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TWO HUNDRED PLUS TEN

A Symposium on the Future of County Government

National Association of Counties

1735 New York Avenue, N.W., Washington, D. C. 20006

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The Macroeconomics of State and
Local Governments*

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Prepared for
Symposium on the Future of County Government
Boston, Massachusetts
September 15-17, 1976

* This paper is drawn primarily from one with the same title written with Jesse Burkhead for the Conference on Financial Crises, Salmon Brothers Center for the Study of Financial Institutions, New York University, May 20-21, 1976. In its original form it has been published (mimeo) as Occasional Paper No. 28 by the Metropolitan Studies Program of the Maxwell School, Syracuse University.



THE MACROECONOMICS OF STATE AND LOCAL GOVERNMENTS

This paper is divided into four sections. The first examines the macroeconomic versus the microeconomic dimensions of the current state-local fiscal crisis. The second section takes a brief look at supply side and demand side variables that affect the fiscal health of the state-local sector. The third proposes a taxonomy for the analysis of specific metropolitan areas, and the last suggests a limited number of unrealistic policy options.

I. IS THIS MICRO OR MACRO?

The macro dimensions of the state-local fiscal malaise are indeed obvious. They start with the failure of national stabilization policy, and the resulting unholy combination of inflation and unemployment that accentuated and in many cases precipitated the budget difficulties that so many states and cities are now experiencing. Neo-Keynesian demand management served well for many years; whether it is now completely bankrupt is a most significant issue, but one that lies rather far beyond the scope of this paper. In any event, real gross national product (GNP) declined seriously in 1974 and 1975 while the GNP deflator in 1975 was 26% above 1972 levels, and unemployment grew to 8.5%.

First quarter 1976 has brought the appearance of a healthy recovery, with a real GNP growth (annual rate) of 7.5% and an increase in the GNP deflator of a modest 3.7% (annual rate). Unemployment has receded, but remains at 7.5%. However, the significant point is, even if this recovery proves to be persistent, evidence indicates large portions of the state-local sector will continue to be in serious jeopardy.



An examination of the aggregates of state-local activities, however, does not exhibit a state of jeopardy. Between 1970 and 1975 the ratio of goods and services expenditures to GNP increased slightly (see Table 1). The sector exerted a very mild stabilizing effect on the economy as a whole. Transfer payments in relation to GNP have been wholly stable over the period.

Similarly, between 1970 and 1975 state-local employment increased as a proportion of total non-agricultural employment. The stabilizing effect on total employment was stronger, particularly in 1975, than the stabilizing effect on GNP (see Table 2).

Moreover, when state-local social insurance funds are included in the fiscal picture through 1974, the last year for which data are available, looks positively rosy. There were surpluses in the five years 1970-1974 (see Table 3). Specifically, the surpluses in the operating account in 1972 and 1973, attributable largely to federal general revenue sharing, would appear to be quite adequate for offsetting any deficits that might appear in 1975 and 1976.

These aggregates, unfortunately, are seriously misleading, as are any projections that depend on them.^{1/} One peculiarity of the U.S. federal system is that the state surpluses of Texas and Oklahoma are somehow not transferred to the empty coffers of New York and Connecticut. And the Connecticut town that builds bridle paths with its general revenue sharing money somehow does not yield up this largesse to the State of Connecticut.

Table 1
National Income Accounts
State and Local Sector, 1970-1975
(in billions)

	(1) GNP	(2) State-Local Goods & Services	(3) Ratio: (2) to (1)	(4) State-Local Transfers	(5) Ratio; (4) to (1)
1970	\$982.4	\$ 123.2	12.5	\$ 14.6	1.5
1971	1063.4	137.5	12.9	17.2	1.6
1972	1171.1	151.0	12.9	18.9	1.6
1973	1306.3	168.0	12.9	20.3	1.6
1974	1406.9	189.4	13.5	20.0	1.4
1975	1499.0	207.8	13.9	22.5	1.5

Source: Economic Report of the President, January 1976, p. 251.

Table 2 -

State-Local and Total Non-Agricultural Employment, 1970-1975

(in millions)

	(1) State-Local Employment	(2) Total Non-Agricultural	(3) Ratio: (1) to (2)
1970	9,830	70,920	13.9
1971	10,192	71,222	14.3
1972	10,656	73,714	14.5
1973	11,075	76,896	14.4
1974	11,453	78,413	14.6
1975	12,023	77,668	15.5

Source: Economic Report of the President, January 1976, p. 203.

Table 3

Surplus and Deficit, State-Local Sector
in the National Income Accounts, Selected Years

Year	Surplus or Deficit		
	State-Local Social Insurance Funds	Operating Account	Total
(in billions, calendar years)			
1960	\$2.3	\$-2.2	\$.1
1965	3.4	-3.4	0
1970	6.8	-4.0	2.8
1971	7.5	-3.8	3.7
1972	8.1	5.6	13.7
1973	8.8	4.1	12.9
1974	9.8	-1.7	8.1

Source: Special Analyses, Budget of the United States Government, Fiscal Year 1977, p. 265. The operating account includes capital outlay, typically financed by borrowing.

When the micro or the disaggregated dimensions of the state-local sector is examined, a realistic picture emerges. States and cities in the Northeast and Midwest are in more financial difficulty than elsewhere, but even within this large territory there are many degrees and forms of financial crisis. Idiosyncratic factors are at work. In some localities the crisis is one of immediate cash flow and some cooperation from the banks and employee pension funds may provide a breathing space. In other localities the problem looms in the near-term because of unfunded pension obligations. In still others the economic base has eroded to such an extent that any optimism whatever must be rejected.

None of this can be isolated from the present prevailing political mood, which if those running for elective office in 1976 are correctly reading the public pulse, is as anti-government or at least anti-Washington, as at any time in the last forty years. According to this view, the once dedicated and underpaid public servant is now the taxpayer's enemy. The employee is characterized as lazy and unproductive, fringe benefits too large; and unions have too much power. The sheer size of the bureaucracy is dragging the Nation down to bankruptcy, chaos and ruin, according to this view. We have already seen and will continue to see the consequences of this mood. Local government services have been and will be cut-- usually for those programs and in those neighborhoods where there is little political power. Existing union contracts have been and will be broken. Pension promises to current employees may be abrogated. Public sector employees will be denied cost of living adjustments.

Aside from the distributional inequities that all of this engenders, there is one unfortunate macroconsequence. The near-term reduction in rates of growth in the state-local sector are likely to reverse the stabilizing experience of 1974-75.

Employment comparisons on a quarterly basis are somewhat hazardous but it would appear between March 1975 and March 1976 the rate of growth in state-local employment was lower than in any previous year in the 1970s. Public employment declined 15,000 in New York City during 1975.^{2/} Recovery from the most serious postwar recession can be dampened by state-local contributions to unemployment. And, perhaps even more seriously, at the micro level the cut-backs in local government services will contribute further to the non-viability of the economic base of localities reducing their attractiveness as places of employment and residence.

Of interest is the difference in the growth of number of public employees and of payrolls for the component parts of the state-local sector. Counties, from 1967-72 experienced the greatest growth; 28.2% compared to 17.8% for municipalities while in that same time period public employment growth for state governments was 21.8% (see Table 4).

X The greater growth for counties is accounted for in large part by the behavior of large counties and of these the greatest growth occurred in those metropolitan counties without central cities within their boundaries. A central city is defined as having more than 50,000 population and is designated as a "central city" by the Office of Management and Budget in their Standard Statistical Metropolitan Area (SMSA) definition. A metropolitan county is one with a central city within its boundaries.

Table 4
Percent Growth in State, County and
Municipal Employment and Payroll 1967-72
(New England State data are excluded)

	% Employment Growth	% Payroll Growth
State	21.8%	70.8%
Local	22.7%	81.5%
County	28.2%	85.1%
Municipal	17.8%	68.7%

Sources: Bureau of Census, 1967 Census of Governments Public Employment, Employment of Major Local Governments, Volume 3, Number 1; Public Employment Compendium of Public Employment, Volume 3, Number 2 (Washington, D.C.: Government Printing Office, 1969); 1972 Census of Governments Public Employment, Employment of Major Local Governments, Volume 3, Number 1; Public Employment Compendium of Public Employment, Volume 3, Number 2 (Washington, D.C.: Government Printing Office, 1974).

Table 5
Percent Growth in Employment and Payroll
For a Sample of Counties With a Population
Over 100,000: 1967-72

	% Employment Growth	% Payroll Growth
Metropolitan Counties With Central Cities (N=33)	34.6%	90.3%
Metropolitan Counties Outside Central Cities (N=55)	50.0%	110.0%
Non-Metropolitan Counties (N=18)	34.2%	85.8%

Sources: Bureau of Census, 1967 Census of Governments Public Employment, Employment of Major Local Governments, Volume 3, Number 1; Public Employment Compendium of Public Employment, Volume 3, Number 2 (Washington, D.C.: Government Printing Office, 1969); 1972 Census of Governments Public Employment, Employment of Major Local Governments, Volume 3, Number 1; Public Employment Compendium of Public Employment, Volume 3, Number 2 (Washington, D.C.: Government Printing Office, 1974).

The sample of counties used in this report are those with a population of more than 100,000 as of 1970; and excluding a state capital within their boundaries. Using a sample of counties with a population of more than 100,000 the percent growth in number of employees from 1967 to 1972 for non-central city metropolitan counties was 50%, while for counties with central cities it was 34.6% and for non-metropolitan counties 34.2%. Similar comparisons for payrolls are given in Table 5.

Large counties have exhibited quite different growth rates than large cities since 1972. The annual rate of public employment growth for cities with over 50,000 population from 1972 to 1975 was only 0.9% while the similar figures for counties (see Table 6) ranged from 7.7% to 10.0%.

The impact of the recession on huge city public employment has been considerably greater in large cities than in counties. Again the danger in the use of aggregate data is demonstrated. Counties behaved differently during the recession than cities. Whether the greater severity of the cities' situation is a "measure of things to come" for counties, particularly those located in the Northeast and North Central sections of the Nation, cannot be deduced from the data presented here. Nevertheless the growth pattern for counties is not unlike that which cities experienced during the 1960s, the difference is that county growth was much less affected by the recession than cities. Those factors which gave rise to the city growth of the 60s are now operative in counties. They related to both the supply and demand sides of the local fiscal equation.

Table 6
Annual Percent Employment and Payroll
Growth Rates For Large Cities and Counties
1972 to 1975

	Average Annual Employment Growth	Average Annual Payroll Growth
Large Cities (Over 50,000)	0.9%	8.3%
Metropolitan Counties With Central Cities	7.7%	15.6%
Metropolitan Counties Outside Central Cities	7.7%	16.6%
Non-Metropolitan Counties	10.0%	18.4%

Sources: Bureau of Census, 1972 Census of Governments Public Employment of Major Local Governments, Volume 3, Number 1 (Washington, D.C.: Government Printing Office, 1974). Bureau of Census, County Government Employment in 1975 (Washington, D.C.: Government Printing Office, 1976). Bureau of Census, City Employment in 1975 (Washington, D.C.: Government Printing Office, 1976).

II. SUPPLY AND DEMAND

If the public sector could easily be subjected to systems analysis there would be fewer difficulties in understanding its behavior and in prescribing appropriate remedies. The private service sector is difficult enough to analyze in the absence of invariant units of output, but at least there are some price tags. In the public sector there are very few output measures and there are no price tags, since almost all government goods and services are subject, to some degree, to non-exclusion and non-rivalry. The public goods that A is willing to pay for are made available to B without cost to him and thus B will not reveal his willingness to pay--he becomes a "free rider." All of this is familiar to those who have struggled through the intricacies of neo-classical public goods theory but the implications are not generally understood. In the absence of an ability to measure discrete units of public output the tools of public sector management that were intended to improve the effectiveness of government service delivery have very often broken in our hands, and currently the efforts to increase public sector productivity rest on a most infirm conceptual basis.

The same kinds of difficulties are encountered in any effort to separate the demand side from the supply side of the current state-local fiscal situation. Have the costs of local government increased because factor supply prices have increased or because, until recently, taxpayers have been willing to pay more for a larger quantity and a higher quality of state-local services? Has the very large increase in federal grants to the state-local sector encouraged that sector to overspend, in some sense, or have the federal grants tended to reduce the rate of increase in state-local taxes?

Are taxpayers getting more or less for their tax dollars now than at some time in the past? These are significant questions, far easier to pose than to answer.

There are a few points, however, that can be made with assurance. The supply of taxable resources available to a jurisdiction is most, evidently a function of the economic activity that occurs within its boundaries and when that activity declines, fiscal problems will increase in intensity. In an examination of New York City conducted by the Metropolitan Studies Program of the Maxwell School, Syracuse University, it was estimated that in 1970 each job carried with it \$820 of city government tax revenue.^{3/} If employment in New York had grown at the national rate between 1965 and 1974, the city would have had 1.03 million more jobs-- 25% more than it now has-- and \$800 million in additional revenue in 1974. If the employment decline is extrapolated to 1980, there will be an additional revenue loss of \$225 million in that year.^{4/}

Unfortunately, there are no annual data on total public and private employment trends by cities; the only employment information that is available is for those cities that are coterminous with their county boundaries, and there are only ten large cities in this category. For these, in the 1965-72 period, only three--Denver, Nashville and Jacksonville--had employment increases that exceed the national average. Important to the growth in Nashville and Jacksonville is that both are post World War II city-county consolidations. Three--New York, Philadelphia and St. Louis--experienced absolute declines in employment. The remaining four--Baltimore,

Indianapolis, New Orleans and San Francisco--had employment growth rates below the national average.^{5/} The suburbanization of employment and residence choice surely continued in the last three years, even at reduced levels of national economic activity.

In some cases the employment will not return, at least not to the same industries. In New York City public and private construction was a significant source of employment in the 1950s and 1960s; this experience is not likely to be replicated.^{6/} Similarly, Atlanta is not likely to construct ten more new hotels in the next decade. Neither can some of the fiscal maneuvering be recycled; Cleveland cannot again sell its sewer system to Cuyahoga County and put the proceeds in its operating budget.

There are other supply-side variables at work. The growth of the state-local sector in the last 20 years has, of course, been a growth in the number of employees--this is a labor-intensive industry. Comparisons of relative wages and salaries between the state-local sector and the private sector are most hazardous. The average pay in the state-local sector exceeds slightly that in the private sector, but the absence of detailed wage and salary data by job type means that it is not clear whether pay for comparable jobs is better in the state and local sectors than in the private sector or merely that state and local governments have higher proportions of more skilled jobs. Comparisons should also attempt to control differences in the composition of the labor force--education, sex; age and experience--as well as differences in the type of compensation. This should include fringe benefits, the cost of early

retirement and the cost of pensions. Available data do not permit such comparisons to be made with accuracy, never in the aggregate and seldom for specific states or metropolitan areas.

Table 7 exhibits some relevant data, very much subject to the foregoing limitations. Average annual wages and salaries in the state-local sector are higher than in the private sector, but the percentage differentials are narrowing. In 1950 state-local compensation, measured in these terms, was 10% above the private sector. In 1973 it was 2% higher.

Supplements to wages and salaries--social security and retirement benefits, health, hospital and life insurance, paid vacations and other fringe benefits have increased as a proportion of compensation in both the public and the private sectors. Relative growth is very much affected by the choice of the base year. It can be generalized that between 1950 and 1973, for example, supplements more than doubled in both the private and the state-local sectors. But state-local supplements, over this 23 year period, appear to have amounted to about 80% of those in the private sector. The value of the state-local supplement is about 11.5% of average annual wages.^{7/}

These aggregate compensation data hide many specific instances of the kind that command newspaper headlines. Retirement benefits for New York City or San Francisco police and fire personnel may indeed be "excessive" in some sense, but it is most difficult to arrive at an objective definition of that which should be deemed "excessive." The same considerations apply

Table 7

Average Annual Wages and Salaries Per

Full-Time Equivalent Employee, 1950 - 1973

	1973	1970	1965	1960	1950
All industries	\$ 9,106	\$ 7,571	\$ 5,705	\$ 4,743	\$ 2,992
Private Industry	8,900	7,471	5,706	3,890	2,536
State and Local Govt.	9,425	7,818	5,592	4,550	2,786
Public Education	9,624	8,140	5,846	4,752	2,794
Federal General Govt. (civilian employees only)	12,984	10,519	7,605	5,895	3,494

Source: Survey of Current Business (Selected July Issues); U.S. Department of Commerce, The National Income and Product Accounts of the United States, 1929-65, Statistical Tables, A Supplement to the Survey of Current Business (Washington, D.C.: U.S. Government Printing Office, 1966). (From Bahl, Jump, and Puryear, "The Outlook for State and Local Government Fiscal Performance.")

to public and private sector occupational wage rate comparisons. Cities where public employee unions are very strong, as in Detroit, pay hourly wage rates in some occupational categories 50% greater than their private sector counterparts. Detroit taxpayers may view this as "excessive." Detroit city employees may have a different view of the equities. And whether a "file clerk" is the same occupation in both the public and the private sector in Detroit is a further consideration.

Demand-side variables are even more difficult to quantify than supply-side variables. Given the peculiar nature of the demand for state-local services, as noted above, perhaps the only concept that is operational is "tax willingness" as expressed in state-local tax collections. Appropriate data are exhibited in Table 8. In the late 1960s and until 1971 both state and local taxpayers were willing to divert an increased share of gross national product to the state-local sector. State taxpayers continued that willingness into 1972. Local taxpayers began to feel more reluctant in 1972. Not until 1973 did both sectors hold their growth below the GNP growth rate. Property taxpayers lost their tax willingness in 1972-74 but recovered that willingness, however reluctantly, in 1975.

Indeed, the taxpaying pattern in Table 8 shows a kind of seesaw effect in recent years. When the state sector expands most rapidly the local sector expands less rapidly, and vice versa. This underscores the point that there is a state sector, there is a local sector and there is a combined state-local sector.^{8/}

Table 8

State, Local and Property Tax Collections, 1967-1975

(in billions)

Calendar Year	State Collections	Percent Change	Local Collections ^{1/}	Percent Change	Property Tax Collections	Percent Change	GNP	Percent Change
1967	\$33,353		\$30,989		\$27,686		\$796.3	
1968	38,940	16.8	34,254	10.5	30,687	10.8	868.5	9.0
1969	45,059	15.7	37,767	10.3	33,556	9.3	935.5	7.7
1970	49,202	9.2	42,376	12.2	37,502	11.8	982.4	5.0
1971	54,081	9.9	46,643	10.1	41,306	10.1	1063.4	8.2
1972	64,198	18.7	50,387	8.0	44,103	6.8	1171.1	10.1
1973	71,404	11.2	54,044	7.3	47,244	7.1	1306.3	11.5
1974	77,362	8.3	57,976	7.3	49,343	4.4	1406.9	7.7
1975	82,864	7.1	64,131	10.6	54,290	10.0	1499.0	6.5

Source: Compiled from Bureau of the Census, Census of Governments, Quarterly Summary of State and Local Tax Revenue.^{1/} Includes property taxes.

Inflation works on both the demand and the supply side of the equation--adding to both revenue and expenditure in the state-local sector. The Metropolitan Studies Program has developed a set of inflation indexes to estimate the impact of inflation on the revenue and expenditure of both state and local governments. The highlights of these findings are that between 1967-72 one-fourth of the increase in state-local expenditures was attributable to inflation and between 1972-74 another one-fourth of the expenditure increase was attributable to inflation.^{9/}

The impact of inflation on revenues varies greatly from jurisdiction to jurisdiction, depending on the elasticity of revenue which in turn is controlled by the nature of the tax bases that are utilized. In general, inflation has a greater impact on state-local expenditure than on state-local revenue. When these two are netted out it is possible to estimate the combined effect of inflation on revenue and expenditure. These estimates can then be translated into changes in effective demand or purchasing power. Between 1972 and 1974 it is thus estimated that the states alone lost \$6.6 billion--an amount that exceeded their federal general revenue sharing (GRS) entitlement. In the same period counties, municipalities and townships lost an amount of effective demand equal to almost 50% of their GRS entitlement.

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These forces which have caused a larger and larger portion of GNP to be devoted to the state and local sectors of the economy--the tax-payers demand for more and better public services, increases in the number of public employees, continuous improvements in employee compensation and fringe benefits, and inflation--will determine in part whether the pattern

of the past will extend into the future. There is some evidence that the rate of growth in state-local employment is declining. According to Census Bureau data, the annual rate of increase since 1950 has been 4.2%, but in 1973 it dropped to 3.7% and in 1974 to 3.2%.

The differences in the behavior of large cities compared to other parts of the state-local sector suggests another useful way of examining subnational fiscal behavior. The metropolitanization of the country since the end of World War II has resulted in analyses which emphasize central city-suburban disparities.

III. METROPOLITAN AREAS: SIMILARITIES AND DIFFERENCES

Central city-suburban disparities have dominated metropolitan analysis over the past decade and a half--disparities in socioeconomic characteristics, in fiscal effort, in the distribution of resources between education and municipal services, and in rates of economic and population growth. It was believed these characteristics were sufficiently similar for all metropolitan areas to justify generalizations about metropolitanism and to base public policy recommendations on them.

For many metropolitan areas, particularly the larger ones, and especially those in the northeastern and north central parts of the country these generalizations were accurate enough. The population migration from countryside to city, and from city to suburb, and the movement of economic activity, particularly manufacturing and retail services from city to suburb all contributed to the creation of urban problems. These included a concentration of social problems in central cities, often exacerbated by racial tensions, a central city tax base

unable to keep pace with either increased service needs or higher pay and fringe benefits for public employees, and intergovernmental flows of funds which responded more to the growing political strength of the suburbs than to the growing needs of the cities.

The products of these forces included racial revolts, skyrocketing crime rates, violence in the public schools, and the reality, if not the technical condition, of municipal bankruptcy. Suggested solutions have ranged from the restructuring of government in metropolitan areas to major shifts in federal policy including both the redirecting and increasing of federal aid to cities and the assumption of full responsibility by the federal government of welfare financing.

Although these characteristics and resulting problems were never true for all central cities and metropolitan areas of all sizes and in all sections of the country, the extent of what commonality there was is declining rather than increasing. This shift away from similarity is a product of birth rate decline, a shift in migration patterns and growing differentials in economic growth rates for different parts of the country.

A most dramatic general change has been the decline in the growth rate for metropolitan areas in general. Since 1970, metropolitan population has increased by only 3.4%. This 0.8% annual increase contrasts with an annual rate of growth for metropolitan population of 2.5% for the period 1950 to 1966---three times greater than the 1970 to 1974 rate. Equally important, non-metropolitan areas have grown since 1970 more than metropolitan ones: 5.5% compared to 3.4%.^{10/}

Another significant change is the great population growth occurring in the south and southwest regions of the Nation--the so-called Sunbelt--a movement primarily from the northeastern and north central regions. The 1970 census hinted at this change and census estimates since then have documented it. Further, this migration is much different than the 1950 to 1970 movement of people from countryside to city, a movement of people already living in the communities to which they moved. Just the opposite is true of those moving from the northeastern and north central sections of the country to the south and southwest. They possess, on the average, higher incomes, more education and are younger than those who are remaining in the areas from which they are moving, and by the same measures exceed the averages of the population in the region to which they are moving. This movement, therefore, weakens economically and socially the areas being abandoned and strengthens the receiving areas.

These changes are reinforcing the decline in the population and economic vitality of many of the Nation's large cities, a phenomenon which fits traditional metropolitan analysis, but does not fit the decline of entire metropolitan areas. During the decade of the 1960s, only one of the large metropolitan areas, Pittsburgh, lost population, but from 1970 to 1974, eight of the fifteen largest SMSAs are estimated to be losing population. In fact, a total of 37 SMSAs have lost population since 1970. And, as a group, the SMSAs with more than two million population have experienced no growth during the past four years.

Even in the metropolitan areas which have experienced some growth, the central counties (the county in which the central city is located) have lost population. This extension of the central city decline to the county which surrounds it is further evidence of the weaknesses of central cities spilling over into the suburbs.

These changes have produced metropolitan areas across the country with quite different characteristics and instead of one model fitting all areas there have emerged at least three general types of areas. They are:

1. Declining central city/county and declining metropolitan area (mostly northeast and north central metropolitan areas).
2. Declining central city/county and stable or moderate growth metropolitan area (some southern, midwest and western metropolitan areas).
3. Stable or moderate growth central city/county and a growing metropolitan area (most south and southwestern metropolitan areas).

IV. POLICY OPTIONS

What are the policy options which can be chosen?

The first is fiscal retrenchment and adoption of no-growth budgets. Recent trends suggest that the national economy will have to adjust to a slower rate of growth, but since core cities are growing more slowly than even the national economy, they are doubly damned in that their budgets will have to reflect an even more stringent measure of control than those of other governments. For many local governments, this will mean postponements and reductions in capital expenditures--the first to be cut back will be less essential projects, such as auditoriums, public buildings and

recreation facilities, but there will no doubt be a necessity to curtail other kinds of capital improvements, for example, new school buildings and sewer systems.

Since most public services are labor intensive, a no-growth budget will have a substantial impact on negotiations with public employee unions. In many local governments, it is not difficult to foresee reductions in the number of public employees, either through attrition or layoffs, as have already occurred.

Such cutbacks are bound to affect the level and quality of services. Not only is this likely to weaken the already deteriorating economic base of some jurisdictions, but additionally it will particularly hurt that part of the population dependent on public services. Social services suffer the most when government retrenches--day care centers, services for the elderly, manpower training, housing, etc.

A second policy option is for financially troubled jurisdictions to shift responsibility for services to a higher level of government, either a county government, a regional agency, or the state. This option is, of course, not a new one; functional consolidations between city and county have been going on for some time, and a few states have assumed greater responsibility for financing of education and social services. The adoption of regional financing mechanisms has had less precedent. The Minneapolis/St. Paul regional tax sharing plan whereby 40% of non-residential tax base growth is shared on a formula basis among all jurisdictions in the region is unique. To be optimistic, continued severe economic and fiscal pressure in some of the metropolitan areas may hasten efforts to implement such regional tax plans and may lead to an increase in the number of functional shifts to higher levels.

Despite the frequent suggestion that the total state-local fiscal system could be greatly improved by states playing a larger role by assuming greater responsibility, changes in functional assignment have been minimal. One means of measuring the amount of responsibility and the extent of its change in the state-local system is to calculate the assignment of revenue and expenditure responsibilities by measuring the proportion of total state-local revenues and expenditures which are the responsibility of the state level of government. Examined in that way, the state governments increased their revenue responsibilities by only 2.2% from 1967 to 1972, and in the case of expenditure responsibility, the median increase was only 1.3%. These changes appear to be generally representative of all states according to Census Bureau data. There were only four states in which the state assignment of responsibility for raising revenue increased by more than 6%: Nebraska, 8.4%; Illinois, 7.3%; Florida, 7.1%; and Mississippi, 6.1%. In the case of expenditure responsibility there were also four states which experienced a change greater than 6%. Two of these--Alaska, 6.9% and Arizona, 6.6%--had a reduction in their proportionate responsibility while two--Hawaii, 6.3% and Massachusetts, 14.0%--increased their responsibilities. The change in Massachusetts resulted primarily from the state assuming what had been a local share of the cost of welfare services.

The difficulty with state assumption of services is that it requires a search for new resources since costs will increase--a leveling up of services is much more likely than a leveling down. Another major problem with this option is that unless the proper choice of tax instruments is made, unfavorable income distribution consequences may result, i.e., if sales

taxes are chosen as the financing mechanism over the income tax alternative, tax burdens on the urban poor may rise as a result of state assumption. State assumption may benefit city governments but burden city residents.

The third option is for a more realistic new federalism with national assumption of the financing of services now considered to be primarily the responsibility of states and localities. Full federal assumption of welfare costs would be a first step in this direction. An increased and realistic allotment of federal general revenue sharing monies but under a formula which recognizes the particular problems of central cities would be a second element of such federalism.

Perhaps more important is the need for federal policies which recognize the changing distribution of wealth and income among regions of the United States and between the core jurisdictions of the metropolitan areas and their suburban fringe. Unless the decline of the older metropolitan areas is to be allowed to continue, a drastic realignment in federal spending policies will be necessary. Considerations of regional economic viability will need to replace those of the political pork barrel, if the deterioration of the economic base in many central cities is to be reversed, or if the social consequences of that deterioration are to be ameliorated.

The restructuring of local government could make a significant contribution to easing the fiscal problems of many central cities although the contribution will vary among different types of metropolitan areas.

Among the metropolitan areas which are losing population and suffering a decline in the economic base of the entire region, a trend to centralizing the financing of services at a regional level may occur in order to spread the burden as widely as possible and to achieve whatever cost economies, even though marginal, that are possible. Reform efforts in those areas may be stimulated by a fundamental motive of survival. Still, metropolitanization of a structural character will offer small relief for those areas where decline has spread from city to suburb and affects the entire region. Their salvation must come from the state and federal levels.

In those metropolitan areas which are in the traditional pattern of central city decline with stable or growing suburbs, increasing the regional responsibility for financing and delivery of services would greatly benefit core city residents, but such assistance could come at the expense of suburban residents. Such a change however, might contribute to the continuing economic viability of the whole region. If Indianapolis and Jacksonville, for example, had not regionalized their governments their central cities would today be experiencing severe financial problems.

In those metropolitan areas, most of which are in the south and southwest, where the entire region enjoys economic health and fiscal vitality, the issue of reform is not likely to be high on the public agenda for two reasons. With both city and suburbs experiencing economic growth, fiscal problems are not likely to be severe and, more important, the disparity issue is practically non-existent because many of the cities through annexation have captured a substantial portion of their suburbs.

If past actions are a guide to future policies it is not possible to be optimistic that any of these policy options, separately or in combination, will be generally adopted. A few local areas will reorganize their local governments and will benefit from it, a few states may follow Minnesota and develop state policies relevant to their local government needs, but massive action at either the state or local level seems highly unlikely. Federal action is even less likely if the current presidential campaign is an appropriate guide to the policies which will be followed after that election. The issues covered in this paper are best dimly visible in that campaign.

1/ This is the difficulty with the optimistic 1972 projection of the Tax Foundation (The Financial Outlook for State and Local Government to 1980). New York, 1972.

2/ U.S. Department of Labor, Bureau of Labor Statistics, Middle Atlantic Region, "1975 Year-End Report on Employment, Prices, and Earnings in New York City," Regional Labor Statistics Bulletin, No. 39, January 1976.

3/ Roy Bahl, Alan K. Campbell and David Greytak, Taxes, Expenditure and the Economic Base: Case Study of New York City (New York: Praeger, 1974).

4/ See Roy Bahl, Bernard Jump and David Puryear, "The Outlook for State and Local Government Fiscal Performance," Testimony, Joint Economic Committee, January 22, 1976.

5/ Ibid.

6/ For an examination of the political dimensions of New York City's construction experience see Jason Epstein, "The Last Days of New York," New York Review, February 19, 1976, pp. 17-27.

7/ Data from Bahl, Jump and Puryear, "The Outlook for State and Local Government Fiscal Performance."

8/ The authors are indebted to Seymour Sacks for the compilation of the data in Table 8 and for this interpretation.

9/ David Greytak and Bernard Jump, The Effects of Inflation on State and Local Government Finances, 1967-1974, Occasional Paper No. 25 (Syracuse: Metropolitan Studies Program, 1975): See also, Bahl, Jump, and Puryear, "The Outlook for State and Local Government Fiscal Performance."

10/ Bureau of the Census, "Population Estimates and Projections," Current Population Reports: Series P-25, No. 618, January 1976.

THE FUTURE OF COUNTY FINANCE

Dewey W. Knight, Jr.
Interim County Manager
Dade County

DEWEY W. KNIGHT, JR.'S PRESENTATION
TO THE
NATIONAL ASSOCIATION OF COUNTIES

In Conference September 15, 1976

THE FUTURE OF COUNTY FINANCE

COUNTY FINANCE, LIKE URBAN GOVERNANCE IN GENERAL, IS GOING THROUGH A PERIOD OF UNCERTAINTY AND CHANGE. OUR SUCCESSES IN COUNTY GOVERNMENT IN GENERAL, AND PUBLIC FINANCE IN PARTICULAR, RELATE TO OUR ABILITY TO FORESEE CHANGE AND TO MANAGE IT.

OUR DISCUSSION SHOULD THEREFORE OUTLINE SOME KEY PROBLEMS AND ISSUES IN COUNTY FINANCE TODAY, LOOK AT SOME PROBABLE TRENDS AND CHANGES, AND DEFINE OUR ROLE IN THE MANAGEMENT OF SUCH CHANGES.

THE ANNUAL BUDGETARY PROCESS, OR THE
EQUAL DISTRIBUTION OF DISSATISFACTION

CONSISTENTLY, COUNTY COMMISSIONS, MANAGERS, AND STAFF MEMBERS
HAVE BEEN REQUESTED TO PROVIDE MORE SERVICES AND ESTABLISH HIGHER
STANDARDS FOR THOSE SERVICES ALREADY BEING RENDERED. IT DOES NOT SUR-
PRISE YOU TO KNOW THAT THE MAKERS OF SUCH REQUESTS USUALLY FOLLOW
IMMEDIATELY WITH A REQUEST FOR LOWER PROPERTY TAXES.


UNFORTUNATELY, COUNTY GOVERNMENT CONTINUES TO BE OVERLY RELIANT
ON PROPERTY TAXES FOR GENERAL GOVERNMENT PURPOSES. AS LONG AS THIS
CONDITION EXISTS, IT IS IMPORTANT THAT COUNTY GOVERNMENTS INSIST ON
PROFESSIONAL, APOLITICAL ASSESSMENT PROCEDURES; UNIFORMITY OF METHOD-
OLOGIES WITHIN THE STATE; AND EQUALIZED ASSESSMENT ROLLS. FLORIDA HAS
BEEN A LEADER IN THESE MODERNIZATION EFFORTS DURING THE PAST DECADE.

RELIANCE ON GROWTH IN THE ASSESSMENT ROLL HAS CREATED SERIOUS
FINANCIAL PROBLEMS FOR LOCAL GOVERNMENT DURING THE RECESSION. GOVERN-
MENTAL AGENCIES HAVE DEPENDED HEAVILY ON NEW GROWTH TO INCREASE THE
VALUE OF EACH MILL OF TAXES LEVIED AGAINST THE ASSESSMENT ROLL. THE
DECLINE IN NEW CONSTRUCTION DUE TO THE ECONOMY, ENVIRONMENTAL REGULATION

AND OTHER FACTORS HAVE MADE IT VERY DIFFICULT TO MEET RISING PERSONNEL COSTS AND INFLATION-RELATED PRICE INCREASES.

ADDITIONALLY, THERE IS MUCH PRESSURE BEING EXERTED BY TAXPAYERS TO REDUCE AD VALOREM TAXES AND ELIMINATE ASSESSMENT INEQUITIES WHILE OFTEN REQUESTING THAT SERVICES BE INCREASED. QUITE FREQUENTLY, BOTH REQUESTS ARE MADE AT THE SAME MEETING. THE SAME CITIZENS, WHEN UNSUCCESSFUL, SOMETIMES MAKE REQUESTS OF HIGHER LEVELS OF GOVERNMENT TO IMPOSE STANDARDS IMPROVING SERVICES AT THE LOCAL GOVERNMENT LEVEL.

HOW, THEN TO SOLVE OR MINIMIZE SUCH DILEMMAS? AS MENTIONED EARLIER, ONE IMPORTANT IMPROVEMENT CAN BE FOUND IN THE EQUALIZATION OF ASSESSMENTS AND THE ASSURANCE THAT PROPERTIES ARE ASSESSED AT FULL VALUE. AND IMPORTANTLY, LOCAL GOVERNMENT NEEDS GREATER PROTECTION AGAINST MORE AND MORE COSTS AND SERVICES BEING MANDATED BY HIGHER LEVELS OF GOVERNMENT--STATE LEGISLATURES, THE CONGRESS AND THE FEDERAL BUREAUCRACY. WE NEED A "FISCAL RESPONSIBILITY ACT" WHICH PROVIDES THAT NO ADDITIONAL SERVICES WILL BE REQUIRED BY THE STATE UNLESS A SOURCE OF

 REVENUE IS ALSO PROVIDED. CALIFORNIA HAS ADOPTED SUCH LEGISLATION; WE
HAVE FILED A BILL IN THE FLORIDA LEGISLATURE.

IT SEEMS TO ME THAT GREATER EMPHASIS WILL CONSTANTLY BE PLACED ON
THE GOAL OF IDENTIFYING THE LEVEL OF SERVICE DESIRED OR REQUIRED IN A
COMMUNITY. ACCOMPANYING THOSE SERVICE LEVEL STATEMENTS WILL BE CLEAR
BUDGETARY STATEMENTS, NOT ONLY IN THE CURRENT BUDGET YEAR, BUT ALSO
EXTENDED FOR THE NEXT TWO TO FIVE YEARS TO PROVIDE AN ASSESSMENT OF THE
COMPLETE IMPACT OF SERVICE LEVEL DECISIONS. SUCH AN APPROACH WILL AID
THE DECISION MAKERS AND THE PUBLIC.

THERE IS SOME REASON TO EXPECT THAT AS THE REVENUE SOURCES BECOME
MORE LIMITED THAT THE CONTINUED USE OF THE UNIFORM TAX LEVY, GENERAL
FUND APPROACH WILL BECOME LESS ACCEPTABLE TO COUNTY OFFICIALS. THERE
WILL BE A VERY KEEN INTEREST IN ESTABLISHING SPECIFIC REVENUE SOURCES
FOR PARTICULAR SERVICES IN THE AREA RECEIVING SUCH SERVICES. THIS
APPROACH DOES AGREE WITH THE CONCEPT OF CLEARLY ESTABLISHING THE SERV-
ICE LEVELS OF THE VARIOUS FUNCTIONS WHILE ALSO EQUATING THAT APPROACH
WITH AN IDENTIFICATION OF THE REVENUE SOURCE USED TO OFFSET THE EXPEN-
DITURE.

THEREFORE, LOGIC INDICATES THAT THE CONCEPT OF SERVICE DISTRICTS
WILL GAIN WIDER USAGE AS A MEANS TO SOLVE THE DILEMMA OF A PORTION OF
A GOVERNMENTAL ENTITY WANTING A SERVICE WHILE IT MAY OR MAY NOT BE
ACCEPTED BY THE MAJORITY OF THE RESIDENTS OF THAT ENTIRE JURISDICTION,
AND PARTICULARLY AT THE COUNTY LEVEL.

MOST LOCAL GOVERNMENTS OVER THE YEARS HAVE USED THE PAY-AS-YOU-GO
PROGRAM IN THE ANNUAL BUDGET PROCESS. THIS IS NOT ONLY PROPER, BUT
ALSO LEGALLY REQUIRED IN MOST INSTANCES AS A PRECAUTION AGAINST DEFICIT
FINANCING; HOWEVER, MANY NEEDS CANNOT BE MET IN THE ANNUAL APPROPRIATION
AND SOME PROGRAMS SUCH AS CAPITAL REPLACEMENT CAN GET DANGEROUSLY BEHIND
SCHEDULE. TO OVERCOME THIS PROBLEM, COUNTIES MAY NEED TO FOLLOW THE LEAD
OF PRIVATE ENTERPRISE BY ESTABLISHING DEPRECIATION ACCOUNTS FOR EQUIPMENT
SUCH AS POLICE CARS, FIRE TRUCKS, DRAGLINES, ETC.

IN THE ANNUAL AGONY OF THE BUDGET PROCESS, THERE IS A BALANCING OF
PRIORITIES, NEEDS, RESOURCES, AND COMMUNITY ACCEPTABILITY. BUDGETEERS
ARE CONTINUALLY BEING REQUIRED TO EMPHASIZE AND DEMONSTRATE INCREASED
PRODUCTIVITY. THE PUBLIC EMPLOYEE IS ASKING FOR A BETTER SALARY AND MORE

FRINGE BENEFITS. WITH OUR LIMITED RESOURCE ABILITY, WE MUST MAKE DOLLARS GO FARTHER THROUGH IMPROVED PRODUCTIVITY. PUBLIC PRESSURE FROM THE TAX-PAYERS WILL CONVINCING GOVERNMENT EMPLOYEES THAT THEY MUST BE VITALLY CONCERNED ABOUT PRODUCTIVITY, IF WE CANNOT CONVINCING THEM VIA THE APPROPRIATE MANAGEMENT CHANNELS.

IN OTHER WORDS, THE SHRINKING DOLLAR REQUIRES GREATER EMPHASIS ON INCREASING PRODUCTIVITY IN A WAY THAT CAN BE MEASURED AND DEMONSTRATED. NOT MERELY A STATEMENT FROM THE MANAGER OR EMPLOYEE THAT WE ARE "MORE PRODUCTIVE."

COUNTY FINANCE HAS BECOME INEXORABLY TIED TO THE ANNUAL APPROPRIATIONS PROCESS AT THE STATE CAPITOL AND THE U.S. CONGRESS. THIS TREND CAN BE EXPECTED TO CONTINUE, EVEN INCREASE, IN THE FUTURE. IT CAN REPRESENT A SERIOUS PROBLEM FOR COUNTIES, AS WELL AS AN OPPORTUNITY TO REDUCE LOCAL TAX BURDENS. THE PROBLEM ARISES FROM THE UNCERTAINTIES OF THE ANNUAL, POLITICAL STATE AND FEDERAL BUDGETING PROCESS.

THERE IS A NEED FOR A FIRM DETERMINATION OF THE LEVELS OF FEDERAL REVENUE SHARING OVER A LONGER TIME FRAME--AT LEAST TEN YEARS. THE SAME NEED EXISTS FOR THE BLOCK GRANT PROGRAMS. CHANGING THE RULES AND THE AMOUNT OF FUNDS AVAILABLE IS A PRESCRIPTION FOR FRUSTRATION FOR LOCAL GOVERNMENT OFFICIALS.

ANOTHER BUDGETING PROBLEM FACING US TODAY, AND CERTAINLY INTO THE FUTURE, IS THE JOINT APPLICATION OF A CIVIL SERVICE OR MERIT SYSTEM OF PAY FOR EMPLOYEES PLUS AN INCREASING MANDATE TO BARGAIN WITH EMPLOYEES FOR WAGES AND BENEFITS. THIS TRANSITION FROM TRADITIONAL PERSONNEL SYSTEMS TO UNIONISM AND COLLECTIVE BARGAINING CAN BE VERY EXPENSIVE, ESPECIALLY WHEN EMPLOYEES CONTINUE TO RECEIVE THE BEST OF BOTH SYSTEMS.

OF PARTICULAR CONCERN SHOULD BE THE "HIDDEN COSTS" OF FRINGE BENEFITS THAT ARE NOT HIGHLIGHTED IN THE BUDGET PRESENTATION. THESE COSTS REPRESENT A LARGER AND LARGER PERCENTAGE OF TOTAL PERSONNEL COSTS. SOME COUNTIES HAVE DEVELOPED FINANCIAL PROBLEMS BECAUSE OF THE RETIREMENT, INSURANCE AND RELATED FRINGE BENEFIT COSTS.

FOR THE FUTURE, OUR ACTIONS MUST INCLUDE:

- A. PHASE-OUT OR DRASTICALLY CHANGE THE MERIT SYSTEM OF PAY
PLAN MANAGEMENT AS COLLECTIVE BARGAINING BECOMES THE
ACCEPTED TECHNIQUE.
- B. RETAIN COMPETENT LABOR RELATIONS STAFFS TO REPRESENT
MANAGEMENT IN THE BARGAINING PROCESS.
- C. TRAIN PROGRAM SUPERVISORS AT ALL LEVELS TO HANDLE THE
NEW EMPLOYEE RELATIONS PROGRAMS WITHOUT LOSING KEY
MANAGEMENT CONTROLS AND PREROGATIVES.

THE FORGOTTEN PORTION
OR THE CAPITAL BUDGET

WITH THE RISING EXPECTATIONS OF THE CITIZENRY ABOUT THE SERVICES
TO BE PERFORMED OR SUPPLIED BY GOVERNMENT, IT BECOMES IMPERATIVE THAT
WE BE ATTENTIVE TO OUR CAPITAL FINANCING PRACTICES AND ESTABLISH GENERAL
GUIDELINES TO INDICATE TO THE CITIZENS A REASONABLE MAXIMUM LEVEL OR
SATURATION POINT FOR BOND ISSUES AND CAPITAL EXPENDITURES.

THIS APPROACH HAS BEGUN WITH THE "ALLIANCE OF FINANCIALLY RESPONSIBLE LOCAL GOVERNMENTS" WHICH WAS RECENTLY INAUGURATED BY THE CITY OF WICHITA, KANSAS. REGARDLESS OF WHETHER YOU AGREE OR NOT, AN ATTEMPT WAS MADE TO ESTABLISH THE MAXIMUM LEVEL OF GENERAL OBLIGATION DEBT FOR LOCAL GOVERNMENT AT 8% OF THE TRUE MARKET VALUATION OF TANGIBLE PROPERTY FOR THE CITY, PLUS THE LEVEL OF OTHER OVERLAPPING GENERAL OBLIGATION DEBTS OF ALL OTHER UNITS OF LOCAL GOVERNMENT, NOT EXCEEDING 10% OF THE TRUE MARKET VALUATION OF TANGIBLE PROPERTY.

EARLIER WE MENTIONED THE NEED TO ESTABLISH DEPRECIATION FUNDS FOR EQUIPMENT REPLACEMENT. FROM A CAPITAL POINT OF VIEW, IT MIGHT BE WISE TO ESTABLISH A SIMILAR TRUST FUND VIA A DEPRECIATION SCHEDULE TO REPAIR AND MAINTAIN SOME OF THE CAPITAL FACILITIES THAT HAVE BEEN PREVIOUSLY ERECTED. NORMALLY, WE ONLY SEE THESE KINDS OF REPAIR AND MAINTENANCE TRUST FUNDS FOR MAJOR BOND ISSUE SITUATIONS IN REVENUE PRODUCING FACILITIES. IT HAS BECOME OBVIOUS THAT MANY JURISDICTIONS HAVE NOT ESTABLISHED A FINANCIAL PROGRAM WHICH PROVIDES AN ABILITY TO KEEP CAPITAL PROJECTS IN A STATE OF REASONABLE REPAIR. UTILIZATION OF A DEPRECIATION RESERVE TRUST FUND APPROACH COULD RESOLVE THAT SITUATION.

FOR THE PAST 20 YEARS SERIOUS CONSIDERATION HAS BEEN GIVEN TO ELIMINATING THE TAX FREE STATUS OF THE LOCAL GOVERNMENTAL JURISDICTIONS IN THE BOND MARKET. IT IS LIKELY THAT THE TAX FREE CHARACTERISTIC OF GOVERNMENTAL BONDING WILL EVENTUALLY BE ELIMINATED BY CONGRESSIONAL ACTION. AS A PRACTICAL MATTER, IT MAY HAPPEN ON A WIDE SCALE WITHOUT FEDERAL INTERVENTION IN ORDER TO ATTRACT LARGE ENOUGH NUMBERS OF INVESTORS TO PURCHASE THE BONDS OFFERED ON THE MARKET. THE MARKET WHICH USED TO ABSORB THE ISSUES IS NOT AS PREVALENT TODAY AS IT ONCE WAS, FOR SEVERAL REASONS.

FIRST, THE COMMERCIAL BANKS NO LONGER CAN ABSORB 50% OF THE ISSUES THAT ARE ANNUALLY FLOATED. SECOND, THERE ARE NOT ENOUGH INDIVIDUALS AVAILABLE TO BUY THE BALANCE ON THE OPEN MARKET. LASTLY THE MAJOR INVESTORS OF OUR COUNTRY, IN TERMS OF ASSETS AVAILABLE, ARE THE PENSION FUNDS WHICH DO NOT BENEFIT FROM TAX FREE BONDS.

THE PRACTICAL SOLUTION MAY BE THE PROPOSAL WHICH HAS GATHERED SIGNIFICANT INTEREST IN THE LAST FEW YEARS; THAT IS, THE "TAXABLE BOND OPTION," OR TBO. A PROPOSAL HAS BEEN INTRODUCED BY SENATOR EDWARD

KENNEDY (D-MASS.) AND REPRESENTATIVE HENRY REUSS (D-WIS.) WHICH PERMITS
THE STATE OR LOCAL GOVERNMENT TO ELECT TO ISSUE A TAXABLE BOND WHICH
WOULD AUTOMATICALLY CARRY A FEDERAL SUBSIDY IF THEY ELECTED TO USE THE
TBO APPROACH. THE SUBSIDY WOULD FUND THE DIFFERENCE IN COST UP TO SOME
LOGICAL BREAK POINT. OTHERWISE, THEY COULD PROCEED TO ISSUE THE BONDS
IN THE USUAL FASHION.

I WOULD LIKE TO HIGHLIGHT AN ADDITIONAL PROBLEM BY INDICATING THAT
THE REASONS AND METHODOLOGY OF FEDERAL AND/OR STATE REVENUE TRANSFER
PROGRAMS ARE NOT CLEAR TO THOSE OUTSIDE OF WASHINGTON, D. C. IT IS MY
BELIEF THAT WHEN FEDERAL AND/OR STATE MONEY IS OFFERED TO ACCOMPLISH
FEDERAL AND/OR STATE GOALS, NO LOCAL MATCH OF ANY KIND SHOULD BE
REQUIRED. IF IT IS TO BE A SHARED GOAL OR RESPONSIBILITY, A CLEAR
STATEMENT OF THAT RESPONSIBILITY SHOULD BE IN THE AUTHORIZATION WITH
A VERY CLEAR STATEMENT OF THE CAPITAL FUNDING LEVELS THAT WILL BE
MADE OR REQUIRED AND A TIME FRAME ESTABLISHED FOR THE CONTINUATION
OF THAT EFFORT AS WELL AS THE TIMING OF THE ASSUMPTION OF THE
PROGRAM COMPLETELY BY THE LOCAL JURISDICTION.

PUBLIC VS.
PRIVATE FINANCING

IN VIEW OF THE THRUST OF MY STATEMENTS, YOU MIGHT CONCLUDE THAT
I BELIEVE GOVERNMENT IS BEING FORCED TO OPERATE AND ACT MORE LIKE A
BUSINESS ENTITY EVERY DAY. IT IS MY OPINION THAT THE TREND WILL
BECOME MORE OBVIOUS.

IF COMPETITION FOR INVESTMENT DOLLARS IS REQUIRED BY COMPLETELY
ELIMINATING TAX FREE BOND FINANCING, LOCAL GOVERNMENTS WILL BE SUBJECT
TO A MORE VOLATILE IMPACT VIA THE CHANGING MONEY MARKET AND FLOW OF
DOLLARS. GOVERNMENT WILL BE COMPETING MORE AND MORE WITH THE PRIVATE
SECTOR FOR THE AVAILABLE INVESTMENT DOLLAR. UNQUESTIONABLY, ON THE
OTHER HAND GOVERNMENT WILL BE ABLE TO OFFER A VERY STABLE TYPE OF
INVESTMENT WHICH SHOULD BE PARTICULARLY ATTRACTIVE TO PENSION FUNDS,
MUTUAL INVESTMENT FUNDS AND TO INDIVIDUALS WHO WISH TO HAVE A FIXED
OR GUARANTEED INCOME.

THIS COMPETITIVE ATTITUDE ON INVESTMENTS WILL PREVAIL. HOWEVER,
COOPERATIVE EFFORTS OF GOVERNMENT AND BUSINESS WILL BE ALSO VERY
HELPFUL. THE CONCEPT OF CONTRACTING WITH PRIVATE INDUSTRY TO SUPPLY

SERVICES OF A NONROUTINE NATURE HAS BEEN A COMMON PRACTICE IN
GOVERNMENT FOR MANY YEARS. PARTICULARLY, CONSULTANTS HAVE BEEN
EMPLOYED TO DO ENGINEERING WORK AND MAJOR STUDIES WHICH NO ONE
JURISDICTION WOULD WANT TO HIRE THE TALENT TO ACCOMPLISH.
INCREASINGLY THERE SEEMS TO BE A HIGHER LEVEL OF INTEREST IN
CONTRACTING FOR THE MORE ROUTINE KINDS OF SERVICE TO REDUCE COSTS,
ADMINISTRATIVE BURDENS, AND ON OCCASION, TO PROVIDE THE TYPE OF
BENCH MARKS THAT GOVERNMENTAL MANAGERS CAN USE IN DESCRIBING
PERFORMANCE GOALS FOR THEIR OWN REGULAR EMPLOYEES.

CONTRACTING FOR SERVICES ALSO ALLOWS A MATERIAL CHANGE EITHER
TO INCREASE OR TO DECREASE THE STANDARDS WHICH ARE USED. ONE SUCH
USAGE THAT I HAVE DISCUSSED WITH VARIOUS GOVERNMENTAL EXECUTIVES OVER
THE YEARS APPEARS TO BE A LITTLE OF BOTH; THAT IS, IN THE JANITORIAL-
CUSTODIAL FIELD.

IN MOST JURISDICTIONS, JANITORIAL, BUILDING MAINTENANCE, OR CUSTODIAL WORK IS DONE BECAUSE IT OUGHT TO BE RATHER THAN TO PROVIDE SPECIFIC PERFORMANCE. SELDOM ARE STANDARDS USED, AND OFTEN UNPRODUCTIVE EMPLOYEES ARE PLACED IN THE JANITORIAL WORK FORCE. CONSEQUENTLY, FEW, IF ANY, JURISDICTIONS HAVE TRAINED PERSONNEL TO ACCOMPLISH THIS WORK. IT IS DONE ON AN UNSCHEDULED BASIS BY PEOPLE WHO HAVE BEEN HIRED BECAUSE OF THEIR WILLINGNESS TO ACCEPT THE SALARY LEVEL RATHER THAN THEIR KNOWLEDGE OF THE TASK TO BE PERFORMED. ONE OF THE OBVIOUS RESULTS OF THIS APPROACH APPEARS TO BE DIFFERENT STANDARDS OF CLEANLINESS IN VARIOUS PARTS OF THE SAME JURISDICTION, AND IN FACT, WITHIN A GIVEN BUILDING. THE OFFICES OF THE HIGHER RANKING PEOPLE IN THE ORGANIZATION RECEIVE SLIGHTLY MORE ATTENTION, AND THOSE AREAS WHERE HEAVY COMPLAINANTS ARE EMPLOYED SEEM TO RECEIVE MORE ATTENTION AS WELL, ONLY IN THE SENSE OF REACTING TO THE "SQUEAKING WHEEL."

AT THE SAME TIME, IT APPEARS THAT MANY EMPLOYEES WHO ARE PUT "ON BOARD" TO SATISFY JANITORIAL OR CUSTODIAL NEEDS ARE, IN FACT, USED FOR OTHER PURPOSES SUCH AS DRIVERS. "GOFERS" AND EXTRA LABORERS, THEREBY DECREASING THE ABILITY TO PERFORM THE CUSTODIAL WORK.

WE HAVE FOUND IN DADE COUNTY THAT IT HAS BEEN HELPFUL TO UTILIZE SPECIAL TAXING DISTRICTS FOR SPECIFIC PURPOSES SUCH AS STREETLIGHTS OR SIDEWALKS. IN FLORIDA THE GREATEST EMPHASIS HAS BEEN IN CAPITAL FUNDING FOR WATER AND SEWER IMPROVEMENTS. THERE IS REASON TO EXPECT THAT THERE WILL CONTINUE TO BE SPECIAL DISTRICTS CREATED FOR VARIOUS SERVICES NOT UNIFORMLY APPLIED WITHIN THE BOUNDARIES OF A COUNTY, AS AN APPLICATION OF THE PRINCIPLE THAT THE USER SHOULD PAY FOR THE SERVICE RENDERED. IN DADE'S TWO-TIER GOVERNMENTAL OPERATION IT APPLIES TO SUCH GOVERNMENTAL ACTIVITIES AS BASIC POLICE RESPONSIBILITIES IN THE UNINCORPORATED AREA WHICH OPERATES LIKE A CITY. SUCH AN APPROACH WILL BE USED ON A WIDER BASIS AS TIMES GOES ON FOR ALL TYPES OF SERVICES.

THE FUTURE OF COUNTY GOVERNMENT

BY

PHILIP J. RUTLEDGE

THE FUTURE OF COUNTY GOVERNMENT

Introduction and Historical Perspective

This is the age of "New Federalism." It is a time of considerable rethinking of the relationship and roles of the morass of governmental entities. There is no longer a prescribed role for the national government, a domain for the states, or a role for the counties and municipalities, but rather what types of functions should each level of government perform. As the number of governmental units increase--there are approximately 78,000 at present--defining the role of each will be paramount in the continued prosperity of the American governmental system.

Perhaps a quote by Alexander Pope best illustrates what direction or what should guide our discussion of the future: "For forms of government let fools contest. That which is best administered is best." Another train of thought which we might follow in terms of the future is the typology established by Earl C. Joseph and described in The Futurist, August 1974.

According to Joseph, the future can be divided into five distinct time periods. These are:

- o Now-the immediate future;
- o Near term/short term futures;
- o Middle range futures;
- o Long range futures; and
- o Far futures.

While each of these periods has certain unique characteristics, we generalize by saying that the immediate future and the very distant futures are largely uncontrollable from today. In fact, the portion of the future, as Joseph notes, that is the most important to man is in the period five to 20 years from now. It is during this period--middle range futures--that there are choices that can be made over optional futures and opportunities; it is almost completely controllable and decidable today. Almost everything imaginable may be brought about during this period; and the future available in this time is inventable and shapable today.

It is in light of these five periods, particularly the middle range future, that this paper will discuss the future role of county government.

"The county, with its political subdivisions, is geographically the most universal jurisdiction of local government in America; and, with the New England town, it exemplifies a heritage and a continuity from British and colonial self-government." Despite the dissimilarities of the more than 3,000 counties in the United States, these political and geographical entities have played a significant role in the development of America.

Although counties are common to almost every state (i.e., exceptions being Connecticut, Rhode Island, and Alaska) and range

in the number in each state from three in Delaware to 254 in Texas, their significance has varied. Some sources state that the county has consistently and historically been more important in institutional life in the South than in New England. As the table below illustrates, the size of counties has also varied among the 3,044 in America.

Number of Counties and Average Land Area per County,
by State^a

State	Number of Counties	Average Land Area In Square Miles/County
Alabama	67	762
Arizona	14	8,113
Arkansas	75	700
California	57	2,747
Colorado	62	1,676
Delaware	3	659
Florida	67	810
Georgia	159	367
Hawaii	3	2,138
Idaho	44	1,880
Illinois	102	584
Indiana	92	393
Iowa	99	556
Kansas	105	781
Kentucky	120	332
Louisiana	62	728
Maine	16	1,938
Maryland	23	423
Massachusetts	12	656
Michigan	83	687
Minnesota	87	920
Mississippi	82	576
Missouri	114	606
Montana	56	2,602
Nebraska	93	824
New Hampshire	10	901
New Jersey	21	358
New Mexico	32	3,797
Nevada	17	6,458
New York	57	841
North Carolina	100	491
North Dakota	53	1,311

State	Number of Counties	Area In Square Miles
Ohio	88	466
Oklahoma	77	895
Oregon	36	2,674
Pennsylvania	66	682
South Carolina	46	658
South Dakota	64	1,193
Tennessee	95	440
Texas	254	1,035
Utah	29	2,839
Vermont	14	633
Virginia	98	407
Washington	39	1,710
West Virginia	55	438
Wisconsin	72	760
Wyoming	23	4,235

^aDry land and land temporarily or partially covered by water, such as marshland, swamps, and river flood plains; streams, sloughs, estuaries, and canals less than one-eighth of a statute mile in width; and lakes, reservoirs, and ponds less than 40 acres in area.

SOURCE. U.S. Bureau of the Census, Governmental Organization, 1962 Census of Governments, vol. I, with revisions from the 1972 Census of Governments

Historically, county government has had a long and enduring history which has reached major proportions at this time.

One of the culminations of complete recognition of counties came as the result of a legal opinion rendered in 1845 by Chief Justice Taney of the U. S. Supreme Court, acknowledging the distinction between counties and cities: "The several counties are nothing more than certain portions of the territory into which the state is divided for the more convenient exercise of the powers of government." While this opinion, as well as other similar state opinions, established that counties are separate governmental entities, it tended to stultify the powers of county governments in providing services. This occurred because there was not a sound definition of the role of counties as there was

for cities. This problem persisted throughout the 1800's and, in part, in the early decades of the present century.

As the growth of urban centers became prevalent after the Civil War, the role of county governments changed significantly. One of the reasons for this change was the increasing pressure on cities to provide services which occurred at a time when most cities were not capable of effectively administering service delivery. Consequently, county governments were required to get involved in both service delivery and administration.

In addition to relieving some of the pressure of the cities, counties have also served as springboards for political endeavors. Many political leaders in large urban centers received their initial political training by working in county government. As has been noted by many political writers, the cities became fertile grounds for political machines and rampant city corruption (e.g., Tammany Hall in New York City). The county was not immune to the pressures and problems of the political machines and were labelled by one author "the dark continent of American politics." Other critics viewed the county government of the early 1900's with equally harsh scrutiny--"archaic, inefficient, and not well-known to the public."

By the 1930's, the responsibilities of county governments vis-a-vis the states and cities, had shifted. There had been a shift in police and highway administration from county to state control. The inability of local government to finance relief

costs in the 1930's (i.e., the Great Depression) resulted in the passage of the Federal Social Security Act and the shifting of control over public welfare policy to the national and state level. At the same time, and as compensation, some responsibilities of townships and special district governments were shifted to the counties.

By assuming responsibilities for these townships and special districts, county governments ~~moved away from being simply an administrative arm of the state~~, but more as an independent arm of local government. There are numerous examples of the role that county governments assumed--building of county libraries, airports, hospitals, health facilities and utility systems.

The inability of many cities to annex what were previously rural areas, but now are vibrant suburban communities, has further expanded the role and responsibility of county governments to provide services. Coordination of many of the services and functions of the non-urban areas was not possible or feasible for municipalities. Many political scientists, sociologists, city planners, public administrators and local government officials have offered possible solutions to the problems of expanding urban areas. Several of these solutions recommend an expanded role for county government.

Some counties have entered into contracts with larger municipalities to purchase water, police, and other services. For more than twenty years, 29 cities in Los Angeles County

received the majority of their services under contract from the county. This type of arrangement between cities and counties continues in many parts of the country.

Many municipalities, realizing the strain of an economic recession, have either transferred functions to counties or counties have assumed responsibility for specific activities. Such transfers usually result in a more equitable distribution of costs over the area in which services are used.

The role of the county and the image of county government are continually expanding. Urban growth and the increased pressures on urban governments to follow the growth with adequate services has been one of the reasons for a shifting of responsibilities to county governments.

COUNTIES AND INTERGOVERNMENTAL RELATIONS

Intergovernmental relations may be defined as "an important body of activities or inter-actions occurring between governmental units of all types and levels within the federal system." Initially, discussions of these relations excluded counties, but rather concentrated on the interaction between Federal, State, and local governments. But as the county has expanded both in numbers and responsibilities, their role in the sphere of inter-governmental relations has increased.

The funds flowing annually through the government of some large counties, such as Los Angeles County, are well above the amount required in a year by the United States government over a century ago. Counties have expanded their role in the areas of

budgeting, accounting, and central purchasing, as well as more efficient methods of taxation. The California county cited above has a larger annual budget than the city of Los Angeles. For this reason alone, counties are and will continue to be an integral part of the entire governmental system.

Professor Coleman Woodbury of the University of Wisconsin has described this new form of relations with the phrase "urban government", which takes in all governments operating within such areas: municipal governments, essentially rural government (e.g., counties and townships), state and national governments in so far as they deal, directly or in close collaboration with local governments, with the affairs of urban or urbanizing localities. It includes, of course, not only general-purpose governments but also special districts and authorities--both single and multi-purpose. It comprehends not only governmental forms, structures, functions and processes, but also the roles and relationships of individual citizens, officials, and various groups in formulating, opposing and administering public policies and programs."¹

Another author, John Gaus, writing in Reflections on Public Administration, describes "the coercions of environment and the compulsions resulting from science" that have stimulated the demand for new governmental responses.

Perhaps a more philosophical statement about intergovernmental relations was made by the poet, Archibald MacLeish:

¹Coleman Woodbury, Some Notes on the Study of Urban Government," Public Policy, A Yearbook of the Graduate School of Public Administration, Harvard University, 1963, edited by Carl J. Friedrich and Seymour E. Harris, vol. XII (Cambridge: Graduate School of Public Administration, 1963), pp. 113-14.

"The old relationship between man and the world--a relationship once heavy with myth and imminent with meaning--has been replaced by our new, precise, objective, dispassionate observation of the world, with the result that our understanding of our experience of the world has been curiously mutilated. The world is still there--more there now than ever--bright and sharp and analyzed and explicable. But we ourselves, facing the world, are NOT there. Our knowledge, that is to say, seems to exist of itself independently of us, or indeed of any knower--scientific knowledge stated in its scientific laws, its formulae and equations true to all men everywhere and always, but not for a single man alone."²

What are some of the forces contributing to this complex of governmental entities:

- o Fiscal Factors. The pressures on both cities and States to find adequate revenue sources has been a major reason.
- o Complex Governmental Structure. Solutions to many problems of urban growth have been slowed by the complex structure and responsiveness of the majority of governments.

²Archibald MacLeish, "Crisis and Poetry," a speech delivered to the Convocation of the Alumni Association, Yale University, October 7, 1969.

- o Economic Problems. American cities and counties, unlike businesses, are not able to relocate in order to be more competitive, but rather must rely upon careful public relations programs, tax gimmicks, and other techniques to win vital industry and tax revenues.
- o Physical Problems. There is a constant need to insert new land uses into the built-up fabric of existing cities and counties.

Intergovernmental relations at this point can be described as both vertical, which refers to ties that link a jurisdiction to governments of higher and broader jurisdiction (i.e., county to state), or horizontal, relations between neighbors across invisible boundary lines.

In the area of intergovernmental relations and counties, the most significant development has occurred as the result of city-county consolidations. These consolidations can be defined as a merger involving the unification of the governments of one or more cities with the surrounding county. As a result of the consolidation, the boundary lines of the jurisdictions involved become more coterminous. However, certain incorporated jurisdictions may opt to be excluded from the consolidation. There are presently 21 such consolidations, as displayed on Table 1. The benefits of these relations include:

1. Promoting greater efficiency in the provision of services;
2. Promoting economy of scale and coordination of services;
3. Reducing the amount of governmental fragmentation;
4. Permitting an area to bring together the resources of the central city and the surrounding area; and
5. Reducing or voiding the need for the creation of special districts or authorities.

Table 1

CONSOLIDATIONS

Mergers by Legislative Action - 8
(Showing Year of Merger)

New Orleans--Orleans County, La.	1805
Boston--Suffolk County, Mass.	1821
Philadelphia--Philadelphia County, Penn.	1854
San Francisco--San Francisco County, Calif.	1856
New York--New York County, N. Y.	1874
New York and Brooklyn--Queens and Richmond Counties, N. Y.	1898
Honolulu--Honolulu County, Hawaii	1907
Indianapolis--Marion County, Indiana	1969

Mergers by Referendum - 13

City and County of Denver, Colo.	1904
Baton Rouge--East Baton Rouge Parish, La.	1947
Hampton--Elizabeth City County, Va.	1952
Nashville--Davidson County, Tenn. (defeated in 1958)	1962
Virginia Beach--Princess Anne County, Va.	1962
South Norfolk--Norfolk County, Va.	1962
Jacksonville--Duval County, Fla. (defeated in 1935)	1967
Juneau--Greater Juneau Borough, Alaska	1969
Carson City--Ormsby County, Nev.	1969
Columbus--Muscogee County, Ga. (defeated in 1962)	1970
Sitka--Greater Sitka Borough, Alaska	1971
Suffolk--Nansemond County, Va.	1972
Lexington--Fayette County, Ky.	1972

Other options of this type involving counties are:

Functional Consolidation, where two or more units of government agree that one level of government will perform a service, is increasing in use. The City of Rochester and Monroe County, New York have pioneered in functional consolidation. Nineteen of their functions such as health, corrections, and airports have been consolidated. The trend in functional consolidation is for the county to assume the responsibility. Another form of functional union is the joint city-county contractual approach. This is equally popular and has been used increasingly across the country. Certainly it provides opportunities for effectiveness and efficiency.

Intergovernmental Contracting enables one unit of government to contract with another for specific services at a cost. Los Angeles County, California established its contract services program in 1954 (Lakewood Plan). There are 77 incorporated municipalities within its boundaries which have in effect more than 1650 separate service contracts with the county in areas such as police and fire protection, health services and street and construction maintenance. A number of communities have a full range of municipal functions provided by Los Angeles County. While the legal authority for this approach is found in several states, the use of it is somewhat limited. Again, however, it provides an opportunity to secure the advantages cited for city-county governmental consolidation without taking that formal step.³

As noted in an article by Bernard F. Hillenbrand, "Counties: The Emerging Force", The Annals of the American Academy of Political and Social Science, November 1974, New Federalism is intended to be a response to the discovery that local units of government are capable of understanding and meeting the needs of its residents. "New Federalism demands that counties occupy a position of strength in the governmental system. Counties must have the most effective form of government possible in order to handle adequately the increased responsibilities being placed on them as recognition that local problems must be handled on the local level grows. It is a struggle that the counties are prepared to handle, and handle well."

³From America's Counties Today: 1973, National Association of Counties, 1973, pp. 60-62.

It is evident that there are not the same legal relationships (i.e., vertical) between state and national governments as those that exist between state and county governments. Counties, cities and other units of local government have few, if any, powers which are not derived from state constitutions and state laws and which cannot be taken away through state initiatives. Federal-state relations specify that amendments to the U. S. Constitution must be ratified by either the legislatures of three-fourths of the states or conventions called in three-fourths of the states.

There is no mention of county governments in the Constitution, and relations between the federal government and counties have only been through the sharing of information and with specific agencies. For example, the Bureau of the Census has published Finances of and County Governments / Governmental Organization and other studies of importance to counties. Federal agencies also provide counties with advisory, consulting and related services. There has been extensive contact in recent years between federal and county officials in the administration of grants.

The relationship between national and county government has changed vastly over the last few decades. Federal grants have stimulated more frequent relations between county and federal officials. There have been other similar relations between the federal government and county governments, particularly in times

of economic recession. These efforts have been, in part, to ease the strain on urban areas.

In addition to the relations between federal-state-county governments, the counties have continued intergovernmental relations with cities, towns, villages, townships, school districts, special districts and public authorities. Counties are involved in several ways:

- o As a legal and fiscal arm of the state in relationships with townships and special districts;
- o Vendor of services to other local governmental units;
- o Purchaser of governmental services;
- o Creator of ⁱⁿdependent districts and service areas;
- o Participant in informal cooperative arrangements;
- o Partner in joint city agencies;
- o Partner in inter-county agencies; and
- o Participant in voluntary regional conferences.

Relationships between state and county governments, as discussed previously, are of two types. First, constitutionally, states have established restrictions on the powers and finances of county government, and second, the two entities exchange

information, with the state also providing advice, technical assistance, training, and grants.

Intergovernmental relations between the federal government and counties continue to increase. Some of the services provided by federal agencies are similar to those provided by state agencies (i.e., technical assistance, advice, information, etc.) As will be discussed later in this paper, federal legislation prescribes an increasing relationship between federal and county governments.

County governments have historically had a special relationship with the smaller units of government--cities, villages, townships, etc. Counties often purchase and sell services to these governmental entities and serve as a legal arm of the state in regard to these townships and special districts. Officials of towns and special districts have felt a closer kinship with county government than with larger, more bureaucratic state and federal governments.

FUTURE OF COUNTY GOVERNMENT

The evolution of county governments into viable organizational entities over the last century will have a tremendous impact on the role of these governmental units in the administration as well as provision of services to the American people. It may be useful to discuss the future of county government in relation to the given time periods outlined previously:

- o Now - the immediate
- o Near term/short term (1 to 5 years)
- o Middle range (5 to 20 years)
- o Long range (20 to 50 years)
- o Far (50 years and beyond)

However, some general thoughts about future governmental roles seem appropriate initially.

As noted previously, county government has undergone a number of significant changes over the years. These changes, at times, have increased the responsibility of counties in actual governmental activities and have, at other times, decreased their participation. Most of the more significant changes have taken place in those highly urbanized or metropolitan counties, while there has been less change in basically rural counties. A number of metropolitan counties are providing what are generally referred to as urban services to non-urban residents.

One eminent factor in determining the expected role of county government, particularly largely urban counties, is the nature of federal legislation and programs. As discussed by Hillenbrand, New Federalism has tended to emphasize an increasing role for governmental units other than the city and Federal government--states, counties, and regional organizations.

An article in HUD Challenge, February, 1974, noted the pervasive problems of urban communities and suggested the development of a national policy to meet these problems. The reasons for such a policy as perceived in the article were:

- o The belief that some metropolitan areas are becoming too large to be governable, environmentally attractive, and economically efficient....;
- o A compassion and political sensitivity for the millions of Americans who have been displaced by technological change, live in marginal or obsolete communities....;
- o A growing recognition that complex national forces are denuding some major regions, such as the Great Plains, of population with great problems for those who emigrate and those who stay....; and
- o A conviction that federal projects are working at cross purposes with each other, with a resultant waste.

Further justification for intergovernmental relations, especially with an increased role for county government, was indicated in the President's 1974 biennial growth report. The report suggested in general terms "the need for several innovations in policy making, such as improved federal mechanisms for

policy and program coordination, strengthened multijurisdictional agencies of metropolitan areas, and a means of diffusing poverty concentrations among city and suburban areas."

These broad policy directions were later translated into more specific program activities which indicate a more involved role for county government in the future. It may be useful, in outlining the general role of county government in the future, to look at some legislation that indicates what may occur:

o Social Services

The Social Services Amendments of 1974 (Title XX, P. L. 93-647) consolidated previous social services programs authorizing services to be directed toward five national goals. The states are given primary responsibility for determining what optional services are to be provided by the state and for deciding how to allocate social service monies in their states by type of service, category of persons and geographic area. They also may determine how (i.e., direct or purchase) and where (i.e., state-wide or specific counties) services are to be delivered.

Title XX, which is an amendment to the Social Security Act, not only gives the state additional responsibility, but has precipitated extensive county government involvement in social services. This is particularly important because it also indicates more intergovernmental relations between state and county entities.

Specific examples of the increased role of counties in social services are drawn from the experiences of several states in the administration of the Social Services program. The California situation, under the 1974 legislation, resulted in the counties assuming complete responsibility for determining which services will be provided and the amount of state dollars needed to fund these services. Counties will also set up methods for assessing needs among county residents.

In Minnesota, counties had an equally important role in the Social Services program. Counties administered and delivered social services under the Title XX legislation. While the county role in New Jersey was less than that in California and Minnesota, the counties did play a substantial role as service deliverers and by indicating which services should be provided.

°Environment

One of the most prominent pieces of legislation related to the environment is the Federal Water Pollution Control Act Amendments of 1972, specifically, Section 208. In each designated area, a single planning agency must prepare an area-wide waste treatment management plan.

The preparation of regional '208' plans calls for considerable coordination between counties and cities. Counties ~~have~~, in many instances, ^{have} not been prepared or willing to fully be involved in the planning process. Nevertheless, counties are being given

considerable opportunities to participate in the planning process.

°Land Use

While Congress has failed to adopt specific land use legislation, a number of states, particularly western states, have begun to address the problem of land use. Colorado and Idaho have both adopted land use legislation which requires both cities and counties to prepare land use plans and policies. These requirements by the states are very important to most counties, as they are in a period of growth and development. It is also significant because some states recognize that county governments play a crucial role in the planning process.

°Manpower

The thrust of the Administration and Congress to move towards less federal control of programs and increased state and local control led to the enactment of the Comprehensive Employment and Training Act of 1973--CETA, P.L. 93-203.

Title I of the legislation authorized counties as well as cities with a population of 100,000 or more to serve as prime sponsors. As a prime sponsor, the governmental unit is to prepare a comprehensive ^{employment} / plan acceptable to the Secretary of Labor.

As related to the role of county government, CETA has stimulated cooperation between cities, counties, and regional organizations, and a new interest in intergovernmental relations.

°Health Planning and Development

The National Health Planning and Resources Development Act of 1974 (P.L. 93-641) established a nation-wide, federal, state and area-wide system of health planning and resource development programs. While the legislation does not prescribe a role for county government, these entities, as members of most area-wide or regional agencies, have had considerable input into the planning process.

°Highway Act Amendments

The major elements of the Federal Aid Highway Amendments of 1974 (P.L. 93-643) are directed toward improving the rural and county road system. Because the intent of this legislation is focused on those areas under the jurisdiction of county government, it is obvious that these governmental units will play an increasing role in planning for these road systems.

Moving back to our original typology of the future it is apparent, based on the dictates of the past, that counties will continue to play a primary role under New Federalism. This role, as illustrated by the previous discussion, will be as an arm of the state government, as far as a deliverer of services, but also as a separate and distinct entity as administrator and service deliverer.

The next period, near term/short term future, or the next 1 to 5 years, may call for some expansion of the county's role, vis-a-vis both state and federal governments. The evolution of current trends points out that there is occurring, and will continue to be, a shift from cities to counties in governmental

responsibilities. There will be some policy choices available which will allow counties to design new programs, systems and institutions. Decisions that are made during the previous period may cause major shifts in this time frame.

The time between 5 to 20 years (middle range) from now is probably the most significant in terms of the future role of county government. As Joseph suggests in the article, "What Is Future Time?", the counties planning an anticipated role now will be best realized during the next 5 to 10 years. All the planning efforts of county administrators and staff should be viewed as flourishing during this period.

For example, the present trend of population growth from urban centers to unincorporated areas point out a serious need for counties to be able to provide services to these residents and manage growth. There has also been a migration of rural residents to more metropolitan counties. Moreover, as Americans have more leisure time, there will be increasing demands for counties to provide additional recreational services.

Reapportionment is another factor that will affect the role of county governments in the future. The reapportionment of county governing boards will strengthen county government, according to some authors. As the number of urban and suburban residents increases on county government boards, they will probably advocate

increased county taxes, expansion of county services, and a greater measure of county home rule. These are the types of issues which should be examined by counties now in order to make the county 5 to 20 years from now a rational and desirable environment.

The last two time periods, long range and far futures, will not be important to county governments today. These periods can generally be characterized as Utopia.

CONCLUSION

Some concluding remarks might best summarize the future of county government:

In total, the significance of county governments is unquestionable. They spend approximately \$10.8 billion annually, which is about one-fifth of the total for all local governments. They employ the full-time equivalent of approximately 950,000 people, which is about one-sixth of the local total. Collectively they provide a broad array of services and facilities, with a heavy concentration in the fields of welfare, highway, education, and hospitals. The county is the primary general local government for many people; some do not live within city limits but in county unincorporated territory, and others reside in small cities and receive more local services from the county government than from the municipal government.

Overall, county governments are a mixed bag: they show signs of adaptability and inflexibility, of innovativeness and

sluggishness, of being the most important local government of the future and of becoming practically lifeless. These contrasting characterizations are true of certain American counties, but one statement seems appropriate to all of them: As members of the late twentieth-century system of American government, they are in transition to increased or decreased political vitality. The question now appropriate to consider is whether research on the county up to the present time provides the knowledge required to make sound decisions about its future.

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