

*J. ... Edmund S.
R. ...
...*

ADDRESS BY THE COMPTROLLER GENERAL OF THE UNITED STATES,
ELMER B. STAATS, TO THE REGIONAL CONFERENCE OF THE
AMERICAN SOCIETY OF PUBLIC ADMINISTRATION, TOPEKA, KANSAS,
OCTOBER 23, 1970

D 4584



THE NATION'S INTEREST IN IMPROVING STATE AND LOCAL GOVERNMENT

I realize that there are risks involved in making any speech on any subject at this time of the year--even in my own home State and among so many friends. I take some heart, however, from the fact that the American Society for Public Administration has established itself in the past 30 years as a thoroughly nonpartisan organization dedicated to finding ways to make government work more effectively and economically. This is an objective which all party platforms can share in common.

Perhaps as a footnote I should add that my courage has been strengthened by the fact that the Comptroller General serves a 15-year term of office to which he cannot be reappointed and from which he cannot be removed except by impeachment or act of Congress.

I suppose there are few periods in our national history when the role of government has been under such serious challenge as to whether government at all levels can be made responsive and responsible for dealing with the Nation's problems. One point is clear, however: government is being called upon, and will be called upon increasingly, to perform more services and a growing portion of our national income is going to support governmental programs at all levels--Federal, State, and local.

*103
203
213
223
233
243
253
263
273
283
293
303*

~~710124~~
1
094444

RAPID GROWTH IN GOVERNMENTAL EXPENDITURES

In just 10 short years, we have witnessed a doubling of the Federal budget from approximately \$98 billion in 1961 to just under \$200 billion in 1970.

During this same 10-year period, grant-in-aid programs have grown from approximately \$7 billion to more than \$24 billion--more than a threefold increase, which represents an increase in percentage of total State and local revenues from 12 percent to more than 18 percent. During the current year it is estimated that total grants to State and local governments will exceed \$27 billion, which represents 23 percent of all Federal domestic outlays and more than 19 percent of all State and local revenues.

The State of Kansas received grants in 1960 of just under \$99 million. This figure has grown to over \$184 million--or has nearly doubled. Grants for our neighboring State of Missouri during this same period grew from \$207 million to \$443 million--or has more than doubled.

This growth in Federal grant-in-aid programs has proceeded without regard to the political party in power. It has proceeded, rather, in response to

- the growing problems of financing State and local governments and the growth and size of the Federal Government which has complicated the revenue sources of State and local governments,
- a growing urbanization of our population, and, most importantly
- the practical recognition that national programs, if they are to work effectively, must come to terms with the realistic fact that ours is a Federal system of government where many functions--irrespective of constitutional powers or source of funds--can be carried out most effectively through the States and through local governments.

Just to make the point more concrete that we have not yet seen the end of new and expanded grant programs, let me cite a few illustrations from President Nixon's 1971 budget proposals.

- A family assistance program with initial outlays of \$500 million growing to several hundred billion dollars within a few years.
- A food stamp program of \$1,250 million, which will reach an estimated 7.5 million people.
- A new environmental financing authority to ease the pressures in State and local bond markets.
- A new 12-year program to assist urban transportation, through \$10 billion in grants to communities to modernize and expand mass transit facilities.
- A \$190 million increase for the Law Enforcement Assistance Administration for broad-purpose block grants to States.

Let me make the point concrete in another way: the number of Federal grant-in-aid programs now ranges somewhere between 400 and 1,300, depending upon how one defines a grant program. These programs are administered by 21 Federal agencies through 150 Washington bureaus and over 400 field offices which make grants reaching ultimately some 69,000 units of State and local government.

RECENT CONCERNS ON FEDERAL-STATE-LOCAL RELATIONSHIPS

The financial involvement of the Federal Government with State and local government has given rise to a wide range of studies, proposals, and new governmental machinery. For completeness, of course, I should add that many of the same concerns have centered around the changing role of the States and their problems in relation to local government. These are not new phenomena, but certainly the tempo has changed.

I recall that my master's thesis at the University of Kansas in 1936 was on the subject of "Administrative Supervision of Local Government in Kansas." But the State-local relationship is apart from my main points this evening.

The heightened concern about Federal-State-local relationships gave rise to the establishment of the Advisory Commission on Intergovernmental Relations in the late 1950's-- the establishment of which I was much involved with personally. This agency, although clumsily organized and not designed to function in a coordinating role, has made a major contribution through its excellent studies, focusing on the need for improvement in such areas as the consolidation of grant programs, the sharing of tax revenues and tax sources, and a host of problems in programs such as welfare, education, and health. 431

Largely through the efforts of the Advisory Commission on Intergovernmental Relations, the Congress enacted in 1968 the Intergovernmental Cooperation Act which in some ways is kind of a "magna carta" of federalism. It had broad, bipartisan sponsorship under the leadership of Senator Edmund S. Muskie of Maine. Although many of its provisions are general, it nevertheless established a framework for subsequent legislative proposals which have come to be known as the new federalism. Among the principal provisions of the 1968 act are:

1. The requirement that full and current information is to be furnished to State executives and legislatures regarding the kind and amount of Federal grants-in-aid that have been awarded to and within their States.

2. The removal of the requirement currently in many separate grant statutes specifying a particular State agency to administer grant funds.
3. A potentially very important but little understood provision authorizing Federal departments and agencies to provide technical training and other services to State and local governments on a reimbursable basis.
4. The provision for periodic review of Federal grant-in-aid programs that lack a specific termination date in order to ensure that these programs are kept in line with changing conditions and circumstances.

During the last presidential campaign, President Nixon committed himself to "a streamlined Federal system with a return to the States, cities, and communities of decisionmaking powers rightfully theirs." To carry out this pledge, he very early in his administration took three major actions.

1. He established an Office of Intergovernmental Relations "under the immediate supervision of the Vice President" and directed by the former Governor of South Dakota, Nils A. Boe, to serve primarily as a clearinghouse for the prompt handling of problems brought to the attention of the President and generally to improve day-to-day coordination between Federal agencies and State and local governments. To a large extent this Office appears to have become largely a referral office. It can do little else since it has only a three-member staff.

2. Of much greater significance is the establishment by the President of 10 regional centers with uniform regional boundaries for the major programs having large grant-in-aid budgets. The President deserves great praise for accomplishing something which many Presidents previously had attempted. The regional councils, however, established in these centers leave much to be desired and may have a questionable future. In my opinion, they cannot become fully effective without an independent chairman reporting directly to the Executive Office of the President.

3. The third step was the preparation by the Advisory Commission on Intergovernmental Relations, at the request of the President, of six key legislative proposals.

- a. A proposal to provide for revenue sharing with State and local governments.
- b. A proposal to effectuate consolidation of categorical grants.
- c. A proposal to consolidate water and sewer facility grant and loan programs in the Department of Housing and Urban Development and the Department of Interior.
- d. A proposal to provide consistency in taxation in multistate businesses.
- e. A proposal to establish a single consolidated system for comprehensive planning grants.
- f. A proposal to provide for consistency in the treatment of persons displaced by Federal or federally aided programs and for consistent Federal land acquisition policies.

The new federalism was hailed far and wide as the beginning of a new era in Federal-State relationships. The New York Times, for example, held the revenue-sharing proposal as "a turning point *** in the whole relationship of Federal, State, local government." This particular proposal was endorsed by all the major national organizations of State and local governmental officials. President Nixon, in a national television broadcast, described these proposals as an answer to America's "crisis of confidence in the capacity of government to do its job."

Nearly 2 years later the program is in serious trouble. A leading reporter for the Washington Post recently described the new federalism as "Nixon's sickly infant." There are few who would give the revenue-sharing proposal much of an

opportunity for adoption--at least in this session. There has been little effort to consolidate grant programs. In September 1969 the President, the Vice President, half of the Cabinet members, and three dozen top administration officials went to the Governors' meeting in Colorado Springs, Colorado, to drum up support for these proposals. This year few were present at either this meeting or at the earlier Conference of Mayors meeting in June. The Intergovernmental Cooperation Act of 1970, designed to streamline grant-in-aid programs, is languishing in the House and the Senate Government Operations Committees--a victim of presumably higher priorities in other fields.

Lest all of this sounds too discouraging, there have been many hopeful actions and work under way.

1. An Executive order in April 1969 provides for experimentation with the joint funding of projects under the Economic Opportunity and the Juvenile Delinquency Programs with one Federal agency designated to administer the grants.

2. The Office of Management and Budget, formerly the Bureau of the Budget, has issued several circulars providing for State and local clearinghouses for grant planning which provide for services to be made available to State and local governments and which also provide information to States on grant awards. 27

3. None of the legislative proposals have been turned down and there has been no diminution of support from State and local governmental organizations.

4. The Office of Management and Budget, the Treasury Department, and the General Accounting Office have undertaken a comprehensive review to determine ways and means of simplifying the financing and administration of grant-in-aid programs, delving into such areas as grant application procedures, reporting, property management, personnel management, etc. 28

I should like to comment briefly on two of the most difficult and perhaps most important of these administrative areas.

GRANT APPLICATIONS AND BUDGETING

Because of the complexity of grant programs and frequently because of the requirements of Federal program managers, the preparation of applications for grants by States and local governments has become an extremely difficult--some would say an impossible--process. Not only are the requirements for individual grant proposals complex but also there is little similarity between the requirements of one Federal department and those of other Federal departments having comparable programs. In many cases there is inconsistency in the requirements of a single department.

The Advisory Commission on Intergovernmental Relations attributed this dissimilarity to a "strong centrifugal force pulling against coordination within and among grant programs."

We recognize that there are conflicts that are detrimental not only to the well-being of the non-Federal community but also to the achievement of Federal objectives lying behind grant programs. It is the responsibility of the team presently working in this area to analyze the varying requirements of the Federal departments and agencies for grant applications and endeavor to resolve the conflicting specifications.

Adequate program and project budgeting is of course dependent upon timely information as to the availability of Federal funds. In this connection, the National Governor's Conference, in its recent meeting in Missouri, made suggestions for:

1. Advance funding for at least 2 years to ensure availability of funds.
2. Annual appropriations prior to the start of the fiscal year to provide lead time for planning and personnel acquisition.

These suggestions, in the main, are a reiteration of recommendations made by the Advisory Commission on Intergovernmental Relations in 1967 and certainly have very considerable merit. Our Office recommended advance funding in the strongest terms in testimony on the Intergovernmental Relations Act of 1970.

AUDITING AND EVALUATION OF PROGRAMS

Needless to say, auditors and auditing are not always popular subjects. Auditors are credited as being people with 20-20 hindsight, as people who simply get in the way of others who try to carry out programs or who capture headlines by pointing out errors and mismanagement. The role of the auditor was described vividly in a little poem written by Professor Kenneth E. Boulding of the University of Colorado.

"It's nice to be the drafter of a well-constructed
plan
For spending lots of money for the betterment of
man,
But audits are a threat, for it is neither games
nor fun
To look at plans of yesteryear and ask, 'What have
we done?'
And learning is unpleasant when we have to do it
fast,
So it's pleasanter to contemplate the future than
the past."

The task force, which is headed by the General Accounting Office and which was organized subsequent to the President's

March 1969 directive, is engaged in developing a body of standards applicable to the auditing of federally assisted programs.

During the hearings last year on the Intergovernmental Cooperation Act of 1970, we commented several times as to the need for the Federal Government to develop auditing standards that could be agreed upon as applicable to all Federal grant programs.

C The Committee Chairman, Congressman L. H. Fountain of North Carolina, asked whether the General Accounting Office could help to "upgrade the quality of postauditing in the States by setting standards that would enable Federal agencies to place greater reliance on State efforts."

Not long after these hearings, with the cooperation of the Office of Management and Budget and other major Federal agencies directly involved in Federal grant programs, we took the lead in organizing an interagency working group on auditing problems and standards in grant programs.

Two major objectives of this effort are to determine whether it is possible to simplify the multiplicity of present audit arrangements and also, more importantly, to obtain agreement on needed actions to be taken by the States as a basis for greater reliance by Federal agencies on the auditing work performed by or for States and local bodies.

Embraced in this latter objective, of course, is the adequacy of State audit machinery and staffing the fact that we should make certain that the audit function is construed broadly--that is to say the audit function is not strictly one of financial accountability, although this is important,

but should also be extended to evaluation of the effectiveness and accomplishments of program expenditures. This function of the auditor, although still challenged by some, is gaining wide acceptance. We believe that it should become the major concern of the auditor.

I emphasize that it is our objective, and I believe the objective of the executive branch of the Federal Government, to rely upon State auditing to the maximum extent. Much improvement has been made, but there remain many difficult problems and much work to be done before this objective can be fully realized. Therefore we are supporting the possibility of developing a training course as a Federal project without cost to State and local government except for the cost of travel to a convenient central location.

I suppose I would be remiss if I did not refer to the situation here in the State of Kansas. Kansas--like its neighboring States of Missouri, Iowa, and Nebraska--has elected auditors. It is my understanding that the Kansas Legislative Council has recommended that the present State auditor position be eliminated and that postaudit functions be transferred to the legislature in a role analogous to that of the General Accounting Office in relation to the Congress.

As an adjunct to the legislative body, such a professional, nonpartisan audit staff of this type can provide immeasurable help to the legislature in carrying out its oversight responsibilities. The staff would thereby be in a better position not only to recommend to the legislature areas in which savings and management improvements could be made but also to advise the legislature as to whether executive agencies were

carrying out programs as intended by the legislature. That is essentially our function in the General Accounting Office; a function which it has been performing for 50 years and which is recognized as essential to the effectiveness of the principle of the separation of powers.

The capability of State audit arrangements to perform this function adequately varies greatly today. Our task force, in its preliminary findings on the four States--Kansas, Nebraska, Missouri, and Iowa--has placed them in a category of having a potential of being able to conform to Federal standards but seriously lacking in resources to perform the job adequately.

LONGER-RUN PROSPECTS

Efforts toward improvement which I have outlined may sound small in comparison to the foreseeable problems ahead. The fact that it has not been possible to make major advances, however, should in no sense discourage us from actions which may help in the shorter-run period. These small steps may be analogous to the story attributed to Secretary of Commerce Stans--Maurice Stans--who, as you may know, is also famous for his several safaris in Africa. As the story goes--

A big-game hunter was on his way back to camp one evening when an enormous tiger appeared out of the jungle, not 20 feet away. As the tiger was about to spring, the hunter fired his last cartridge and missed. The tiger sprang too far and landed 15 feet beyond the hunter who then ran for camp and got there safely.

The next day the hunter went behind the camp to practice a little shooting at close range. He heard a strange noise in the brush and went to investigate. You guessed it--it was the tiger--practicing short leaps!

But for the longer run, we must be thinking in terms of ways in which meaningful and effective working relationships between the Federal Government and State and local governments can be carried out, particularly in those areas which can be dealt with principally through cooperative action or by several States working together. Kansas was a pioneer in the Interstate Oil Compact of 1933, a device which has far more potential than has been realized. The Water Resources Planning Act of 1965 opened up the door for regional planning in water and land resources in a way which holds great promise. The comprehensive planning grant device affords a still further avenue of such cooperation.

Many harsh words are spoken among Federal agencies and citizen groups concerning the need for strengthening State and local government. About 4 years ago a former State Governor wrote an incisive book about current problems facing State governments. The author, Terry Sanford, chief executive of North Carolina from 1961 to 1965, called his book "Storm Over the States." For those of you who may not have read this book, I commend it; it is still up to date. Governor Sanford's book began with a series of provocative statements which are, I believe, appropriate for us to recall this evening. He wrote:

"The states are indecisive.

"The states are antiquated.

"The states are timid and ineffective.

"The states are not willing to face their problems.

"The states are not responsive.

"The states are not interested in cities."

This is a serious indictment and perhaps too harsh; nevertheless, much of the criticism is deserved and much of the problem can be removed only by actions of the State and local governments themselves. A nonpartisan business organization, the Committee for Economic Development, has recently issued two studies: one entitled "Modernizing Local Government" and the other entitled "Modernizing State Government." If you are sensitive and defensive, I would not recommend these books for your reading, but they present a professional and unbiased approach to this subject and should have had more attention than they have received. The reason these books have not received the attention they should have perhaps is due to the fact that they are saying little more than has been said by many State "Hoover Commissions" and similar studies on reorganization and management needs of State and local governments.

On the one hand, the Committee for Economic Development concludes--and I will quote:

"The concept of federalism is deeply embedded in the theory and practice of American government. Federalism encourages diversity in choice of priorities and institutional forms. It counters any tendency toward monolithic centralization of power in the national government, since the states are political as well as legal entities and may be used to rally public opinion against ill-considered national measures. And it provides a training ground for recruitment and development of public leadership."

However, at the same time, it finds that "many States have been more active in seeking new types and larger amounts of Federal aid than in modernizing either their own revenue

systems or those of their local units." This same point was made recently by State Senator Charles Delaney of Vermont, chairman of the Governing Board of the Council of State Governments, when he stated to State officials that they must "heighten their sense of dealing with Washington as partners, not merely as clients."

Although I agree that this psychology is unhealthy, we in the Federal Government--in Washington at least--have a similar responsibility to avoid the tendency to develop an attitude of condescension toward State and local governments. Perhaps even worse is the frequently held attitude which regards these units as simply obstacles which must somehow be overcome in carrying out national programs.

We cannot do too much by way of improving communication between Federal Government and State and local governments. Your national associations located in Washington have done a tremendous job in this respect. The close cooperation which we in the General Accounting Office, the Office of Management and Budget, and the major grant agencies have had with these organizations has been highly productive.

I would personally hope that the States would take advantage of the provision in the Intergovernmental Cooperation Act which permits Federal agencies to render technical assistance to the States and local governments on a reimbursable basis. These and many other avenues of cooperation must be extended. I was much interested, for example, in the August 1970 report of the Intergovernmental Relations Committee of the National Legislative Conference that 43 State legislatures have now appointed coordinators to work with the National Legislative Conference on Federal-State

matters. The Committee has now recommended that State legislatures create permanent committees on intergovernmental relations with supportive staff. This idea strikes me as an exceptionally good one, and it could do much to promote the kind of interchange and coordination so badly needed.

Never in recent times has so much concern been expressed about the conditions and circumstances under which most Americans live and work and the proper role of government in dealing with social and economic problems. The programs which have evolved and will evolve require new forms of organization and more competent people at all levels of government

- to develop economically depressed areas,
- to finance improved health services and medical care for the indigent,
- to broaden educational opportunities,
- to attack poverty,
- to improve environmental quality, and
- to transform city areas encumbered by slums into desirable neighborhoods.

In closing, I probably can do no better than to repeat a statement included in the same report of the National Legislative Conference.

"The States no longer have the option to choose whether they want to assume responsibility and become involved; nor does the Federal Government have the option to choose whether it will involve the States if creative federalism is to have any meaning."