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Federal Assistance and the Changing Focus of State Planning: State Planners Assess the 701 Program and General Revenue Sharing

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State planning in the United States is historically associated with the programs and financial assistance of the federal government. It was first initiated under the impetus of the Public Works Administration in the 1930’s, which made funds available to states for the establishment and staffing of state planning boards. All states had such boards by 1939. The dissolution of the PWA and the drying up of federal funds during World War II, however, reversed the situation. State planning boards became inactive, were abolished, or were merged into other governmental units. By the end of World War II, state planning as a separately identifiable activity had almost entirely disappeared. Loss of federal government financial assistance was again one of the major factors triggering this demise. The few boards remaining attempted to plan the transition from war to peace and to promote economic development.

The Federal Housing Act of 1954 revived planning at the state level. It provided that funds for housing in nonmetropolitan communities be channeled through the states, and required the states to plan in order to qualify. Typically the states asked their economic development agencies to do the planning and to administer federal funds obtained. In 1959 Congress amended Section 701 of the Housing Act of 1954 by authorizing financial...
support for state comprehensive planning. Federal assistance under section 701 has come to be known as the 701 program. Although a few state planning programs were operated without federal financial support in the mid 1960’s, most of them were related to national policies established under the 701 program. Federal influence in shaping state planning was even greater a decade after the amendment of section 701. By then it was common for the national government to require states to submit plans with applications for many kinds of categorical grants-in-aid, and to act as coordinators of state functional planning. The national government’s influence on state planning also increased because of the adoption of approximately 38 additional planning assistance programs to finance state functional planning. However, the 701 program has remained the sole source of federal aid for state comprehensive planning.

In sum, state planning has gone through distinct stages: (1) planning public works, (2) planning economic development programs, (3) administering urban planning programs and funds, and most recently (4) comprehensive, functional, coordinative planning. In all but one of these stages the effect of federal requirements, standards, and assistance has been to push state governments into planning. By 1971 all fifty states once again had planning agencies.

The future of state planning programs would therefore appear to be closely linked with federal requirements, standards, and financial aid. Changes in federal aid would be particularly important to the states that are more extensively utilizing such aids, whereas those states which have institutionalized their planning operations and finances largely around state needs and funds would be less affected.

To increase the financial, management and planning capacities, as well as the independence and effectiveness of state government, the Nixon and Ford administrations have proposed alterations or extensions of two federal assistance programs. The first is the 701 program and the second is the general revenue sharing program. The Nixon administration secured a $25 million reduction in 701 program funds in 1974 and a further reduction of $25 million

was proposed by the Ford administration in 1975. The proposed reduction was coupled with a far reaching proposal for modifying the administration and purposes of the 701 program. These measures illustrate the attempts to move away from categorical grants in aid which typically impose national government controls on state operations receiving federal funds. While attempting to cut back on the 701 program, the Ford administration has urged Congress to continue and expand the general revenue sharing program, which in its opinion returns "decision-making power and authority to state and local governments." This Act "imposes no planning requirements on states and localities receiving funds, and no funds are earmarked for planning or for evaluation." State planning is directly involved in the outcome of the debate over the future of the 701 program and revenue sharing.

This paper has four purposes: (1) to summarize arguments of scholars, politicians and planners for and against the continuation of the 701 program and general revenue sharing; (2) to examine interstate variations in the attitudes of some senior state planners toward proposed cutbacks in 701 planning assistance and toward the continuation and expansion of revenue sharing as an alternative form of federal assistance to states; (3) to provide a possible explanation for interstate variations in these attitudes; (4) and finally to describe the significance of these findings for the future development of state planning. State planners from nine states in the southeastern portion of the United States were selected for the study. All of these states are members of the Southern Council of State Planning Agencies. Senior planners in each of the state planning offices participated in hour long semistructured interviews, conducted largely in the winter and spring of 1975. In all but three of these states, two or more planners were interviewed. Four of the sixteen inter-


17 The number of planners interviewed by state are: Alabama, 1, Arkansas, 2, Florida, 2, Georgia, 1, Louisiana, 2, Mississippi, 2, North Carolina, 2, South Carolina, 1, and Tennessee, 3. Total 16.
viewed were executive directors of their state planning agency. The remaining twelve were selected on the basis of referrals by executive directors. The states from which the respondents were chosen were selected because of their geographic proximity to the author and because budgetary limitations precluded the inclusion of planners from more distant states.

CONFLICTING PERSPECTIVES TOWARD FEDERAL SUPPORT FOR STATE PLANNING

Much of the contemporary interest in comprehensive state planning can be attributed to the 701 program. Under the 701 program, the federal government will pay two-thirds of the cost of state-wide planning. This financial inducement along with the increasing variety of planning activities eligible for such funds has resulted in an increasing number of states engaging in comprehensive planning. By 1965, 29 states had federally aided planning programs and by 1967 the number had gone up to 44.

In his budget message to Congress of November 26, 1974, President Ford sought to reduce federal expenditures by reducing the level of 701 funding from $100 million for fiscal year 1975 to $50 million and deferring the remaining amount for use in 1976. In its review of the President’s proposed deferral of 701 appropriations, the Senate issued a report praising the accomplishments of state planning under the 701 program and listing arguments for the program’s retention. These arguments suggested that the program helps to coordinate functional state planning, thereby making other federally assisted state programs more effective; and that it enhances state management capacity by providing “a coordinative management framework.” This is due in part to the fact that the 701 program has encouraged governors to become more concerned with comprehensive planning and program coordination. Other claims for 701 included the arguments that it helped states to establish and identify their goals and to develop “policy and decision-making docu-

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19 Hartley, p. 433.
20 Johnson, p. 429.
ments and tools” which make better short term and long term decision-making possible. 26 Finally, advocates repeatedly stress the fact that the 701 program is the only federal program which assists recipients in comprehensive planning. 27

Critics of 701 funding say that “the comprehensive planning program’s future can hardly be described as bright and/or promising.” 28 Despite the 701 program’s expansion in scope, time, and money, the critics claim that real solid accomplishments are hard to pin down. Few if any states have comprehensive planning programs meeting the criteria outlined in section 701. Most state planning agencies have not succeeded in coordinating functional and special project plans. The 701 program has not succeeded in “reconciling the many informal unlabeled planning functions taking place in given problem areas.” Many state executive branches are decentralized with numerous departments and agencies having their own bureaucracy, vested interests, approaches, vocabularies, analytic frameworks and preferred solutions to problems. Coordination of functional planning and effective comprehensive planning by a single state agency is difficult because of this and also because many federal categorical grant aid programs operate along functional lines. 29 Dispersion of program responsibilities is hence inevitable. Further, the lack of program coordination at the national level makes coordination at the state level more urgent, but much more difficult. Probably equally damning to the 701 program is the claim that the plans called for by most federal grants are not true plans, but rather documents assuring proper state management of federal funds. 30 Such documents often do not follow recognized long range state goals but are merely incremental deviations from last year’s budget. In sum “very little bona fide state planning is being generated or required by federal categorical programs.” 31

State planners interviewed for this study confirm the criticism on the 701 program just outlined. None of the states covered has a comprehensive state plan. Many state planners suggested that comprehensive planning is impossible and that coordination of functional plans by a state planning agency, even though required by state statute, is difficult, if not impossible, given the legal, structural and political make-up of state governments.

Despite state planners’ concurrence with the criticism of the 701 program, they are not at all in agreement or willing to support the Ford administration’s proposals to cut back on 701 funding. State planners interviewed were asked:

26 Ibid.
"What effect will President Ford’s proposed cut in 701 expenditures have on state planning in (name of state)?"

Responses to the latter question can be grouped into three categories: (1) negative (bad) impact, (2) neutral or minor impact and (3) positive (good) impact. States, grouped by response types are as follows:

**TABLE I**

*State Planners Perception of Impact of Cuts in 701 Planning Assistance on State Planning*

<table>
<thead>
<tr>
<th>Negative Impact</th>
<th>Neutral or Minor Impact</th>
<th>Positive Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Louisiana</td>
<td>Florida</td>
<td>Alabama</td>
</tr>
<tr>
<td>Mississippi</td>
<td>Georgia</td>
<td>Tennessee</td>
</tr>
<tr>
<td>North Carolina</td>
<td></td>
<td></td>
</tr>
<tr>
<td>South Carolina</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

With the exceptions of respondents in Tennessee and Alabama, all respondents opposed cutting of 701 funds.

Respondents from states perceiving a negative impact of cuts in 701 funds made statements suggesting that their planning programs have still not hatched or are still in such early stages of development that their survival without federal support is doubtful. Implicit also is the recognition that elected officials have yet to recognize the role of planning in state government and have not yet learned to utilize planning services. Without such recognition, state funding is doubtful.

Planners in Georgia and Florida perceived cuts in 701 funds as having a neutral or minor impact on their state’s planning activities. These states apparently have institutionalized their planning programs to such an extent that they would survive without federal 701 funding. The planners’ comments suggest that the national government was initially very important in the establishment of their state planning programs. In at least one of these states strong support from recent governors has furthered the institutionalization process.

Planners in two of the states perceived cuts in 701 funding as a good thing which would eventually have a positive effect on their planning programs. To these planners, federal assistance has made state planning excessively oriented to federal policies, as opposed to state needs. While cut backs in 701 funds would hurt the programs initially, the longer term impact would be to force planners to prove their worth to elected state officials. In addition these planners strongly suggest that the planning paid for with federal funds is ineffective and hence a waste of money and time.

With few exceptions, all of the state planners interviewed decried the paternalism of the national government. They viewed federal planning re-
quirements as ineffective in that they result in plans which are not true plans, but funding documents, and they held that more often than not federal priorities come to be regarded as more important than state priorities. Less federal intrusion in state planning and administration is seen as desirable. Yet imbedded in this mind set is a major contradiction: the large majority of these planners are unwilling to advocate the termination of the 701 program or the planning requirements attached to federal categorical grants in aid. They favor federal money without strings, yet they perceive the state as unwilling to fund or institute planning. Hence the planner ends up favoring strings which would require and help institutionalize the planning process at the state level.

EXPLAINING INTERSTATE VARIATIONS IN PLANNERS’ ATTITUDES TOWARD 701 ASSISTANCE

A possible explanation of interstate variations in planners’ attitudes toward cuts in 701 spending is that state governments are in various stages of institutionalizing their planning programs. States which institutionalize a planning program are states whose planning programs are more firmly established in state law, have firmer support from political or governmental sources within the state, and rely less extensively on fiscal resources outside the state for carrying out planning. Noninstitutionalized state planning programs are largely a product of, and a perpetuation of, external mandate, or fiscal inducements, and are likely to disappear when such forces outside the state disappear.

The process of institutionalization is related to both urbanization and state reliance on outside fiscal assistance, and provides a means of relating these factors. Research conclusions by Thad Beyle and Deil S. Wright indicate that lower urbanization and state reliance on federal funds are related and that “states that rely most on state funds are richer, more urban, considerably more metropolitan and twice the size of the other states.” These findings suggest reasons for variations in planners’ attitudes toward cuts in 701 funding. Highly urban states, being more wealthy and more financially self-reliant, would utilize fewer 701 funds, and hence have planners who perceive the cuts as having a neutral or marginal impact. Non urban poorer states, being more dependent on national government funds, would have planners who view cuts in such funds as having a bad impact on their state.

Institutionalized state planning programs are grounded more firmly in state law. Institutionalized planning programs would be required in state constitutions or in state statutes, whereas noninstitutionalized programs are likely to operate on the basis of executive order or administrative mandate. The existence of constitutional or statutory provisions is evidence of state commitment. This is much less the case where state planning is simply a product of executive order. State planners operating in states whose planning

32 Beyle and Wright, pp. 201-202.
programs are a result of executive order would likely view the cutback in 701 funds negatively, whereas state planners who work in states whose planning is grounded in statutory or constitutional provisions are likely to be more secure and view 701 cuts neutrally or possibly positively.

Another measure of institutionalization of state planning is extent of gubernatorial support. States with governors having extensive statutory and constitutional powers are likely to have more fully institutionalized planning programs. Planning is a major tool of executive leadership and management. Strong governors are likely to promote the development of state planning programs. One would therefore expect planners in states with weak governors to view 701 cuts more negatively than planners in states with strong governors. Strong governors can compensate for the decline in federal support. Urbanization, utilization of 701 funds, state statutory bases for planning, and strong formal powers in the governor are all variables related to institutionalization.

The following suggests that institutionalization is related to variations in planners' perceptions of cuts in 701 funds. The relationship between the data on urbanization and utilization of 701 funds from Table II is shown in Figure I. The data in Figure I suggest that the relationship is not linear and that the least and most urbanized states appear to utilize smaller per capita amounts of 701 funds. The per capita utilization of 701 funds increases as the states' urban population increases from 44 percent to 50 percent and declines slightly and levels off between 50 percent and 60 percent. With the exception of one state, states with populations 60 percent urban or more decrease their per capita use of 701 funds, especially as they approach a population which is 80 percent urban. The data suggest that the states which would suffer the largest per capita loss from a cut in 701 funding would be those whose populations are changing from rural to urban (48 to 58 percent urban). It is likely that these states are experiencing an increased need for planning but have legislatures that are still reluctant to fund the planning programs adequately. Hence their greater push for utilization of 701 funds. The least urbanized states use 701 funds less, probably because the pressures for more planning have not yet developed sufficiently. A concomitant of urbanization is increased interdependence among people making the need for rational systematic approaches to decision making more evident. Systematic development of planning, budgeting, and management procedures and skills are likely responses. The lower per capita utilization of 701 funds in the most urbanized states does conform with the Beyle and Wright findings. Lower per capita utilization of 701 funds may be explained by the fact that these states have governments which fund planning activities more extensively.

When the groupings of perceived impacts of 701 cuts in Table I are imposed on Figure I, it is evident that states whose planning is in embryonic form have low per capita utilization of 701 funds. These are also the least
Percent of State Population Living in Urban Areas in 1970

FIGURE 1. The nine states arranged according to per capita 701 expenditures in 1974 and the percent of state population which is urban.
<table>
<thead>
<tr>
<th>State</th>
<th>Percent of Population Urban In 1970 (b)</th>
<th>Estimated State Population 1974 (a)</th>
<th>1974 Total 701 Assistance (c)</th>
<th>1974 Per Capita 701 Assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>58.4</td>
<td>3,577,000</td>
<td>$548,123</td>
<td>15¢</td>
</tr>
<tr>
<td>Arkansas</td>
<td>50.0</td>
<td>2,062,000</td>
<td>377,200</td>
<td>18¢</td>
</tr>
<tr>
<td>Florida</td>
<td>80.0</td>
<td>8,090,000</td>
<td>659,351</td>
<td>8¢</td>
</tr>
<tr>
<td>Georgia</td>
<td>60.3</td>
<td>4,882,000</td>
<td>488,143</td>
<td>10¢</td>
</tr>
<tr>
<td>Louisiana</td>
<td>66.1</td>
<td>3,764,000</td>
<td>456,587</td>
<td>12¢</td>
</tr>
<tr>
<td>Mississippi</td>
<td>44.5</td>
<td>2,324,000</td>
<td>176,459</td>
<td>7¢</td>
</tr>
<tr>
<td>North Carolina</td>
<td>45.0</td>
<td>5,363,000</td>
<td>496,000</td>
<td>9¢</td>
</tr>
<tr>
<td>Tennessee</td>
<td>58.8</td>
<td>4,129,000</td>
<td>414,000</td>
<td>10¢</td>
</tr>
<tr>
<td>South Carolina</td>
<td>47.6</td>
<td>2,784,000</td>
<td>385,500</td>
<td>14¢</td>
</tr>
</tbody>
</table>


urbanized states which Beyle and Wright suggest rely more on federal support. These programs could possibly suffer a death blow from such cuts. The states “appear to be ‘pulled’ into such planning efforts by the availability of federal planning grants.”

Planners in these states believe 701 cuts will have a negative impact on planning in their states. Of the states whose planners perceive 701 cuts negatively, Mississippi and South Carolina operate their state planning programs on the basis of executive orders. All of the other states included in this study have planning agencies which operate on the basis of statutes calling for some form of comprehensive planning. In sum, low levels of urbanization, greater reliance on federal assistance, and the lack of strong legal bases for planning contribute to the negative perception of 701 funding cuts.

States whose planners perceive a cut in 701 funds as having a good impact are presumably sufficiently urbanized to have experienced the need for planning, but have not yet received sufficient state financial support for their programs to make them self-sustaining. Hence their very high utilization of 701 funds. The 701 cut is therefore perceived as a triggering mechanism to bring state planners and state elected leadership together.

Florida and Georgia have planners who oppose the 701 cuts, but believe their planning programs would remain fairly intact even if cuts occur. These are the most urbanized states and presumably most pressed to engage in planning, and as Beyle and Wright suggest, fund it out of state revenues. Other research conclusions suggest that these states “are ‘pushed’ to use their own funds to a greater extent to achieve the necessary planning effects.” Lower per capita 701 utilization, statutory based planning, as well as strong gubernatorial support all contribute to the greater institutionalization of planning in the neutral impact states.

Planners in Georgia, Louisiana, and Florida all mentioned the key role of gubernatorial leadership in securing an established role for planning in state government. Such support is crucial for institutionalization of state planning. The planning programs likely to suffer the most from cuts in 701 funding are in those states which have the weakest governors. In Table III the nine states analyzed here are arranged according to the relative power of their governors and the likely impact of 701 cuts on planning programs. With the exception of Florida, all of the states which would experience a negative impact from a cut in 701 funds (See Figure I) have weak governors. And with the exception of

33 Ibid., p. 201.
34 Mississippi, Governor, Executive Order 55, Executive Department, Jackson, State of Mississippi, August 15, 1973 and South Carolina, Governor, Executive Order, Executive Department, Columbia, State of South Carolina, December 23, 1971.
36 Beyle and Wright, p. 201.
Louisiana, the states with strong governors have planners who perceive a cut in 701 funds as having either a neutral or good impact on their planning programs. The data seem to indicate that strong executive leadership can compensate for cut backs in federal assistance to state planning programs, and can serve as a critical force in bringing about the institutionalization of state planning around state needs and priorities. As recently as the early 1970's state planning activities were still relatively isolated from the governor. By 1975 this pattern is the exception. The latter development could contribute to the further institutionalization of state planning, especially if this results in stronger governors.

### TABLE III

**Relationship Between Power of State Governor and Impact of 701 Cuts on State Planning Programs in Nine Southern States**

<table>
<thead>
<tr>
<th>Power of State Governor (a)</th>
<th>Good to Neutral Impact</th>
<th>Bad Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong</td>
<td>Georgia</td>
<td>Louisiana</td>
</tr>
<tr>
<td></td>
<td>Alabama</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Tennessee</td>
<td></td>
</tr>
<tr>
<td>Weak</td>
<td>Florida</td>
<td>South Carolina</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Mississippi</td>
</tr>
<tr>
<td></td>
<td></td>
<td>North Carolina</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Arkansas</td>
</tr>
</tbody>
</table>


(b) See pages 5-6 of this paper for explanation.

### GENERAL REVENUE SHARING AND ITS RELATIONSHIP TO STATE PLANNING

Federal categorical and block grants in aid have been extremely important in shaping the scope and content of state planning programs. In large measure they have provided the funds for instituting state planning and have made plan formulation and program coordination more important concerns in state government. This kind of federal involvement in state government affairs has prompted much criticism. Typical are claims that such aids result in (1) federal dominance of state decision making, (2) distortions of state government budgeting, (3) excessive red tape and huge bureaucracies, (4) waste of money (since many federal programs conflict with each other and duplicate each
other), and (5) the subordination of state agencies to the point of becoming field offices of the federal government.\textsuperscript{37} Many of these criticisms are echoed in the comments of state planners and Ford Administration officials on the 701 program.

The Nixon Administration and the Congress believed that revenue sharing would strengthen state and local political institutions by giving them financial relief, decentralizing government decision making, eliminating overlapping programs, and reducing the power and role of the federal bureaucracy.\textsuperscript{38} Revenue sharing was viewed as a substitute for some categorical grant in aid programs. Under general revenue sharing, state governments can spend revenue sharing money "in any area of activity in which they may spend the state's own funds."\textsuperscript{39} Under revenue sharing, the federal government ceases the effort to settle the states' priorities.

Because state planning is largely required by grant in aid requirements, the shift from grants in aid to revenue sharing could be viewed as a threat to programs which have not yet been institutionalized around state needs. The Ford administration's proposals to reshape the 701 program to stress management as opposed to planning, and to reduce the level of 701 funding by one half must be seen as parts of a larger program of reshaping state-federal relationships. From this larger perspective, revenue sharing can be viewed as a setback for professionals in function-specific state departments and agencies and a boost for generalists. Deil S. Wright suggests that revenue sharing was promoted most forcefully by generalists: governors, mayors, county commissioners and city managers. The latter, he suggests, constituted an alliance against "the accumulated influence of the program professionals," such as administrators and planners in fields such as housing, highways, hospitals, and higher education.\textsuperscript{40}

State planners are in a peculiar position when discussing state-federal relationships. On the one hand their jobs are very likely a product of federal grant in aid requirements, and on the other hand they are directly involved in the negative experiences commonly associated with satisfying those same requirements. Changes in financial, administrative, and power relationships between the state and federal government affect them and state planning


\textsuperscript{39} U. S. Department of Treasury, Office of Revenue Sharing, \textit{General Revenue Sharing the First Planned Use Report}, p. 2.

\textsuperscript{40} Deil S. Wright, "Revenue Sharing and Structural Features of American Federalism," \textit{The Annals of the American Academy of Political and Social Science} 419 (May, 1975): 111.
directly. Their perspective on the continuation and possible alteration of the general revenue sharing program and its impact on state planning will be described here.

In 1972 revenue sharing funds given to state governments constituted, on the average, two percent of their general expenditures. For six of the nine states covered in this study, the figure was between two and three percent. It is clear, therefore, that revenue sharing is not yet a huge item in state budgets. Continuation and expansion of the program could alter this significantly. The planners interviewed in this study were asked “Where has (name of state) spent its general revenue sharing money?” Responses indicate that these states have spent it mostly on capital improvements and on nonrecurring activities in fields such as highways, education and mental health. In some states the money was put into the general fund and was not funneled into particular departments. The Actual Use Reports filed with the Office of Revenue Sharing are not an accurate means of determining the use of general revenue sharing funds since such funds can easily be substituted for state money in many program areas. It is even more difficult to determine whether such funds have been used in a department for planning purposes.

State planners were asked: “In your opinion has the revenue sharing program had any impact on your state’s functional and/or comprehensive planning efforts? If so, explain.” The responses indicate that six out of the nine planning programs have experienced little if any impact from the general revenue sharing money. Typical statements are as follows:

“In (state) planners are hardly aware of revenue sharing.” “Revenue sharing has had virtually no impact on state planning activities in (state).”

In one of the six states the respondent went on to say that “new federalism has not encouraged the state to develop its planning processes.”

Planners in North Carolina, Alabama, and Tennessee made statements indicating that general revenue sharing has not impacted neutrally on state planning. Negative influences were felt initially in North Carolina and Tennessee:

“In some ways revenue sharing initially impacted negatively in (state) because it was accompanied with drastic cutbacks in other federal categorical aids.”

“Revenue sharing has hurt efforts of planners at the state and local level. For example, the elimination of ‘workable program requirements’ has cut the props from under local planning.”

Only one planner among the sixteen interviewed perceived revenue sharing as having had a positive impact:

41 Mathan, Manvel and Colkins, p. 95 and 337.
“Even though (state) revenue sharing money has not gone specifically for planning, I believe it has had a positive indirect effect on state planning functions. This is because revenue sharing has supplemented scarce state funds, making more of these available for state planning.”

Though most state planners deny benefit from general revenue sharing, and though a few think it has had a negative impact, this does not necessarily indicate an overall judgment. To get such a judgment, the planners were asked the following questions: “Would you say most of the professional planners working for the state of (name state) are in agreement in their attitudes toward revenue sharing?” “Do they mostly favor or not favor this form of federal government assistance? Why?”

Planners in five of the nine states said they believed state planners were fairly unified and supportive, whereas planners in one state said some diversity of sentiment was evident. In the remaining three states the respondents refused to speculate or estimate the unity of other planners’ sentiments on this subject, but they did not hesitate to speak of their own attitudes. All but one were favorable. Typical of the responses were statements such as these:

“. . . general revenue sharing is a good thing. General revenue sharing . . . does give states much needed latitude in decision making.”

The latter respondent went on to say that he firmly believed that revenue sharing

“. . . should not supplant 701 funding. Revenue sharing coupled with 701 funds can help to build or improve state planning. The utilization of revenue sharing can be potentially improved and enhanced by continued use of 701 funds.”

Other planners said:

“I believe most state planners will favor revenue sharing because, in theory, it represents a step away from federal paternalism. State planners do not want state governments to become mere field offices for our federal government. [They] would favor continuation of federal categorical grants and especially block grants, to supplement revenue sharing.”

“I do not believe general revenue sharing is a good substitute for federally funded 701 planning assistance. General revenue sharing is never likely to find its way into state planning programs. Special revenue sharing programs could possibly overcome this deficiency, however.”

“Revenue sharing is an excellent form of federal assistance to state and local governments because it puts the planning shoes on state and local governments where the power really is. It will make planning more relevant to state needs. . . .”

“. . . revenue sharing can be effective from a planner’s perspective only if
such funds are tied in with and coordinated with a hierarchy of plans involving regional and state comprehensive plans."

Endorsement of this form of assistance to the states was not unqualified, as the last response indicates. In five of the nine states, the respondents strongly suggested that revenue sharing should not be a substitute for 701 funding or for other federal categorical or block grants. Several respondents suggested that 701 funding is more important since the inauguration of revenue sharing because more professional planning and management are essential if states are to utilize the money most effectively. Implicit in these caveats is the fear that revenue sharing as the only form of federal assistance would soon lead to the demise of many state planning programs. Yet such fears are not sufficient to overcome an obvious distaste for federal supervision and paternalism in planning and managing programs.

In endorsing general revenue sharing some state planners indicated that they were not entirely happy with revenue sharing in its present form. In four states they cited weaknesses in revenue sharing as it is now carried on. The following statements indicate what some of these weaknesses are:

"... initially it was accompanied by drastic cutbacks in other categorical aids."  
"... gives money in such inconsequential amounts that problems can't really be solved."  
"... it distributes money without regard to need."

"The existing law does not prevent states from overconcentrating or excessively dispersing such funds."

"New federalism is a myth, since even under it the national government continues to exercise a great deal of oversight and supervision."

"It has been viewed as a short term program. A source of 'funny money' resulting in states guarding against becoming dependent on it."

"... states spend revenue sharing money less judiciously than money they have to raise themselves. This would be remedied if it were made a permanent program."

Other criticisms of the general revenue sharing program are evident in the responses state planners made to the following question: "What changes, if any, do you think should be made in our current general revenue sharing program which might improve state planning programs?" Planners in seven state agencies said that it should be expanded and made a permanent federal program. Three of the respondents suggested the inclusion of planning requirements in federal revenue sharing legislation, while a fourth hinted at the same thing by saying:

"Revenue sharing would be improved if states were required to submit more detailed planned expenditure reports to the Office of Revenue Sharing as a prerequisite for receiving revenue sharing funds."
Two of the state planners believe the inclusion of planning requirements would not be politically feasible and that such requirements would merely increase federal paternalism without improving state planning very much.

Other suggestions for improving the revenue sharing program included the suggestion that the amount of funding under the program be expanded and that restrictions be adopted to prevent undue concentration or dispersion of funds in state programs. No clear grouping of attitudes toward general revenue sharing is evident. In sum, it appears that state planners support the continuation and expansion of general revenue sharing, but not as a substitute for existing federal categorical and block grant in aid programs, particularly the 701 program.

CONCLUSIONS AND RELEVANCE OF FINDINGS

State planning has not become institutionalized around state government needs, programs and priorities in most southern states. In all but two of the nine states studied here, the curtailment of federal assistance via categorical or block grants requiring state planning would have a potentially lethal effect on state planning programs. This is especially so in those states that are least urbanized and that have governors whose formal powers are weak. States that have strong governors and that are in the process of becoming highly urbanized are likely to meet cutbacks in 701 funding with increased state appropriations for planning. State planners in the most urbanized states view their major support as coming from executive leadership, not the state legislatures. Continued dependence on federal assistance such as is available under section 701 may perpetuate a kind of planning which is least relevant for state needs. The planners interviewed agree with the summary of criticisms of the 701 program contained in this paper, yet are largely opposed to the program's termination.

General revenue sharing has tended to strengthen the powers of state governors by giving them discretionary funds. However, it is likely that this is less true in states where governors lack strong budgetary powers. Of the states included in this analysis only Georgia, Tennessee and Alabama have governors with full budget powers. With the exception of Florida, states granting the weakest budgetary powers to the governor are precisely the states whose planning programs tend to be least developed. Hence the likelihood of general revenue sharing becoming a source of support for planning in the states most devoid of such support appears remote.

A switch in the form of federal assistance from 701 and other categorical aids to general revenue sharing would be most harmful to state planning programs which have yet to be institutionalized around state programs, priorities, and funding. Unfortunately this includes almost all of the state planning programs studied here.

43 Interviews with state planners in Georgia and Florida, Spring, 1975.
44 Dye, p. 178.