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REVENUE SHARING

And its Implications For PLANNING & URBAN DEVELOPMENT

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REVENUE SHARING AND ITS IMPLICATIONS FOR PLANNING AND URBAN DEVELOPMENT

Ву

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ABSTRACT

REVENUE SHARING AND ITS IMPLICATIONS FOR PLANNING AND URBAN DEVELOPMENT

By

James Alan Ragsdale

During the past decade there has been an unprecedented growth in the number of federal programs to aid local communities in the solution of urban problems. As the number of programs have increased so has the bureaucratic structure of the federal government to the point where many of the professionals involved in planning and governmental administration spend so much time with exhaustive application and reporting requirements that the actual needs of the people in urban areas are neglected. The revenue sharing proposal was formulated as an effort to give state and local governments greater responsibility for identifying local priorities and developing their own programs without excessive federal constraints. This effort to decentralize decision-making as a part of reducing the direct responsibility of national government has been described as a policy of new federalism.

This paper is an effort to describe the revenue sharing proposals as a part of the broader concept of federalism and to explore the implications of these factors upon the planning profession.

The urban planning profession is in the process of undergoing a reexamination of its goals and functioning within the structure of government. The planning profession is faced with the alternatives of continuing to prepare proposals and stand quietly by while its efforts and ideas are ignored or the profession can begin to equip itself to take a more active leadership position in the process of governmental decision-making. The changes in philosophy and focus manifesting in the planning profession cannot be considered in isolation. As with the nature of all social and political processes change is the result of an interchange between environmental inputs and responses. The environment conveys an attitude or mood which stimulates a social response which in turn provides input to further response. 1 The United States at this time as a nation of people is generating demands upon its professionals and leaders to develop a new and more relevant way of solving the problems of poverty, unemployment, and the continuing

Harold Wolman, The Politics of Federal Housing (New York: Dodd, Mead and Company, 1971), p. 59.

decline in the quality of life in our urban areas. planners are to effectively contribute to the alleviation of these urban dilemmas then they must be more than programoriented technicians. They must help to shape the policies which guide the daily planning activities. The planner as a creative, socially conscious professional must be able to recognize opportunities in which his talents may affect policy-making at all governmental levels. The purpose of this essay is to accentuate the point that changes are occurring in government and the structure of policy-making at this time and that if planners are to have their say-it is the time for them to understand what is going on and to utilize their awareness of the merits and shortcomings of existing urban development programs to help determine the structure and policy of new approaches.

The Nixon Administration has for the past few years been working steadily towards the formulation and direction of major policy changes, which will affect the way in which solutions to urban problems are administered and financed. The assumption upon which the actions of the Nixon Administration are based is that the national government of this country has grown into such a bureaucratic maze that the urban programs developed at the national level are not

responsive to the needs of the people at the local level. As urban renewal, model cities, and housing programs have been formulated and allowed federal monies to be passed on to the cities in quantities never before equaled in urban expenditures, complex guidelines and controls inhibited local administrators to actively pursue their objectives. As the demands increased for solutions to urban problems additional categorical programs were designed, additional funds appropriated, and additional guidelines attached requiring complex reporting procedures. As administrative costs consumed an increasingly larger portion of the federal money, less funds were actually used to aid the lowincome population. Dissent was heard from all sides. Blacks and the poor could see all these programs supposedly designed to aid them, and the only tangible results which they could actually perceive were a lot of meetings and an abundance of highly paid administrators. The conservative and rural interests observed billions of dollars being spent unproductively on people who would not help themselves. Most liberals felt that although as the result of Johnson's War on Poverty more money was being spent in the city, the sums, still inadequate to allow a continuous effective effort. Banfield (1968) and Norton Long (1972)

have argued to the contrary that many programs could have been far more successful at the same funding level had they been administered more effectively with more realistic goals. To all interests there is agreement that something should be done to sort out from the administrative quagmire an approach to aid local government which would be more responsive to the people with greater administrative efficiency. The response of the Nixon Administration has been the revenue sharing program.

Revenue Sharing has been discussed in concept since the early sixties as a possible approach to financing programs to aid in the solution of urban problems. Economists Walter Heller and Joseph Pechman formulated a revenue sharing proposal in 1964. Heller further elaborated on the idea in New Dimensions in Political Economy in 1966. These writings in conjunction with the political environment of the country were the prelude to a conserted effort by the leadership of both political parties for some type of revenue sharing legislation during the Nixon Administration. While bipartisan agreement was present in concept, the

²Edward C. Banfield, <u>The Unheavenly City</u> (Boston: Little Brown and Company, 1968); and Norton Long, <u>The Unwalled City</u> (New York: Basic Books Inc., 1972).

nature of revenue sharing proposes many other questions as to structure, administrative procedure, as well as governmental philosophy have led to a continuous debate and controversy on the legislation in Congress and elsewhere including the planning profession. The debate continues today on aspects of special revenue sharing even now that general revenue sharing grants have been distributed to state and local governments.

The conversion of demands for a new relationship between state, local, and federal government through revenue sharing legislation emerged from an atmosphere in which many interrelated political trends were occurring in the country. In order to understand the rational basis of revenue sharing these factors are outlined below:

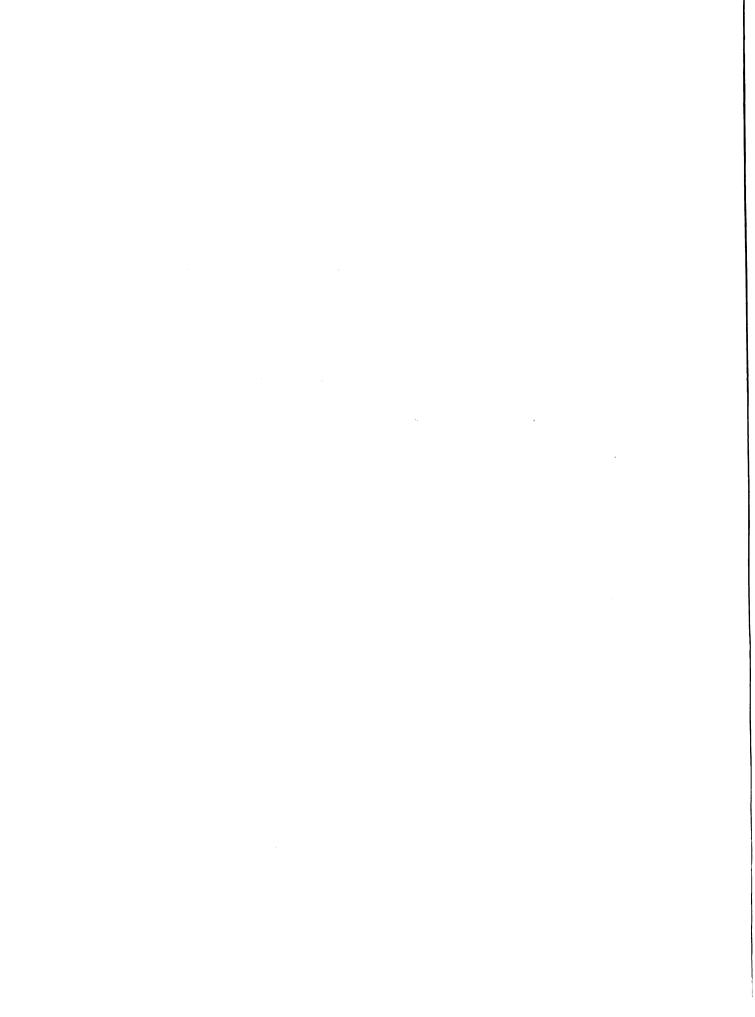
An increasing dependency for federal funding to solve state and local problems. Direct federal grants to the local governments has tended to reduce the authority of the states.

An overabundance of categorical grants-in-aid programs available to local government--each requiring complex application preparation and reporting elements.

As a result of the Community Action Programs and initial Model City Efforts—there was a growing demand for participation of residents in decision—making. This is generally a part of a larger attitude of governmental unresponsiveness at all levels of government.

The increase in size and complexity of the national government with accompanying bureaucratic confusion.

Decentralization of governmental decision making and administration of urban programs is the fundamental objective of revenue sharing. The President's philosophy is based upon the belief that local and state leadership is more sensitive to and more informed about the urban problems in their area, and, therefore, they should be better equipped to make policy decisions and adopt administrative procedures than the federal government. Thus, the effort to return financial decision-making back to the states has acquired the now prevalently used term of the "new federalism." Much of the debate in Congress on revenue sharing have implications as to the nature of the nature of the new federalism. Does it constitute the retreat of the national government in trying to maintain creative efforts towards solving urban problems or does the new federalism propose a challenge to reduce inefficiencies in government at all levels? These questions will be analyzed and discussed in more detail later. But the essential point here is that revenue sharing as it related to a philosophy of decentralization and a new return to federalism raises fundamental questions which have been argued since the Constitutional Convention, and the bitter



debates between the Jeffersonian views of government and those of Hamilton.

In early American political history our government evolved from a loose confederation of states to that which Tocqueville defined as a decentralist federalism. In the Articles of Confederation a country with limited national powers was conceived. According to Diamond (1970) one of the major principles of pre-modern federalism as embodied in the Articles is that the

"central federal authority does not deal with the fundamental political problems of the individual governments: all internal matters remain wholly with them. The central federal authority is confined narrowly to certain tasks of mutual interest to the member states.³

Certainly neither Madison nor Hamilton could accept such a limited national power. The concept of decentralized federalism, which characterized by Tocqueville as an "incomplete national government which is neither exactly national or exactly federal," is the most accurate description of contemporary American federalism. 4

Martin Diamond, Winston Fisk, and Herbert Garkinkel, <u>The Democratic Republic</u> (Chicago: Rand McNally, 1970), p. 134.

Alexis De Tocqueville, <u>Democracy in America</u>, p. 159 as quoted by Martin Diamond, "The Federalist's View of Federalism" in <u>Essays in Federalism</u>, ed. George C. S. Benson (Institute for Studies in Federalism--Claremont Men's College, 1961), p. 42.

Yet, while the concepts of federalism and decentralization seem to be closely related it is not always the case that one necessarily implies the other. In a unitary or national government such as Britain a high degree of decentralized, local level policy-making does occur. United States, the growth of the central or national governmental bureaucracy has been continuously increasing. centralizing tendencies of governmental organization has created a point in history in which the chief executive has attained more power than ever before. With the increased bureaucratization of the national government it is felt that it has become less responsive. The "new federalism" as proposed by the Nixon Administration is an effort to stop the trend toward governmental centralization and to force the state and local governments to accept greater administrative responsibility. It is difficult to determine just to what extent the Administration is planning to go in the reduction of authority at the national level. Disputes between Congress and the Presidency are centered upon the extent and types of controls or guidelines state and local governments would have with the revenue sharing funds. Since Madison's discussions of the organization of the government in the Federalist Papers it has been apparent

that our governmental structure is as confusing as it is unique. The "new federalism" may just add to that observation. Intergovernmental responsibility in the provision of urban development programs may lead to a situation as described below.

It is perfectly possible that the primary legal responsibility for a given function may rest with one government, the primary financial responsibility with another level of gavernment, and the primary administrative responsibility with a third.⁵

Revenue sharing when described as a part of the new federalism can be described as a redistribution of power to the states, a move towards decentralization of authority or possibly it could be interpreted as an abdication of social responsibility by the national government.

The new federalism of the Nixon Administration reflects a philosophy that the national government should concentrate upon foreign relations and upon domestic affairs only as they relate to economic priorities. 6 Curbing

⁵George C. S. Benson, <u>The Politics of Urbanism: The New Federalism</u> (New York: Barren's Educational Series, 1972), pp. 32-33.

⁶ Mary K. Nenno, "Housing and Community Development Issues Looming for 1973: White House/Congressional Debate," Journal of Housing, 2 (February 1973), p. 64.

inflation takes preference over developing creative and effective housing or urban development programs. Social welfare programs should be administered at the state and local level--responsibility should be shifted with funding distributed without detailed guidelines. All of this leads to a decrease in the scope of national involvement in urban and domestic problems as well as an effort to reduce the size of the federal bureaucracy. The philosophy has no proven guarantees that it will lead to greater responsiveness to the needs of the cities.

sharing as it relates to social and political environment an analysis of the theory of federalism was essential.

Federalism is a complex issue as its longevity has proven.

As long as our society is based upon the Constitution questions as to the relationship of governmental responsibility between the states and the nation will emerge. With this background it is essential to turn to the structure of the revenue sharing proposals and just how will the program function. As with most proposals revenue sharing has been modified considerably since it was first introduced to Congress. Certainly there will be many more changes before the special revenue sharing acts are passed.

In recognizing the need for a new way of financing the needs of the state and local governments to deal with their apparent fiscal crises, Walter Heller wrote that the plan should have the following objectives: 7

- to relieve immediate pressures on state and local treasuries, but make their revenues more responsive to economic growth.
- build up the vitality, efficiency, and fiscal independence of state and local governments.
- increase the progressity of our federalstate-local tax system.
- 4. reduce economic inequalities and fiscal disparities among the states.
- 5. stimulate state and local tax efforts.
- 6. insure that the plight of local and especially urban governments will be given full weight.

While these objectives are those of an economist the social implications are easily recognized. As the progressity of the tax systems at the state and local level is subject to debate, a program of increased revenues passed to the states and local communities from the federal income tax could alleviate dependence upon the more regressive sales taxes and inequitable property taxes. Heller's

Walter Heller, "A Sympathetic Reappraisal of Revenue Sharing" in Revenue Sharing and the City, ed. Harvey S. Perloff and Richard P. Nathan (Washington: The Johns Hopkins Press, 1969), p. 5.

sixth point has most significance for urban problems. He recognizes that many urban areas have serious social and environmental problems. As he reappraises his original ideas Heller does seem to feel that there should be some way of ensuring that urban areas receive special consideration and the formula for distributing revenue should reflect this factor.

The original revenue sharing proposal is best stated in simplified terms by Heller himself:

The core of the revenue sharing plan is the regular distribution of a specified portion of the federal income tax to the state primarily on the basis of population with next to no strings attached or at least with no hamstrings. This distribution would be over and above existing and future conditional grants. 8

This very general explanation of revenue-sharing opens the way for numerous operational questions, many of which have not really been answered today when general revenue sharing is in effect. The underlying assumption which dominates the arguments of the proponents of revenue sharing is that "given adequate resources state and local governments can reinvigorate American Government at all

⁸ Ibid., p. 6.

levels and generate renewed faith in our system." But before such a lofty goal can be achieved certain basic mechanical details must be analyzed.

First, how is the money distributed? According to initial estimates general revenue sharing would amount to five billion dollars in the first full year of operation or This corresponds to 1.32 percent of the personal taxable income of the United States. 10 Each state would receive an amount based upon population and the state's tax effort. According to Heller the tax effort is defined as the ratio of state-local general revenues to personal The product of the population and the tax effort for each state are added together. The percentage share of an individual state is then determined by dividing the total national share by the state's figure. An essential feature of the program as proposed by Heller would be the organization of a trust fund which would be the vehicle to handle the funds. The fund would take much of the quesswork out of the federal appropriations process. The states would receive a designated amount automatically.

⁹Spiro T. Agnew, "The Case for Revenue Sharing," Georgetown Law Journal, Vol. 60 (September, 1971), p. 8.

¹⁰ Ibid., p. 10.

Once the funds are dispursed to the states the revenue sharing act requires a mandatory "pass through" to the cities and counties. The share is determined by a similar formula as that of federal distribution. Each local jurisdiction receives an amount based upon its percentage of revenues contributed to the state total. On a national average over fifty percent of the funds are distributed to the urban areas.

It is obvious that the distribution and pass through formula are complex. Deviations from the formulae are allowed in the case of exceptionally impoverished areas in the form of 10 to 15 percent supplements. The design of a fair and just method of allocation is a major problem in the development of the revenue sharing concept. The problem involves the inevitable difficulties of balancing rural and urban political interests as well as not creating an overly mechanical device which is insensitive to areas with major financial need.

One of the major purposes of revenue sharing is to distribute to the states funds without prescribing detailed guidelines and controls or in other words to promote greater responsibility at the state or local level. In this way the number of categorical grant-in-aid programs

can be reduced eliminating the existing overabundance of administrative paperwork. The Heller-Pechman proposal of "no hamstrings attached" does not indicate a complete absence of controls. 11

States would be given wide latitude--nearly complete freedom--in the use of their revenue shares . . . Without sullying the basic no strings character of these grants one would

- ask the states to meet usual public auditing, accounting and reporting requirements on public funds.
- 2. perhaps even broadly restrict the use of the funds to education, health, welfare, and community development programs--or at least provide that they not be spent for highways (which are already financed through a special trust fund).

The Nixon Administration's revenue sharing plan consists of general revenue sharing funds and six other special revenue sharing proposals which are now under consideration by Congress. The special revenue funds are grant allocations to states replacing over 130 categorical grants programs. Funding is estimated at 11.4 billion dollars with 10 billion of the total obtained from existing categorical programs. The six special revenue sharing divisions are:

¹¹ Heller, p. 7.

- 1. Law enforcement
- 2. manpower training
- 3. urban community development
- 4. rural community development
- 5. transportation
- 6. education

During the 92nd Congressional Session the General Revenue Sharing Act of 1971 was passed. The special revenue sharing proposals have been carried on to the 93rd Congress for continuing debate. President Nixon submitted the Urban Community Development Act of 1971 for introduction to Congress which would consolidate four existing categorical programs. The existing programs include urban renewal, model cities, water and sewer grants, and loans for rehabilitation of existing structures. Funding for the first year would be 2.1 billion dollars.

In April of 1973 Congressman Widnall introduced a revised version of the 1971 proposal which was co-sponsored by every member of the Banking and Currency Committee. The Better Communities Act of 1973 will provide 2.3 billion dollars in revenue sharing funds as a part of the fiscal year 1975 budget. This Act would replace seven categorical programs including urban renewal (neighborhood development programs, code enforcement, demolition grants, interim assistance); model cities; neighborhood facilities; water

and sewer grants; open space and historic preservation; rehabilitation loans, and public facility loans. ¹² A basic feature of the Better Communities Act is the Hold-Harmless Provision which involves the flow of the funds to the cities and counties. This provision assures local communities that they will receive no less funds under the Better Communities Act than they did under categorical grant programs.

The first 65 percent of the appropriations will be divided among the metropolitan cities and urban counties on a formula based on actual need Some cities will receive considerably more than they received in previous years. Of the major users of the replaced programs none will receive less than what they have received during the recent past.

The remaining 35 percent of the appropriations will be used primarily for a "hold harmless" provision—that would insure a community that it will receive as much under this act as it received previously Of the funds not used for hold—harmless provisions most will go to the States for local community development activities. 13

Additional features of the 1973 Act include special assistance for smaller communities and elimination of matching fund requirements. The funds appropriated under the Better Communities Act cannot be used for purposes in

¹²William Widnall, Congressional Record, April 19, 1973, p. H3077.

¹³ Ibid.

violation of the 1964 Civil Rights Act. Under the Nixon Administration's proposal all activities pertaining to urban development would be administered through a Department of Community Development which would include the existing departments of Housing and Urban Development, Transportation, and Agriculture. While the proposed organizational changes are independent of the actual Better Communities legislation it is interesting to project how the two actions relate to overall administrative policy. It seems as if there are dual efforts to create a greater centralization of government control at the national level while presenting increased opportunities for local decision-making and responsibility. An overriding concern of the President is the existing fragmentation of programs as well as ambiquous administrative responsibility.

One of the most serious deficiencies in the effort of the Federal Government to assist in community development has been the fragmentation and scattering of Federal Programs among a variety of departments and agencies. All too often State or local officials seeking help must shuttle back and forth from one Federal Office to another wasting precious time and resources in a bureaucratic wild goose chase. 14

Richard M. Nixon, "Message to Congress of the United States on March 8, 1973," as quoted by William Widnall, Congressional Record, April 19, 1973, p. H3077.

It may be that the creation of a super agency such as the Department of Community Development can help to eliminate the fragmentation of offices. Such a departmental reorganization could also be too all-inclusive which might result in a decrease in emphasis upon certain vital functions. A centralizing reorganizational effort such as proposed by the President seems inconsistent with the process of decentralization suggested by the new federalism.

In the first six months of 1973 revenue sharing, at least in regard to the general funds, has become operational. Reactions have been voiced as to the effectiveness of the approach. Many local municipalities were totally unprepared for the initial revenue sharing funds which were distributed in December 1972. In the Lansing, Michigan area there was considerable confusion as for what the initial funds were to be used. Ingham County, which was to receive 1.3 million dollars proposed to use half of that amount to reduce property taxes. 15

Adding to the general uncertainty and confusion regarding revenue sharing, Nixon, in January, delivered his message to Congress essentially freezing on additional

¹⁵ Metro News Article, "Few Municipalities Ready for \$\$\$," Lansing State Journal, November 30, 1972. Sec. B, p. B-9.

expenditures on housing, urban renewal, and other categorical programs. In areas where such urban programs carried high priority many administrators were stymied. Representative of such a situation was Dade County, Florida:

. . . the sharp cutbacks in federal funds and the 18 month moratorium on new housing and urban programs have forced a difficult choice in the use of revenue sharing funds between previously planned public building construction and maintaining on going urban, social, and housing programs, including the Neighborhood Development Program . . . allocation of revenue sharing funds are dependent upon the outcome of cutbacks of people programs. 16

The process of transition from one type of program or one set of procedures to another presents many difficulties which must be anticipated. A gradual transformation is highly desirable especially when the programs have considerable impact upon low-income families. This has not been the case in 1973. In President Nixon's Special Message to Congress on Special Revenue Sharing for Urban Community Development on March 5, 1971, he stated:

I would emphasize that there will be no lessening of Federal support for urban development activities between now and Jan. 1, 1972, the proposed starting date for the new program. Our problems will

¹⁶ Jack Bryan, "Revenue Sharing--For What?," <u>Journal</u> of Housing, No. 2 (February, 1973), p. 72.

not take "time out" and neither can our
efforts to deal with them.17

It is evident that in the interval between January 1972 and January 1973 there was a major change in the President's approach. Although the actions taken in 1973 to declare a moratorium on expenditures for housing and urban development programs did not prevent previously committed funds from being granted, the effect was to create major uncertainty. Coupled with the switch to general revenue sharing funds without special revenue sharing funding being approved by Congress the result has been an incomplete and less than smooth transition.

and its affect upon urban development programs, a summary of the philosophy of federalism and the operational procedures of revenue sharing have been presented. With this background it is plainly seen that "the new fiscal federalism" is a controversial but potentially effective administrative device. As with most new programs, especially such efforts as the model cities or earlier the urban renewal

¹⁷ Richard M. Nixon, "Special Message to Congress on Special Revenue Sharing for Urban Community Development on March 5, 1971," Public Papers of the Presidents of the United States, Richard Nixon 1971 (Washington: U.S. Government Printing Office, 1972), p. 402.

and housing acts, there is a danger of the naive idealism which acclaims the new legislation as the solution to all our urban woes. The revenue sharing idea may be a stimulus to the growth in creative judgment and responsibility at the state-local level, but on the other hand it could be the end of effective national leadership. Policy issues must be analyzed in an objective manner in relation to the benefits received and the costs involved. Although in any such question it is difficult to separate factual data from value projections. An effort will be made to review the major arguments pro and con the revenue sharing proposals.

In the process of delineating the basis for the revenue sharing concept many of the proposed advantages have been mentioned. The central advantage to the plan is that it would allow state and local leaders more flexibility in efforts to implement programs. With greater security of funding local governments could use the funds according to the special priority needs of the area involved without the burdensome and time-consuming paperwork of the application process. Revenue sharing recognizes that the needs of different areas may not be identical; therefore, standardized operational procedures can lead to misguided efforts.

What is good for New York City is not necessarily good for Chicago or San Francisco, much less for smaller communities with entirely different economies, traditions, and populations... Too often in the past we have fallen into the trap of letting Washington make the final decisions for St. Louis, Detroit, Miami, and our other cities. Sometimes the decisions were right, and programs have succeeded. Too often they were wrong, and we are still paying the price. 18

If the responsibility for funding levels and priorities are set by local leaders then there is a greater chance that government will be more responsive to the needs of the public. The new federalism in this way is claimed to be a return of government from the bureaucratic complexities of Washington to the people. Local political interest groups will have more to say about what happens in the community. With the decision-makers closer to the people it will be much more difficult to blame the "feds" for inaction and incompetence. Revenue sharing could lead the way to a new sense of professionalism and public accountability for those in public service at the state-local levels. The planning profession must adjust to this new role or face the consequences of not having projects funded.

Richard M. Nixon as cited by William Widnall, Congressional Record, April 19, 1973, p. H3077.

More attention will be given to this matter later; however, an advantage of revenue sharing to the urban planner may be that he will be forced into a more visible and responsible role in the community.

Just as the arguments in favor of the revenue sharing proposal can be stated in a convincing manner, the case against the new federalism is formidable. The focus of the attack upon the revenue sharing concept is the shifting of the decision-making responsibility totally to the state or local government. There seems to be general agreement that indeed the local units should have a greater freedom and authority to determine local priorities but just as the proponents of revenue sharing have a distrust of the federal bureaucracy, those who attack the program feel the local units are inefficiently administered and dominated by narrow self-interest forces. The Administration's proposals are formulated to act as a challenge to local initiative, yet many critics feel that local governments are not ready to assume the complete responsibility. With the existing categorical aid programs funds were directed toward a particular stated end. The more generalized grants with very minimal monitoring by the federal government could easily allow more internal manipulation and a

potentially disruptive situation. A former Director of Development in Columbus, Ohio states this possibility when the absence of the "no-nonsense assertion" of the central authority allows "petty parochial politics" to emerge.

The replacement of categorical aid programs with revenue sharing means that the hiring of political friends and hacks diversion of planning funds to other political needs, the flowering of political payday slush funds to the party in power, and subversion of expert planning advice twisted in order to irrational ends will increase. Planners will no longer be able to call upon Marshall Dillion Federal Marshall if the local agency is tampered with. Your friendly HUD Justice Attorney will no longer be just around the corner. 19

While this statement may reflect a general distrust of local government it does emphasize the fact that if the revenue sharing funds are granted to the state-local government there must be some form of control to ensure and promote more competent and responsible leadership. Revenue sharing is intended to finance programs and projects which will benefit the people of the cities in ways which will eliminate poverty, overcrowding, and crime. It seems that the revenue sharing approach while demanding a reevaluation

¹⁹ Carlton Reed as quoted by Frank S. So, "The Impact of the New Federalism on City Planning," Planning, Vol. 39, No. 4 (May 1973) (Chicago: American Society of Planning Officials, 1973), p. 7.

of local government structure may be adding another barrier to monies actually reaching the people. Certainly there is a need to create more efficient and creative government at the local level but at the same time the problems demand immediate action. Many critics feel that revenue sharing may become a way for the national government to abdicate its responsibility for problems which are national in scope. Urban problems such as discrimination, crime, poverty require national policies. In this respect the new federalism is seen as a return to the states' rights doctrine and a withdrawal from the progress achieved in the civil rights area in the sixties.

Urban problems have occurred as the result of patterns of behavior which have existed for a long time. To create a change in this behavior creates opposition and controversy. New and innovative ideas require a determination to overcome some degree of resistance. Planning solutions, urban renewal, fair housing implementations, redevelopment must have strong leadership and support. The question emerges with funding and priority decisions in the hands of the local politicians, will they be willing to experiment and stand behind controversial issues?

Opponents and skeptics of revenue sharing believe that

local leaders will opt for the programs which will make the greatest visable impact and avoid innovation and experimentation which have often been required under federal initiative.

Another major criticism of the program has been stated by Congressman Wilber Mills, Chairman of the House Ways and Means Committee. His basic concern is the "no strings attached" provisions of the proposals and also questions the responsibility of state-local governments. However, his criticism is based upon the premise that revenue sharing while appearing to strengthen our federal system of government could have the potential to destroy it.

The proposal separates the spending function from the revenue raising responsibility Sharing federal tax revenue violates an important principle of good government—the responsibility to collect taxes should not be separated from the authority to determine how revenues to be spent.²⁰

This implies that perhaps the question to be decided is what is the definite responsibility of each sphere of government. If the state is responsible for the solution of urban problems then perhaps there should be a

James C. Corman, "Grave Doubts about Revenue Sharing," Georgetown Law Journal, Vol. 60 (September 1971), p. 29.

modification in the federal income tax system. Piggybacking and tax credit system have been suggested as an alternative to the revenue sharing system. However these proposals also rely upon the efficiency of the IRS for collection.

The most serious operational criticism of revenue sharing is based upon the formulae in which funds are passed through to the local communities. While there are provisions which would give those states with a low per capita income moderately higher payments, there are no such assurances that more funds will reach the areas with the greatest need. "Those cities who are able to raise large general revenues would receive the greatest proportion of the federal revenue sharing funds." There are reserve funds to be used in areas which have special demonstrated problems. However, it is likely that this supplemental feature designed to correct the inequities of the pass-through formulas will not be enough to correct the rigidities of the system.

An example may serve to illustrate the inability of the proposed revenue sharing plan to efficiently meet its objectives by providing inefficient appropriations where there is need and sizable amounts where there is none. Under the administration's

²¹ Ibid., p. 36.

proposal Beverly Hills, California, an affluent residential and commercial suburb of Los Angeles with a population of 33,416 in 1970 and a median family income of \$11,977 would receive a total allocation of \$812,000. In contrast Bell Gardens, California, a lower middle income suburb of Los Angeles with a population of 29,308 and a median family income of \$5,567 would receive a total allocation of only \$50,021 . . . The allocation of funds according to local tax effort would not only ignore conditions of need, but would reward affluent cities and punish poorer cities or those with less substantial tax bases. 22

As the debate in Congress continues in respect to the special revenue sharing proposals, and in particular the Better Communities Act, the provisions for pass-through to state and local government have become the center of controversy. In spite of strong pressure by the Nixon Administration, the U.S. Conference of Mayors meeting in San Francisco in June, 1973, voted to reject support of the Better Communities Act in favor of a Community Development Block Grant Program. Such a program would require applications to be submitted by the local communities for funding and retain federal guidelines. The American Institute of Planners' Planning Policy Conference in February, 1973, also decided that revenue sharing and block

²²<u>Ibid</u>., p. 37.

grant programs should have performance standards and guidelines to help ensure efficient use of federal funds. 23

This country in the midst of a period of reanalyzing and reformulating its efforts to solve the major problems of the cities. The Nixon Administration is not questioned on the necessity of devising new solutions and more creative methods of administering and funding programs. It is generally agreed that local communities should take a greater responsibility for initiating and formulating plans and programs specifically designed to serve local needs. Yet, even two hundred years after the formation of our republic, the debate lingers as the scope and responsibility of the powers of our nation and states. Population growth and urbanization have created a stronger third voice in the form of our cities. Decentralization of authority and freedom for individual responsibility create serious questioning as to what degree of control is necessary to maintain a strong national unity. But if the national government grows inefficient, wieldy in size and succumbs to the Weberian malady, responsive government must be sought at that level nearest to the people. The local governmental

 $^{^{23}}$ See <u>A.I.P. Newsletter</u>, Vol. 8, No. 4 (April, 1973).

organization also suffers from the same dysfunction to the degree that such form of localized community control or communal organization is being sought to reach the needs of the people. Yet, our Constitution emphasizes the supremity of the national powers to handle those situations and problems which are national in scope and effect.

Racism and poverty must be eliminated as part of a national leadership and policy action. The debureaucratization of society at the federal and local level should be a fundamental goal of good government and the planning profession but such an effort should not result in the abdication of national leadership.

On June 30, 1973, all funding for categorical urban development programs such as urban renewal, water and sewer grants, open space was scheduled to be terminated. If the Better Communities Act was passed funds would not be dispursed until July 1974, creating a one-year period of no assistance to urban areas. The rationale for such action was to create political pressure for the rapid passage of the Nixon Administration's proposal. The effort failed. The question can be raised, as it has been by many housing and urban interest groups, was it necessary to terminate all existing programs before an acceptable solution had

been accepted? Were all the categorical aid programs complete failures? While the continuing search for new solutions are necessary, it has been demonstrated that our urban areas have made significant progress under the model cities programs, urban renewal, and others. If anything has been learned as a result of the War on Poverty and the Model Cities Program it is that there can be no one allencompassing solution to the multiple problems of urban areas. Revenue sharing, categorical grants, block grants, federal initiative, local control cannot provide an immediate cure-all. A creative solution will require an effort consisting of intergovernmental responsibility and program responses based upon the interaction of various methods of funding and administration.

It is clearly possible that in spite of the controversy of the Administration's proposal the resulting compromised legislation will have a positive impact upon the planning profession. Although many planners may not favor a greater political role for the profession, it seems that there will be little choice in the matter. The politics of government has been described as the process in which the disputed values of a society are authoritatively

allocated. 24 Such decisions are based upon the different values of the multiple social and economic interests, which are always present in urban life. Revenue sharing or any such program which delivers undesignated funds to the cities and states will increase the dynamics of influence upon authority positions. Urban planners, being just one of many interests, will have to become more active in their influence efforts. This does not suggest that the planner must resort to backroom or underhanded tactics; however, it does mean that planners must be able to prepare rational and realistic programs and courses of action and be willing to actively seek popular and governmental support for such proposals.

Planners will have to be more than professional. They will need to be innovative, somewhat entrepreneurial, and willing to compete with other advocates for available funds. They will be forced to understand the incentives and perspectives of the politicians with whom they will have to deal and, in so doing, will admit a larger political component into planning than now exists The deepening interrelationship between politics and planning may improve the values that go into politics. 25

²⁴ Harold Wolman, The Politics of Federal Housing (New York: Dodd Mead and Company, 1971), p. 2.

Norman Krumholz as quoted by Frank S. So, "The Impact of the New Federalism on City Planning," Planning, Vol. 39, No. 4 (May, 1973) (Chicago: American Society of Planning Officials, 1973), p. 7.

Perhaps as the professional planner is brought more into the actual decision-making process of government the change may create a greater sense of public accountability which may generate greater efforts to critically evaluate the costs and benefits of programs and to an increased social responsibility by the profession as a whole.

This paper has attempted to trace the nature of the revenue sharing program as it related to the theory of the new federalism. The issues of federalism and decentralization reach far beyond any single fiscal proposal. It is apparent that the urban planning profession must extend itself to understand the relationships between governmental authority and responsiveness to community values. As the profession continues to mature and to direct its efforts to formulate new programs of action to alleviate critical urban problems, it must also work to bridge the gap between governmental responsibility and community democracy.

Although the specific format and structure of special revenue sharing for community development has not been completely resolved, it is clear that the proposals and the controversy have challenged the planning profession

to reconsider its function and direction. In this way perhaps the new federalism may serve as an impetus for a more creative and responsive planning effort.

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