add to this effort, the governor has appointed a blue ribbon commission to study the problems caused by Proposition 13 and recommend changes in government finance and structure to provide long-term solutions. It is expected to make its first recommendations in late 1978 or early 1979.

Counties Back Concept of State Incentive Aid

WASHINGTON, D.C.—Cliff Tuck, tergovernmental coordinator for helby County, Tenn., testified ug. 8 before Congress on the prosed State and Community Conservation and Development Act, H.R. 2859, a component of the President's urban package.

He endorsed the concept of providing state incentives "to foster a more ordinated fiscal relationship between the states and its political subdivisions in concentrating federal nd state resources on communities ost in need."

Tuck, who appeared before the ouse subcommittee on housing and mmunity development on behalf of ACo, urged the members to include strong role for county governents in developing and implementg state strategies for the economic evelopment of distressed communies.

HE SUGGESTED that "county overnments should have a sign-off right on all proposed state strategies in determining acceptance of the state plan and that the Secretary should not approve such a plan until the state and local government have had an opportunity to negotiate their concerns."

Tuck further noted that if the program is to be a true partnership, it cannot be successful without a strong local government role in each step of the process.

The State Community Conservation and Development Act of 1978 would provide $400 million for fiscal '79 and fiscal '80 in competitive grants to the states to implement strategies for the revitalization of distressed or declining communities.

Under the proposal, state strategies would be designed to better coordinate state resources and provide state structural reforms which would improve the revenue raising capacities of cities and counties and alleviate the fiscal burdens of distressed communities.

In accepting applications, the bill requires that the state proposal include "the extent to which the strategy has involved consultation with, and secured the cooperation and support of ... communities and organization of elected officials. It also specifies that the "Secretary afford communities "a reasonable opportunity to object to such approval."

Members of both Senate and House subcommittees are concerned with certain provisions of the bill and have reservations on how a state incentive program would be implemented, although many agree with the general concept embodied in the measure.

Sen. Edmund Muskie (D-Maine) introduced a proposal recently which would provide planning grants to assist states in determining the needs of distressed communities and formulating a strategy to address them. His measure also includes action grants to implement the strategies, as well as funds to support a White House office to coordinate a state incentive program.

During testimony before the House subcommittee, the question of providing incentives to the states to conduct assessments was raised, although no final agreements were reached.

PASSAGE OF a state incentive program this year is highly unlikely. In the Senate, a subcommittee has voted to table the measure until next year. In House subcommittee hearings, Chairman Thomas Ashley (D-Ohio) remarked that the present congressional calendar would not provide enough time for passage this year, but added that the state incentive program would be given high priority consideration in January.

Meanwhile, anticipating that Congress may not act positively on a key element of the urban policy, the Department of Housing and Urban Development (HUD) is initiating a program of incentive funding for state and regional strategies to assist communities and distressed areas with $2.5 million of urban planning assistance from the HUD 701 program. Grants of $100,000 to $250,000 are expected to be provided to the states. In addition, it is expected that grants of $100,000 to $250,000 be provided to metropolitan areawide planning organizations and $50,000 to $100,000 for nonmetropolitan APOs. The length of each incentive project will depend on the activities proposed and the size of the grant. However, the maximum length of each grant will be two years.

COUNTY INPUT STRESSED—Cliff Tuck, intergovernmental coordinator for Shelby County, Tenn. urges a House panel to include a strong role for counties in the proposed State and Community Conservation and Development Act.

Bill Allows Funds for Refuge Lands

WASHINGTON, D.C.—The Refge Revenue Sharing Act of 1978, R. 8394, sponsored by Reps. Bo inn (D-Ga.) and Bill Steiger (R-is.), has passed the House and is nding Senate approval in the Environment and Public Works Comittee.

This bill is designed to revise the ildlife refuge revenue sharing sysm, which was enacted by Congress 1935, and it is intended to correct equities in the system which have eveloped over the years.

In 1976, Congress passed the ACo-sponsored legislation, P.L. 94-65, to provide payments-in-lieu of xes to local jurisdictions for naonal park, national forest, and ureau of Land Management lands, order to partially compensate unty governments for the tax immunity of federal lands. However, is act made no adjustment in receipts to local jurisdictions for lands incorporated in the National Wildlife Refuge System.

UNDER PROVISIONS of H.R. 8394, a county containing Fish and Wildlife Refuge acreage would receive an annual payment of the greater amount of 75 cents per acre; 3/4 of 1 percent of market value; or 25 percent of federal oil and gas leases on wildlife refuges. H.R. 8394 applies only to refuge land that was acquired by the U.S., and not to public domain lands which would be subject to the basic payments under P.L. 94-565.

The bill also calls for the reappraisal of refuge land by the Fish and Wildlife Service every five years, rather than relying on the agricultural index averages which are not reflective of the true value of the land removed from local tax digests.

It also provides an authorization for appropriations to counteract any shortfall between receipts collected from refuges and payments due local jurisdictions and removes the restriction that payments may be used by local jurisdictions only for roads and schools. Counties receiving payments are required to pass on a proportional share of the payments to the local governments which have incurred the loss or reduction of real property tax revenues.

It is estimated that the additional cost of the program will increase from $3.5 million in fiscal '79 to $14.6 million in fiscal '83. However, if oil and gas leasing receipts increase, as can be expected if oil and gas development on refuge lands continues, these funds may be sufficient to cover the cover the cost of the program with no additional appropriation necessary.

Workfare Meeting or Milwaukee

County officials interested in learng more about work relief programs e urged to attend a national conrence on workfare to be held Oct. and 27 in Milwaukee County, Wis. ilwaukee County Executive Wilm O'Donnell has planned this conrence to discuss the Milwaukee unty work relief program which s received national publicity.

The conference will begin the eveng (5:30 p.m.) of Oct. 26 and conue through Oct. 27. General sesons as well as small discussion oups are planned. All those intered should contact County Execue O'Donnell's office, 414/278-4211.

—James Koppel

COUNTY REP ASKED

Pension Policy Group Set

WASHINGTON, D.C.—NACo has written President Carter to request that a county representative be included on the newly established Commission on Pension Policy.

The 11-member body was created in July by the President to develop national policies for retirement, survivor and disability programs. The scope of the study will include federal, state, local and private programs.

Specifically, the commission is given one year to submit to the President a series of reports covering, but not restricted to:

- Present overlaps and gaps among the private, state and local sectors in providing income to retired, surviving, and disabled persons;
- The financial ability of present private, federal, state and local retirement, survivor, and disability systems to meet their future obligations;
- Appropriate retirement ages, the relationship of the annuity levels to past earnings and contributions, and the role of current retirement, survivor, and disability programs in private capital formation and economic growth;
- The implications of the recommended national policies for the financing and benefit structures of the retirement, survivor, and disability programs in the public and private sectors; and
- Specific reforms and organizational changes in the present systems that may be required to meet the goals of the national policies.

One of the charges to the commission is to "seek the advice of individuals and groups interested in policies applicable to retirement, survivor and disability programs and systems."

NACo will work to insure that county input is heard.

—Bruce Talley

FOOD STAMPS

Ruling on 'Earned Income'

WASHINGTON, D.C.—A recent court decision in Ohio will affect future administration of the food stamp program. The decision in *Garrett vs. Bergland* involves the "earned income" disregard used in computing an individual's eligibility for the program.

Under current law, an individual may deduct 10 percent of his earned income up to a monthly maximum of $30 per household when determining his net income. Until this recent court decision it was unclear whether a general assistance recipient who participated in a work relief program could deduct that part of his grant as "earned income." A work relief program is a state or local general assistance program in which recipient are required to "work off" all or part of their general assistance.

The Ohio court held that the part of the general assistance grant that is directly attributable to an individual's participation in work relief may be deducted as earned income. If the entire grant is attributable to participation in a work relief project, or if the earned portion of the grant can't be distinguished from the unearned portion, then the entire grant is subject to the earned income deduction.

Any additional money given to the recipient to pay for work-related expenses, such as transportation, is also subject to the same 10 percent or $30 maximum deduction.

The proposed regulations for the new food stamp law which were issued in May incorporate this court decision into the definition of "earned income" deduction. Earned income now includes that part of a general assistance grant which compensates for work project employment. A flat 20 percent of gross earnings will be allowed with no maximum. Mandatory deductions like union dues are eliminated by being included in the flat 20 percent deduction.

Department of Agriculture officials anticipate that counties which do not comply with the court's decision may be required to review general assistance cases, recompute recipients' adjusted net income, and refund their money, if necessary.

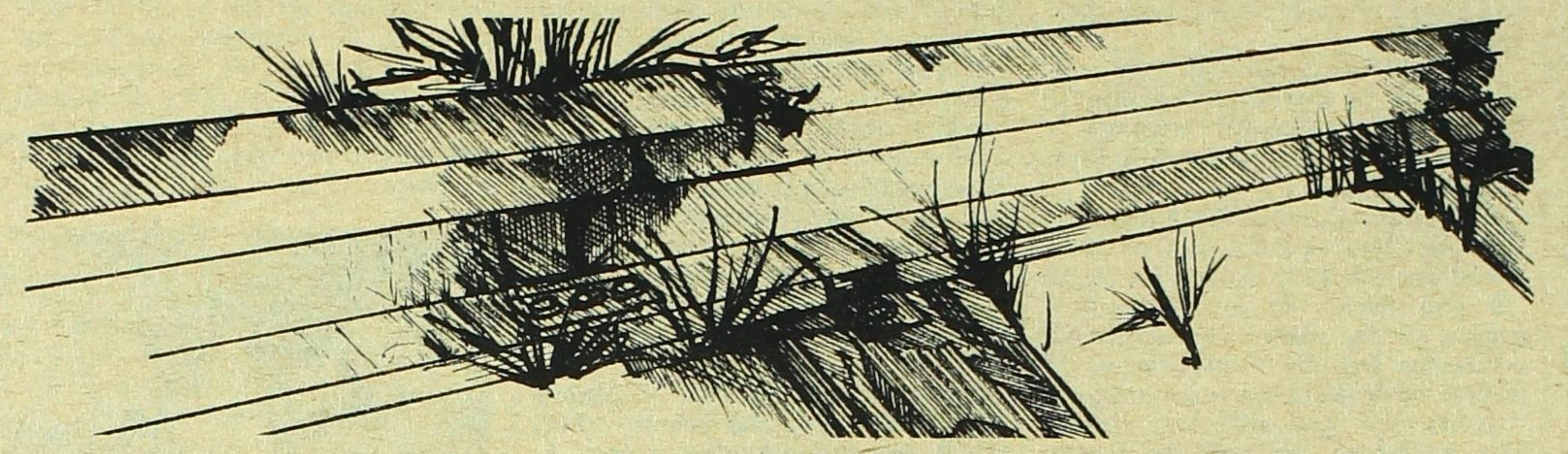
—Diane Shust

Job Opportunities

ABANDONMENT THREATENS ECONOMY

State Plans Aid Local Rail Service

At NACo's 43rd Annual Conference in July the Transportation Steering Committee presented a discussion paper on railroad abandonment. Due to increasing county interest in this field an abridged version of this document is presented.



In 1973 Congress passed the Regional Rail Reorganization Act (RRRA) which authorized state planning for local rail service. For states to receive federal rail coninuation subsidies they had to establish a plan for:

- State-wide rail transportation;
- Local rail services;
- Railroad planning by a state agency.

This program was limited to the Northeast and Midwest regions of the country but in 1976 the Railroad Revitalization Act extended it to all states; $360 million was authorized for states to meet the costs of establishing and implementing state rail plans.

The act requires the Secretary of Transportation to acquire an interest in rail lines in areas of the country in which fossil fuel resources or agricultural production are located. These rail lines, which must show a "reasonable potential" for future movement of fossil fuel or agricultural products, are to be included in a "rail bank."

Planning by the states focuses on acceptable solutions to real or potential discontinuance of rail service on light-density lines deemed vital to state and local interests. On many of these lines, the cost of providing rail service exceeds revenues and many railroads have tried to abandon them.

The potential effect of such abandonment sparks state and local concern since abandonment may result in loss of personal income and increased welfare and unemployment conpensation costs, thereby adversely affecting local economies.

If a state decides to continue service on a line earmarked for abandonment, there are three options:

• **Subsidization:** This short-term solution is initiated by the owning-carrier. The major benefit is that capital funds are not tied up in property and service can be discontinued on relatively short notice. The drawback is the lack of incentives for shippers to expand their rail-oriented operations.

• **Acquisition:** The second option is state or local government acquisition of selected railroad rights-of-way. The major benefit is that it permits a wide latitude in the choice of operator. The drawback is the necessary long-term commitment. Acquisition can only be justified where the economic consequences of terminating services are severe and where there is a reasonable chance the line can again become profitable.

• **Rehabilitation:** The third option is state or local government rehabilitation of the rail line, improving the rail lines to meet minimum Federal Railroad Administration safety standards or by restoring the track to a specific track standard for an extended period of time, such as 10 years. The first choice would simply keep a light-density line in service temporarily. The second choice would apply to lines reasonably expected to be used over a longer period of time. The major benefit of rehabilitation is that all rail lines threatened with abandonment would receive temporary relief. The drawback is the difficulty of deciding which lines will remain in service for longer periods of time.

Local governments and shippers have a strong commitment and interest in the success of particular rail lines and should vigorously pursue the traffic, service, and cost changes necessary to achieve successful operations. State agencies have the centralized skills needed to administer abandonment relief programs. Cooperation between state and local governments is central to securing such relief.

Local governments can tackle rail-road-related issues by the formation of advisory committees or task forces, holding public hearings or entering into formal agreements with their states. They should also be aware of their state's rail planning process.

State rail planning activities are divided into two parts: Planning Work Statement and State Rail Plan.

The Planning Work Statement is a description of the process by which the state intends to develop the State Rail Plan.

The State Rail Plan is based on a comprehensive, coordinated and continuing planning process for all transportation services in the state. Before its final adoption, states must provide an opportunity for a public hearing involving those public and private agencies interested in rail activity in the state. The designated state agency must also establish procedures for review and comment by local and regional governmental bodies.

At a minimum, each State Rail Plan must include:

• A description of the planning process used in its development;

• A list of projects for which a state may seek assistance (acquisition, continuation payments, rehabilitation and rail banking) in order to comply with the state's goals for assistance.

• A description of participants in the planning process which should include local and regional governmental bodies, the railroads, rail service users and the general public.

• An illustration of the entire state rail system.

• An identification of the following classes of rail service within the state:

1. Rail lines which are eligib assistance.
2. Rail lines potentially subject abandonment as well as those wh are expected to be subject to a plication for abandonment within t next three years.
3. Rail freight services whe abandonment applications are pen ing.
4. Projects for which a state pla to apply for rail service continuati assistance.

Because of the nature of the sta rail planning process, the states ha a good deal of authority in dete mining participation in the rail pla ning process. To ensure participati in the process local governmen must pursue an aggressive pa ticipatory role.

CURRENT DEVELOPMENTS

Hearings have been completed legislation which would amend t local rail service assistance progr of the Department of Transportati to provide rehabilitation assistan to rail lines prior to abandonment. addition, the bills (H.R. 11979 and 2981) would establish a permane 80 percent federal assistance lev Under existing law, federal operati assistance is only available f already abandoned rail line Although there has been little o position to this legislation, t already crowded congression schedule may prevent its early ado tion.

—Gary Raus

DOT Asks for Comments on 504 Handicapped Regs

WASHINGTON, D.C.—The Department of Transportation has announced a series of five hearings to receive public comment on proposals to make the nation's transportation system more accessible to the handicapped.

The proposed new regulations are designed to ensure that handicapped persons are not discriminated against in transportation programs receiving DOT financial aid. Under the proposal, which implements Section 504 of the Rehabilitation Act of 1973, recipients of DOT funds would be required to make existing and new transportation facilities accessible to handicapped persons through such means as ramps, lifts, elevators, and special equipment.

DOT public hearings on the 504 regulations will be held on the following dates at the designated locations:

• New York, N.Y., Sept. 7 (Sept. 8 if necessary), Police Headquarters, Police Plaza, Chamber and Center Sts.

• Chicago, Ill., Sept. 11, McCormick Inn, Room 7, 2300 South Lake Shore Dr.

• Denver, Colo., Sept. 13, Executive Tower Inn, Forum Room, 1405 Curtis.

• Oakland, Calif., Sept. 15, Claremont Hotel, Empire Room, Ashby and Domingo Aves.

• Washington, D.C., Sept. 19 (Sept. 20 if necessary), Health, Education and Welfare, North Building, 330 Independence Ave., S.W.

All of the above listed facilities are accessible to wheelchairs and interpreters for the deaf will be present. All interested persons are invited to attend the hearings.

Persons interested in testifying should submit their applications, postmarked by Aug. 18, to the Docket Clerk, Room 10100, U.S. Department of Transportation, 400 Seventh St., S.W., Washington, D.C. 20590.

The request to testify must include: the individual's name, what organization he or she represents, telephone number during the day, the hearing location, a summary of the testimony to be given, and the length of time required.

Some funds are available to provide travel expenses to a limited number of persons testifying at the hearings. For further information on the proposed regulations, testifying at the hearings or travel funds, contact Richard Clark, Office of General Counsel, U.S. Department of Transportation, Washington, D.C. 20590, 202/426-4723.

—Gary Raush

Matter and Measure

NOISE DEMONSTRATION PROJECT

The Federal Highway Administration's (FHWA) Region 15 Demonstration Project Division is planning to demonstrate to state and other transportation agencies ways for measuring, predicting, and lessening highway-related noise.

The demonstration project, "Highway Noise Analysis," will begin in August, with an average of one demonstration bi-weekly in various states. A typical demonstration will run 2½ days.

Agencies wishing to request a presentation of the demonstration project, or seeking additional information, should contact the FHWA Division Offices in their states.

MISSISSIPPI ELECTS OFFICERS

Joe Lauderdale, Tunica County engineer, was recently elected president of the Mississippi Association of County Engineers.

Other association officers for 1978-79 are: president elect, Charles B. Holder and secretary-treasurer, Richard Simmons.

NACE congratulates them in their new posts.

ATTENTION IOWA COUNTY ENGINEERS

On Aug. 23-24, the National Highway Safety Advisory Committee's state-federal relations subcommittee is planning a field trip to Des Moines.

Subcommittee members plan to discuss with legislators, state and local officials and the Federal Highway Administration regional personnel the current program management and the impact on Iowa of the new management concept envisioned in the highway safety legislation pending before Congress.

Some specific items for discussion will be:

• How highway safety problem areas will be identified;

• How counter-measures will be selected and evaluated;

• Role of local communities; and

• State's priority programs.

A report on the trip will be made by the subcommittee chairman at the September meeting of the full Advisory Committee. Arrangements for visits to various officials are being made by the Iowa Governor's Highway Safety Representative. The visit is subject to the approval of appropriate Department of Transportation officials.

Additional information may be obtained from NHTSA Executive Secretary William Marsh, Room 5215, 400 Seventh St., S.W., Washington, D.C. 20590, 202/426-2872.

FINAL RULE ISSUED

The Federal Highway Administration (FHWA) h issued a final rule on the revision of the Manual Uniform Traffic Control Devices (MUTCD) (*Fede Register*, June 27, 1978).

MUTCD contains national traffic control devi standards for all highways open to public travel. The standards and revisions have been developed throu the National Advisory Commission on Uniform Traf Control Devices of which NACo is a member. The pub also had opportunity to comment through written a oral communication and public meetings.

Advance copies of the 1978 update along with copi of the 1971 MUTCD and Official Ruling are available f public inspection in all FHWA regional and divisi offices.

Comments related to the 1978 edition of the MUTC can be sent to FHWA, Docket No. 78-7, Room 42 FHWA, DOT, 400 Seventh St., S.W., Washington, D. 20590.

Comments concerning revisions to the national stan ards should include supporting information. These w be processed through existing procedures of the Nati al Advisory Committee on Uniform Traffic Control D vices for incorporating revisions to the MUTCD.

For further information on this ruling, conta Robert E. Conner, Office of Traffic Operations, 20 426-0411; or Kathleen S. Markman, Office of the Ch Counsel, 202/426-0346 at FHWA in Washington, D.C.

STATES GET O.K. ON ALTERNATE PUBLIC USE FOR UNUSED FEDERAL-AID HIGHWAY LAND

States are now able to use leftover land from plan but incompleted federal-aid highway projects for pu projects such as parks, school and public housin without payment of the federal highway funds used the original acquisition, according to a recent annou ment by Transportation Secretary Brock Adams.

The policy makes available millions of dollars worth land no longer needed for highways which state and lo officials have decided not to build.

States that require that land no longer needed highways be offered for sale either to the original o ers or at public auction will have to return to the Uni States the same percentage of sale proceeds used in t original land acquisition.

The Federal Highway Administration will issue re lations to implement the policy; they will be available public comment before being made final.

Commentary

Water Policy: Challenge to States

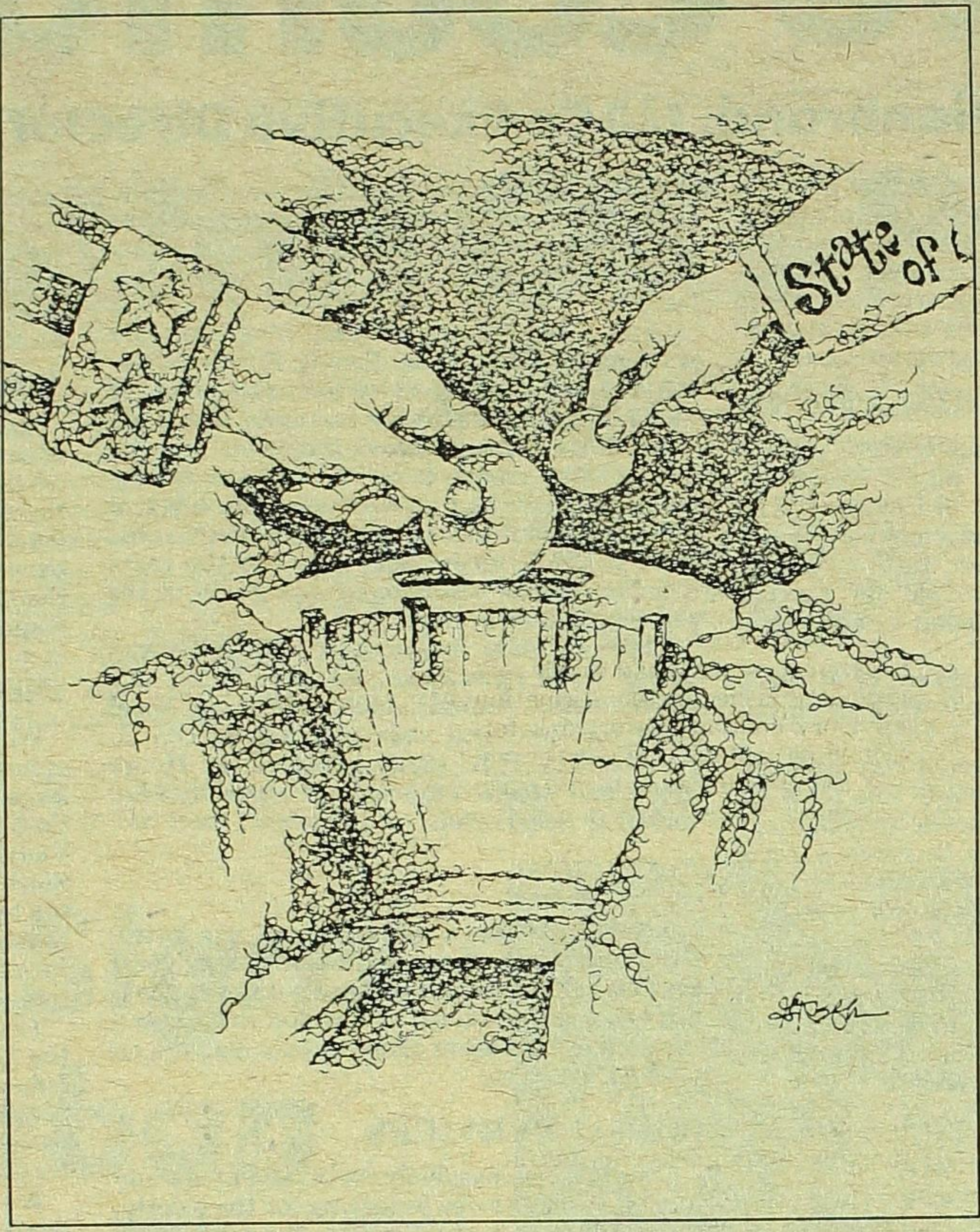
by Neal R. Peirce

WASHINGTON, D.C.—If former governors Jimmy Carter and Cecil Andrus have their way, a day will soon dawn in which state governments, for the first time, will have a strong say over which water projects, from big dams to flood control projects, the federal government builds within their borders.

But it will cost them some money—either 5 or 10 percent of the cost—depending on the nature of a particular project. The funds would have to be committed "up front" before the President and Congress would consider the proposal.

Water projects are a big-ticket item for the federal government. Currently there are 783 under way, at a cost to taxpayers of over $20 billion. To his political sorrow, President Carter has learned how hard it is to hold back the sluice gates. An "iron triangle" of congressmen, water users and federal construction agencies works to promote water projects, often with little concern for taxpayer expense, environmental damage, or how many people may benefit.

The system has become incredibly overloaded. Congress' list of "authorized" projects awaiting financing now numbers 497, the great majority in the South and West. And now Northeastern states have begun to press for federal help to repair their antiquated municipal water systems.



IT'S CLEAR there needs to be some priority selection of which projects are really necessary and cost-effective. Congressmen, anxious to prove they've "brought home the bacon" at election time and prone to log rolling to satisfy mutual political needs, are ill-equipped to make that selection on their own.

Enter the state cost-sharing element of President Carter's national water policy, announced in June. The idea, conceived by Andrus, now Interior Secretary, has prompted more yawns than fervent support. But congressional approval would be a big step toward a more equitable and less wasteful federal water budget.

Cost-sharing, Andrus told me, would bring the water project debate "into the appropriations act of the various states, which means there have to be public hearings, which means the state legislators themselves have to look at the various projects. This alone gives the public a forum at the local level whereby poor projects will never survive."

Andrus, in short, wants Uncle Sam to fund worthwhile projects with broad local support, but "to separate out the dogs." Critics say many projects would have difficulty mustering a financial commitment in their state legislatures because they involve benefits only to a select few. It's hard to believe, for instance, that North Dakota's legislature would easily commit even 10 percent of the cost of the proposed Garrison Diversion Unit, projected to aid a few farmers to the tune of $400,000 to $800,000 each. Coloradoans are deeply split on the proposed Narrows Dam, which would flood broad swaths of the state's farmland.

UNDER THE Carter-Andrus policy, Congress would still have the final say on water projects, subject to presidential veto—but only after the state government had approved the project and guaranteed its funding share.

States would contribute 10 percent of costs for projects with "vendible outputs," such as hydro-electric power or water for farmers or municipalities. States would receive revenue from completed projects in proportion to their contributions. For nonrevenue generating projects such as flood control, the state share would be 5 percent. To relieve small state concerns, Andrus agreed to place a cap on state participation in each project at one-fourth of 1 percent of a state's annual tax revenues.

Early on, it appeared cost-sharing wouldn't yield early dividends because it wouldn't cover the hundreds of already-authorized but still unfunded projects. But Andrus now insists that if a state voluntarily put up its share for an already authorized project, that project would go to the head of the line for federal evaluation and possible financing. Once the policy was in operation, says Andrus, he'd advise the President to veto any project without a state cost-sharing commitment.

WOULD COST-SHARING place an undue burden on states? Andrus thinks not: "President Carter comes from the gubernatorial ranks. So do I. The big complaint I always had was that the 'feds' were always doing things to us and not with us. Here's an opportunity to be in the decision-making process. The expense would not bother me as a governor at all. I would quickly trade that for the right to determine which projects should or should not be built in my state."

Andrus also hopes to persuade states to plan much more thoroughly for their future water needs. One feature of the water policy would raise from $3 million to $25 million the amount Washington grants states annually for such planning. Severe imbalances between water supply and demand already plague many Western areas. Yet many Western towns don't even meter their water usage. "They may pay $3.50 a month whether they use a bathtub full or a lake full," Andrus notes. "Water meters are a necessary conservation measure. Arizona, for instance, is probably one of the most water-deficient areas in America, yet we found they had no groundwater controls and very little surface management."

IN TIME, cost-sharing and better planning may also illuminate the fact that water resources are not exclusively Western concerns. During the recent water policy debate, Northeastern states, led by Massachusetts Environmental Affairs Secretary Evelyn Murphy, lobbied in Washington for the first time for help to rehabilitate aged and deteriorating Northeastern water systems. The metropolitan Boston water system alone, for instance, is estimated to lose 90 million gallons a day to leakage and poor metering; repairs would cost $200 million to $400 million.

The Administration turned a deaf ear on the Northeasterners' immediate plea for federal aid, but suggested they use their planning funds to prove their need more definitively. Eastern states, if they offer cost-sharing for projects they want, might eventually compete on much more even footing with Westerners than ever before. The National Wildlife Federation charges Washington spends six times more money developing water resources in the Southern and Western United States than in the Northeast and Upper Midwest. One result: Philadelphia residents pay $13 per cubic foot of drinking water; residents of Salt Lake City (in the midst of a desert) pay as little as $2.10 for the same amount.

So far, however, debate over the Carter-Andrus program has not been cast in East vs. West terms, and Andrus notes Westerners help subsidize many urban relief measures of chief benefit to older Eastern cities.

CARTER'S SEVERE political problems in the West (stemming in part from his "hit list" of vulnerable Western water projects) clouds the outlook for his water policy in Congress. Yet the interest of states in all regions, both for sound water planning and gaining more control over water projects, should have generated more than the tepid endorsement so far evidenced by the National Governors' Association—particularly in view of Andrus' close, year-long consultation with the governors in formulating the policy.

Even worse, the National Conference of State Legislatures, which constantly harps on states' rights themes, has come out against cost-sharing. Some day the states will have to learn that power, influence and independence from Washington don't come on the cheap—that the supplicant at the gates of the U.S. Treasury remains just that.

COUNTY CLOSEUP

Court Upholds King County's Battle Against Cost Overruns

KING COUNTY, Wash.—The county recently won a major $12 million victory over a contractor in a federal court lawsuit that could have ramifications for counties throughout the country.

In December 1974, with the King County domed sports stadium—the Kingdome—nearly two-thirds completed, the contractor stopped work, contending that the job would cost considerably more than the original contract.

County Executive John Spellman, NACo third vice president, was faced with three options: accede to the contractor's demands for more money, let the structure stand while arguing over the contract, or get the building built.

Spellman decided to fire the contractor, hire another one and borrow the additional funds necessary to finish the structure. Then he sued the original contractor for failure to finish the job within the originally agreed upon price.

The court agreed with Spellman and required the original contractor to pay the extra cost of the construction caused by their walking off the job. The final cost of the stadium was approximately $47 million dollars.

The case may be a landmark decision that could chart the future course of public works projects in counties throughout the country, said Spellman.

A key result of United States District Judge Morell Sharp's decision was to authenticate the concept of fixed-bid contracts as a way for government agencies to keep a handle on construction costs.

Had the ruling gone the other way, King County might have faced the substantial overruns that have plagued other major construction projects in other communities.

Letters to NACo

Dear Mr. Hillenbrand:

I want to thank you for your communication in which you provide me with your valued views with respect to H.R. 8494, the Public Disclosure of Lobbying Act, which was passed by the House on April 26, 1978. The bill was debated on the floor during three different days. Your views were given the utmost attention and assisted me to determine how I would vote on the bill.

... The bill, in my judgment, constituted a serious infringement on a citizen's rights to petition his government. Lobbyists are not slathering evil people always passing out money. As a matter of fact, I have never seen one like that. They are more frequently friends and neighbors—people like you. And I want individuals, corporations, writers, farmers, Naders, Gardners, or Leagues of Voters—all of them—lobbying me. There is no better way to get the information I need on both sides of a question and stay in touch with my constituents.

—Robert B. Duncan
Member of Congress

Dear Mr. Hillenbrand:

I want to commend NACo for its diligence in securing passage of the Title XX ceiling increase. We were delighted with the vote and look forward to a swift response from the Senate.

I particularly want to compliment you on the work of your legislative representative, Jim Koppel. He has demonstrated great skill in interpreting for the Congress the harsh impact of the present federal ceiling on counties. His defense of the ceiling increase, from a county perspective, has been convincingly communicated.

—Donald M. Fraser
Member of Congress

Gentlemen:

I very much appreciated your article "From Rails to Trails" in the June 12, 1978 edition of *County News.* This edition came out just a day or two after I completed a 58-mile ride on the Heartland Trail in Hubbard and Cass Counties, Minn. A beautiful ride, many wild flowers in bloom, and several rest areas along the way.

My only wish is that more people would take advantage of the beautiful trail. I would like to add that we used this same bicycle trail all winter for snowmobile riding. A real treat not to have to worry about traffic.

—Lois A. Benoit
Deputy Clerk
Criminal Division
Cass County, Minn.

A Weekly Report

Legislative Countdown

by Bernard F. Hillenbrand, NACo Executive Director

Eight precious weeks remain in the schedule that has been set to finish off the 95th Congress. There are nearly a dozen critical measures before the Congress, most of them involving substantial sums of money that are already in the budgets of counties across the nation.

Final congressional action is still needed on such vital measures as fiscal relief for welfare costs, countercyclical aid, the nation's mammoth jobs program (CETA), road and highway legislation, mass transit aid, public works and many more.

CETA

The Aug. 9 marathon House session on the jobs bill illustrates most graphically that we are dealing with a Congress that is deeply concerned about federal spending. So are counties.

Congress is well aware of the citizen unrest over inflation. So are counties.

Our job is to make Congress understand that we cannot make a massive change of federal direction on money matters without risking enormous dislocations locally.

The plain fact is we have hundreds of federally promoted activities under way in our communities, ranging from day care centers to mass transit subsidies. These programs and resources are an integral part of the financial, social and economic fabric of virtually every one of our 3,104 counties.

We are not sure that Congress understands this. Late at night on Aug. 9, for example, the House added enormous woes to county governments which are administering the national jobs program. As you can see from the story on page 1, the preliminary House votes would reduce the number of public service jobs from 725,000 to 600,000. Of far more importance, however, that body passed an amendment which would place an upper limit of $12,000 a year on salaries that can be paid to CETA employees. At the same time, they reduced the mandated average CETA wage from $7,800 to $7,000 annually. This means that if we are to employ public service people, we will have to do it at minimum or close to minimum wages. Since most of our county positons are above this level, the net effect could easily mean no public service jobs in many governments.

Action

What can county officials do? To begin with, the jobs bill was withdrawn from the House floor and will be reconsidered this week when the matter may also be before the Senate.

We believe the best course is for public officials who have these concerns to express them directly to their representatives and senators. The vote in the House was tentative.

COUNTERCYCLICAL AID

As our members know, NACo was a leader in promoting federal countercyclical aid for those communities suffering economic distress because of high unemployment. In short, what later became known as countercyclical aid was designed to be a sort of unemployment insurance for governments which would counteract dislocations and help avoid the need to lay off employees and reduce public services.

The Administration has spent a great deal of time in careful study trying to devise some changes in the way these funds are made available. And these studies are backed up by endless computer runs to determine specific impacts of changes in the formula.

The net results have been substantial confusion in the Congress, the counties, the cities and the states. There aren't any villains and heroes. It's just federal officials trying to devise a sensible program that will respond to local economic chaos.

Time is running out. It is extremely important that there be compromises put together to ensure countercyclical legislation to help those counties currently in distress and to be available in case of a sudden sharp downturn in the economy.

Again, it is important to think about this as an insurance program. It's like fire insurance. If you don't have a fire you don't collect. If you don't have severe unemployment in your county you don't get countercyclical aid.

Action

The House Government Operations subcommittee has tabled countercyclical aid by a 7 to 6 vote. The Senate Finance Committee reported out a new bill Aug. 10. It is important for counties experiencing economic distress and currently receiving countercyclical aid to call their senators with specifics that will document the importance of this program locally.

PUBLIC WORKS LEGISLATION

Legislation to provide funds to state, county and city governments for public works activities seems to be stalled in Congress. The Administration has proposed a new three-year, $3 billion labor-intensive public works program which would provide 90 percent grants to rehabilitate and repair existing public facilities.

At least in the House, sentiment exists for a continuation of the local public works program (Round III), first authorized in 1976.

Negotiations have been under way between the Administration and Robert Roe (D-N.J.), chairman of the House economic development subcommittee, in an effort to reach a compromise or composite of the Administration's labor-intensive proposal and Roe's proposed $4 billion Round III.

The fate of both the Administration's proposal and a Round III in the Senate is uncertain and the Administration is holding firm to a refusal to spend more than $1 billion for public works with the threat of veto.

Action

A telephone call or a letter to your congressional delegation documenting the need for this program in your county would be extremely helpful.

WELFARE FISCAL RELIEF

More than 60 percent of the nation's welfare caseload is in states where the counties pay a major portion of welfare from the property tax. More than half of the county's property tax levy in some of these states goes directly for welfare and Medicaid.

Although welfare reform has been pronounced dead, we are fighting to salvage important pieces of the President's welfare program like earned income tax credit, jobs for welfare recipients, and fiscal relief. At this stage, we must focus our attention on fiscal relief.

Sens. Long, Cranston and Moynihan are working on a bill in the Senate Finance Committee which would provide from $2.5 billion to $2.8 billion of fiscal relief to states and counties. This money was included in the President's comprehensive welfare reform package which had an estimated price tag of $20 billion. Our aim is to work for fiscal relief now. It will be easier next year and the years after to get the other important pieces of the reform package in place.

There are other important efforts under way in the fiscal relief area. We have H.R. 7200 which would provide $400 million in fiscal relief for the fiscal year that begins Oct. 1. Another bill, H.R. 13335 is before the House Ways and Means Committee to provide $400 million in fiscal relief.

Action

Needless to say, a telephone call or a letter, particularly one itemizing the crushing local cost of welfare, would be very helpful in making your congressional delegation understand the serious impact of these money matters on your own budget.

SOCIAL SERVICES

Counties are massively involved in federally funded social service programs for the elderly, the handicapped, the disabled, the mentally ill and others. But while the caseloads for these programs have increased, there has been no increase in the Title XX social services federal funding since 1972. This block grant program is at a fixed amount and the corresponding purchasing power of these dollars has declined more than 35 percent during the period. Many counties are forced to kick in more and more funds to maintain existing services. NACo is supporting an amendment to this act which would increase this funding by raising the ceiling. The House has passed a bill which would provide $750 million over three years to help counties catch up with the lost purchasing power. The House bill which would raise the ceiling from the present $2.7 billion to $3.45 billion in fiscal '81, passed 346 to 54.

Action

Action has now shifted to the Senate Finance Committee which will consider the matter before the Labor Day recess. Supporters of the Senate measure are meeting opposition from the Administration and others to the three-year funding. A call to your senator with the specifics of how this bill affects both your county budget and the programs is needed.

INDOCHINA REFUGEES

We are not talking about large sums of money nationally but we are talking about large sums of money locally for those counties that are severely affected by the influx of Vietnamese, Cambodian and Laotian refugees. Since 1975, 161,000 refugees have been admitted by the federal government which has reimbursed the states 100 percent for the cost of social, medical and income assistance to these refugees.

The flow of refugees or any immigrants into the United States is under the control of the federal government and it is highly likely that 60,000 additional refugees will enter the nation in 1978 and 1979. Present 100 percent funding expires Sept. 30.

We believe that, since the federal government, in effect, mandates these expenditures by virtue of national policies, it ought to continue to pay 100 percent of these expenditures. Sens. Cranston, Kennedy, Hayakawa, Humphrey and Moynihan are cosponsoring legislation to extend the 100 percent funding for one more year. In the House, Reps. Stark and Harris have entered similar bills.

The states of California, Texas, Pennsylvania, Louisiana, Virginia, Washington, Florida, Illinois, New York and Minnesota are highly affected by refugees and would be enormously helped by this legislation.

BRIDGES

Another possible casualty in the hectic closing days of the 95th Congress is NACo's campaign for more bridge funds. Hundreds of counties responded to our bridge survey and we have succeeded in focusing national attention on the fact that there are literally thousands of bridges which are unsafe structurally or by virtue of alignment or use.

Currently, only $180 million of federal funds are available from the Highway Trust Fund for bridges that are on the federal-aid system. Conservative estimates of the nation's bridge needs total $25 billion.

Our great champion, Rep. James Howard (D-N.J.) has a bill reported out by the House Public Works Committee and awaiting full House approval, probably before Labor Day. Howard's legislation authorizes $2 billion a year over a four-year period. What is of great importance to us, 35 percent of this money could be used for bridges that are not on the federal-aid system. But because of difficulties in the House Ways and Means Committee, bridge authorizations are expected to be cut by $500 million when the bill reaches the floor.

On the Senate side, bridge authorizations are recommended at $450 million a year for two years. Language in the Senate highway bill would allow up to 30 percent of this amount for bridges off the federal-aid system. Sen. John Culver (D-Iowa) will introduce a NACo amendment to increase the Senate bridge authorizations by 25 percent ($450 million to $600 million) and provide 15 percent of the authorizations for off-system bridges. Action could come this week.

Action

Again, in your communication with your congressional delegation the more specific you can get, the better. Identify bridges and send photos with your letters.

Bernie Hillenbrand

Time Is Running Out