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GENERAL REVENUE SHARING AND MUNICIPAL BUDGETING

by

Greg John Protasel

A dissertation submitted in partial fulfillment
of the requirements for the degree of
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DEDICATION

To Paula

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PREFACE

The experiences of six Detroit area cities with the State and Local Fiscal Assistance Act of 1972 (General Revenue Sharing) unfold in the case studies of municipal budgeting which follow. This research thus complements broader based empirical studies of General Revenue Sharing. It should be seen, however, as a substantial improvement over studies which relied extensively upon the Planned and Actual Use Report data which cities were required to send to the Office of Revenue Sharing.[1] The fungibility of the General Revenue Sharing money makes any literal interpretation of such data counter-productive.[2]

This study of General Revenue Sharing and municipal budgeting focuses on the interaction of the municipal budgetary system with its environment. In Chapter I, "Understanding Municipal Expenditure Decisions," previous research is reviewed by focusing attention directly on the linkages between the municipal budgetary system and its environment. One general finding emerges from this theoretical overview. Despite differences in research frameworks, the studies all agree that decision-makers within the municipal budgetary system adapt to environmental stimuli, either external or internal, which in turn determines the pattern of city expenditures. This widely shared view is criticized for ignoring the possibility that environments may be adaptive to the actions of decision-makers within the municipal budgetary system. To the extent that municipal decision-makers can control their environments, the predominant focus on adaptive responses to the environment

provides an incomplete view of expenditure decision-making behavior. This study of General Revenue Sharing and municipal budgeting seeks a complete view of expenditure decision-making behavior and therefore examines the ways budget officials may mold their environments as well as adapt to them.

In Part One, "The Impact of the Environment on the System," (Chapters II, III, IV, and V) the municipal budgetary system is analyzed as adaptive to the environment. The General Revenue Sharing program is looked upon as an exogenous intergovernmental stimulus. To be sure, the fact that a city's General Revenue Sharing allocation amounts to only a very small percentage of its total resources causes one to be extremely skeptical of the political rhetoric which declares General Revenue Sharing to be the first step in a new American revolution.[3] Furthermore, process analytic studies of budgeting which find municipal budgetary systems to be nearly decomposable and relatively independent of their environments create doubts as to whether one should expect General Revenue Sharing to make any impact on local government.[4] On the other hand, these same studies also indicate that there are cases where the municipal budgetary system adapts to the external environment in the short run.[5] The external environment is known to affect the expenditure decisions of local government primarily through the receipts of intergovernmental transfers. Thus it appears reasonable to look at the General Revenue Sharing program as an exogenous stimulus which the municipal budgetary system adapts to. The impact of the General Revenue Sharing program on levels of public participation, decision-making processes, and expenditure patterns of six Detroit area cities is investigated in Part One.

In Part Two, "The Impact of the System on the Environment," (Chapters VI, VII, and VIII) the environment is analyzed as adaptive to the municipal budgetary system. Rather than viewing the General Revenue Sharing program as exogenous, attention is focused on how municipal budget-makers seek ways to make it controllable. The advent of the General Revenue Sharing program is seen as affording decision-makers with opportunities for manipulating their political environments. By imposing standard operating procedures on the task of filling out General Revenue Sharing Planned and Actual Use Reports for the federal government and by using the reports as a medium for "manipulative advertising," local officials may control their federal political environment. In addition, political entrepreneurs may use the General Revenue Sharing funds as a resource for wielding influence over the local political environment by carefully adjusting General Revenue Sharing expenditure decisions to fit local tastes. These strategies and others whereby the General Revenue Sharing program may be used to manipulate political environments are explored in depth in Part Two.

Notes

[1]The work of David A. Caputo and Richard L. Cole reflects the attempt to identify General Revenue Sharing expenditure decisions using Planned and Actual Use Report data. See David A. Caputo and Richard L. Cole, "Initial Decisions in General Revenue Sharing," Municipal Yearbook, 1974 (Washington, D.C.: International City Management Association, 1974), pp. 95-102; David A. Caputo and Richard L. Cole, Revenue Sharing: The First Actual Use Reports (Washington, D.C.: Office of Revenue Sharing, 1974); Davis A. Caputo and Richard L. Cole, Urban Politics and Decentralization (Lexington, Mass.: D.C. Heath and Company, 1974).

[2]For a discussion of some of the obstacles which researchers investigating General Revenue Sharing faced, see Catherine H. Lovell and John L. Korey, "Measuring the Fiscal Impact of General Revenue Sharing," (paper presented at the 71st meeting of the American Political Science Association, San Francisco, Calif., Sept. 2, 1975).

[3]See Letter, from President Richard M. Nixon to Ray S. Smith, Jr., Chairman of Governing Board, The Council of State Governments, December 20, 1972, State Government, XLVI (Winter, 1973), 5.

[4]John P. Crecine, "A Computer Simulation Model of Municipal Budgeting," Management Science, XIII (July, 1967), 786-815.

[5]John P. Crecine, "A Simulation of Municipal Budgeting: The Impact of Problem Environment," in Policy Analysis in Political Science, ed. by Ira Sharkansky (Chicago: Markham Publishing Company, 1970), pp. 270-303.

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CHAPTER I

UNDERSTANDING MUNICIPAL EXPENDITURE DECISIONS: CONTENDING THEORIES OF POLICY MAKING

This study seeks to evaluate the impact which the State and Local Fiscal Assistance Act of 1972 (General Revenue Sharing) had on municipal budgeting in six Detroit suburbs.[1] The question of General Revenue Sharing's impact on municipal budgeting is really imbedded within a larger question as to the nature of the relationship between an organization and its environment.[2] General Revenue Sharing as an intergovernmental transfer from the federal to local government is an exogenous environmental factor with respect to the municipal budgetary system. This relationship between the General Revenue Sharing program and the behavior of the municipal budgetary system is the focal point of analysis for this study.

This chapter contains a theoretical discussion of the relationship between the municipal budget system and the environment. It serves as a foundation for the empirical investigation of General Revenue Sharing's impact on municipal budgeting which follows in subsequent chapters. Those readers already familiar with the municipal budgeting literature or those anxious to examine General Revenue Sharing's impact on municipal budgeting may prefer to skip this theoretical chapter and proceed directly to the substantive chapters.

Research on municipal expenditure decision-making has been characterized by a proliferation of numerous methodological and theoretical

frameworks. Some of the more prominent examples of this extensive body of literature are reviewed below with particular attention given to the way these studies have depicted the relationship between the municipal budgetary system and the environment. The different notions of how the municipal budgetary system and the environment interact are clarified by focusing attention on levels and units of analysis. First of all, in order to guide the discussion that follows the past research is roughly typologized according to levels of analysis. Past studies of municipal expenditure decision-making are dichotomized as either having a structural or individual actor perspective. Secondly, the research is reviewed with respect to the choice of units of analysis. The studies are classified according to the elements of the municipal expenditure decision-making environment which the various researchers have selected for empirical investigation.

The differentiation of the decision-making environment into units of analysis for purposes of research or review is a complicated endeavor. For example, when one talks about the environment of a municipality, one is talking about a potentially infinite set of elements. The problem confronting any serious scholar is to select those elements of the environment which are most likely to affect decision-making behavior. Empirical studies of the budgetary process and expenditure patterns display a remarkable diversity in those segments of the environment which are singled out as relevant to municipal expenditure decisions. One typology which is useful in grouping together the various studies is the conceptual view of organizational environments set forth by Richard N. Osborn and James G. Hunt.[3]

Osborn and Hunt group the elements of the environment into three categories: macro, aggregation, and task environments. The macro envi-

ronment refers to the general cultural context in which the organization operates. Studies emphasizing the macro environment stress socio-economic-political variables as the determinants of municipal expenditures. Within the overall macro environment are clustered the aggregation and task environments. The aggregation environment consists of the interest groups, associations, and constituencies which are found within the macro environment. As Osborn and Hunt note, the aggregation environment is perhaps the most difficult to define and operationalize. There may be, for example, considerable overlap between interest groups, constituencies, and associations. Typically the task environment is defined in terms of those aspects of the total environment which are relevant to the organization's goal achievement and goal setting processes. Osborn and Hunt prefer, however, to define the task environment specifically as consisting of all the organizations with which a given organization must interact in order to grow and survive. Thus Osborn and Hunt employ a typology of the environment which begins at the macro level stressing cultural attributes and ends with a micro view of the task environment defined in terms of organizations with which a given organization must interact.

The Osborn and Hunt typology pertains to the environment outside the boundaries of the organization. Some of the literature on the municipal budgeting process, however, can be characterized by the emphasis given to the conditions within the municipal budget system itself. In other words, the internal environment may be seen as relatively more important than the external environment for determining expenditure patterns.[4] The internal environment refers to decision-rules, institutional norms and procedures, and bureaucratic rivalries which impinge upon individual decision-making rationality. Therefore, in the analysis of the municipal budgeting literature which follows, this fourth category relating to the internal envi-

ronment will be considered along with the three elements of the external environment discussed by Osborn and Hunt.

I. Structural Perspective/Macro Environment

Empirical studies of municipal budgeting and expenditure patterns that are placed in the structural perspective/macro environment category can be roughly subdivided into two groups. On the one hand, there are those studies written from a traditional public finance point of view which reflect an essentially economic approach to the study of urban expenditures. On the other hand, there are those studies which display a political science orientation to the study of municipal expenditure patterns and seem to rely heavily on a political systems frameworks for interpreting results. In the brief analysis that follows the environmental focus, the methodological perspectives, research findings, and imputed view of the municipal administrator will be discussed in relation to both the economic and political systems approaches to municipal expenditures.

A. Economic Approach

The economic approach stresses the role that socio-economic variables have in determining municipal expenditure patterns.[5] Independent variables such as population density, median family income, per capita intergovernmental revenue, per cent industry, per cent single dwelling units, owner/renter ratios, etc. are selected as probable determinants of per capita city expenditures. The methodology most frequently employed is regression analysis. Per capita city expenditures are regressed on the previously identified independent variables. As with any data analytic approach, the hypotheses about municipal expenditures are basically statements about variance and covariance, e.g. the greater the population

density, the larger the city expenditures, etc.

The data analytic orientation of the economic approach allows the researcher to make cross-sectional comparisons by comparing a city's correspondence to a cross-city regression line. Cities are considered similar to the extent that their per capita city expenditures coincide closely with the cross-city regression line (explained variance). Cities are different to the extent that they deviate from the regression line (unexplained variance).[6]

Typically the findings of these studies indicate a consistent relationship between municipal expenditure decisions and the independent variables selected from the macro environment. On the basis of these research findings, it is concluded that the macro environment contains the driving social-economic forces which ultimately set the pattern of urban expenditures. Although not explicitly stated by researchers following the economic approach, the notion that the macro environment is the predominant factor influencing the pattern of local expenditures implies a particular view of the municipal administrator. It would appear that the macro environment creates demands or needs which municipal decision-makers invariably respond to. These demands of the macro environment are satisfied by providing certain levels of municipal expenditures for goods and services. Although this view of the urban administrator can only be imputed from the analytical framework adopted by those following an economic approach to city expenditures, it has been more definitely refined by researchers opting for a political systems approach to municipal budgeting as is indicated below.

B. Political Systems Approach

Whereas the economic approach to municipal expenditure patterns does not attempt to account for the process which determines expenditure pat-

terns, the political systems approach makes analytical assumptions about the nature of the conversion process. Based for the most part on David Easton's concept of a political system, this approach depicts the urban administrator as one who is involved in the process by which values for society are authoritatively allocated.[7] The macro environment supposedly contains demands which the urban administrator resolves by manipulating expenditure levels for various goods and services. In other words, the municipal decision-maker reacts to disputes which seemingly cannot be resolved in the private sector. When an authoritative allocation of values is sought, the municipal decision-maker uses the power vested in the the local governmental institution to formally settle the allocation problem.

Unfortunately although the political systems approach contains some basic analytical assumptions regarding the nature of political systems, this is usually as far as the discussion of process is carried.[8] The actual analysis of municipal expenditure patterns follows an input-output pattern which, except for the introduction of a few political variables, follows the format of the economic approach outlined above. The macro environment of the municipal government is singled out as the primary determinant of local expenditure patterns. Social and economic characteristics of a city or even citizen values and beliefs regarding the style and scope of government are listed as important independent or explanatory variables.[9]

C. Conclusions

Both the economic and political systems approach to municipal expenditure patterns described above have found consistent statistical relationships between macro environmental variables and city expenditures. One question which is frequently raised regarding these findings is whether

the discovery of a close statistical relationship necessarily explains the phenomenon of allocating municipal expenditures. If by explanation one means testing a specific set of behavioral assumptions about how municipal decision-makers really decide on expenditure levels, then, of course, it is obvious that the economic and political systems approaches do not explain anything. It appears extremely unfair, however, to reject the findings of these approaches because they do not describe in behavioral terms how macro environmental characteristics are converted into demands and how demands are subsequently converted into municipal policies which determine city expenditure patterns.

It is a perfectly legitimate endeavor for economists and political scientists to develop logical constructs which are not necessarily meant to realistically account for how individual decisions are actually made.[10] For example, the economic and political systems approaches proceed from the viewpoint that macro environmental variables are converted into demands which decision-makers inevitably must react to by setting city expenditure levels. The important thing is what the implications of this assumption are at the aggregate level. As long as the economic and political systems approaches cope reasonably well with the budgetary phenomena they are supposed to explain, then the fact that their explanations are not a reflection of behavioral processes is immaterial.

In short, it should be realized that there is more than one way of approaching economic and political phenomena. Given the macro environmental level of analysis which the economic and political systems approaches to municipal expenditure patterns are based upon, it would seem that the relative inattention given to process variables is justified. As one's attention shifts to more micro phenomena, there is a tendency in the municipal budgeting literature to give more emphasis to behavioral

processes. This trend will become evident below when empirical studies of city expenditures emphasizing the aggregation, task, and internal environments are discussed.

II. Structural Perspective/Aggregation Environment

Studies of municipal budgeting emphasizing the aggregation environment stress the impact which associations, interest groups, and constituencies have in determining levels and patterns of expenditures. Oftentimes the aggregation environment is difficult to operationalize because of overlap among the various factors which comprise it. At least three different conceptual models of municipal budgeting and decision-making can be classified under the structural/aggregation environment heading. First of all, the pure theory of local expenditures developed by Charles Tiebout depicts a spatial market economy in which urban expenditure patterns are determined by the monopolistic competition of urban governments. Municipal governments supposedly compete with each other by trying to design a package of goods and services which will win the vote of the citizen consumer. Secondly, there are those studies written from a sociological perspective which stress the role which a stratified ruling elite has in influencing expenditure outcomes. Thirdly, there is the political scientist's pluralist model. The pluralists stress the importance which competing forces and overlapping memberships have in setting the pattern of municipal expenditures. Each of these three conceptual schemas, which contain a structural perspective and emphasize different aspects of the aggregation environment, will be briefly analyzed below.

A. The Spatial Economy

Charles M. Tiebout focuses attention on that part of the aggregation environment which contains the constituencies of local governments.[11]

The pattern of municipal expenditure patterns is determined by municipal corporations competing with one another for the allegiance of the consumer-voter. The consumer-voter is depicted as one who picks a community to reside in which best satisfies his preference pattern for public goods. According to this view, the consumer is surrounded by municipal governments whose objective is to ascertain his wants.

Traditionally it had been argued by public finance theorists that there was no market solution to determine the level of expenditures for municipal goods and services. Local governments, after all, are involved in the business of producing public or collective goods which by definition cannot be packaged in such a way so as to charge each individual consumer. Therefore it was concluded that there was no market mechanism to force the consumer-voter to reveal his true preferences. In fact if the consumer was rational in his calculation, he would understate his preferences and hope to get a free ride.

Tiebout maintained that although it may indeed be impossible for a market solution to exist when resources are centrally allocated, it was actually possible to have a market solution at the local level. At the central level the allocation problem is one of government trying to adjust to the pattern of consumer-voter preferences which are given. For the reasons outlined above, the central government could never be sure what those preferences were. Yet at the local level municipal governments have their revenue and expenditure patterns pretty well set. These revenue and expenditure patterns, Tiebout contends, serve as the basis for a spatial economy. Because a consumer moves to a community which best fits his preference patterns, there is no way that a consumer can avoid revealing his preferences. The spatially mobile consumer-voter essentially goes on a shopping trip throughout a given metropolitan region.

The resultant selection of a community reveals the individual's true preference for municipal goods and services as clearly as if one looked at what was contained in a shopping bag as he left the local supermarket. Furthermore, competition among localities is supposed to keep costs of goods and services at a minimum level.

Tiebout's pure theory of local expenditures greatly illuminates the impact which migration has on municipal expenditure decisions. As with any theory, however, it ignores some very realistic forces.[12] For example, barriers to individual social mobility and the absence of competition between communities are beyond the purview of the model. The existence of market imperfections raises the possibility that there may be other factors in a municipal government's environment that are responsible for setting urban expenditure patterns. Below attention is shifted to sociological and political science conceptual models that have emphasized the importance of different aspects of the aggregation environment.

B. The Elitist Model

It is one of the basic tenents of sociology that power, prestige, authority, status, etc. are unevenly distributed throughout society. The existence of a social hierarchy is presumed to be a sociological fact of life. It was this view of social structure that sociologists brought to the study of community power in the post World War II era.[13] Researchers interested in discovering the determinants of municipal policy turned their attention to a portion of the aggregation environment in search of an answer. Expectations were that community oriented research would reveal the nature of the supposedly stratified social structure which was the driving force behind municipal policy decisions. In this sense this sociological brand of community power research had a lot in common with Marxist theory because the a priori assumption was that an elite at the

top of the social hierarchy ruled over the municipality.

The methodology that the so-called elitist theorists used to determine the nature of community power reflected the disciplinary focus of sociology. Convinced that there had to be a power structure, the researchers asked respondents to interviews to identify the ruling elites. This reputational approach to the study of community power unleashed a debate which captured the attention of sociologists and political scientists for over a decade as to the proper methodological approach to adopt when studying community power.[14] Political scientists attacked the biased assumptions which were at the root of the sociological approach to community power. Instead of making a priori assumptions about community power structure, political scientists opted for a more empirically oriented form of research which focused not on reputed power but on actual decisions within issue areas.

It seems on the surface that the elitist approach to community power never fully recovered from the onslaught it received from political science. Political scientists studying actual policy decisions discovered that communities were not dominated by a single ruling elite but in fact were governed by a plurality of elites that had influence only within specific issue areas. With hard data in hand that challenged the sociological description of the community power structure, political science empiricism claimed victory over sociological bias.

Actually the defeat of the elitists by the pluralists is not as clear cut as it may seem. The political scientists' view of power as a dydatic relationship which can be observed between two individuals did not in any way replace the sociologists' concept of power as something that is manifested through the structure of the social system. The debate between the pluralists and elitists focused attention on only the

overt face of power. The methodology and the theoretical underpinnings of pluralist theory were well equipped to examine the overtfact of power defined as dydatic relationships between individuals. On the other hand, the sociological view of power as a systemic relationship appears to be better able to handle what has been termed the second face of power.[15]

The second face of power, of course, refers to the covert exertion of power that operates through the structure of the social system. The neo-elitist theorists who are pursuing the covert side of power stress the importance which the mobilization of community and organizational bias has in influencing the direction of municipal policy decisions. Thus one finds a growing interest in concepts such as non-decision, non-issues, and agenda setting which are all rooted in a sociological systems view of power.[16] Although there are severe methodological problems to be worked out before one can unequivocally demonstrate proof of covert power, it appears that in this instance it is the disciplinary bias of political science which must be overcome before one can begin to investigate the second face of power.

The evolution of the elitist model, which has been briefly outlined above, modifies and changes somewhat the focus which is placed on the environment. Whether or not there is a ruling elite in the aggregation environment which controls the municipal administrators is recognized to be an empirical question that can be settled by examining the overt display of power a la political science. On the other hand, the mobilization of bias at both the community and organizational level is accepted as a sociological fact of life. Therefore there seems to be a trend to look at all elements of the external and internal environments in search of the paths of influence whereby cultural biases are transformed into community biases which in turn are transformed into organization biases which affect

the pattern of municipal expenditure decisions, etc. Thus one sees the elitist model which implied an overt conflict of interest between the rulers and the ruled in the strictest Marxian sense being subdued by the empirical facts and replaced by a research framework similar in many respects to the more conservative open systems approach espoused by Talcott Parsons.[17]

C. The Pluralist Model

The pluralist model calls attention to the multiplicity of groups within the aggregation environment which supposedly determines the course of public policy. By concentrating on how decisions are made for particular policy issues, researchers have characterized American local governments as penetrable by outside forces.[18] Local community power is seen as fragmented and differentiated according to different issues. Public policy is the resultant of the competing interest groups' forces. The municipal decision-maker is thereby viewed as involved in a continual process of conflict resolution. Success in resolving and mediating conflict is said to determine the pattern of municipal revenues and expenditures.

The pluralist approach to community power has been branded as a new type of elitist theory of democracy by its critics.[19] The discovery that local political systems are dominated by a plurality of elites is still a far cry from the image of mass democracy envisioned by the classical democratic theorists. The empirical work of the pluralists has been attacked for legitimizing the status quo with democratic rhetoric. The notion is that pluralist ideology should not be superimposed upon political systems in need of reform. A description of reality based on pluralist methodology supposedly would lull us into a false state of complacency and prevent the inequalities of the system from being corrected.[20]

While it is quite true that descriptions of reality quite frequently become transformed into normative pronouncements, it does not logically follow that the status quo will be reinforced by the research. One needs to keep in mind what the New Left is observing in the aftermath of Watergate, the CIA investigation, etc.--today the facts in themselves are radicalizing. The radicalism of the 1960's is supposedly becoming the common sense of the 1970's. Of course, what is indicated by these assertions, if they are true, is that more people are willing to interpret the facts within a theoretical framework which challenges the legitimacy of the present political system.

In short, it appears that one should be wary of both the radical and the conservative champions of mass democracy when they each maintain that the facts speak for themselves. One should realize that although it is never possible to totally speak of the facts devoid of the theoretical framework in which they are interpreted, this does not preclude those same empirical facts from being analyzed by different conceptual frameworks. From the standpoint of the discussion of the relationship between the environment and municipal expenditure patterns, it would seem that it would be an abdication of intellectual honesty if the empirical findings of the pluralists were to be rejected simply on the grounds of ideological bias.

D. Summary and Conclusions

Three conceptual models, each emphasizing the importance of a different aspect of the aggregation environment in determining local policy decisions and expenditure patterns, have been sketched out above. Each conceptual model lends credence to the view that forces in the external environment affect the level and pattern of city expenditures. The forces

that have been examined, however, have focused attention primarily at the local level within the aggregation environment. Economists have assumed that local government competition determined city expenditures; sociologists have maintained that power that was organized locally was the key to public policy; and polical scientists have talked about issues as if they were always local issues. This emphasis on the local level has ignored potential vertical linkages almost entirely.

In a society such as the United States which appears to becoming increasingly more integrated and nationalized, it seems that it would be important to study vertical as well as horizontal forces in the environment which may have an impact on local expenditure patterns. First of all, it seems that it might be appropriate to go beyond the notion that urban governments are monopolistic competitors. Suppose, for example, that a citizen's response to a decline in the quality of public goods and services does not result in his exit to a community which more closely matches his preference pattern. What causes a citizen to remain in a community and politically exercise his voice option instead?[21] Perhaps local political protest is some function of the level of support which the citizens receive from higher levels of government. Wide differentials between state and local or national and local preference patterns may foster indigenous local political activity or encourage direct intervention by another governmental body. In either case the pattern of city expenditures is being influenced by vertical as well as horizontal linkages.

Likewise, only a few community power studies have dealt with the problem of vertical linkages.[22] The trend in community power research seems to have gone away from the case study to more aggregate comparative analysis. This is undoubtedly an important step from the standpoint of

developing more adequate theory; yet this shift in research does not really seem to be addressing itself directly to vertical power linkages.

III. Structural Perspective/Task Environment

In the previous two sections attention was devoted to the macro and aggregation environments which called attention to the influence which culture, socioeconomic forces, and nonorganizational aggregations have on determining the pattern of municipal expenditure decisions. The studies of municipal budgeting and decision-making which will be briefly dealt with in this section have a much less encompassing research focus. The task environment consists of organizations with which a given municipal corporation must interact in order to continue to survive and thrive. At least two types of studies dealing with patterns of municipal expenditures and policy decisions have focused explicit attention on the organizational elements of the task environment. First, the ec o l ogical approach to municipal decision-making will be discussed. This approach assumes that municipal service patterns are the result of unplanned and uncoordinated actions resulting from the interaction of the municipality with other organizations in the task environment. Secondly, the diplomatic model of municipal decision-making will be outlined. This model applies concepts derived from international relations to an urban setting. The interaction of the municipal nation states supposedly influences municipal expenditure patterns.

A. The Ecological Approach

Ecology is the study of an organism and its relationship to its environment. Norton Long's characterization of local government as an ecology of games is perhaps one of the first attempts to explain patterns of municipal budgeting and policy making in terms of the exchanges and

interactions which take place between municipal government and other organizational actors within the environment.[23] Long contended that the structure of group activities that coexisted within a particular territorial system could be looked upon as games. Through a type of rational means/ends analysis, the outputs or ends of some organizations are utilized as inputs or means by other organizations to maintain and enhance their own needs. In other words, Long took Adam Smith's invisible hand and applied it to local politics. The simultaneous playing of two or more games results in the creation of unplanned unconscious social processes which determine the pattern of expenditures of local government within a particular community.

The ecological approach to local politics, because it exemplifies Adam Smith's invisible hand notion, is seemingly in direct opposition to studies of community power which suggests that a power elite determines the pattern of municipal budgetary decisions. It might be comforting to believe that somebody somewhere is in control of events as they unfold in the urban political arena. The failure to really find such an elite reinforces the ecological conception of politics. Decision-makers are depicted as shamans caught in a web of ecological interactions who in their moments of desperation to solve urban problems participate in civic magic rituals which restore public confidence and allow time for natural forces to work a cure.

Although the ecological approach to local politics is not compatible with the notion of a power elite, recently the idea that local communities contain different ecologies of issues has been used to explain non-decision-making in cities.[24] One political demand supposedly triggers other similar types of political demands. Political issues may possibly produce other political issues in a rational orderly nonrandom

manner. For example, communities which turn their attention to unemployment may also exhibit interest in the development of business and industry. Organizations compatible with these issues rise up, grow, and in turn generate similar issues to insure the maintenance and enhancement needs of the organizations. Political issues are neglected which are incompatible with the enhancement and maintenance needs of the organizations dominating the local ecology. It therefore seems that the ecological approach's focus on the structure of group activities which coexist within a given community system make it a suitable conceptual framework for embarking on a study of the covert side of power which sets the local agenda.

B. The Diplomacy Model

This model makes an analogy between international politics with metropolitan politics. Both metropolitan politics and international politics are said to occur not within well defined political communities but within diplomatic systems which constitute a type of ecological community.[25] Nation states are likened to municipalities, international organizations to councils of governments, and alliances to special districts. The "ambassadors" of these local governmental bodies supposedly raise issues, interact with other governments, and determine the scope and form of political conflict. In other words, a municipality's pattern of expenditures is thought to reflect the interaction of the municipal corporation with other organizations in its task environment.

By focusing attention on the transactions which take place among municipal governments and other institutions operating within a given metropolitan area, the diplomacy model or international politics approach to municipal politics represents a first step towards an intergovernmental approach to municipal budgeting and decision-making. By calling

attention to interorganizational contacts within a metropolitan region, the question of the municipality's relation to its environment is underscored. Unfortunately the diplomacy model gives primary consideration to organizations organized at a local or regional level. Intergovernmental linkages between the municipality and other levels of government receive relatively little attention. Perhaps as the horizons of international relations theory are expanded to account for the internationalization of business and the rise of the multinational corporations, the diplomacy model of metropolitan politics will also begin analyzing the impact of vertical linkages. Local government has long been penetrated by business interests originating outside the local ecological community. Furthermore, the fiscal dependency relationship which some municipalities find themselves in vis-a-vis with state and federal levels of government is notorious.[26] As more concern develops over the interrelationships that exist between governments and organizations operating at all levels within the political system, the diplomatic framework may prove to be a useful starting point from which to begin an analysis of those interrelations.

C. Conclusions

The treatment of local politics as an ecology of games and the diplomatic model of metropolitan politics both draw attention of the interactions of city governments with the organizations in their immediate task environments. Although these studies emphasize the impact which the task environment has on municipal budget and policy decisions, the scope of inquiry has been circumscribed to the local level. The emphasis which these approaches place on interorganizational contact within the local ecology might be fruitfully expanded to include cross ecological contact among organizations situated at different levels within the task environ-

ment. For example, these approaches might be expanded to enhance one's understanding of intergovernmental fiscal relations with the United States federal system.

In addition to calling one's attention to environmental linkages, the ecological and diplomatic approaches to municipal decision-making may possibly allow one to make revealing statements about the structure of the local ecological community. Each local ecology supposedly maintains and supports the development of certain organizations at the expense of others. If it could be repeatedly shown, for example, that political demands act as a catalyst on the process whereby ecological bias is transformed into organizational bias, and whereby organizational bias affects individual decision-making, then our knowledge of municipal budgeting would certainly be enhanced.

IV. Individual Actor Perspective/Aggregation Environment

Thus far the empirical studies of municipal budgeting and decision-making which have been discussed have displayed a structural perspective and have concentrated attention on various elements of the macro, aggregation, and task environments. In this section the attention shifts to the individual actor perspective of budgetary decision-making which calls particular attention to the way decision-makers deal with constituent interests in the aggregation environment. This orientation to budgeting might be called the new political economy approach to politics. This approach views municipal expenditure decisions primarily as the result of rational calculations made by politicians to maximize votes to insure their reelection.

The political economy approach to budgeting seeks to apply economic logic to the dynamics of decision-making in the polity. Politicians are assumed to be rational and motivated by their self-interest to maximize

votes in order to remain in power. On the other hand, individual voters are also supposed to act rationally and cast their ballots always in an attempt to maximize their self-interest.[27] The impact of rational voters and rational politicians on the budget process is to reduce budgetary decision-making to a set of vote-maximizing strategies. Politicians wishing to maximize political support carry out those acts of spending which will gain the most votes. Expenditures are increased until the vote gain of the marginal dollar spent equals the vote loss of the marginal dollar financed.

In addition the economic notion of marginalism has also been transferred to politics. Both politicians and the voters are assumed to be mainly interested in marginal alterations in the structure of government activity. In other words, budgetary decisions will not be drastically changed from year to year. Only partial alterations in the behavior and structure of governmental activity will be considered by budgetary decision-makers. This enhances the stability of the governmental institutions as well as simplifying the rational calculations of both politicians and voters.

In conclusion, the application of economic models to the study of politics illustrates the power of a single logical construct, such as the maximization of self-interest, to generate explanations of broader based budgetary activity. One should realize, however, that the analytic assumptions made by the political economists are not necessarily realistic accounts of how budgetary decisions get made. To say that budgetary decisions reflect vote-maximizing strategies of politicians contains the implicit assumption that bureaucrats are simple conduits for the transformation of political decisions into budgetary expenditure patterns. Of course, politics are not necessarily separate from administration as the

vote-maximization schema of budgetary decisions would seem to imply. Bureaucrats may do more than simply carry out the orders of politicians. It would seem prudent to be cognizant of the role that bureaucrats play in determining expenditure outcomes. It would thus seem to be necessary to analyze the operations of the bureaucracy alongside those of the polity. Instead of making analytic assumptions which are tested against the implications they generate at an aggregate level, an interest in actual decision-making behavior would require making behavioral assumptions which are tested at an individual level. The studies in the next section reflect this behavioral orientation. They concentrate attention on the ways individual decision-makers actually interact with their internal environments.

V. Individual Actor Perspective/Internal Environment

Up to this point the views of municipal budgeting which have been discussed have all concentrated their focus on aspects of the macro, aggregation, and task environments. In this section attention shifts from a focus on the external environment to an analysis of the internal problem environment. This change in emphasis to the inner side of the organizational interface, separating internal from external environments, is accompanied by an empirical focus on the actual decision-making behavior of individuals within organizations.

The studies of municipal budgeting and decision-making that fit into the individual actor perspective/internal problem environment category can be divided into at least two different groups. First of all, there are interpretations of municipal budgeting viewed primarily in the context of interpersonal relationships of individuals working within bureaucracies. This interpersonal politics approach to municipal decision-making emphasizes the impact which informal lines of communication and

authority have on city expenditures. Secondly, studies of municipal budgeting have been undertaken from an organizational theory perspective. Internal problem solving sequences, standard operating procedures, administrative guidelines, etc. are singled out as primary determinants of municipal expenditure patterns. Each of these variant approaches to municipal budgeting will be outlined and briefly analyzed below.

A. Interpersonal Politics Approach

The interpersonal politics approach to municipal budgeting stresses the importance which interpersonal relations, occurring within the internal organizational environment, has on determining the pattern of budgetary decisions. Budgeting is viewed as a type of bargaining process conducted by bureaucrats who are positioned at various levels within the organizational hierarchy. Each bureaucrat has his own idea of how revenue should be allocated which is conditioned by his place within the organizational setting. Bureaucrats sometimes supposedly view the public interests through the narrow lens of their department's or bureau's interests. More frequently the bargaining process becomes defined solely in terms of individual self-interests. Budgeting then turns into a struggle among individuals to each enhance their status and prestige within the organization. It offers individuals an opportunity to exercise their moment of authority by using the budget to apply pressure to various members of the municipal organization. Threats to be excluded from the budget are used as incentives to coerce individuals to conform to the wishes of the more powerful bargainers.[28]

The importance of informal channels of communication as well as formal lines of communication is emphasized by the interpersonal politics approach. Bargaining takes place in a framework which permits information

to flow through informal channels which criss-cross the formal lines of command outlined by the formal organizational chart. The pattern of municipal expenditures is thus seen as the outcome of an informal bargaining process rather than the result of authoritative decisions passed down through the formal bureaucratic hierarchy. The interpersonal politics approach to municipal budgeting stresses bargaining and conflict which is the essence of politics. Disputes over values are settled by the interplay of interpersonal forces within the organization.

The emphasis that this approach gives to interpersonal relations might leave one with the impression that the determinants of urban expenditure decisions are as unique as the individuals who are involved in the bargaining process. The municipal budget process is viewed as the outcome of interpersonal rivalries among participants in the organization. In reality there are reasons to believe that budgeting might be less conflictual and less of a unique chaotic interpersonal happening. This leads us to a consideration of the organizational theory approach to municipal organization which looks upon budgeting as a series of routinized acts governed by specific sets of procedures.

B. Organizational Theory

The compilation of the budget is a recurring problem which municipal governments must solve. Municipal budgeting is viewed as an event which unfolds according to certain predictable patterns of decision-making behavior. Budgeting is the routinization of public choice by means of norms, roles, standard operating procedures, and decision rules. The budget process is viewed as a problem-solving sequence which is controlled by the complexity of the internal problem environment of the organization. This problem-solving/decision-making sequence is characterized as decentralized, fragmented, incremental, and relatively isolated from the envi-

ronment. No one individual or group of individuals is responsible for the resulting pattern of budget expenditures. The budget is viewed as the output of a series of organizational procedures which link together and occur within the various decision-making work units of the municipality. Each unit contributes a marginal amount to the final expenditure decision. Decision-makers at points further down the organizational decision-making sequence modify slightly the decisions made previously by other sections of the organization. This entire process is given cohesiveness by the institutionalization of roles which govern the problem-solving sequence. For example, departments always request more money, whereas the executive's job is to keep a balanced budget by keeping increases within limits. Institutionalized rules of the game such as these, combined with the decentralized, fragmented incremental nature of decision-making, make the budgetary process a very predictable phenomenon.[29]

In addition to viewing municipal budgeting as an evolutionary response to the complexity of the internal problem environment, one may also envision the budgetary process as a mechanism for conflict suppression. The incremental problem-solving sequence that characterizes the budgetary process cannot stand protracted budgetary warfare among organizational subunits. Organizational response to a potential source of conflict which threatened to disrupt normal budgetary routines can be seen in the demise of Planning, Programming, and Budgeting Systems in the federal government.[30] The analytical thrust of Planning, Programming, and Budgeting Systems was thwarted by the budgetary process. The organizational theory approach sets forth the idea that the budgetary process suppresses conflict by the quasi-resolution of conflict.[31] Organizational subunits are supposedly delegated a limited set of goals.

This fragments goal seeking so that conflict among subunits is avoided. Sequential attention to goals and simplified decision-rules further reduces conflict. The impact of institutionalized roles also leads to conflict reduction.[32] These factors caused one observer of the local budgetary process to remark, "The conflict, if you can call it that, takes place between the Mayor's office and the departments."[33] Thus conflict is institutionalized vertically via roles rather than occurring horizontally among organizational subunits.

C. Conclusions

The two conceptual frameworks of municipal budgeting discussed above each stress a different element of the internal organizational environment as the main determinant of expenditure decisions. The interpersonal politics approach stresses value and personality conflict among individual decision-makers. The organizational theory approach minimizes the extent to which conflict is an important factor in determining budgeting decisions. Instead institutionalized roles, decision-rules, and procedures are considered to be the factors which determine budgetary patterns. In fact they are designed so as to suppress, if not minimize conflict, should it occur.

From the standpoint of developing a theory of municipal budgeting, it would seem that the organizational theory approach has certain advantages over the interpersonal politics approach. Organizational theory, because it treats municipal budgeting as a recurring problem of administration, pays special attention to the standardized operating procedures and roles which have been designed to deal with the perennial budget problem. This emphasis on the standardized solutions to a recurring problem lends itself to the development of an organizational theory of municipal budgeting. It has been discovered that there are similarities between

roles, procedures, and processes of budgeting that are generalizable both within and across levels of analysis. For example, even though the external environments of cities may differ, the problem environments and the sets of procedures that are established to handle budgetary decision-making tend to be very similar. Likewise, the budgetary process at the national level has been found to have much in common with the budgetary process occurring at the state and local levels. The depiction of budgeting as role oriented, fragmented, decentralized, and incremental seems to be widely generalizable.

Studies of municipal budgeting undertaken from an organizational theory perspective may be able to explain over 90 per cent of the variance in the pattern of budgetary drift from year to year. Ironically the great predictive power of the approach is often the source of one major criticism. Oftentimes the things of primary interest to political scientists and administrators alike are those budget decisions which were not the result of routinized procedures. Political controversy seems to be beyond the scope of the organizational theory approach. The budget process is viewed as somewhat autonomous of its political environment. If one wants to be able to understand political controversy, perhaps the interpersonal politics approach might offer a better explanation of how revenues are budgeted.

VI. Municipal Expenditure Decisions: General Conclusions

In this chapter a variety of approaches to the study of municipal budgeting and expenditure patterns has been set forth. Studies of municipal budgeting differed as to whether they were conducted from a structural or individual actor perspective. In addition, each of the studies tended to emphasize different aspects of the environment. Despite these

differences in research focus, one general conclusion seems to emerge from the overview of the literature: decision-makers within the municipal budget system adapt to environmental stimuli which determines the pattern of city expenditures.

Of course, whether one scans the macro, aggregation, task, or internal environments for the driving forces of budgetary decisions has a great impact on the conclusions that one reaches regarding municipal budgeting. The review of the budgeting literature carried out above should make one self-consciously aware of the fact that every researcher brings something of his own to the research. As Graham Allison indicated in his analysis of the Cuban missile crisis, every researcher views the facts through his own conceptual lens.[34] Data must be interpreted within some conceptual framework.

The type of questions one asks about municipal budgeting determines to a certain extent the type of answers one receives in return. If, for example, one looks for pluralism in the aggregation environment, one will probably find it. On the other hand, if one focuses attention on the internal problem environment, one receives an interpretation of budgeting based on decision-making concepts derived from organizational theory. It is for this reason that the debate between those researchers, who believe that forces in the external environment determine urban expenditures, and others, who maintain that it is factors within municipal organization's internal environment, might never be conclusively resolved. Of course, the diversity of conceptual frameworks which have been used to analyze the municipal budget process makes one realize that what is at issue is much more complex than a simple debate between "externalists" and "internalists." The vastness of the external environment and the need to differentiate it into separate elements, each for research purposes, pro-

vides considerable room for scholarly debate and disagreement among the "externalists" themselves. One needs only to recall the sometimes fierce debate between the pluralists and the elitists regarding the nature of the aggregation environment as evidence of this phenomenon.

The realization that different conceptual frameworks may be used to interpret the same type of phenomenon has given rise in recent years to a concern for the way the rise and fall of paradigms structure the form of scientific inquiry within a particular academic discipline. Thomas Khun's description of the natural sciences as a puzzle-solving endeavor in which the facts or pieces are placed within an overriding research paradigm is a prime illustration of this concern.[35] Normal science is a mopping-up operation that occurs after the discipline experiences a crisis which requires the creation of a new research paradigm. For example, once Einstein's theories supplanted Newton's, a new puzzle-solving operation began. Similar ideas are echoed by researchers in the social sciences. Vincent Ostrom, for example, writes about the intellectual crisis in American public administration.[36] Supposedly the Wilsonian paradigm of public administration, which stressed reliance on a chief executive, is being challenged by a new paradigm of administration more firmly rooted in the democratic theory of Hamilton and Madison.

In the case of municipal expenditure decision-making the overriding superiority of any one conceptual framework is by no means established. Each of the various conceptual frameworks seems to be able to draw conclusions from a structure of inferential reasoning. As a result, no single conceptual framework can be designated as the one best way to study municipal expenditure decisions.[37] Yet because this overview of the municipal budgeting literature has indicated that the different conceptual frameworks are based on a common assumption, decision-makers within the munici-

pal budget system adapt to environmental stimuli, one joint limitation may be considered. The possibility that environments are adaptive to the actions of decision-makers within the municipal budget system is ignored.

Open system frameworks which focus on adaptive responses to the external environment (macro, aggregation, and task environments) and closed system frameworks which emphasize adaptive responses to the internal environment may give only a partial view of decision-making behavior. It is necessary to reconceptualize the linkages between systems and their environments recognizing the fact that it is sometimes possible for decision-makers to wield independent power over their environments.[38] For example, it is well known that in the municipal budgetary process the strategic use of information by administrators may enhance their control over the politicians' decision-making environment. Even the rise of program budgeting at the local level may have made it actually harder for council members to influence expenditure decisions because the executive department heads can now argue more persuasively for their causes with a program budget format.[39]

It is the intent of this study, which investigates the impact of General Revenue Sharing on municipal budgeting in six Detroit suburbs, to adopt a research framework which examines the ways decision-makers mold their environments as well as respond to them. The analysis that follows is thus undertaken in two parts. Part One (Chapters II, III, IV, and V) follows the traditional research focus which stresses the adaptation of the decision-makers to the environment. The General Revenue Sharing program is viewed as an environmental stimulus which municipal decision-makers adapted to. In Part Two (Chapters VI, VII, and VIII) the focus shifts to an examination of the way decision-makers exert control

over their environments. The General Revenue Sharing program is seen as a tool which decision-makers sometimes used to manipulate their environments.

Notes

[1]For a detailed description of sample selection procedures, research design and methodology employed in this study, the reader should consult the Appendix.

[2]The relationship between the organization and the environment is crucial for understanding municipal budgeting. Theoretical descriptions of municipal budgeting have commonly been divided into two fundamental schools of thought. Those which emphasize the importance of the external environment in determining municipal expenditure patterns and those which emphasize the importance of the internal environment. For a brief overview of this literature see W. Ed Whitelaw, "The City, City Hall, and the Municipal Budget," in Financing the Metropolis: Public Policy in Urban Economics, Urban Affairs Annual Reviews, Vol. IV, ed. by John P. Crecine (Beverly Hills, Calif.: Sage Publications, 1970), pp. 217-243.

[3]Richard N. Osborn and James G. Hunt, "Environment and Organizational Effectiveness," Administrative Science Quarterly, XIX (June, 1974), 231-246.

[4]John P. Crecine, "A Simulation of Municipal Budgeting: The Impact of the Problem Environment," in Policy Analysis in Political Science, ed. by Ira Sharkansky (Chicago: Markham Publishing Company, 1970), pp. 270-303.

[5]Harvey E. Brazer, City Expenditures in the United States, Occasional Paper 66 (New York: National Bureau of Economic Research, 1959); George F. Break, Intergovernmental Fiscal Relations in the United States (Washington, D.C.: Brookings Institution, 1967).

[6]For a review of the data analytic perspective in comparison with the process analytic approach, see Roanld D. Brunner and Klaus Liepelt, "Data Analysis, Process Analysis, and System Change," (Discussion Paper No. 20, Mimeographed, Institute of Public Policy Studies, University of Michigan, n.d.); Ronald D. Brunner and Gary D. Brewer, Organized Complexity (New York: Free Press, 1971).

[7]Those interested in exploring the parallel between David Easton's systems approach to politics and traditional economic theory should see J.S. Sorzano, "David Easton and the Invisible Hand," American Political Science Review, LXIX (March, 1975), 91-106.

[8]For excellent critiques of the input-output approach to city expenditure decisions see Phillip B. Coulter, "Comparative Community Politics and Public Policy: Problems in Theory and Research," Polity, III (Fall, 1970), 22-43; John J. Kirlin and Stephen P. Erie, "The Study of City Governance and Public Policy Making: A Critical Appraisal," Public Administration Review, XXXII (March/April, 1972), 173-184.

[9]Oliver P. Williams, et al. Suburban Differences and Metropolitan Policies; a Philadelphia Story (Philadelphia: University of Philadelphia Press, 1965); Oliver P. Williams, "Life-Style Values and Political Decentralization in Metropolitan Areas," in Community Politics: A Behavioral Approach, ed. by Charles M. Bonjean, Terry N. Clark, and Robert L. Line-

berry (New York: Free Press, 1971), pp. 56-64; Ira Sharkansky, "Government Expenditures and Public Services in the American States," American Political Science Review, LXI (December, 1967), 1066-1077; Thomas Dye, "Governmental Structure, Urban Environment, and Educational Policy," Midwest Journal of Political Science, XI (August, 1967), 353-380.

[10]For a discussion of the differences between behavioral and analytical assumptions see Milton Friedman, Essays in Positive Economics (Chicago: University of Chicago Press, 1953); Sidney G. Winter, "Satisficing, Selection, and the Innovating Remnant," The Quarterly Journal of Economics, LXXXV (May, 1971), 237-260; Nicos P. Mouzelis, Organisation and Bureaucracy (Chicago: Aldine Publishing Co., 1968), p. 140.

[11]Charles M. Tiebout, "A Pure Theory of Local Expenditures," Journal of Political Economy, LXIV (October, 1956), 416-424.

[12]Stephen M. Miller and William K. Tabb, "A New Look at a Pure Theory of Local Expenditures," National Tax Journal, XXXVI (June, 1973), 161-176.

[13]Floyd Hunter, Community Power Structure (Chapel Hill: University of North Carolina Press, 1953).

[14]For an analysis of this controversy see Thomas J. Anton, "Power, Pluralism, and Local Politics," Administrative Science Quarterly, VII (March, 1963), 425-457.

[15]Peter Bachrach and Morton S. Baratz, "Two Faces of Power," American Political Science Review, LVI (December, 1962), 947-952.

[16]Matthew A. Crenson, The Un-Politics of Air Pollution (Baltimore: John Hopkins University Press, 1971); Roger Cobb and Charles Elder, Participation in American Politics: The Dynamics of Agenda Building (Boston: Allyn and Bacon, Inc., 1972); Peter Bachrach and Morton S. Baratz, Power and Poverty: Theory and Practice (New York: Oxford University Press, 1970); Richard M. Merelman, "On the New Elitist Critique of Community Power," American Political Science Review, LXII (June, 1968), 451-460; Raymond E. Wolfinger, "Nondecisions and the Study of Local Politics," American Political Science Review, LXV (December, 1971), 1063-1080, 1102-1111; Frederick W. Frey, "Comment: On Issues and Non-Issues in the Study of Power," American Political Science Review, LXV (December, 1971), 1081-1101; Nelson Polsby, "Community Power Meets Air Pollution," Contemporary Sociology, I (March, 1972), 99-101; Richard M. Merelman, "Review of Crenson," American Political Science Review, LXVII (March, 1973), 216-217.

[17]For example, one finds Parsons talking about how higher level institutional structure and agencies of the community successfully control lower level managerial organization and how managerial organization controls the technical structure at the bottom of the social division of labor. See Talcott Parsons, Structure and Process in Modern Societies (New York: Free Press, 1960), pp. 63-64.

[18]Robert A. Dahl, Who Governs? (New Haven: Yale University Press, 1961); Robert A. Dahl, "A Critique of the Ruling-Elite Model," American

Political Science Review, LX (June, 1966), 285-296.

[19]Jack Walker, "A Critique of the Elitist Theory of Democracy," American Political Science Review, LX (June, 1966), 285-296.

[20]Lane Davis, "The Cost of Realism: Contemporary Restatements of Democracy," Western Political Quarterly, XVII (March, 1964), 37-46.

[21]An excellent discussion of the voice and exit options at the theoretical level is Albert O. Hirschman, Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States (Cambridge: Harvard University Press, 1970).

[22]Robert Presthus, Men at the Top (New York: Oxford University Press, 1964); John Walton, "The Vertical Axis of Community Organization and the Structure of Power," in Community Politics, ed. by C. M. Bonjean, et al., pp. 188-197.

[23]Norton E. Long, "The Local Community as an Ecology of Games," American Journal of Sociology, LXIV (November, 1958), 251-261.

[24]Crenson, The Un-Politics of Air Pollution, pp. 154-158.

[25]Matthew Holden, "The Governance of the Metropolis as a Problem in Diplomacy," Journal of Politics, XXVI (August, 1964), 627-647.

[26]For a description of the city's dependency relationship to its environment see Norton E. Long, "The City as Reservation," Public Interest, XXV (Fall, 1971), 22-38; George Sternlieb, "The City as Sandbox," Public Interest, XXV (Fall, 1971), 14-21.

[27]For examples of economic rationality applied to politics see James M. Buchanan and Gordon Tullock, The Calculus of Consent (Ann Arbor: University of Michigan Press, 1962); Anthony Downs, An Economic Theory of Democracy (New York: Harper & Row Publishers, 1957).

[28]Chris Argyris, "Understanding Human Behavior in Organizations," in Modern Organizational Theory, ed. by Mason Haire (New York: John Wiley & Sons, Inc., 1959).

[29]John P. Crecine, Governmental Problem-Solving (Chicago: Rand McNally & Co., 1969).

[30]Allen Schick, "A Death in the Bureaucracy: The Demise of Federal Planning, Programming, and Budgeting," Public Administration Review, XXXIII (March/April, 1973), 146-156.

[31]Richard M. Cyert and James G. March, A Behavioral Theory of the Firm (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1963).

[32]Thomas J. Anton, "Roles and Symbols in the Determination of State Expenditures," in Policy Analysis in Political Science, ed. by Ira Sharkansky (Chicago: Markham Publishing Company, 1970); Otto A. Davis, M.A.H. Dempster, and Aaron Wildavsky, "A Theory of the Budgetary Process," American Political Science Review, LX (September, 1966), 529-547.

[33]Crecine, Governmental Problem-Solving.

[34]Graham Allison, "Conceptual Models and the Cuban Missiles Crisis," American Political Science Review, LXIII (September, 1969), 689-719.

[35]Thomas S. Kuhn, The Structure of Scientific Revolutions (Chicago: University of Chicago Press, 1970).

[36]Vincent Ostrom, The Intellectual Crisis in American Public Administration (Rev. ed.; University, Ala.: University of Alabama Press, 1974).

[37]For a discussion of competing conceptual frameworks and the criteria used to make a choice between them, see Robert L. Bish and Vincent Ostrom, Understanding Urban Government (Washington, D.C.: American Enterprise Institute for Public Policy Research, 1973).

[38]Charles Perrow, Complex Organizations: A Critical Essay (Glenview, Ill.: Scott, Foresman, and Company, 1972). In this essay Perrow argues that one needs to consider the possibility that environments are adaptive to organizations. Perrow argues for combining the Institutional School of Sociology's emphasis on the external environment with the Neo-Weberian approach's analysis of the internal environment in order to analyze the independent power which bureaucracies wield over their external environments.

[39]James E. Jernberg, "Financial Administration," in Managing the Modern City, ed. by James M. Banovetz (Washington, D.C.: International City Management Association, 1971), pp. 345-376.

PART ONE: THE IMPACT OF THE ENVIRONMENT ON THE SYSTEM

CHAPTER II

GENERAL REVENUE SHARING AND PUBLIC PARTICIPATION

The aim of this chapter is to determine whether the State and Local Fiscal Assistance Act of 1972 (General Revenue Sharing) has made the municipal budget systems of six Detroit area communities more open to political pressures. General Revenue Sharing is viewed as an exogenous environmental variable which each municipal budgetary system must adapt to. Section I begins by contrasting the avowed political purpose of the General Revenue Sharing legislation to revitalize local governments with current knowledge about the behavioral processes underlying municipal budgeting. Concepts derived from empirical studies of municipal budgeting which show the municipal budget system to be relatively independent of the local political environment are reviewed. In light of this discussion the null hypothesis that General Revenue Sharing should not be expected to transform the nature of municipal budgeting is set forth. Section II consists of case studies which describe the impact that General Revenue Sharing made on levels of public participation in municipal budgeting in each of the six Detroit area communities selected for analysis. Section III draws conclusions from the case studies' material in light of the previously discussed budgeting theory.

I. Political Intentions Vs. Behavioral Processes

> General Revenue Sharing is the first step in a comprehensive program of reform which I have described as a New American Revolution. It is designed to return power to the people...and that was the purpose of our original revolution nearly 200 years ago.[1]

> The purpose of General Revenue Sharing was to return "power to the people." That purpose was acclaimed by such unlikely bedfellows as President Nixon and Abbie Hoffman. Appealing as it did to a broad spectrum, including mayors and governors, in an election year, General Revenue Sharing received less scrutiny than it deserved.[2]

A. Political Intentions

The enactment of any major piece of legislation generates a great deal of political rhetoric. In the case of the State and Local Fiscal Assistance Act of 1972 the slogan was "power to the people" which was heralded as a return to the purpose of the original American Revolution. General Revenue Sharing was intended, so the political rhetoric went, to make politics more responsive to the citizenry by bringing political reality in line with democratic theory. This would be accomplished by shifting decision-making from Washington to state and local governments. Once the vast federal bureaucracy was circumvented, state and local governments would become revitalized and be better able to respond to demands for public services.

One must be cautious and not outrightly reject the slogan "power to the people" as empty political rhetoric. There might be, afterall, some substance behind the notion that local government would be revitalized by the inflow of General Revenue Sharing funds. Certainly it is easy enough to conceive of how General Revenue Sharing might politicize local budgeting. For example, the new General Revenue Sharing funds flowing into local governments might be quite visible and attract the attention of interest groups and citizens inside and outside of government who want a share of the money. The visibility of General Revenue Sharing money could supposedly unleash a political debate over local expenditure priorities, thus revitalizing municipal budgetary decision-making. The fact that the General Revenue Sharing legislation requires administrative separation of the federal funds and stipulates that local governments publish their

Planned and Actual Use Reports of General Revenue Sharing money in the local newspapers, seemingly provides local interests with an opportunity to become actively involved in the allocation process.

Of course, whether such a political budget scenario as the one just outlined actually takes place is a question that can be settled only by empirical investigation. Indeed, Section II of this chapter investigates whether or not a political revitalization of local governmental decision-making occurred in the six Detroit suburbs selected for analysis. Prior to this direct investigation of actual budgetary processes, however, it is useful to briefly recall past empirical studies of municipal budgeting which suggest that the visions of political revitalization evoked by the slogan "power to the people" had very little chance of materializing.

B. The Municipal Budget System

The municipal budget system has been shown to be a small subsystem that is reasonably isolated from the broader social, economic, and political environment.[3] What this implies is that the impact of variables in the environment at large may be negligible in the short run and discernable only in the long run. The theoretical justification for this assumption is based on the Fisher and Ando theorems of ceteris paribus.[4] According to these theorems, if a nearly independent subsystem of linear equations is imbedded in a larger system, then the larger environment can be ignored when predicting the behavior of the subsystem in the short run.

The simulation model of the municipal budgetary process, developed by John P. Crecine, is an example of a nearly independent subsystem that is imbedded in a larger socioeconomic and political system. The larger

socioeconomic and political system is able to be decomposed into a series of nearly independent subsystems.[5] Since an understanding of the budgetary subsystem and its relationship to the broader social and political context is essential to this study of General Revenue Sharing, the budgetary subsystem described by Crecine's formal model needs to be made explicit.

The simulation model of the municipal budgetary subsystem developed by Crecine actually contains three distinct subprocesses or subsystems. First of all, departments formulate their budget requests; secondly, the mayor makes his budget recommendations; and thirdly, the council takes action with regard to the final appropriations. This causal hierarchy of decisions constitutes the decomposed budgetary subsystem. When formally depicted, the budgetary subsystem consists of a system of linear equations which represents the behavior of each subprocess mentioned above. For our purposes it is not necessary to mathematically portray the system of equations which represents the budgetary subsystem. It is essential, however, to review the concepts which are necessary to understand the mechanics of the budgetary subsystem.

C. Process

Up to this point the term "process" has been used imprecisely. Now the term can be given a concise meaning. In the context of the budgetary subsystem, process refers to the sequence of decisions that occurs within the budgetary subsystem. The entire budgetary subsystem can be treated as a hierarchy of decisions. The decisions of the various departments to request a certain level of appropriations are submitted to the mayor's office which in turn influence the mayor's budget recommendations. The mayor's budget recommendations in turn act as a constraint

on the decisions that the council makes to appropriate revenue for the various departments. The municipal budgetary subsystem is viewed as a process because it consists of a sequence of decisions which appears to be ordered according to a causal hierarchy.

D. Structure of Decision Rules

The various processes described above are regulated by a "structure of decision rules." Technically speaking, the structure of the decision rules refers to the mathematical form of the function which describes how an individual decision is arrived at. In a nontechnical sense, the structure of decision rules can be thought of as depicting the roles of individual decision-makers within the budgetary subsystem. Roles summarize actions which occur repeatedly and are designed to accomplish similar goals.

In Crecine's study of municipal budgeting in Cleveland, Detroit, and Pittsburgh, it was discovered that the structure of decision rules remained basically the same across cities. Department heads all based their appropriation requests according to what they thought would be acceptable to the mayor's office. These calculations were simplified by using the current appropriation levels as a base and considering such discrepancies as the tone of the mayor's budget letter, last year's appropriations requests, cuts, etc.

Similarly, the mayor's office which had the legal responsibility to submit a balanced budget to the city council for its consideration typically cut departmental requests by an amount which was greatly determined by historical precedent. This involved a subjective estimate as to whether a particular department was noted for submitting honest or realistic budget estimates. By the time the mayor's budget was submitted

to the city council, most of the budgetary decisions had been made. The council's role was limited due to the complexity of the budget, the fact that it lacked adequate staff, and because it operated under the presence of a very real revenue constraint.

As a result of these factors the council found it difficult to alter the mayor's budget significantly. It appeared then that the structure of decision rules that were used to formulate the municipal operating budget remained essentially constant across cities. A decision-maker situated at a particular level within the decision-making hierarchy of the municipal budgetary subsystem would take the same variables into consideration when making his budgetary decisions as would his counterpart in another city government.

E. Parameters

Two concepts necessary to understand the workings of the budgetary subsystem have been discussed above, process and structure of decision-making rules. From a process analytic viewpoint, two municipal budgetary subsystems are similar to the extent that the processes and structures of decision-making rules operating within each subsystem are basically the same. Cities, however, are said to be different with respect to the "parameters" that govern the operation of the structured decision-making rules within each municipal budgetary subsystem. Mathematically speaking, the "parameters of the decision rules" refer to the constant terms in the system of linear equations which describe the budgetary subsystem. Intuitively speaking, the parameters may be viewed as reflecting the weight that a decision-maker gives to the variable involved in a particular decision. For example, if a department consistently manages to keep the mayor's budget cuts to a minimum, this may indicate strong internal support by the mayor's office or may reflect the mayor's judgement as to whether the

department is noted for making realistic budget estimates.[6] Presumably this internal support or intuitive assessment of a department's reliability would be reflected in the parameter values that are empirically generated using regression models.

F. Behavior

The three concepts which have been set forth above, process, structure of decision rules, and parameters of decision rules, are essential for understanding the behavior of the municipal budgetary subsystem. Taken together the three concepts serve as the basis of an analytic framework which permits one to see how decision-makers respond to their internal budget environment. The thing that characterizes the internal environment of the municipal budgetary subsystem is the complexity of the budgetary problem. Since it is impossible for decision-makers to make separate judgements regarding each line item in the budget, their response to the internal environment has been to treat the budgetary problem as a problem of organized complexity.[7]

According to this analytic framework, the budget is compiled through a hierarchical sequence of decisions which are made according to structured decision rules that are weighted by individual decision-makers to fit the problem at hand. The budgetary subsystem as a whole operates in an incremental fashion by assuming that this year's budget problem is almost the same as last year's. The behavior of the municipal budgetary subsystem can therefore be best explained by knowing how individual decision-makers react to their internal problem environment. Furthermore, because the budgetary subsystem has been viewed as a decomposable system that is embedded in the larger social system, the external political environment is believed to exert a minor impact on the behavior of the budgetary subsystem in the short run.

G. Municipal Budgeting and General Revenue Sharing

If the description of municipal budgeting outlined above is an accurate representation of the behavioral processes at work in local governments, then the null hypothesis that General Revenue Sharing should be expected to produce no impact on municipal budgeting would seemingly have a good chance of being substantiated by empirical investigation. Operationally this could mean several things. First of all, one would find municipal budgeting still approximating a closed system process which is relatively insulated from the political environment. The municipal budgetary subsystem should not be expected to become more open to local political pressures because of the advent of the General Revenue Sharing program. Secondly, one would expect the General Revenue Sharing funds to be budgeted in accord with the standard operating procedures normally used to allocate local revenues. The hierarchical sequence of budgetary decisions which begins with departmental requests and ends with council appropriations would probably be essentially unaltered by the flow of new general fund type revenues into the city. Thirdly, the structure of decision rules which gives cohesiveness to an otherwise fragmented budgetary process would remain unchanged by the General Revenue Sharing program. Since General Revenue Sharing funds are not initially earmarked for any particular department, it is doubtful that the individual decision-makers would see General Revenue Sharing as changing the basic structure of the budget game.

Probably the only facet of municipal budgeting that might be affected by the General Revenue Sharing program would be with respect to the parameters which govern the operation of the municipal budgetary subsystem. For example, if General Revenue Sharing adds considerably to local revenues, then the increased size of the budget pie might cause budget

requests to be inflated over what they otherwise would have been. Such revisions of budget estimates could be thought of as parameter changes.

Below in Section II attention is focused on the relationship between the municipal budgetary subsystem and the local political environment. Whether or not General Revenue Sharing was successful in revitalizing local government decision-making by returning "power to the people" is illustrated by case studies of six Detroit area communities. The impact that General Revenue Sharing made on the other aspects of municipal budgeting described above is discussed at length in Chapter III, General Revenue Sharing and the Budgetary Process.

II. General Revenue Sharing and Local Politics

A. Southfield

Southfield is an affluent suburban community boardering the northwest boundary of Detroit. In the daytime its 78,000 residential population explodes to around 500,000, representing an influx of white collar office workers that clog the city's arteries. Originally people moved here to find a suburban home surrounded with trees in order to escape the closed-in feeling of living in Detroit. Today when the suburban homeowner goes into his backyard to mow the lawn, he looks up and sees the outline of a high rise office building over the tips of his trees. New construction seemingly abounds everywhere. The city will soon be about 74 per cent developed. Built upon progress, Southfield is experiencing some of the inevitable political pressures to slow down development.

Zoning is a big political issue.[8] Environmental impact studies have caused a crisis in the city administration. Before bridges can be built and roadwork done to accomodate the commuter traffic, a study of

environmental impact must be made. Meanwhile programs are delayed, inflation pushes the costs up, people seek rezoning in the path of roads, debate arises over the best use of parks, etc.

The pace of progress is slowed because of disagreements as to what the future development of the city should be. From the practical standpoint of running the day to day operations of the city, however, the most serious problems are in the public safety area. Crime is the number one problem.[9] Shortly after taking office, the newly elected Mayor of Detroit, Coleman Young, declared a war on crime and told criminals that they had better move out of the city and stay on the other side of Eight Mile Road. For the citizens of Southfield who happen to share the Eight Mile Road boundary with Detroit, this was not really news. For several years crime has been expanding outward into the suburbs by its own volition. Almost 89 per cent of the arrests in Southfield are of people who reside outside the city's border.[10] Even if suburban Southfield is successful in staving off increases in inner-city type crime, its newly acquired skyline guarantees it all the problems of a metropolitan area in terms of fire fighting.[11] The Southfield fire department which in previous years had to worry mainly about single story suburban units had had to adapt to the problem of fighting fires in high rise developments that are increasingly occupying a greater share of the twenty-eight square mile territory it must service.

In response to these pressures in the public safety area, Southfield voters approved a three mill tax increase in April 1974 that was especially earmarked for the police and fire departments. Except for such gestures of support at the polls, the citizens of Southfield do not as a rule involve themselves in the financial matters of the city. The formulation of the budget has been pretty much in the hands of the city admin-

istrator's office which has been able to provide an acceptable mix of goods and services while maintaining the lowest property tax rate in the state of Michigan for a city over 20,000 (seven mills before the three mill increase). In the words of one city official, "the city has to be run like big business."[12]

The public budget hearings which are held once a year have become something of a joke among public officials because of poor attendance on the part of the public.[13] They use to be held on Saturday mornings and would draw maybe eight people. Then they were shifted to Tuesday evenings because it was thought that maybe people did not want to get out on Saturday morning. The public response to this change was a further decline in attendance. Two people came to the first Tuesday meeting in 1973 and just one citizen turned out in 1974.

It is in this context of a budget system operating relatively independent of its political environment that Southfield first encountered General Revenue Sharing. While some congressmen in Washington may have intended that General Revenue Sharing return "power to the people," hoping for increased participation on the part of the citizenry, in Southfield the legislation was perceived by local officials as giving power to the people who normally run the day to day operations of the city. The predominant perception of General Revenue Sharing was that it was designed to break down the federal bureaucracy which in the past stood in the path of a city's efforts to get money to solve its immediate problems. General Revenue Sharing was perceived an an effort to return to local units funds which were by all rightstheirs but which were not previously available because of tied strings imposed by the federal government.[14] Despite the fact that my talks with local officials covered the time period shortly before and after Nixon's resignation, the General

Revenue Sharing was repeatedly singled out favorably as Nixon's policy.

General Revenue Sharing was thus viewed as a program which was designed to circumvent the federal bureaucracy and allow more money to flow into city government. Southfield officials did not see their role as one of using General Revenue Sharing to increase public participation in budgetary decision-making.[15] No special hearings or agency reviews were conducted regarding the disposition of General Revenue Sharing funds. No new organizational procedures, save for minor accounting procedures, were set up to allocate the General Revenue Sharing money that might have increased citizen participation. The only change in the budget proceedings was the federal requirement to publish the Planned and Actual Use Reports of General Revenue Sharing expenditures in the local press. This created very little reaction from the public although it did bring up some discussion in council. The local media treated General Revenue Sharing as just another federal grant that came into the city. As one elected official stated, "We have such a poor media that they did not understand it to begin with."[16]

The general sentiment of Southfield officials seems to be that citizens really do not care too much where the money is coming from. It is mostly a matter of what you are doing for them. Are the roads in good repair, are the recreation facilities adequate, etc. The time when the citizens will come down on the local politicians is when they do not see anything being done.[17] The lack of interest that Southfield citizens expressed in General Revenue Sharing substantiated this view of the populace. Attendance at budget hearings continued to be very low in spite of the inflow of new federal money into the community. The League of Women Voters was the only community group that even expressed an interest in General Revenue Sharing.[18] One League member talked with the deputy city

administrator for a couple of hours one day. Her questions were general and she did not reveal a campaign to get anything done specific. She just wanted to know what General Revenue Sharing was all about.

One official speculated that this lack of interest is partly a result of the fact that Southfield's total General Revenue Sharing allotment for five years represented only 1.5 per cent of a single year's budget. Southfield's operating budget was $19,000,000 in 1974-1975. A single year's General Sharing allocation amounted to around $238,000. One councilman described the problem that Southfield faced in allocating General Revenue Sharing funds as the problem of "how to budget a dime."[19]

General Revenue Sharing was not expected to increase citizen participation in budgetary decision-making in Southfield. Local officials felt it was necessary as always to take it upon themselves as leaders to get what they had to have. As a result, alternatives regarding the use of General Revenue Sharing funds were raised by the city administrator's office and discussed before council months before the receipt of the federal funds.[20] General Revenue Sharing was anticipated by the city manager's office and tenative decisions as how to spend General Revenue Sharing were made months before the general public was informed of the program. This was in accord with the usual standard operating procedures governing the budget process which entrusted a great deal of responsibility in the city administrator's office.

B. Dearborn

The logo proudly reads, "City of Dearborn, Michigan--Home Town of Henry Ford." As the site of the home offices for the Ford Motor empire, the city of Dearborn continues to benefit from its association with the auto industry. The Ford Motor Company and related industries have pro-

vided the community with a substantial tax base. The assessed valuation has swollen to a little over a billion dollars. Of the 19.97 mill tax authorized by the city charter, the Ford Motor Company pays 51 per cent, other businesses and industries 25 per cent, whereas the residents pay only 24 per cent.[21]

Although the millage rate is relatively high, the Ford Motor Company largess and the enormous tax base enable the city to provide its citizens with an exceptionally high level of services. For example, Dearborn residents enjoy a four million dollar library donated by the Ford Foundation. Furthermore, Dearborn's police service is noted throughout the Detroit metropolitan area for its speed of dispatch. Once a Dearborn citizen calls for police assistance, help arrives at his door within two to three minutes.[22] Such protection has managed to keep Dearborn's crime rate down even though the city shares a border with the city of Detroit.

While Dearborn officials express satisfaction with their vast library system and their public safety program, they also point out that Dearborn possibly has the world's finest city recreation program. The most impressive element of this program is Camp Dearborn, a 626-acre "Citizens' Country Club" located thirty-five miles northwest of the city in Oakland County. Dearborn residents can go out to the country, rent a tent, and camp out for a couple of weeks. In addition the citizens of Dearborn enjoy eight outdoor swimming pools, seven indoor ice rinks, and well-kept parks and play facilities located within moments of every home. Although the entire recreation program costs almost $1,500,000 a year, it is justified by the belief that "every dollar spent for recreation is a dollar you do not need for police.[23]

While the young and agile might be said to be the primary benefi-

ciaries of the city's huge recreation program, the city has targeted other programs specifically for senior citizens. There are three low-income senior citizen facilities in town for retirees--Townsend Towers opened in 1963, Kennedy Plaza opened in 1969, and Sisson Manor opened in 1970. If the cold Michigan weather turns out to be too harsh for some of the senior citizens, well then there is always Dearborn Towers in Clearwater, Florida. Purchased by the City of Dearborn in 1967 from the federal government, the eighty-eight unit Dearborn Towers provides luxurious retirement housing overlooking Clearwater Bay near the Gulf of Mexico for Dearborn senior citizen retirees.

The taxes generated by the auto industry have thus allowed the all white middle-class suburb of Dearborn to finance a high level of public goods and services which benefit both the young and old alike. The close association with the auto industry, in some instances, however, produces problems for city officials. In the southeast section of town, for example, pollution is sometimes an issue.[24] Usually, however, the wind blows the right way, spreading most of the effluents eastward out of Dearborn over into the neighboring city of Melvindale. Similarly, the private actions of the Ford Motor Land Development Company to construct a new shopping center in Dearborn had some city officials concerned. Although providing a net increase in taxes, the new shopping facilities would also create new service demands. With the city already near its maximum millage rate the establishment of a city income tax to meet the increased demands on city services may become a political issue.[25]

While the Ford Motor Company undoubtedly holds the distinction of being the largest single economic factor responsible for the maintenance of a high level of city expenditures, perhaps the single largest political factor that has affected the present mix of city services stems from the

personage of the Mayor. Mayor Orville L. Hubbard was elected Mayor of Dearborn in November 1941, took office January 6, 1942, and has held the position ever since. The seventy-one year old Mayor holds the U.S. record for the longest continuous service by a full-time mayor. His thirty-three years of service have left their indelible imprint on city hall. A loyal administrative staff serves completely at the pleasure of the Mayor and takes care of the day to day operations of the city. The city council performs a perfunctory role with the policy decisions being formulated by the Mayor. The citizenry acquiesces, appearing happy with the way the Mayor runs the city. The Mayor reigns supreme and in recent years has captured over 70 per cent of the vote.

The Mayor is the strongest and most salient political force in the city of Dearborn. The domination of the Mayor over local politics is perhaps reflected in the very low level of citizen participation in the budgetary decision-making process. This weak input is vividly underscored in the following dialogue between Mayor Hubbard and his Deputy Controller, Bob McCormick:

> Mayor: We've had public hearings for about how many years, Bob?
> Deputy Controller: Ah ...
> Mayor: It's required under the new (Michigan State) constitution.
> Deputy Controller: It goes back at least ten years, sir.
> Mayor: We've never had a citizen objection to the budget, have we?
> Deputy Controller: No sir, we haven't.
> Mayor (to interviewer): So you see how democracy works.[26]

The flow of General Revenue Sharing funds into the city treasure had virtually no impact on the way democracy operated in Dearborn. The public hearings for General Revenue Sharing were combined with the public hearings for the budget normally held before formal adoption by council. When asked if any citizen had complained about the proposed General Revenue Sharing expenditures, the Mayor was quick to respond," No, they haven't done that. No, no, no, no, that would be a free for all. When

the government gets that involved, when people participate to that extent, then it would screw up everything."[27] Such is budgetary politics in the city of Dearborn.

C. Royal Oak

The suburban community of Royal Oak has entered the era of limits which seemingly menaces so many municipalities throughout the country. Growth which has traditionally been a prerequisite for a prospering city has virtually stopped. Although still the largest city in Oakland County, Royal Oak has experienced a slowdown in the rate of population increase in recent years which has wrecked havoc on the city administration's attempts to balance the budget. Originally Royal Oak officials expected the city to grow from 80,612 in 1960 to around 97,000 in 1970.[28] The 1970 census figures, however, revealed a population of only 86,238. Since state and federal intergovernmental transfers are frequently awarded on a per capita basis, the city of Royal Oak "lost" anticipated revenues.[29]

Royal Oak's revenue problems, exacerbated by a slowdown in the rate of population growth, are compounded by the fact that the predominantly white middle-class suburb just north of Detroit is very much a bedroom community. Approximately 1 per cent of Royal Oak's assessed valuation of $395,000,000 is industrial.[30] In addition there is practically speaking no geographical space left for industrial or business growth to occur. Already 95 per cent of the city's 11.7 square miles land area is developed.[31] The last piece of property of any size has been designated for the development of a shopping center. To be sure, this new development will add considerably to the city's tax base but by no means is expected to be able to completely close the gap between revenues and expenditures.[32]

Royal Oak officials face a grim future in which there seems to be little hope for further expansion of the tax base. Instead growth is likely to occur in the neighboring suburbs of Troy and Warren which have more land for industrial and business expansion.[33] In fact the city leaders of Royal Oak will be fortunate just to maintain the status quo and prevent the erosion of the tax base in the future. The central business district has been gradually deteriorating over the last decade. A few development studies have been made to turn the downtown area into a mall, but unless stores can be enticed away from surrounding shopping centers, there appears to be little likelihood of such a reorganization proving to be a tax boon for the city.[34]

The inability of Royal Oak to generate and sustain the type of growth considered essential for its economic well being has placed a tremendous burden on city employees and the community at large. The city is beset with a financial and administrative crisis which affects both sides of city hall. On the one hand, since Royal Oak is a city of homeowners, they are particularly hard pressed to pay for the mix of goods and services which the city provides.[35] On the other hand, since 80 per cent of the city's budget is earmarked for wages and salaries, the tight fiscal situation makes negotiations with the city's five unions especially difficult.[36] The resultant play of forces has had a detrimental effect upon both the community and city worker. The city has been forced to decrease the quality of services that the citizens had been receiving. This has been achieved primarily by layoffs among the city workforce. In 1967-1968 the city laid off twenty-eight workers. In 1970-1971 twenty additional employees were let go.[37] In addition about ten positions were eliminated through retirement.[38] These cuts affected not only clerical staff, but police, fire, and public works departments as well.

Royal Oak's financial crises have thus adversely affected both the community and city hall. It is the feeling among city officials, however, that the citizenry is far too complacent about the perilous position that the city government finds itself in. For example, it appears to the Mayor that the average citizen is content with the status quo. As the Mayor reflected, "I don't know that the people of Royal Oak have any great important issue facing them."[39] The simple wants of the average Royal Oak resident are described by the comments of one city commissioner:

> The citizen is not really aware of the basic problems of city government. What he wants is adequate police and fire protection so that if his house is on fire, he gets the fire department; if he needs a policeman, the police come. He wants somebody to come by and pick up the garbage every week and clean up the streets. This is basically all average Joe Citizen really wants--the basic requirements. As long as these services continue he isn't truly aware of the cost of them.[40]

In short, as the Mayor assessed the Royal Oak electorate, unless the citizens have an axe to grind, "this city is complacent. They don't get shook up too much. Somebody has got to stir them somewhere."[41]

On those rare occasions when the electorate has become actively involved in the affairs of city government, it has not been out of sympathy for the tough job that local officials have making ends meet. On the contrary, the citizen has become active to protect his individual self interest by foiling local officials' attempts to increase taxes. Within the last seven years city officials have tried to solve their financial problems in two ways.[42] In 1967 the City Commission tried to take advantage of a Michigan statute which authorized the city to enact a 1 per cent income tax on residents. When placed on the ballot, the measure was resoundly defeated by a four to one margin. Similarly, the Commission sought to increase the eleven mill tax levy limitation in the local charter only to be defeated by the local electorate.

The message is clear. The electorate does not want to pay higher taxes for local government services. They seem to be content with poorer quality service as long as the basic service itself is provided. As one city official explained the voters' behavior:

> We are the last layer of government that people have the option on taxes. With Uncle Sam and the State of Michigan they don't have this option. I don't think there is anyone in the community that doubts the fact that we have one helluva (low) tax rate. But they come and say, "Yeah, but this is the only way I can make my ire known. I can't argue Uncle Sam. I can't do anything to vote it down. I can't do anything to the State of Michigan." So looking down the road, I think in the future municipalities are going to have to have available to them something comparable to a public service commission.[43]

Certainly short of circumventing the local electorate it appears that there is little the politician in Royal Oak can do to lower the voters' frustration level. For example, the Mayor painfully recollects his unsuccessful attempt to pass a city income tax.

> I led the fight to reduce the millage by giving us an income tax. People didn't believe you. They'd say, "You don't take away taxes. You never reduce taxes. Government keeps adding and adding." I could not get it across to those people that if they voted yes for an income tax, the question automatically lowered their property millage two full mills. And they said, "Who's kidding who?" Even when it's a law they won't believe it. I said, "You could sue us. The State of Michigan would crucify us if we collected that two mills after you voted it down." They didn't believe me. They said, "No government ever cuts taxes."[44]

Royal Oak's past has thus been from time to time colored with frustrated spurts of voter participation. Such voter arousal, however, proves to be the exception rather than the rule. Normally there is very little citizen involvement with the budget process. Attendance at the annual budget hearings is notoriously low. As the Mayor describes these lackluster meetings, "There may be one or two city employees and a couple of stragglers who got in there but didn't even know exactly what they were doing when they came."[45]

General Revenue Sharing has not opened up the budget process. It

has not provoked higher levels of citizen interest and participation in budgetary decision-making than existed before Congress passed the program. A prevalent view among city officials was that the majority of people in Royal Oak were not even aware of revenue sharing. No one could recall of a single citizen question or complaint over the city's use of General Revenue Sharing funds even though the city's finances had been given increased coverage in the local media because of the severe fiscal crisis facing municipal government.

It appears that in the minds of many Royal Oak officials the failure of General Revenue Sharing to act as a stimulus to increase citizen participation can be directly linked to the city's tight financial situation. As one commissioner concluded:

> I think you've got to appreciate that Royal Oak was somewhat, you might say, different than many cities that had revenue sharing. Cities that had adequate funds available to run their cities, that had added income from revenue sharing and then had to decide what to do with those monies that they got as to the projects they could use it for in the city, I'm sure those cities would have probably discussed citizen participation problems and so on. In many cities they were excess funds. They weren't needed for day-to-day operation of the city. So I think Royal Oak is peculiar in that these were not excess funds. We anticipated these to balance our budget and therefore it was cut and dry as to where the money would be spent.[46]

D. Warren

Since its incorporation in 1957 the city of Warren has experienced phenomenal population growth. In the last two decades Warren's population has increased in excess of 100 per cent, jumping from 89,000 in 1960 to 179,000 in 1970 with a current estimated population of over 185,000.[47] This makes this northern Detroit suburb the largest city in predominantly Democratic Macomb County as well as the fourth largest city in the State of Michigan. Warren's rapid population growth was paralleled by fantastic industrial expansion of 250 per cent in the past

twelve years.[48] Although there are more than 1,000 manufacturers producing 2,000 classes of products, General Motors is considered to be the dominating industry in Warren. The most famous GM installations in Warren are the $300,000,000, 330-acre Technical Center, Chevrolet Manufacturing, and Fisher Body Central Engineering. For six straight years Warren led the nation as the fastest in population and industrial growth.[49] Viewed from this perspective it is no wonder that local officials have dubbed Warren "the city of progress."

Warren's rapid progress was accompanied by the inevitable growing pains. Perhaps one of the biggest headaches for city officials charged with overseeing the community's orderly and progressive expansion was a result of the fact that Warren had grown without establishing the base of a downtown area. In 1966 a master plan was adopted which proposed a $200,000,000 city center complex.[50] Included in the master plan were civic center buildings, shopping center, areas for recreation and entertainment, office buildings, multiple housing, etc. Although several of the facilities had been completed prior to the advent of the Federal Revenue Sharing program, the civic center construction had never really gotten off the ground, the primary reason being that taxes are a big issue in Warren. When the city was incorporated in 1957, a nine mill tax limitation was written into the charter and all attempts to change it have been unsuccessful.[51] The General Revenue Sharing program was thus perceived by many local officials as a way of finally getting the civic center complex started and other important capital improvements projects funded that had been neglected during the city's peak period of growth in the 1960's.

Faced with a tremendous backlog of capital projects caused by Warren's rapid expansion during the previous decade, municipal officials

realized that making General Revenue Sharing expenditure decisions would be no easy task. Local officials chose to treat General Revenue Sharing funds differently from other revenue in order not to rush into any rash decisions that might later be regreted. As one city councilman explained the Council's response to General Revenue Sharing:

> There were so many programs and the money that we wanted to do all these things finally became available. Rather than just plung head-over-heels into some particular project, we deliberated a great period of time and showed patience but yet also imagination in adopting some of these programs which in the long run will be very effective in the city of Warren.[52]

It should be pointed out that the council members' imaginations were stimulated in part by citizen participation at a special hearing on General Revenue Sharing funds which was conducted well in advance of the regular budget hearing and before any of the federal funds had actually arrived in the city in 1972. Since normally only a handful of citizens came to the annual budget hearing and because the council members felt that they needed assistance in determining revenue sharing capital expenditure priorities, a separate hearing on General Revenue Sharing was conducted to specifically allow citizen input from the community.

Despite the special hearing on General Revenue Sharing funds, the meeting was not considered to be well attended. Perhaps fifty people from various interest groups were present to make their views known before council, not too many considering the city of Warren is approaching a population of 200,000. Generally speaking, however, the council members were pleased with the special hearing and interpreted the low turnout as indicating the Warren residents' faith in the city council. In the words of one city councilman:

> We had a public hearing to discuss the priorities that the city council suggested, but again I think that the council's performance on this particular matter showed that the citizens of Warren were pleased with our efforts and our programs because we had a public hearing and

> I believe there were only twenty-five to fifty people out of a city of 200,000 that showed up to question the revenue sharing.[53]

It would be mistaken to assume that those citizens who did turn out for the special hearing on General Revenue Sharing were interested in the Federal Revenue Sharing program per se. The revenue sharing program was incidental; the fact was that the program represented a known source of funding. No community group was formed explicitly because of the revenue sharing program. Existing groups merely became more active once they found out that an additional $2,500,000 a year was to flow into the city of Warren. The lure of available resources activated group interests. As one official observed, "They (interest groups) existed before but when they heard the rattle of dollars, they all came and voiced their opinions."[54]

The citizen interest in budgetary decision-making elicited by the General Revenue Sharing program was temporary at best. Once the federal dollars were earmarked, citizen involvement ceased. The special General Revenue Sharing hearing did not produce any infectious fallout that was carried over to the rest of the budget process.[55] Attendance at the annual budget meeting remained abysmally low, presumedly because of Warren's overall tight budgetary circumstances. The usual low level of citizen input in the budget process was matter-of-factly explained by one official: "When you have fixed income, there's just so much that you can do with it. It's not like you have unlimited resources and then there can be all kinds of differences in opinion as to what can be done with it."[56]

Those groups that did become involved in the General Revenue Sharing expenditure decision-making process represented a varied spectrum of interests: recreation groups, senior citizen groups, church groups, taxpayers associations, the Chamber of Commerce, and the Friends of the Warren Library.[57] Perhaps conspicuous because of its absence in the above

list is the city's unionized workforce. It seems that General Revenue Sharing did not affect contract negotiations with police, fire, and other city employees. This was first of all because the council had already declared that the money would be allocated strictly for capital improvements and secondly because the unions bargained strictly on economic issues anyway.[58]

Of course, each group attending the special revenue sharing hearing wanted its program adopted first, but a few groups were definitely more active than the rest. For example, the senior citizen groups, recreation groups, and the Library group were esp e cially active. The senior citizen groups wanted the city to use General Revenue Sharing money to construct senior citizen housing. Although most of the cities neighboring Warren had some type of senior citizen housing, there were no such facilities in Warren. It seems that Warren's recreation programs for senior citizens, however, did provide a forum for the senior citizens to unite and organize. As one official analyzed the senior citizens' efforts:

> In our recreation programs we've always had programs for senior citizens. So that at those meetings they got together and compared notes and the first thing you know they marched into the public hearings and said, "Hey, this is what we want" and council paid attention to them.[59]

Not wanting to take credit away from the senior citizens groups themselves, it should also be noted that their efforts to secure housing for Warren's elderly were supported by local church groups.[60]

The culturally-minded Warren citizens stressed the fact that the educational services rendered by the Warren Public Library were as vitally important to the community as other city services. The Friends of the Warren Library unleashed an impressive petition drive getting hundreds of signatures in order to insure that the Warren Public Library receive an equitable share of the total revenue sharing monies available under

the provisions of the State and Local Fiscal Assistance Act of 1972.[61]

The recreation groups were very vocal but not as united in their demands as the senior citizens groups or the Friends of the Warren Library. The swimmers wanted the city to construct a fifty-meter Olympic size pool which was to be Warren's first outdoor swimming facility. Hockey enthusiasts rallied together and all congregated in council chambers one night to persuade the city to construct ice rinks. Other spokesmen emphasized the need for recreation park site acquisitions.[62]

The results of all this interest group activity were mixed. The senior citizen groups and the recreation groups had their demands met, while the Friends of the Warren Library went away empty handed. There simply was not enough money to satisfy everyone. The overall assessment that most city officials made of the interest group activity was that it had been effective and that the pressure on council had made an impact on General Revenue Sharing expenditure decisions. As one official summarized:

> They came in by the numbers and council said, "Hey, this has got to be one of our high priority needs." I think probably they would have recognized their needs anyway, but I don't think they would have placed that senior citizen housing project probably quite as high in their priorities if these people hadn't marched on the council and so on. The same way with the recreation groups. That's why we're building swimming pools and ice-skating rinks ahead of a police station or something else, because of that type of interest from the outside of our environment out there.[63]

E. Westland

Westland is a blue-collar working class community. Its citizens do not appear too interested in budgetary frills and even less interested in the budgetary process. Westlanders expect to be provided with trash pick-up, basic fire protection, basic police protection, and good roads. As long as a minimal level of these services is provided, the

public generally stays away from the annual public budget hearing held in May. It may not actually make much difference anyway if the public does turn out for the annual budget hearing. For the most part the hearing is just a public ritual. The majority of budgetary decisions are made in council-executive planning sessions which are closed to the public. Normally there are two or three closed planning sessions before the public hearing in May and one planning session immediately after the hearing to wrap up last minute budget details.[64]

Westland officials point out that while the planning sessions are closed to the public, there is nothing really discussed at those meetings that the people could not know about. As one official phrased it, "They're not trying to pimp anybody out of a job or anything."[65] In the future the budget planning session will probably go public completely, especially in light of the Michigan Attorney General's ruling that such meetings are illegal. It is extremely doubtful, however, that the public would be interested enough in the planning sessions to attend them if it could, considering the low attendance at the annual public budget hearings. For example, in May 1972 the council arranged a special hearing just for the fiscal year 1973 budget. The council members walked onto the floor at 7:30 p.m. to be greeted by three regular council watchers (one woman had not missed a council meeting or any type of public meeting in the city for the last seven years). Needless to say, under such circumstances the annual public hearing on the city budget lasted only about five minutes.[66]

The annual public budget hearing in Westland is not only a public ritual but an empty ritual at that. The arrival of General Revenue Sharing funds into the city seems not to have changed this. Although there was no public hearing specifically on General Revenue Sharing funds, the allocation of the funds was to be discussed at the annual public budget

hearing in May 1973. This time just two people showed up to discuss the fiscal year 1974 budget (once again the same woman with the perfect attendance record was there).[67]

During the first year of the program the community of Westland did not seem too particularly concerned about Federal Revenue Sharing. The only real discussions concerning revenue sharing took place among the council members themselves. As one councilman described the Westland citizenry's awareness of Federal Revenue Sharing: "I think all they know is that the federal government sends us some money and that we spend it."[68] Revenue sharing certainly did not raise the level of interest in the 1974 budget.

During the second year of the revenue sharing program the council decided to do things a little differently to boost the attendance at the annual budget hearing. The council members did not want to have to continue to hold public hearings where they would listen to the Mayor present the city budget to only two or three people. In a community of over 100,000 people, the council felt that they had to take steps to increase the input from the citizens. A decision was made to change the time at which the annual public budget hearing was held. The hearing for the fiscal year 1975 budget was thus put on the agenda of a regularly scheduled council meeting in May 1974.

The change in meeting time seems to have improved the attendance at the annual budget hearing. Previously Westlanders had not been interested enough to turn out for a separate budget hearing even though the budget is probably the most important document published by the city each year. Citizens came out in fairly large numbers, however, to the combined council meeting/budget hearing. An estimated seventy-five to eighty people attended the meeting, twenty-five of them there specifically for budg-

et purposes. Such attendance figures were considered normal for a "good" council meeting when many spectators came just to watch the show.[69]

While moving the budget hearing to a regular council meeting night may certainly be correlated with the increased attendance, it is at best only partially responsible for the heightened interest in the fiscal year 1975 budget. Many Westland residents at that budget hearing might indeed have been expecting to witness an entertaining spectacle. The beginning of fiscal year 1975 found the city of Westland in a little bit different fiscal situation than it was normally accustomed to. The city was suffering from a million-dollar deficit which had recently forced layoffs of twenty-four police, fire, public works, and office personnel.[70] The political ramifications resulting from the layoffs were felt at the annual budget hearing. The unions, especially police and fire, were persistent in raising questions about city finances.[71] The political confusion created by Westland's budgetary problems thus seems to have been the major factor behind the increased attendance at the annual budget hearing rather than the scheduling of the budget hearing as part of the regular council agenda.

Westland's financial problems politicized the budgetary decision-making process and raised the level of interest in the budget which resulted in increased attendance at the city's annual budget hearing. Likewise this politicization of city finances seems to have generated interest in Federal Revenue Sharing. The Mayor, for example, indicated that as Westland entered into contract negotiations with the city's unionized workforce early in 1974, the four unions were very much aware of General Revenue Sharing. When the city administration pointed to Westland's worsening financial situation as evidence of why it could not afford to meet the union demands for pay increases, the unions would point to General

Revenue Sharing.[72] As the police chief commented on the negotiating ability of the police union: "They do pretty good for themselves. They argue and if there's more, they're going to get more."[73]

In general there continued to be no dramatic inquiry about Federal Revenue Sharing from any of the organized groups in the community at large. One group, the senior citizens, however, expressed some concern at the annual budget hearing at where the revenue sharing money had gone. The "Gray Panthers," as the senior citizens were humorously dubbed, complained that the revenue sharing money was just swallowed up into the city's coffers. They turned out at the budget hearing to try to get a little of revenue sharing money for themselves and were moderately successful in persuading council to appropriate additional funds for senior citizens recreation facilities.[74]

Resorting to the time honored practice of petitioning council, the senior citizens got a slim slice of the revenue sharing pie. While the senior citizens were the only community group seriously attempting to get some of what they perceived to be a revenue sharing windfall, there were numerous individual citizens at the public hearing who stood up and asked questions about the 1975 budget which related to the city's extra Federal Revenue Sharing money. According to the Mayor, this type of behavior indicated that the public came to the budget hearing with an erroneous conception of revenue sharing:

> The public is very much aware of Federal Revenue Sharing, but they've been oversold on it just like a lot of cities probably have. The public which doesn't really understand municipal finance problems, and rightfully so, they read in the paper from Congressman (Bill) Ford's office that the federal government in its infinite power and wisdom is going to give the city of Westland three quarters of a million dollars. They say, "All of our problems are over since we're getting all of this money." They don't know about the union contracts to settle, that the price of concrete is 15 per cent higher than last year, that the price of garbage pick-up is 10 per cent higher. They don't think about that. All they see is this political hogwash from

> out of Washington about all this Federal Revenue Sharing that the government is going to give them.[75]

This notion that revenue sharing was something extra that Westland had in its normal budget proved to be quite perplexing to the Mayor. As the Mayor described the interaction of the public with the city administration at the annual budget hearing:

> Whenever you would say, "We can't afford to have a crossing guard at such and such intersection," someone would say, "What about Federal Revenue Sharing? Why can't you take it out of there?" Or we would say, "We can't afford to trade in police cars at 30,000 miles, we've got to wait till 40,000" and invariably some guy would say, "Well, how come you can't take it out of Federal Revenue Sharing?"[76]

Such inquiries regarding General Revenue Sharing have made it more necessary than ever before for the administration to explain city finances to the public. Generally speaking, the administration welcomed the opportunity to discuss the problems of municipal finance with the public more deeply than it had in the past. After much discussion, it was possible to convince the public that there was only so much money and that it had to be spread throughout the general budget. It was no easy task though for the administration to shake the idea from peoples' heads that revenue sharing was not something extra or the ultimate solution to Westland's financial crisis. It seems that the city administration's efforts to win public acceptance of its 1975 budget was complicated by the fact that the city council members themselves tended to view General Revenue Sharing funds as something separate from the local budget. In the words of the Mayor:

> Unfortunately, the council which really doesn't understand a lot of these things either sort of adds fuel to the fire by saying such things as "Well, we ought to have a taxi cab service for senior citizens!" and someone will say, "Where are we going to get the money?" and another councilman will say, "Let's take it out of Federal Revenue Sharing!" And so you know, it just takes a comment like that, a person hears that, and it just adds to the idea that Federal Revenue Sharing is set aside in some neat little pot that we can take just as we need it, instead of throwing it in the whole pot and just

dividing the money up, which is what we do.[77]

F. Pontiac

The city of Pontiac has all the problems of a core city. Like many core cities, Pontiac is suffering from a deterioration of its downtown business district. Over a ten-year period, urban renewal cleaned out large blocks of downtown Pontiac which have now lain vacant for years because the city could not attract new development. At the heart of the urban renewal area, the southern end of Wide Track Loop, only one new building has been built and it is only partially occupied. The Pontiac Plan designed to revitalize the downtown area never was actualized.

Second only to the deterioration of the downtown as a point of concern, citizens and city officials alike are worried about the growing crime rate. Unless people can be made to feel that it is safe to go downtown, it is felt that efforts to rebuild the city will never succeed. To tackle the problems of crime and deterioration, city officials have embarked upon an accelerated building demolition program to eliminate urban decay everywhere in the city. By clearing out vacant buildings which may house illegal activities and demolishing fire shells, it is hoped that the cancer which is eating away at the city will be controlled. Throughout many sections of Pontiac one finds lots that have been cleared away to remove the blighting influence and some have even been turned into little neighborhood parks.

Perhaps the major factor that allows the city government to survive amidst the crime and deterioration is the strong industrial base of General Motors in the community. There are four GM plants in town (Pontiac Motor Division, GMC Truck and Coach Division, GMC Parts Division and Fisher Body Division) which along with other light industries keep the city

of Pontiac financially afloat. Being the center of an automotive complex is not without its risks however. The strike against General Motors in 1970 deprived the city treasury of expected corporate and individual income taxes and created a budget deficit which the city was not able to pay off completely until July 1973.

Just as the financial situation in Pontiac was stabilizing, the energy crisis came along at the end of 1973 causing auto sales to plummet and city revenues once again to dry up. Fortunately for Pontiac the decline in car sales was accompanied by an increase in truck sales so that the decline that Pontiac Motors Division and Fisher Body experienced was partially offset by the boom at the GMC Truck and Coach Division. The Finance Department found that with General Revenue Sharing and other grants-in-aid from the federal government the city was able to comfortably ride over the dip in local revenues caused by the energy crisis. In human terms, however, the toll was much greater. At the beginning of 1974 the unemployment rate in Pontiac hovered at 18 per cent.

Besides deterioration of the central business district, high crime, and high unemployment, the city of Pontiac has also had its share of racial unrest. Out of a population of around 87,000 approximately 30 per cent are black and 8 per cent Latino. In 1967 the racial tension that errupted in Detroit was also felt in Pontiac. In 1971 Pontiac once again hit the headlines when the local school buses were blown up as a protest over cross-town bussing.

The core city problems that beset Pontiac (deterioration, crime, unemployment, racial tension to have mentioned a few above) have produced the familiar out-migration to the suburbs. The loss of affluents, both black and white, has not only resulted in a loss of middle-class tax dol-

lars but has also depleted a pool of talent that might someday have been tapped for public service in the community. Perhaps realizing the difficulty of attracting skilled personnel into city government, the voters of Pontiac passed a referendum in fiscal year 1974 which abolished the city's ten-mile radius residency requirement for city employees. City employees can now live anywhere in Oakland County.

The flight to the suburbs has left Pontiac with another glaring deficiency. Pontiac suffers from a lack of recreational and cultural kinds of programs and activities that one might expect to find even in a small town. Pontiac does not have anything you could call a community center. This barren cultural climate combined with the core city problems has generated an attitude of despair and hopelessness among city residents that local officials realize clouds Pontiac's future. As the City Manager explained, "I'm inclined to think that the serious problem has to do with the attitude of the people in the community. They know the city has run down a lot. They know it's kind of hard to pull back around."[78]

The immediate goal of Pontiac officials is thus to try to turn the city around. To succeed they realize that they will have to deal with not only the physical but also the subjective manifestation of Pontiac's urban problems. City officials are hoping that the new Pontiac Stadium will not only be an economic boon to the community but will also be a positive influence on the way people in Pontiac look at themselves and people in surrounding communities look at Pontiac. This hope for a brighter future underlies the little city slogan issued by the Mayor's office, "Keep Your Eye on Pontiac!"

In 1971 the city created the Human Resources Department to specialize in people programs and generate citizen participation in govern-

ment. As the Director of the Human Resources Department explained, however, the new emphasis on people programs was perhaps just as much a reaction to federal incentives as it was to the demands of Pontiac residents:

> One of the reasons that the Human Resources Department was created would be to permit the city to receive some federal monies with the Urban Renewal Program and the Neighborhood Development Program. That legislation required citizen participation and they didn't have a mechanism for getting that participation other than citizens coming down to the weekly commission meeting which would not meet the requirements of the act. So they had to create some groups that could organize the citizens into a viable body.[79]

It would be unfair though to disparage the efforts of Pontiac officials to develop a good rapport with the citizenry. In fact as the Director of Human Resources Department points out the relations between the city commission and the community are extremely good:

> Those guys are out there working and I think relate real well. In fact sometimes I think they over respond to the community much to the dismay of department heads who have racked their brains trying to come up with a decent proposal and they get in front of the commission and the whole thing's changed.[80]

The efforts that city officials have taken to reach out and involve the community in governmental affairs is clearly reflected in the budgetary process. In 1972 just before General Revenue Sharing funds first arrived in Pontiac and in a totally unrelated move, the city administration started a series of special hearings on the city budget.[81] Prior to the budget being considered by the city commission, the administration held five neighborhood meetings to discuss the budget in strategic locations throughout the city away from city hall. By scheduling four evening meetings and one noon time meeting out in the local districts, it was hoped that citizen input into the budgetary decision-making process would be increased.

The City Manager offered a gloomy assessment of this venture to increase citizen input although it has been repeated in subsequent budget

years, "It sounds real good, but it was terribly unsuccessful."[82] It appears that there has been a low turnout at these meetings and in some cases there have been more city employees making presentations than there were spectators in the audience. Undaunted over the failure, however, officials are pressing forward with plans to continue the neighborhood meeting format in future years but with a new twist. The city has recently acquired a bus which they plan to use as a mobile city hall. The "Pontiac Listening Post" as the bus has been nicknamed will carry some city meetings right into shopping centers or park areas so that city officials will really have an opportunity to communicate with Pontiac residents.[83]

In addition to the special budget hearings conducted by the city administration, the formal budget hearings held by the city commission also leave the door wide open for citizen input. The city charter requires a first and second reading of the budget before the commission passes an appropriations ordinance. Also once the budget has been approved, the commission at mid-year normally holds another public hearing to make needed revisions in the budget.

The entry of Federal Revenue Sharing funds into the city of Pontiac's treasury seems to have had little effect on citizen interest in the budgetary process.[84] A few curious individuals asked the commissioners some general questions about the workings of the General Revenue Sharing program. A few extreme radicals warned the elected officials against accepting the federal funds else the federal government would take over Pontiac city government. By and large, the most concerted group efforts came from the Latino community and the senior citizens. The Latins, perhaps responding to the fact that the city had published the General Revenue Sharing Planned Use Reports in Spanish, wondered if the federal

funds could ever be used to build a cultural center for Latins. The senior citizens wanted the General Revenue Sharing money to be used for senior citizen transportation. Eventually the commission met both of these groups' demands. The General Revenue Sharing funds were used to purchase vans to transport Pontiac residents fifty-five years or older who need medical care but are unable to provide their own transportation to and from medical facilities. In contrast, federal categorical aid, CAP monies out of the OEO program, were used to set up a Latin multi-purpose center.

All things considered, revenue sharing created little stir in the community. As the Director of the Human Resources Department explained: "I don't think folks approached it on the basis of specifically identifying revenue sharing money as a target. They go for programs and they go to the commission for money."[85] In interpreting this lack of interest in revenue sharing, the former Director of Finance expressed the beliefs of many Pontiac officials: "Basically the way I think we like to construe it (is) that the lack of interest and the lack of constructive or destructive criticism on the way the money is used is merely an acceptance that we're doing okay."[86]

III. General Revenue Sharing and Public Participation: Conclusions

The characterization of municipal budget systems as relatively closed systems which are insulated from their local political environments seems to have been substantiated by case study data. Furthermore it seems that the arrival of General Revenue Sharing funds in the six Detroit area communities did little to increase the levels of citizen participation in municipal budgeting. Only in Warren where the city council had designated General Revenue Sharing funds to be used specifically for capital projects and where a special public hearing on the

General Revenue Sharing program was held did citizens exhibit a direct interest in the new federal program.

In the other five cities General Revenue Sharing did not appear to create much of a public sensation. In Westland the city's worsening financial situation created some temporary interest in the General Revenue Sharing program until it became apparent that the new transfer of federal funds into the city would not resolve the city's budget problems. Similarly the financial crunch was so severe in Royal Oak that no citizen interest in General Revenue Sharing emerged because of the widely known fact that decision-makers faced a budget that was largely uncontrollable. In Dearborn where there had not been any great public controversies over the budget in years because of the paternalistic reign of Mayor Hubbard, the General Revenue Sharing expenditure decisions were made without citizen involvement. Likewise citizens in the relatively affluent community of Southfield, normally satisfied that the city was being run professionally like a big business, felt content to leave the General Revenue Sharing expenditure decisions in the hands of city officials. Finally in Pontiac, where there has been a very low level of interest in city budget hearings despite repeated efforts to hold discussions of the budget in strategic locations throughout the community, there was no widespread interest in General Revenue Sharing.

Notes

[1]Letter, President Richard M. Nixon to Ray S. Smith, Jr., Chairman of the Governing Board, The Council of State Governments, December 20, 1972, State Government, XLVI (Winter, 1973), 5.

[2]U.S., Congress, House, Intergovernmental Relations Subcommittee of the Committee on Government Operations, Replies by Members of Congress to a Questionnaire on General Revenue Sharing, 93rd Cong., 2d sess., 1974 (Washington, D.C.: U.S. Government Printing Office, 1974), p. 9.

[3]John Crecine, Governmental Problem-Solving (Chicago: Rand McNally & Co., 1969).

[4]Franklin M. Fisher, and Albert Ando, "Two Theorems on Ceteris Paribus in the Analysis of Dynamic Systems," American Political Science Review, LVI (March, 1962), 108-113.

[5]For further discussion of the decomposability theorem see Albert Ando, and Franklin M. Fisher, "Near-Decomposability, Partition and Aggregation, and the Relevance of Stability Discussions," in Essays on the Structure of Social Science Models, ed. by Albert Ando, Frankdlin M. Fisher, and Herbert A. Simon (Cambridge, Mass.: MIT Press, 1963), pp. 92-106.

[6]For a discussion of appropriation requests and how they are interpreted as indicators of public or congressional support see Richard F. Fenno, The Power of the Purse (Boston: Little, Brown, and Company, 1966). For an interpretation of model parameters see the discussion in Otto A. Davis, M.A.H. Dempster, and Aaron Wildavsky, "The Theory of the Budgetary Process," American Political Science Review, LX (September, 1966), 529-547.

[7]An excellent discussion of organized complexity is contained in Herbert A. Simon, The Sciences of the Artificial (Cambridge, Mass: MIT Press, 1969), pp. 84-118; see also Ronald Brunner and Garry Brewer, Organized Complexity (New York: Free Press, 1971).

[8]Steve Hurite, City Commissioner, Interview No. 30 held in Southfield, Michigan, August 14, 1974.

[9]Donald Fracassi, Mayor, Interview No. 21 held in Southfield, August 1, 1974.

[10]Ibid.

[11]Don Foote, Fire Chief, Interview No. 14 held in Southfield, Michigan, July 25, 1974.

[12]Hutite, Interview No. 30.

[13]Fracassi, Interview No. 21.

[14]Ibid.

[15]Robert Caldwell, Deputy Administrator, Interview No. 6 held in Southfield, Michigan, July 18, 1974.

[16]Fracassi, Interview No. 21.

[17]Ibid.

[18]Caldwell, Interview No. 6.

[19]Hurite, Interview No. 30.

[20]Caldwell, Interview No. 6.

[21]Simon Banda, Housing Director, Interview No. 2 held in Dearborn, Michigan, July 16, 1974.

[22]Daniel S. McCormick, Budget Director and Deputy City Controller, Interview No. 1. held in Dearborn, Michigan, July 16, 1974.

[23]"Hubbard Begins 33rd Year as Mayor on January 1," Dearborn Guide, January 4, 1974, (reprint).

[24]Banda, Interview No. 2.

[25]McCormick, Interview No. 1.

[26]Orville L. Hubbard, Mayor, with Daniel S. McCormick, Budget Director and Deputy City Controller, Interview No. 31 held in Dearborn, Michigan, August 15, 1974.

[27]Ibid.

[28]George W. Tubbs, former Director of Finance of Royal Oak, Interview No. 13 held in Royal Oak, Michigan, July 25, 1974.

[29]Ibid.

[30]Michael E. Lesko, Personnel Director, Interview No. 23 held in Royal Oak, Michigan, August 6, 1974.

[31]John H. Austin, City Commissioner of Royal Oak, Interview No. 27 held in Southfield, Michigan, August 13, 1974.

[32]Ibid.

[33]Lesko, Interview No. 23.

[34]Tubbs, Interview No. 13.

[35]Austin, Interview No. 27.

[36]Lesko, Interview No. 23.

[37]Letter, from Bruce W. Love, City Manager, to James P. Cline, Mayor, and City Commission, City of Royal Oak, Michigan, April 30, 1971, p. 4.

[38]Lesko, Interview No. 23

[39]James P. Cline, Mayor, Interview No. 33 held in Royal Oak, Michigan, August 19, 1974.

[40]Austin, Interview No. 27.

[41]Cline, Interview No. 33.

[42]Letter, from B.W. Love to J.P. Cline and City Commission, City of Royal Oak, April 30, 1971.

[43]Lesko, Interview No. 23.

[44]Cline, Interview No. 33.

[45]Ibid.

[46]Austin, Interview No. 27.

[47]City of Warren, Michigan, "Welcome to Warren, Michigan," (mimeographed pamphlet, n.d.), p. 1.

[48]Ibid., p. 2.

[49]Ibid.

[50]Ibid.

[51]Arthur Burke, Deputy Council Secretary, Interview No. 12 held in Warren, Michigan, July 25, 1974.

[52]Arthur J. Miller, Jr., Council Vice-President, Interview No. 32 held in Warren, Michigan, August 15, 1974.

[53]Ibid.

[54]Ibid.

[55]John E. Hanrahan, Controller, Interview No. 3 held in Warren, Michigan, July 16, 1974.

[56]Burke, Interview No. 12.

[57]Hanrahan, Interview No. 3.

[58]Milford S. Gilliam, Police Commissioner, Interview No. 15 held in Warren, Michigan, July 30, 1974.

[59]Hanrahan, Interview No. 3.

[60]Miller, Interview No. 32.

[61]Burke, Interview No. 12.

[62]Adam Wojciechowski, Recreation Director, Interview No. 17 held in Warren, Michigan, July 30, 1974.

[63]Hanrahan, Interview No. 3.

[64]A. Kent Herbert, Budget Director, Interview No. 7 held in Westland, Michigan, July 18, 1974.

[65]Ibid.

[66]Glen Shaw, Councilman, Interview No. 28 held in Westland, Michigan, August 13, 1974.

[67]Ibid.

[68]Ibid.

[69]Herbert, Interview No. 7.

[70]Ibid.

[71]Shaw, Interview No. 28.

[72]Eugene McKinney, Mayor, Interview No. 11 held in Westland, Michigan, July 23, 1974.

[73]William Rechlin, Chief of Police, Interview No. 24 held in Westland, Michigan, August 8, 1974.

[74]Herbert, Interview No. 7.

[75]McKinney, Interview No. 11.

[76]Ibid.

[77]Ibid.

[78]Frank Smiley, City Manager, Interview No. 26 held in Pontiac, Michigan, August 8, 1974.

[79]Bob Anderson, Director, Human Resources Department, Interview No. 35 held in Pontiac, Michigan, August 21, 1974.

[80]Ibid.

[81]Smiley, Interview No. 26.

[82]Ibid.

[83]Wallace E. Holland, Mayor, Interview No. 29 held in Pontiac, Michigan, August 13, 1974.

[84]Ibid.

[85]Anderson, Interview No. 35.

[86]Robert Rummel, former Director of Finance, Interview No. 18 held in Pontiac, Michigan, July 30, 1974.

CHAPTER III

GENERAL REVENUE SHARING AND THE BUDGETARY PROCESS

This chapter examines the impact which the State and Local Fiscal Assistance Act of 1972 (General Revenue Sharing) made on the budgetary decision-making processes of six Detroit area communities. In the previous chapter the process analytic theory of municipal budgeting was reviewed which depicted budgetary decision-making as a hierarchical sequence of decisions, structured by standardized decision rules and bound by economic and social parameters. Since the general non-matching nature of the General Revenue Sharing grant may give it the appearance of being just another source of local revenue, General Revenue Sharing monies might be expected to be budgeted by the same procedures as general fund revenues. This null hypothesis that General Revenue Sharing should be expected to produce no impact on municipal budgeting is examined in light of the case study material presented below in Section II.

Before the case studies are presented, however, it is necessary to make a few direct comments about the nature of the linkages between intergovernmental transfers and the municipal budget process. Although process analytic studies have greatly contributed to our understanding of the standard operating procedures used to budget local revenues, they have for the most part only indirectly focused attention on the relationship between intergovernmental transfers and the municipal budget system. The opportunity model of budgeting intergovernmental transfers which has evolved from the process analytic studies of municipal budgeting is set

forth below in Section I. The assumptions of the opportunity model are then contrasted with what may be termed a suboptimization model of budgeting. This discussion should serve to help the reader interpret the case study material that follows.

I. Fiscal Federalism and Decision-Making Processes

A. The Opportunity Model

As a rule process analyses of municipal budgeting have not directly focused attention on the the relationship between intergovernmental transfers and the budgetary process. Indirect means have been used instead to attempt to account for the way the municipal budgetary process responds to constraints placed upon the expenditures of intergovernmental transfers. One such analysis by J.P. Crecine revealed an opportunity model of budgeting. Crecine analyzed the impact of intergovernmental transfers indirectly by examining the residuals or error deviations that his formal computer simulation model of municipal budgeting made in predicting actual appropriation decisions.[1] Although, in general, the external environment played a minor role in allocating expenditures, it was discovered that there were instances in which the external environment was found to affect the expenditure decisions of local government via the revenue constraints placed on intergovernmental transfers.

In the instances that the external environment was found to exert an impact, it was through revenue totals. Crecine discovered this by analyzing a subset of model deviations taken from the three cities in his study. The deviations were calculated by subtracting predicted appropriations from actual appropriations. The subsets of model deviations or residuals were categorized by their perceived causes. These causes were as follows:

1. Change in external environment
   a. Intergovernmental transactions
   b. Catastrophic event, crises--reaction to focus of public attention
2. Changes in internal environment
   a. New administration
   b. Change in departments or functions
3. Lack of information (by model)
   a. Implications of capital budgeting decision
   b. Additional (earmarked) revenue sources discovered
   c. Change in system of accounts
   d. Other (timing of elections)
4. Unexplained, miscellaneous, and other
   a. Missing data
   b. Improper accounting procedures
   c. Increased work load[2]

The causes of the residuals, the environmental corrections, were determined by examining the mayor's budget messages to the council, newspaper accounts, and budget hearing records. What emerges from this analysis of model residuals is an opportunity model of budgetary change. It was found that the overall drift of the pattern of budgetary expenditures changes in response to earmarked revenues. "Rapid spurts of growth are observed in those areas where the city has the opportunity to expand activities because of the presence of revenue (federal funds), rather than in areas having rapid changes or spurts in 'needs'."[3] The constraints of the earmarked federal revenue caused a change in the expenditure pattern of local government. In addition to these findings, the analysis of residuals indicated that changes in general revenues only accelerated or depressed the pattern of budgetary drift but did not alter it. Presumedly because general revenues have no strings attached, changes in them did not change the broad pattern of budgetary drift.

The opportunity model of intergovernmental transfers described above, which is generated from Crecine's analysis of his model's errors in predicting actual appropriations, depicts a game of grantsmanship occurring between local and federal officials. Local officials are sup-

posedly always on the lookout for opportunities to secure sources of intergovernmental revenue. Usually as a result of the restricted nature of most federal grants in the past, the opportunism has produced a shift in expenditure patterns in the area where the available resources exist. This type of behavior by local budgeting officials illustrates the fact that even though the municipal budgetary subsystem has been depicted as relatively insulated from the external environment, in certain instances the external environment may affect the expenditure outcomes of the municipal government.

To say that the expenditure patterns of local governments are affected by the constraints placed on intergovernmental revenues, of course, does not contradict the null hypothesis that General Revenue Sharing is expected to produce no impact on the municipal budgetary process. The non-matching, no-strings-attached character of General Revenue Sharing funds implies that they could conceivably be processed as other local revenues. The fact that Crecine's findings indicated that unrestricted revenues either accelerated or depressed the overall pattern of budgetary drift lends support to the contention that General Revenue Sharing may be expected to produce no impact on municipal budgetary processes.

It should be pointed out, however, that the opportunity model of intergovernmental transfers set forth by Crecine does not specifically deal with the cognitive processes of individuals as they go about budgeting intergovernmental transfers. Instead Crecine scans the external environment for factors that would account for errors in his computer model's predictions of actual appropriations. The relationships between model errors and revenue constraints discovered by this investigation served as a basis for concluding that the external environment may in certain instances affect the municipal budgetary system through revenue

totals. This analysis of model errors or residuals which generates an opportunity model of budgeting is not an analysis of behavioral processes but is instead a data analytic type of input-output analysis.

At issue here is not the interpretation that stems from Crecine's analysis of residuals. While it is true that in certain instances if the unexplained variance of a model is high and while one might easily fool oneself into believing that one knows something by attaching a particular meaning to a residual category, Crecine's model is n o t beset with this problem.[4] In the case of his computer simulation which often explains 90 per cent or more of the variance in appropriation decisions, it may indeed be possible to look at the model deviations and attribute them to special events in the external environment. What should be emphasized, however, is that one cannot directly know anything about the behavioral processes of individuals engaged in budgeting intergovernmental transfers from the analysis of model residuals. Although such an exercise may help to explain specific model errors, it does not directly contribute to a general understanding of the way municipal budget officials perceive and handle the inflow of intergovernmental transfers. On the basis of the analysis of residuals, however, one can speculate about the type of decision-making process involved in budgeting intergovernmental revenues.

The observation that the impact of revenue constraints on intergovernmental transfers is additive would seem to imply that the decisions to allocate local revenue are made independently of decisions to allocate federal revenues. In the case of categorical grants-in-aid the independence of local and federal decision-making is obvious. The decisions as to how the federal money is to be spent are made at the federal level. Federal decisions are simply added onto the base of expenditure decisions

which constitute the outputs of routine municipal budgetary procedures.

The findings that unrestricted revenue would serve to expand or depress the overall pattern of budgetary expenditures but not significantly alter it also implies that local decision-making processes would continue to operate as always. Not being subject to expenditure restrictions, General Revenue Sharing type funds would presumedly be merged with local revenues early in the budgetary process. The regular decision-making routines would then budget the unrestricted revenue along with local revenues.

B. The Suboptimization Model

In recent years it has become acknowledged that the expenditure decisions of local governmental jurisdictions are based primarily on a calculation of costs and benefits which accrue to their own citizenry. Local governments are assumed to suboptimize rather rigorously in their calculation and evaluation of costs and benefits.[5] The procedures by which costs and benefits are calculated and evaluated by local governments, although an important topic for analysis, are not the focal point of attention in this section. Instead an attempt is made to assess the implications which the suboptimization behavior of local governments has for our understanding of the way the municipal budgetary system responds to the receipt of intergovernmental transfers.

Suboptimization in municipal expenditure decision-making occurs when federal funds are substituted for local revenues which would normally have been allocated to a federal priority category. Local revenues are thereby freed up or released to be spent on program areas of local concern. The "fungibility" of intergovernmental revenue thus determines whether local governments can display suboptimizing behavior.[6]

The fungibility of intergovernmental transfers, the substitution

of federal funds for local revenues, and the resultant suboptimization gives rise to a conceptualization of municipal budgeting which contrasts with the opportunity model of budgeting. As was noted above, the opportunity model is based on the idea that the municipal decision-making process is independent of the federal environment even if in certain instances constraints on intergovernmental revenue shift the pattern of local budgetary processes. Unrestricted federal revenues, on the other hand, are supposedly dumped into the general fund pot at the beginning of the budget process and consequently the normal pattern of expenditure decisions is produced. The pattern of budgetary drift is expanded or depressed but not changed by variations in unrestricted revenues.

The suboptimization model, in contrast, is based on a different set of assumptions. According to the suboptimization model, constraints on intergovernmental revenue may not necessarily shift the pattern of local expenditure decisions because the municipal decision-making process is in fact designed to adapt to such environmental constraints. Revenue with most constraints is budgeted first. Revenue with least constraints is budgeted last. The aim of this procedure is to keep a pool of general purpose revenue in reserve.[7] This allows for suboptimization by enabling substitution of funds to occur. Funds with many constraints are substituted for general purpose funds which would otherwise have been allocated to that legally mandated program area. By creating a pool of general purpose resources, municipal budget officials can suboptimize in the face of federal revenue constraints and maintain a locally desired mix of public goods and services.

The suboptimization model depicts the municipal budgeting process to be much more dynamic than the opportunity model does. This stems from the fact that the two models are based upon different views about

the way municipal decision-makers process intergovernmental revenues. The opportunity model implies that General Revenue Sharing type funds are merged into the budget pot at the beginning of the decision-making sequence and that categorical expenditures are simply appended to the local budget at the end of the budget-making process. In contrast, the suboptimization model suggests that the reverse sequence of events occurs. Categorical grants are budgeted first and General Revenue Sharing type funds are budgeted near the end of the decision-making process. The following case studies which focus attention on the decision-making processes which were used to handle General Revenue Sharing in six Detroit area municipalities should shed some light upon which model of budgeting intergovernmental revenues is more appropriate.

II. General Revenue Sharing and Budgetary Decision-Making

A. Southfield

Southfield operates on a standard fiscal year budget, July 1 to June 30. The budget cycle begins rolling in November when the city administrator begins soliciting budget requests from the various departments. In January the city administrator's office begins putting the requests into a budget document form. On March 15th the budget is submitted to the Mayor. On April 1st the Mayor submits the budget to the council for examination. Finally on May 1st the budget is adopted by council.[8]

To aid in the process of formulating a budget, Southfield has invested heavily in a computerized system.[9] They are 60 to 70 per cent on the way to having a full-fledged program, planning, and budgeting system. Presently their budget system is worked out by function. The next step is to begin compiling the budget by program. The problem of

obtaining adequate measures of output is the chief stumbling block in the way of a program budget. For example, while it may be possible to develop reliable indicators for the police and fire departments which can quantitatively measure such things as number of arrests, fire loss, miles traveled, etc., it is much more difficult to develop a quantitative judgement for a site plan proposed by the planning department. This problem, of course, is not necessarily due to Southfield's lack of competence but stems primarily from the nature of program budgeting.

Southfield officials are proud of their computer system. They even have had requests from other cities in the state seeking to purchase their computer software.[10] The fact that Southfield has been able to run a city close to 78,000 people with only 453 employees and maintain the lowest tax rate for a city over 50,000 in the state of Michigan is looked upon as a sign of efficiency that is directly linked to their computerized system. Southfield officials feel confident that they can keep track of revenues and expenditures with a minimum of administrative costs.

The confidence that Southfield officials display in their ability to run an efficient government is reflected in their reaction to the General Revenue Sharing program. The contacts that Southfield had with the Office of Revenue Sharing were handled by the deputy administrator. The reporting requirements imposed no special burden on the administrator and "got done between everything else."[11] Except for the first year when Southfield objected to the figures that were being used in the formula and formally protested to the Office of Revenue Sharing, asking for a revised estimate, the amount of time spent on contacts with the federal government was held to a minimum. The fact that the federal government required local governments to publish Planned and Actual Use Reports in the local newspapers did not cause Southfield any undue concern. There

was general agreement with the idea that if the federal government gives local communities revenue, then they have a right to find out exactly what happened to it.

Southfield handled the General Revenue Sharing reporting requirements with a minimum of effort and concern. In addition the receipt of the General Revenue Sharing money did not impose any additional costs in terms of decision-making. The feeling among local officials was that if you already have a competent staff to handle money, then there is no reason to hire more administrators to handle an additional one, two, or ten million dollars flowing into the city.[12] It was thought that a competent administrative staff that knows what it is doing on a day to day basis should be able to handle any amount of General Revenue Sharing that could possibly flow into the city. One local official, adhering adamantly to this belief, interpreted the one-third share of the General Revenue Sharing money that was channeled to the states as an "administrative cost" of running the General Revenue Sharing program.[13] The implication was that all of the money should have been allocated directly to the states without any pass-through provision that stops the money from getting to local governments.

Although General Revenue Sharing legislation stipulated that the funds were to be spent in eight priority areas, very few officials remembered what the categories actually were.[14] The General Revenue Sharing money was not perceived as imposing any major restriction on expenditures. This perception coincided with the belief that cities must set their own priorities. One official summed up his feelings as follows, "The federal government should get out of the position of giving a shopper money to spend on beef when he really wants chicken."[15] Because of the relatively no-strings-attached nature of the General Revenue Sharing

programs, Southfield's decisions to spend General Revenue Sharing funds were not really influenced by the existence of the priority categories established by the federal government. In Southfield's case, however, one could even go one step further and say that the receipt of General Revenue Sharing money was insignificant in the eyes of budgetary decision-makers.[16] The sum of money was perceived as being too small to say with certainty how it actually affected the city.

The impression of General Revenue Sharing held by Southfield officials as a program involving minimum administrative costs, very few restrictions, and a relatively minute sum of money, was accompanied by a tendency of local officials to look upon General Revenue Sharing money for all practical purposes as merged with local revenues. As the Mayor of Southfield stated, "I look at it as 'X' amount of dollars to spend within my budget... I don't think that it should be handled in a two book system... I think it should be handled as a packaged deal."[17] Handling the General Revenue Sharing money as a "packaged deal," however, and not in a "two book" system may in certain instances mean that the General Revenue Sharing funds will be split between the operations and the capital improvements budget. For example, in Southfield's case the General Revenue Sharing money was allocated to a specific capital improvement projects, the purchase of two paramedic life support units. At the same time part of the General Revenue Sharing money was allocated to the operation budget to support the fire department which would oversee the operation of the emergency life support units. In this context it is difficult to definitively say that the General Revenue Sharing money is separate or merged from local revenues.[18] The specific nature of the capital project separates General Revenue Sharing money from local revenues; yet at the same time part of it goes into the general operating

fund to support a particular operating program. In such situations one would have to say that General Revenue Sharing money is sometimes simultaneously perceived as separate and merged depending upon how it is budgeted between the capital and general operations funds.

In talking with Southfield officials about the way in which General Revenue funds were allocated, it soon became apparent that there was a marked difference in the way they perceived the General Revenue Sharing funds for accounting purposes and the way they perceived the funds when actually in the process of budgeting revenues. There is a strong feeling among budgetary decision-makers that all the monies that go into the city should be handled out of one pot.[19] They do not keep a double entry system that would tell them what they are doing with state funds, what they are doing with federal funds, what they are doing with the Gas and Weight tax, etc. in their minds as they go about budgeting. In essence local officials do not differentiate among revenue sources when drawing up the budget.

One official explained the handling of intergovernmental transfers as follows:

> We handle it as part of our budget. You know by your forecast how much you are going to get back from the feds and it's put in the budget and you take that out of the general fund to be used by the city. In drawing up the budget we first look at where the money has to go because of the legislation. When you get the Gas and Weight Tax, that can only be used for roads, so you take the road budget out and allocate it to that purpose. What we have to use the money for we use it. So it isn't a matter of saying, "Here is the money and what are you going to do with it." It's part of the budget now. If you say what did you use your money for, if you want to split it out, well then I say, "I took this money and used it over here."[20]

The desire of local officials to make their own expenditure decisions also tends to support the view that intergovernmental transfers should flow into the same pot as local revenues. The notion is that the federal government should not look at cities as their children and tell

them what programs to instigate but should treat them as adults capable of setting their own priorities. This sentiment was simply expressed by the Mayor, "Anytime Joe Blow in Washington thinks he knows what's best for me, then I don't have to sit here anymore."[21] Unless intergovernmental transfers are lumped together in the same pot, the decision-making autonomy of local officials is seemingly hampered.

Budgeting officials are quick to point out, however, that they are in sympathy with the concerns expressed by the state legislature and Congress that if there are not priority restrictions on the use of the money, then the money might seemingly disappear and nothing would get done. Wasting of federal monies by local governments, however, is seen primarily as a result of lack of professional training on the part of the local administrators. The sentiment is that perhaps there is a need for strings to be attached to revenues flowing into nonprofessionalized cities, but in a professionally administrated city such as Southfield the intervention of the federal government interferes with the efficient operation of the city government. One official expressed his view by saying, "If the federal government gives Southfield a million dollars and wants to know what we are doing with that money, whether it is being handled efficiently, well, with the accounting system we have here, we could tell you what we did with every dollar."[22]

In the case of General Revenue Sharing, however, it is difficult to document that portion of the dollars that went towards a specific program especially in the general fund. As long as the city keeps track of how it spends all of its dollars, then when the time comes to tell the federal government what was done with its money, the notion is that "it's simply more paper work, that's all."[23] This implies that even if city officials themselves are unsure of where the General Revenue Sharing

money went, they are confident that they have not squandered any of their revenues. When called upon to meet the federal reporting requirements, segments of the budget amounting to the sum of money in question are singled out from the rest of the budget for accounting purposes. The money is thus accounted for in the sense that all local revenue are accounted for. It is very difficult to say that these dollars were actually from the General Revenue Sharing fund.

General Revenue Sharing seems to have slightly complicated the accounting procedures used in Southfield but left essentially no impact on budgeting procedures. It seems that one set of budgetary procedures has evolved to process both intergovernmental transfers and local revenues. It appears that decision-makers do not initially distinguish intergovernmental revenue from local revenue but consider it part of the same pot. Legislative constraints on revenue are first taken into consideration and the appropriate amount of revenue is taken out of the budget pot to meet these obligations. General Revenue Sharing, because it is perceived as having practically no legislative restrictions, is kept merged in the pot with local revenues and eventually is allocated according to standard operating procedures. Decision-makers thus lose sight of the General Revenue Sharing money until they are required to file Planned or Actual Use Reports with the Office of Revenue Sharing. The money is then split from the budget after the expenditure decisions have been made to meet reporting requirements but is not really considered separate at the time of allocation.

B. Dearborn

> Kingdoms known to history have been governed in two ways: either by a prince and his servants, who, as ministers by his grace and permission, assist in governing the realm; or by a prince and by barons, who hold positions not by favour of the ruler but by antiquity of blood.

> Such barons have states and subjects of their own who recognize them as their lords and are naturally attached to them. In those states which are governed by a prince and his servants, the prince possesses more authority because there is no one in the state regarded as a superior other than himself, and if others are obeyed, it is merely as ministers and officials of the prince and no one regards them with any special affection.[24]

In the time span since Noccolo Machiavelli described the governing of kingdoms, important historical changes have occurred which have altered the landscapes of governmental jurisdictions. The rise of the professional politician has replaced the baron as a political actor. The existence of legislative bodies signals the fact that the ability to win an electoral majority has replaced antiquity of blood as a source of power. In addition the modern day minister or political appointee must contend with bureaucratic organizations that often confound the will of the chief executive. The rise of bureaucratic professionalism has to a certain extent insulated the public servant from the vagaries of politics. Despite these vast changes in power relations, there are still to be found those modern day kingdoms, those vestiges of the past, where the chief executive has managed to dominate both the administrative bureaucracy and the legislature. The city of Dearborn is such a political anachronism. The Mayor reigns over the operations of government with authority which to some observers might seem to approach that of a sovereign prince.

On the surface Dearborn's budgetary process does not differ significantly from that commonly found in other cities. The city follows the standard July 1 to June 30 fiscal year. The budget cycle formally begins November 1 and is approved by council the first Tuesday in May. As the Deputy Controller describes the situation,

> There is a regular routine, a regular schedule, that we run through. We tabulate it and present it to the Mayor. The Mayor reviews it, holds department head meetings, and makes his recommendations. Then we tabulate those and present it to the council. The council holds

> hearings. Then the council holds a public hearing and after that it adopts (the budget).[25]

Superimposed upon this familiar sequence of events, however, is the powerful personage of the Mayor whose dominance makes budgetary decision-making in Dearborn somewhat unique.

The seventy-one year old Mayor has become a political institution in Dearborn. His thirty-three years in office have given him the U.S. record for longest continuous service by a full-time mayor. During this time the Mayor has not only successfully fended off political opposition but also managed to gain control over governmental operations. The influence that the Mayor exerts over budgetary decision-making is perhaps best characterized by one governmental official's description of budgetary decision-making:

> It is an administrative decision. It's the Mayor's decision. The council has nothing to do with it. The money is received by the council and the Mayor recommends the dispersal of this money. Now the council definitely has to earmark this, upon the Mayor's recommendation, for housing or whatever the case might be. They still designate what the funds will be used for upon recommendation of the administration. But the council can say, "No, we don't want you to use it for public housing; we want you to use this for firemen and employee raises." They can say it, but can't do it.[26]

The Mayor's tight reign over the administrative bureaucracy and the city council gives the Mayor considerable influence over public policy. While the Mayor may be able to control the general direction of policy, there are those technical areas of municipal budgeting, however, where the Mayor must defer authority to his expert staff. Municipal budgeting involves more than just making expenditure decisions. The regular budget procedures also consist of matching up program activities with revenue sources. For example, in Dearborn certain activities are more or less self-supporting. The Enterprise Funds which involve the activities of the water system, the ice arena, the Dearborn hotel, etc.

usually are operated out of their own revenue. On the other hand, Special Revenue Funds which encompass such programs as Library Aid, Senior Citizen's Furniture, Youth Camp Improvement, etc. may operate out of their own revenue, but as revenue sometimes proves to be insufficient, the funds are in certain instances subsidized out of general revenues. In contrast, those activities financed completely from general revenues comprise the general tax supported budget.[27]

When planning for the next year's budget begins, the Controller's office pays special attention to the division between the general tax supported budget and the relatively self-sufficient Enterprise and Special Revenue Funds. As the Deputy Controller explained,

> So you would look at the revenue that's available to the Special Revenue and Enterprise Funds and tail your (general tax supported) budget and your activities to that revenue as much as possible. Again in certain Special Revenue Funds we will subsidize out of tax levy. The principle constraint is how much money do you have to raise.[28]

According to the Deputy Controller's description of the flow of funds, general tax revenue is the last to be budgeted. Monies in the more restrictive Enterprise and Special Revenue Funds are budgeted first. In the event that there is a shortage of revenue in one of the funds, all purpose general tax revenue is used to subsidize program activities. Administrative flexibility is thus enhanced by budgeting the general tax levy money last.

Given the fact that Dearborn budget officials normally budget revenue with least constraints last, one might expect to find that because of its general and unrestricted nature Federal Revenue Sharing would be merged with local general revenue. On the contrary, budget officials maintained that they treated the General Revenue Sharing funds separately from the general tax supported budget as a Special Revenue Fund and added

"If you read the (General Revenue Sharing) regulations, you had better think that way."[29]

The constraints of the General Revenue Sharing legislation thus forced local officials to consider the funds separate from local revenue. Furthermore the fact that Dearborn officials used their General Revenue Sharing money solely for capital expenditures tends to lend credence to the view that General Revenue Sharing was treated separately from the general tax supported budget. If one casts strict legal interpretations of the General Revenue Sharing legislation aside, however, and probes deeper into the matter, one finds that for all proactical purposes General Revenue Sharing was indeed partially merged with general funds. In talking about the impact of General Revenue Sharing on the budget the Deputy Controller went on to say that,

> It has had a significant impact on the budget. We have a separate capital improvement budget, a five-year budget, and that is supported by appropriations in the annual budget each year. The fact that we have Federal Revenue Sharing and devote it to capital improvements certainly has had a significant impact on our budget. We would not be able to do what we are doing now if there hadn't been Federal Revenue Sharing. In other words, what you devote to capital improvements determines how much you have left for general government operations, the so-called tax levy budget.[30]

It thus seems that General Revenue Sharing was indirectly incorporated into the normal budgetary procedures used to allocate revenue in the city of Dearborn. It essentially became pooled with other general revenue as part of the general tax supported budget.

C. Royal Oak

In Royal Oak the City Manager as chief executive has the responsibility for compiling the budget with the cooperation of the departments and the city commission. As in most municipalities the budget is formulated from the bottom up. Each department makes its own budget and

submits its appropriation estimates to the City Manager for approval and/or modification. This process normally begins in the January just preceeding the June 1 to May 31 fiscal year. In accord with the city charter, the completed budget is formally submitted to the city commission for final approval between May 1 and May 31 or thirty days prior to the end of the fiscal year. When the first General Revenue Sharing checks from the federal government arrived in Royal Oak in December 1972 and January 1973, planning for the fiscal year 1973-1974 budget had just begun.[31]

The receipt of General Revenue Sharing funds by Royal Oak had no apparent effect on the normal routine cycle of municipal budgeting. The contacts that the city had with the Office of Revenue Sharing were considered marginal; the City Manager did not spend a lot of time with revenue sharing. As far as Royal Oak officials were concerned, the new Federal Revenue Sharing program did not involve any special problems of implementation.[32] In the minds of most officials, political controversy surrounding the General Revenue Sharing program was mainly a national phenomenon reflecting debates in Congress over the sums of money to return to local governments. Once legislation was passed establishing the General Revenue Sharing allocations, the only thing left for cities to do was to wait for their checks to come in the mail. In the Mayor's words:

> This was a political deal. When the politics of the machinery ground to conclusion then, of course, it was just waiting for the checks to come in. It was made a part of our budget. There wasn't a great amount of money the city was going to get. We had no choice in the matter.[33]

In Royal Oak the General Revenue Sharing program was perceived as primarily a check-writing exercise by the federal government. Royal Oak Officials did not consider the General Revenue Sharing program to entail

any problems of implementation. In their eyes there was not really any program to implement, only a blank check to be deposited in the general fund. In retrospect, some officials admitted that their initial views of the General Revenue Sharing program and its guidelines have been modified through experience with the program. For example, as the former Director of Finance remarked:

> We found out later that these funds should be segregated and that you wouldn't have to really have a separate bank account as long as you separated the funds. Even though it was a general revenue, it would be a subfund of the general fund which would show revenue sharing in there. And then also the expense side, instead of intermingling it with the other general funds, we should, which we are going to do, keep it separately.[34]

Today budgetary decision-makers in Royal Oak are much more sensitive to the problems of implementing the General Revenue Sharing program than they originally were. Although it is generally recognized that the General Revenue Sharing funds should be kept segregated to conform to the intentions of Congress, the budgetary system in Royal Oak is confronted with tremendous pressures which make the merger of the monies with local general revenues almost an inevitability. One of the pressures that the city faces in fiscal 1974-1975 is a large deficit for the previous year. To prevent the city from being placed into a receivership of the state, the commission must budget a $325,000 appropriation to resolve the previous year's indebtedness.[35] In addition the city is under fire by the unions for substantial increases in wages and salaries. The proposed balanced budget for fiscal year 1974-1975, submitted to the commission by the City Manager, is a balanced budget but does not include the new contractual agreements won by the unionized workers.[36]

There seems to be little fat left that the city can trim out of the budget that could be used to alleviate the city's fiscal crisis. Royal Oak, for example, has not had a capital improvement budget for the last

five years.[37] Capital outlay expenditures have been eliminated in department after department, "ranging from meager appropriations of $225 for needed office filing equipment to $40,000 for the much needed replacement of a piece of fire apparatus."[38] Furthermore, back in October 1970 "the city was forced to sell its one remaining asset, its Southeastern Oakland County Water Revenue Bonds, so as to use the proceeds from that sale to pay its current required contributions to employee pension funds."[39] The city of Royal Oak is absolutely without any financial reserves or unappropriated surplus.

The financial situation of Royal Oak is so bleak that the General Revenue Sharing funds could not help but be merged into the rest of the budget.[40] While other cities may be banking the money to save up for some special program or project, the federal funds are used in Royal Oak merely to maintain a minimally acceptable mix of goods and services. It is not entirely clear either that a substantial increase in the General Revenue Sharing allocation would immediately improve the quantity and quality of goods and services delivered in Royal Oak. Indeed the city's finances are so run down that it appears caught in a vicious circle:

> The day that we have to start picking up the water reserve funds and other reserve accounts to balance the budget, it's a day when we're courting disaster. It's just fiscal irresponsibility. What happens is as you don't have the money to even put into your reserve funds, you start holding back on equipment and maintenance. It has a snowball effect. Then when money is made available...you have to pay back the reserve accounts... By the time you get done paying back into these accounts you have spent your money. It's appalling. It's just a hideous cycle.[41]

What budgetary officials in Royal Oak long for is a contingent fund of all-purpose general revenue that would be able to be channeled to meet those unexpected demands on city resources. For example, in 1968 a heavy windstorm severely damaged trees in the south-central and southeast portion of the city. Over $80,000 in wages and equipment costs in

excess of the budget were required in order to protect the public safety and restore city services in the stricken area.[42] Natural disasters, however, are not the only factors that put pressure on the city budget for contingency funding. The terms of employee contracts, inflation, and other uncontrollables are important forces that sometimes threaten the stability of the budget system.[43] Royal Oak, however, has totally inadequate reserves to prepare itself for those unforeseen expenditures caused by circumstances beyond its control.

It seems that in Royal Oak the General Revenue Sharing money will continue to be merged with local revenues until a hierarchy of needs is satisfied. In other words, until the deficit is paid off, the reserve accounts paid back, normal operations and maintenance resumed, and an adequate contingency fund created, the General Revenue Sharing money will simply be swallowed up by the budget. If Royal Oak were to ever reach a state of solvency where the General Revenue Sharing funds were perceived to be excess funds above and beyond those needed to meet basic needs, then this organizational slack would conceivably be considered to be separate from the rest of the budget. The Mayor's impression of the relationship between General Revenue Sharing and the rest of the budget is typical of most Royal Oak officials:

> Well, we merged them (General Revenue Sharing funds) with local revenue. If our sum would have been what the House (of Representatives) originally approved (three times Royal Oak's actual allocation), why then yes, we may have gone out in a different direction, yes![44]

In the absence of a General Revenue Sharing allocation large enough to create an excess of funds or organizational slack, it appears that the monies will continue to be merged with local revenues. The prevailing sentiment among local officials is that there is no real reason why General Revenue Sharing should not be merged with local revenues. To

support this line of reasoning an analogy is made between Federal Revenue Sharing and state gas and weights tax and the general sales tax.[45] The notion is that General Revenue Sharing is not like the state gas and weights tax which should rightfully be kept separate from the rest of the budget in order that the funds be directed towards the improvement of roads and transportations systems. The General Revenue Sharing funds are considered to be more like the state general sales tax which is used by the city as general funds money. It should be pointed out, however, that Royal Oak officials have not always made this distinction between the gas and weights tax and general sales tax. It was only in fiscal year 1971-1972 that Royal Oak's general funds budget was changed in appearance and format so as to conform with state law forbiding the funds to be budgeted as a current revenue of the general fund.[46] In any event there is a strong belief that General Revenue Sharing money should be treated like any other form of general revenue. Again in the words of the Mayor:

> Revenue sharing money I think should be general fund money, should not have any restrictions on it whatsoever. Outside of publishing the dollar amounts that a city gets, I see no reason why it should be categorized in a separate budget. We were not allowed to send it down to Washington and tell them what they could use it for, were we? And so when they return a fair share to us, don't tell us how to use it.[47]

All things considered, budgeting General Revenue Sharing money was a simple task for Royal Oak officials. The General Revenue Sharing priority categories were broad enough so as not to interfere with the efforts of local decision-makers to balance the budget. These efforts are neatly summarized by the Mayor:

> The City Manager says, "Here's what we're facing. Here's the amount of money we've got to cover all the things that are coming up. The $490,000 has been sliced up and placed here, here, here, and here, and now I am prepared to offer you a balanced budget." ...When you face a budget, you wonder how you are going to balance it. Revenue sharing

isn't going to free up anything, it's just going to pay what you anticipate you are going to spend or need to spend.[48]

D. Warren

The city of Warren's formal budgetary process resembles that of many municipalities. The general fund budget operates on a standard July 1 to June 30 fiscal year. In January the various city departments are requested by the Mayor to begin formulating their appropriation estimates for the coming fiscal year. Normally the departmental requests are submitted to the Mayor's office on the first Monday in February. The Mayor then reviews the entire budget with the Controller, adjusting the various departmental appropriation requests as he deems necessary to balance the budget and maintain a desireable level of city goods and services. The Mayor then by the second Monday in April formally submits the budget to the council for approval. As required by law, the council holds a public hearing to discuss the budget but, as one city official remarked, "we haven't gone out of our way to advertize in the paper."[49] Public attendance at the annual budget hearings is usually very low and the people that do respond simply "show up, ask some questions about it, but they don't get into the nitty gritty of it or how much is in it."[50] After the public hearing, all that is formally required to approve the budget is a simple five-vote majority of the nine-member council. According to the city charter the budget must have council approval by June 30.

Although Warren's formal budgetary process is similar to that found in many other cities, in reality the process tends to break down and deviate from the norm towards the end of the last link in the decision-making sequence. In the words of the Deputy Council Secretary who has been working for the Warren city council ever since the city was incorporated

in 1957: "Right from the beginning there have probably been only about two budgets that have been adopted on time. It's always been a hassle."[51] The almost annual failure to approve the budget by the June 30th deadline makes it necessary for the council to pass interim appropriation measures to meet the city's payroll and normal operating needs of the various departments. In addition, the council sets a tax rate so that the city of Warren's 52,000 tax bills can begin to be processed. Capital expenditures grind to a halt, however, and some departments such as recreation which is usually in the middle of its summer programs are particularly inconvenienced. As the Recreation Director irately recollected: "One year four years ago after we had gotten almost to the completion of our eight-week summer program, the council sent us a little notice that our budget had been cut $100,000--make adjustment--after we had spent the money!"[52]

The reasons that local officials give for the delay in passing the budget are varied. The Mayor, for example, taking an administrative view of the proceedings, somewhat sarcastically implied that the council was wasting its time trying to do the impossible: "The council just feels that there should have been a tax reduction and service increases."[53] On the other hand, members of the council point to the time it takes to make complex budgetary decisions: "You know, when you have a budget that big, you have to shift priorities around and emphasis."[54] It is interesting to speculate how budgetary decisions would be made in Warren if the city had a programming, planning, and budgeting system. Whatever the underlying motivations of the budgetary decision-makers, one thing is certain--the hassle that usually surrounds the appropriations process in Warren indicates that the city council takes budgeting seriously.

Unlike many other city councils which simply rubber stamp the

administration's budget, the Warren city council exerts an active role in formulating its budget. This tendency in Warren for both the city administration and city council to take budgeting seriously had a significant impact on the way city officials reacted to the Federal Revenue Sharing program. There was a consensus among municipal officials before the first federal funds ever arrived that General Revenue Sharing decisions should be made in a rational, comprehensive manner. Rational comprehensiveness was to be, first of all, insured by the complete segregation of General Revenue Sharing funds from other sources of revenue. Both city administrators and politicians agreed that most of the revenue sharing money should be set aside for capital expenditures and not merged with general operations "because the minute that you start merging it in your own budget it gets lost."[55] Stories were told of how some nearby cities that had passed a special millage to be earmarked for a specific purpose such as recreation, sanitation, etc. soon found that the money was lost completely when put into the general fund. Secondly, rational comprehensiveness was to be guaranteed by establishing a priority list of General Revenue Sharing expenditures. As one council member expressed the sentiments of the council:

> We wanted some schedule to take a look at. A list of priorities to accomplish rather than just throw them all together in a vat and throw them out one after another. This way we are on the road for progress and achievement and we know which way we're going to go and how our money is holding up.[56]

Thirdly, rational comprehensive decisions were to be achieved by budgeting the city's entire twelve million dollar, five-year General Revenue Sharing allotment all at once.[57] General Revenue Sharing expenditure decisions were to be based on a long range revenue sharing capital improvement program. Needless to say, budgeting General Revenue Sharing for five years is quite a different task than the normal incremental

year-to-year budgeting which city officials had grown accustomed to in the past. As a result new processes of calculation evolved to accomodate the desires of the participants in the budgetary process to make rational comprehensive General Revenue Sharing expenditure decisions. As might be expected, the city administration had far less trouble formulating a rational comprehensive five-year plan for General Revenue Sharing dollars then the city council did. Yet in order to understand how General Revenue Sharing affected budgetary decision-making in Warren, it is necessary to examine both the administrative and political sides of the rational policy-making process.

The city administration had no real trouble coming up with a list of General Revenue Sharing expenditure priorities. According to the City Controller, the city administration handled the task of compiling a five-year General Revenue Sharing budget in a routine fashion by asking the various departments for their requests:

> It was the feeling of the administration that from the very many departments that we have that are constantly in contact with the people, that we know what the needs are. It's simply a matter of finding the financial capability of providing those needs. The administration's feeling was that with the experts in the various departments, we were totally capable of developing a plan that would provide the real needs of the people in the community.[58]

As another department head observed, it was a relatively easy task for the Mayor to draw up a list of revenue sharing priorities: "Every department submits a five-year capital improvement plan. What the Mayor did was extract from each one's five-year plan the things he thought that the city should have and he sent this to council."[59] In other words, since each department had had a long range capital improvement program on file for years, the Mayor after some meticulous consideration decided what to do first.

Thus on November 10, 1972 before any of the General Revenue Sharing

funds had even arrived, the Mayor was able to propose a tentative five-year capital improvement program based on the anticipation of Federal Revenue Sharing dollars.[60] The order of the projects in the five-year capital improvement program indicated the General Revenue Sharing expenditure priorities as viewed by the administration. It was a "ball-park estimate sort of thing," not a formal plan in the strictest sense.[61] Of course, the Mayor's job would have been much more difficult had the city of Warren not been keeping an eye on legislative developments in Congress. Although city officials were not certain of the exact revenue sharing formula which would eventually determine Warren's revenue sharing allotment, the City Controller's office had done an excellent job in keeping Warren officials abreast of the various revenue sharing proposals. For example, as early as June 25, 1971 the Controller submitted to the Mayor and council a fifty-six page analysis of both the impending State of Michigan and federal government General Revenue Sharing proposals.[62] Consequently city officials had a general idea of what Warren could expect from the General Revenue Sharing program.

While the administration had been compiling its list of General Revenue Sharing priorities, the council was not just sitting still. During the spring and summer of 1972 the council had been trying to determine what its revenue sharing priorities were. The process of prioritization proved to be quite tedious for the council as one member recalled:

> The council met quite a few times. In fact we took a great period of time to decide the priorities because there were so many priorities. The council took a vote. Each member listed the top three priorities that the city should act on and polled them up and saw which ones we thought were important and discussed them at great length with the Mayor.[63]

The council, however, was still not content with its own listing of priorities. It therefore decided to take an even larger step to in-

sure that rational comprehensive decisions would be produced and provide the community with positive programs. The council decided to depart from tradition and call a special public hearing for the General Revenue Sharing appropriations. In so doing council altered its normal budgetary decision-making sequence:

> Normally with our budget hearings we have public hearings, but they're normally held after the administration has submitted the budget to the council and the council is about ready to adopt what they consider to be their final version of the budget. So there are public hearings on all of our budgets, but they come in a slightly different sequence. With the Federal Revenue Sharing they thought they would get the input from citizenry first before the programs were that close to adoption by the city council.[64]

In December 1972 after having received citizen input from the community and with the arrival of the first General Revenue Sharing funds, the council drew up its final list of revenue sharing priorities. General Revenue Sharing expenditure decisions had taken the council much longer to make than regular budgetary decisions because of the deliberate effort to act rationally and comprehensively. Since then the council has also discovered that there are additional decision-making costs which are sometimes incurred from making rational comprehensive decisions, i.e. the plan must sometimes be modified to take into consideration changing environmental circumstances.

On March 12, 1974 the original five-year plan was revised to reflect new data.[65] The cost of many capital projects had risen because of inflation. The court building, for example, increased from one million dollars to 1.5 million dollars and estimates of many other projects were now considered to be "guestimates" at best. In addition, some slight shifts in priorities occurred. The construction of the fire hall, for example, was postponed from the third to the fifth year of the program. Despite these changes, the basic concept behind the General Revenue Sharing capital improvement program remained the same, that the city "would

build those facilities which our people had done without for so many years."[66] After the current five-year plan ends, Warren officials plan to reassess their priorities by starting the decision-making process all over again.

E. Westland

The city of Westland operates on a July 1 to June 30 fiscal year. In December the Mayor sends a memo to the departmental directors advising them that it is not too early to start thinking about their departmental budgets for the next fiscal year. At the beginning of January the departments start formulating their appropriation requests and by February the figures are forwarded to the Mayor's office for the chief executive's scrutiny. In the latter part of February and March the Mayor normally sits down with the Finance Director and department heads to put the finishing touches on the departments' budget requests. In April the Mayor presents the budget to the city council. The council members study the budget and meet with the administration in closed planning sessions to incorporate their ideas into the budget. In May the council conducts a public hearing on the city budget. Afterwards there might be another council-executive planning session to wrap up the budget details. Historically the city budget has been approved about two days before the deadline established by the city charter which is the third Monday in June.[67]

In the fall of 1972 with the passage of the General Revenue Sharing legislation in Congress, city officials in Westland first became aware that they could expect to receive approximately a half million dollars of revenue sharing during the remainder of fiscal year 1973.[68] As no one in the city government was really sure what rules the federal gov-

ernment would set up to govern revenue sharing expenditures, very little attention was given to the new federal program until after the first revenue sharing checks arrived on December 11, 1972 and January 10, 1973.[69] At this time fiscal year 1973 was already half over and the budget planning cycle for the fiscal year 1974 was just getting underway. Rather than follow normal budgetary procedures and integrate the new federal monies into the fiscal year 1974 budget cycle, it appears that the revenue sharing funds were perceived as an unexpected windfall by the Department of Finance which wanted to merge them into the fiscal year 1973 budget. As one budget official conjectured, the unexpected receipt of General Revenue Sharing may have encouraged some departments to overspend during fiscal year 1973: "I think more was spent than was normally budgeted because someone was anticipating that (revenue sharing) although formally (there was) no anticipation."[70]

Whether or not the anticipation of the General Revenue Sharing windfall caused some departments to overspend, one thing is certain--the city of Westland was facing a large deficit at the end of fiscal year 1973 which the city paid off using Federal Revenue Sharing monies. In a memo to the Mayor, dated May 21, 1973, the Director of Finance described the city of Westland's deficit situation and recommended that Federal Revenue Sharing funds be used to balance the budget: "The estimated variances between the cash available and the proposed expenditures for the balance of fiscal year ending June 30, 1973 totals $542,109. It is proposed that $542,109 be transferred from the estimated $670,000 Federal Revenue Sharing funds due during this period."[71]

Ten days later on May 30, 1973 the Director of Finance, via the Mayor's office, sent the Council President a letter informing him that "the city of Westland is budgeted to receive $692,141 in revenue sharing

during fiscal year 1973,"[72] and that "the city is required to file the first Planned Use Report, covering January 1 through June 30, 1973 entitlement period by June 20, 1973."[73] Contained in the letter was a list of recommended General Revenue Sharing expenditures. Needless to say, neither the Mayor nor the Council President were in a position to challenge the Director of Finance. The council had to approve the Director of Finance's revenue sharing budget otherwise the city of Westland would be in a serious cash shortage position at the end of fiscal year 1973. In addition the council was more preoccupied with passing the new fiscal year 1974 budget rather than concerned about the previous year's budget.

Regardless of whether Westland's deficit problems in May 1973 were caused by uncontrollable increases in the cost of government which were not originally foreseen when the fiscal year 1973 budget was formulated in June 1972 or whether the revenue sharing windfall had caused various departments to overspend, the deficit had a very disconcerting effect on the relationship between the city council and the city administration. As one official described the situation: "They (the council) wanted to try to appropriate what they thought was new money, but really it had already been integrated into our regular budget. We (the administration) had to get that point across to them, that it was already in there and they were confused."[74] The impending budget deficit seemingly took away the council's power to make revenue sharing expenditure decisions. For all practical purposes, the first few revenue sharing checks had already been spent before the city council ever saw the federal funds. In essence the existence of the deficit made it appear to council members that General Revenue Sharing funds had been spent without council approval.

Whereas deficit spending had in effect circumvented the General Rev-

enue Sharing appropriations process, the way the administration had merged the revenue sharing funds into the fiscal year 1973 budget also tended to confuse the council. The Mayor's office simply did not differentiate General Revenue Sharing funds from other sources of income.[75] General Revenue Sharing appeared simply as a line item that had been added to the fiscal year 1973 budget. Because of the way that the administration had merged the revenue sharing monies into the general funds, it was really impossible to tell the council that the federal funds had been used for anything other than budget balancing. As the accountant responsible for transferring General Revenue Sharing funds to the general fund budget described the allocation process:

> We were getting near the end of our fiscal year and we were beginning to run low on money. We had already budgeted, let's say, a million dollars for police protection salaries and I think we received about $150,000 in that first (General Revenue Sharing) payment... Well, we took our $150,000 and applied it towards--well, we call it police salaries, but it really frees an appropriation up somewhere else if you don't budget it right in your budget to begin with.[76]

By merging the monies in the above manner the city of Westland avoided a budget deficit for fiscal year 1973. Although all of the over-expenditures were not in the police department, allocating the General Revenue Sharing money to one department freed up revenue that was then used to cover over-expenditures in numerous other places. Such accounting nuances seemed difficult for the council members to grasp because of their initial inclination to look upon the revenue sharing money as something separate from the normal budget. In the face of mounting financial pressures, however, there seems little the council could do but allow the administration to continue to mix the revenue sharing funds with other revenues. As was done in fiscal year 1973 General Revenue Sharing funds for the following fiscal years 1974 and 1975 were merged in the general fund.[77]

F. Pontiac

The city of Pontiac is often described as having a dual executive type of city government with power shared jointly by the Mayor and the City Manager. Actually the organizational structure of Pontiac's city government is a good deal more complicated as the City Manager explains:

> The screwy make-up of the Pontiac city charter says that while the City Manager is the chief executive officer/administrative officer and is responsible for lots of things like the budget, the city commission appoints not only the City Manager but the City Attorney, the Finance Director, and the City Clerk. The City Attorney reads that to mean that they're all equally independent and operate their own shop. The City Manager, the current City Manager, says to hell with that. If I'm in charge of the budget and personnel, I'm going to regulate the budget and personnel. So we have constant hassles between the Attorney, not between the Finance Director. Leonard Bartos (the new Finance Director) was hired several months ago. The city commission and I had a very clear understanding with him that charter or no charter he works as a department head of the City Manager. But technically speaking and if you read the language in the charter, you might say that the finance office is a different arm of government and how in the hell does the Manager ever work with the Finance Director.[78]

For all practical purposes, despite the formal charter relationships, the City Manager is in charge of the Pontiac city budget. Yet in light of the City Manager's considerable de facto authority, the budgetary decision-making process in Pontiac is very much a collective endeavor. Twice a year the Mayor, the City Manager, the city commissioners, the department heads, the City Attorney, and the local press go off on a two-day retreat during which time city goals are set and evaluated.[79] This opportunity for politicians and administrators to get away from it all and reflect upon where the city has been and where it is headed has proved to be an effective budgeting guidance and control mechanism. For example, by looking at the big picture the city was able to ride out the worst of the energy crisis without laying off employees. Through the coordinated efforts of city officials ways were found to keep the lid on city expenditures by having each department tighten its belt.[80]

Even though collective decision-making between politicians and administrators has been successful in recent years changes in Pontiac's budgetary process have been introduced to improve the quality of budget expenditure decisions. Since 1969 the city has been working on a program budget system.[81] Virtually all of the department heads have been sent over to the University of Michigan for a one-week course in program budgeting. The conversion from line item to program budget has been a slow educational process. The accounting system was gradually realigned and data processing equipment installed before any attempt at implementation began.

The first stages of program budgeting appeared in the fiscal year 1975 budget.[82] Each department actually began assigning program budget numbers to its various activities. For the first time it was possible to see that the Human Resources Department has a juvenile delinquency prevention porgram, a substance abuse awareness program, a senior citizens program, etc. and that each program involves so many people and costs so much money. In future budget years the next step will be to develop a matrix that links together the elements of programs that cross over departmental boundaries. For example, currently the Parks and Recreation Department has its senior citizens program and the Human Resources Department has its senior citizens program. No attempt has been made yet to combine the senior citizens programs and look at what Pontiac is doing for senior citizens city-wide.

Although the attempts that Pontiac had made to inject rationality into its budgetary process do not have a lot of the reporting and controls that normally go with a real program budgeting effort, the groundwork for such a system has certainly been laid. The new Finance Director, hired by the city commission at the end of fiscal year 1974, seems anxious to

push the city down the path of complete program budgeting. For years the city of Pontiac operated as one of the few municipalities in the State of Michigan that was not on the State Chart of Accounts. Upon taking office, one of the first things that the new Director of Finance did was announce that Pontiac would be part of the state's uniform accounting system by fiscal year 1976 as a necessary first step in developing a program budgeting system.[83]

Along with the development of program budgeting in Pontiac, the city on July 1, 1973 changed over from a calendar year to a fiscal year budget in order to eliminate some of the guesswork previously involved in budgeting. Under the old system the budget for the calendar year beginning January 1 was put together during the fall. The fact that property tax revenues would not start flowing into the city until July made it difficult for budget officials to estimate property tax revenues precisely. By lining up the budget year and the tax year this problem of uncertainty was largely overcome.[84]

General Revenue Sharing funds arrived in Pontiac just prior to the beginning of the six-month interim budget that spanned between the January-December 1972 calendar year budget and the July-June 1973 fiscal year budget. Earlier Pontiac officials had been closely following the progress of the revenue sharing legislation in Congress. When it looked like the revenue sharing legislation would pass, the commission initially put some pressure on the City Manager to set aside a place for revenue sharing in the 1972 calendar year budget.[85] The City Manager, however, preferred to take the safe and conservative approach to budgeting and refused to count on revenues that had not yet arrived. Once the General Revenue Sharing legislation became law and it was an absolute certainty that Pontiac would be receiving its first revenue sharing check

in December 1972, the City Manager relented and permitted revenue sharing funds to be listed in the forthcoming interim budget beginning January 1, 1973.

Recalling the first transfer of Federal Revenue Sharing funds to Pontiac, the then Finance Director reflected on the relative ease at which the first revenue sharing expenditure decisions had been made:

> We had built in our budget for that year what we were going to use it for. We had actually designated the various functions. We did not know exactly what the amount would be, of course, but we had fairly good estimates. So the basic decisions had already been made as to what we would use revenue sharing for. So when the money came in, those decisions had been already made.[86]

Originally the Director of Finance had hoped that the revenue sharing money would be set aside for one-time capital improvements.[87] The tight financial circumstances the city officials found Pontiac in, however, forced the decision-makers to allocate the federal funds to current operations. Once it became obvious that revenue sharing funds had to be used for operating expenses, the task of putting the General Revenue Sharing program together began. According to the City Manager the regular budget staff made most of the formal General Revenue Sharing allocation decisions:

> The commission really didn't get too involved in it. In putting our budget together the Finance Director... with some of my staff developed a lot of that information on the breakdown of the revenue sharing monies, where would be a logical place for them to go. Then by the time the budget comes to me to review with the department heads the (revenue sharing) proposals are already there. I don't think I changed any of them. So you can say I approved the way it was set up, but I really didn't initiate it. But I didn't initiate a hell of a lot of stuff that was in the budget anyway.[88]

The fact that General Revenue Sharing represented a sizeable amount of new revenue flowing into the city (2.25 to 2.50 million dollars annually) did not cause budget officials to go through special procedures to allocate General Revenue Sharing funds. The money was treated as just

another source of general revenue flowing into the city. Essentially General Revenue Sharing just added a couple of more statements to the annual budget presentation. While General Revenue Sharing was treated separately from local revenues in an accounting sense, the City Controller explained that from his point of view this was nothing special: "We treat all of them (budget funds) separate. We've got a million account numbers. We treat everything separate."[89]

From the budgetary decision-maker's vantage point, just because a separate General Revenue Sharing fund had been set up did not mean that the city had actually established a separate bank account. For all practical purposes the General Revenue Sharing funds were treated as merged with local revenues. In the words of the City Manager, "As far as we are concerned revenue sharing money isn't separate from everything else. We don't really have a good way of making a distinction. If I'm talking with a department head about a program that may involve revenue sharing in the budget, I don't give it a second thought."[90]

The treatment of General Revenue Sharing money as just one more source of revenue is underscored by the different methods the Department of Finance uses to account for categorical as opposed to General Revenue Sharing funds. When the city receives a categorical grant-in-aid, financial officials set up a separate fund for the revenue. Within the fund the accountants establish a wage category, a revenue category, a fringe and overhead category, a supplies and expenses category, etc. At the end of the budget year the categorical fund is closed out and transferred to the department that spent the money. Prior to that year end close out, however, department officials have no clear idea what the total costs of operating their department are.[91] In contrast, when the city receives General Revenue Sharing money, a separate fund is estab-

lished, but during each monthly accounting period portions of the revenue sharing fund are automatically transferred to the various departments which have been previously targeted for General Revenue Sharing money, i.e. police, fire, sanitation and sewage, etc. In this manner each department knows its operating expenses to date.[92]

In essence General Revenue Sharing money is treated just like other general revenues. The arrival of General Revenue Sharing in Pontiac has had little impact on the budgetary process. The federal monies all go into the general fund pot and in the usual routine fashion department heads continue to "chit up" and make bids for the next year's budget. As the former Finance Director summarized:

> I think by and large we look on it just as a new revenue source to the community with some constraints on reporting and so on. But basically it was another line item revenue to be incorporated in our overall budget plan. Other than identifying it within the proper categories under the guidelines, it was really treated as just one more source of revenue that the city could use in its operation.[93]

III. General Revenue Sharing and the Budgetary Process: Conclusions

The General Revenue Sharing program seems to have had no impact on the budgetary processes of four of the six Detroit area communities. In Southfield officials considered their General Revenue Sharing allocation to be so small that the federal monies were for all practical purposes merged into the general fund budget and handled as local revenue. Officials in Dearborn, on the other hand, found themselves with a relatively large sum of General Revenue Sharing money and set it aside for senior citizen housing. Since in Dearborn city officials normally followed the unorthodox procedure of financing long-term capital projects out of current operating revenues, it seems that the General Revenue Sharing money was budgeted according to the usual decision-making routines. In Royal Oak and Pontiac budget makers found their cities facing such great finan-

cial difficulties that the General Revenue Sharing funds were treated as just another line item revenue.

In Westland and Warren it appears that the budgetary processes were changed somewhat as a result of General Revenue Sharing. The anticipation of a General Revenue Sharing windfall may have initially caused some departments in Westland to exceed their budgets. After the first flow of General Revenue Sharing funds into the city, however, Westland officials reluctantly realized that they had to merge the newly acquired federal funds with local revenues in order to balance the budget. In contrast the impact which the General Revenue Sharing program had on the budgetary process in Warren was much more pronounced. The General Revenue Sharing money was completely segregated from other sources of revenue as city officials took steps to develop a comprehensive capital improvement program which would cover the five-year life of the General Revenue Sharing program. The process of developing a priority list of General Revenue Sharing expenditures not only involved the holding of a special public hearing in departure from past policy but a change in the decision-making sequence as well. The citizenry was consulted at a much earlier phase of the budgeting decision-making process than was customarily the case.

Generally speaking, it seems that the case study material gives partial support to the suboptimization model of budgeting intergovernmental revenue. Although initially merged into the general fund pot in five of the six cities, it seems that there were concerted efforts on the part of some budget officials to enhance their decision-making flexibility by budgeting unrestricted revenues last. The desire to have a contingency fund of general purpose revenues was quite apparent in Royal Oak. Also Dearborn and Southfield decision-makers revealed that

they budgeted revenues with the most constraints first. In other cities such fine budgetary decision-making distinctions were not immediately drawn by budget officials. Yet, as will be seen in Chapter VI when the reliability of the General Revenue Sharing Planned and Actual Use Reports is discussed, suboptimization processes were clearly at work in Westland and Pontiac.

Notes

[1]John P. Crecine, "A Simulation of Municipal Budgeting: The Impact of Problem Environment," in Policy Analysis in Political Science, ed. by Ira Sharkansky (Chicago: Markham Publishing Company, 1970), pp. 270-303.

[2]Ibid., p. 294.

[3]Ibid., p. 295.

[4]For a word of caution regarding the interpretation of residual categories see James G. March, "The Power of Power," in Varieties of Political Theory, ed. by David Easton (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1966), pp. 39-70.

[5]Donald C. Shoup, "Effects of Suboptimization on Urban Government Decision-Making," The Journal of Finance, XXVI (May, 1971), 547-562.

[6]For a brief discussion of the "fungibility" of General Revenue Sharing money see David A. Caputo and Richard L. Cole, Urban Politics and Decentralization (Lexington, Mass.: D.C. Heath and Company, 1974), pp. 15-17; Catherine H. Lovell and John L. Korey, "Measuring the Fiscal Impact of General Revenue Sharing" (Paper presented at the 71st meeting of the American Political Science Association, San Francisco, Calif., Sept. 2, 1975), pp. 3-5.

[7]This type of multipocketed budgeting has been found to be prevalent in local school districts that depend upon multiple sources of revenue. See Joel S. Berke and Michael W. Kirst, eds., Federal Aid to Education (Lexington, Mass.: D.C. Heath and Company, 1972), pp. 377-379.

[8]Robert Caldwell, Deputy Administrator, Interview No. 6 held in Southfield, Michigan, July 18, 1974.

[9]Ibid.

[10]Don Fracassi, Mayor, Interview No. 21 held in Southfield, Michigan, August 1, 1974.

[11]Caldwell, Interview No. 6.

[12]Fracassi, Interview No. 21.

[13]Ibid.

[14]Ibid.

[15]Ibid.

[16]Caldwell, Interview No. 6.

[17]Fracassi, Interview No. 21.

[18]Caldwell, Interview No. 6.

[19]Steve Hurinte, City Commissioner, Interview No. 30 held in Southfield, Michigan, August 14, 1974.

[20]Ibid.

[21]Fracassi, Interview No. 21.

[22]Ibid.

[23]Caldwell, Interview No. 6.

[24]Niccolo Machiavelli, The Prince and the Discourses (New York: Modern Library, Inc., 1940), p. 15.

[25]Daniel S. McCormick, Budget Director and Deputy City Controller, Interview No. 1 held in Dearborn, Michigan, July 16, 1974.

[26]Simon Banda, Housing Director, Interview No. 2 held in Dearborn, Michigan, July 16, 1974.

[27]See for example, City of Dearborn Budget for the fiscal year ending June 30, 1975.

[28]McCormick, Interview No. 1.

[29]Ibid.

[30]Ibid.

[31]George Tubbs, former Director of Finance, Interview No. 13 held in Royal Oak, Michigan, July 25, 1974.

[32]Ibid.

[33]James P. Cline, Mayor, Interview No. 33 held in Royal Oak, Michigan, August 19, 1974.

[34]Tubbs, Interview No. 13.

[35]Letter, from Bruce W. Love, City Manager, to James P. Cline, Mayor, and City Commission, City of Royal Oak, Michigan, April 30, 1971, p. 3.

[36]Michael E. Lesko, Personnel Director, Interview No. 23 held in Royal Oak, Michigan, August 6, 1974.

[37]Ibid.

[38]Letter, from B.W. Love to J.P. Cline and City Commission, April 30, 1971, p. 3.

[39]Ibid., p. 2.

[40]John Austin, City Commissioner, Interview No. 27 held in Royal Oak, Michigan, August 13, 1974.

[41]Lesko, Interview No. 23.

[42]Letter, from B.W. Love to J.P. Cline and City Commission, April 30, 1971, p. 2.

[43]Lesko, Interview No. 23.

[44]Cline, Interview No. 33.

[45]Ibid.

[46]Letter, from B.W. Love to J.P. Cline and City Commission, April 30, 1971, p. 1.

[47]Cline, Interview No.33.

[48]Ibid.

[49]John Hanrahan, Controller, Interview No. 3 held in Warren, Michigan, July 16, 1974.

[50]Arthur Burke, Deputy Council Secretary, Interview No. 12 held in Warren, Michigan, July 25, 1974.

[51]Ibid.

[52]Adam Wojciechowski, Recreation Director, Interview No. 17 held in Warren, Michigan, July 30, 1974.

[53]Ted Bates, Mayor, Interview No. 16 held in Warren, Michigan, July 30, 1974.

[54]Arthur Miller, Jr., Council Vice-President, Interview No. 32 held in Warren, Michigan, August 15, 1974.

[55]Burke, Interview No. 12.

[56]Miller, Interview No. 32.

[57]Hanrahan, Interview No. 3.

[58]Ibid.

[59]Wojciechowski, Interview No. 17.

[60]Letter, from Ted Bates, Mayor, to Warren City Council, November 10, 1972.

[61]Martin Wicker, Budget Director, Interview No. 4 held in Warren, Michigan, July 16, 1974.

[62]John Hanrahan, Controller, Warren, Michigan, "Analysis and Impact of Proposed Federal and State Revenue Sharing Proposals," (report presented to City Council, June 25, 1971).

[63]Miller, Interview No. 32.

[64]Hanrahan, Interview No. 3.

[65]Letter, from Fran Muser, Assistant Controller, to Ted Bates, Mayor of Warren, March 12, 1974.

[66]Hanrahan, Interview No. 3.

[67]Eugene McKinney, Mayor, Interview No. 11 held in Westland, Michigan, July 23, 1974.

[68]Leonard Bartos, former Director of Finance, City of Westland, Interview No. 10 held in Pontiac, Michigan, July 23, 1974.

[69]A. Kent Herbert, former accountant and current Budget Director, Interview No. 7 held in Westland, Michigan, July 18, 1974.

[70]Ibid.

[71]Letter, from Leonard Bartos, Director of Finance, to Eugene McKinney, Mayor of Westland, May 21, 1973.

[72]Letter, from Leonard Bartos, Director of Finance, to Henry Lundquist, Council President, via Eugene McKinney, Mayor of Westland, May 30, 1973, p. 1.

[73]Ibid., p. 2.

[74]Herbert, Interview No. 7.

[75]NcKinney, Interview No. 11.

[76]Herbert, Interview No. 7.

[77]McKinney, Interview No. 11.

[78]Frank Smiley, City Manager, Interview No. 26 held in Pontiac, Michigan, August 8, 1974.

[79]Wallace E. Holland, Mayor, Interview No. 29 held in Pontiac, Michigan, August 13, 1974.

[80]Ibid.

[81]Robert Rummel, former Director of Finance, Interview No. 18 held in Pontiac, Michigan, July 30, 1974.

[82]Ibid.

[83]Don Brooks, Assistant Controller, Interview No. 8 held in Pontiac, Michigan, July 23, 1974.

[84]Norman Lee, City Commissioner, Interview No. 34 held in Pontiac, Michigan, August 21, 1974.

[85]Smiley, Interview No. 26.

[86]Rummel, Interview No. 18.

[87]Ibid.

[88]Smiley, Interview No. 26.

[89]Kervin J. Young, Controller, Interview No. 19 held in Pontiac, Michigan, July 30, 1974.

[90]Smiley, Interview No. 26.

[91]Brooks, Interview No. 8.

[92]Ibid.

[93]Rummel, Interview No. 18.

CHAPTER IV

GENERAL REVENUE SHARING EXPENDITURE DECISIONS

The relationship between the municipal budgetary subsystem and its environment continues to be explored in this chapter. General Revenue Sharing is treated as an exogenous environmental stimulus in order to determine whether this new federal transfer payment changed the pattern of expenditures in six Detroit area cities. Section I below discusses some of the methodological problems involved in trying to link General Revenue Sharing to changes in the behavior of municipal budgetary subsystems. Section II described the General Revenue Sharing impact in the six Detroit area communities selected for analysis. Concluding comments are found in Section III.

I. General Revenue Sharing and Municipal Budgeting

One policy question that ought to be raised before one sets out to search for a General Revenue Sharing impact is whether the search is really a worthwhile endeavor. Given the intent of the so-called new federalism to decentralize the federal system, does it really matter how local decision-makers spend their federal revenues? If local decision-makers are accountable to local political processes, is it really necessary to try to trace the impact of General Revenue Sharing? "What difference does it make if a frivolous project is financed through the local property tax or Federal Revenue Sharing? Local officials are accountable to their constituency."[1]

The fact that Congress originally thought it proper to hold local governments separately accountable for the expenditure of General Revenue Sharing funds, however, seems to have legitimized General Revenue Sharing research.[2] Certainly, congressional concern spurred demands for policy analyses of the General Revenue Sharing program and numerous researchers responded in attempts to give Congress answers to the questions it raised.[3] In retrospect, it appears that the rush to do General Revenue Sharing policy analysis which would provide Congress with the information it needed to evaluate the General Revenue Sharing program resulted in studies that attempted to analyze General Revenue Sharing in isolation from the rest of the budget. One of the main tasks of this early research was to describe the General Revenue Sharing expenditure decisions.[4] Unfortunately, the fungibility of the General Revenue Sharing funds was ignored or dismissed as a problem that "may not be quite as severe as some have suggested."[5]

It later became apparent, however, that the ease by which General Revenue Sharing funds were allocated to pra ctically any part of the budget did present researchers with a serious obstacle.[6] If a reported expenditure of General Revenue Sharing funds merely reflected federal revenue which was used to subsitute for local revenue which would have normally been allocated in that area, then the true impact of the funds could not be determined by an inspection of Actual Use Reports submitted to the Office of Revenue Sharing or by an analysis of responses to questionnaires. One of the results of the early policy research on General Revenue Sharing was thus to generate a lot of misinformation or bad data.

Once one realizes that it is folly to attempt to study General Revenue Sharing in isolation from the rest of the behavior of the municipal budgetary subsystem, some of the disappointments and pitfalls of early

General Revenue Sharing research may be overcome. The following descriptions of General Revenue Sharing's impact on expenditure patterns are based upon in-depth interviews with local decision-makers in six Detroit area municipalities. While the impressions of General Revenue Sharing's impact which emerge from the interviews do not precisely pinpoint the fiscal impacts with the scientific rigor that data analytic time series analysis would, they are a substantial improvement over the misinformation contained in the Planned and Actual Use Reports submitted to the Office of Revenue Sharing (see Chapter VI). Furthermore this case study methodology has the advantage of enhancing one's understanding of the cognitive factors involved in budgeting the federal funds. This allows the analysis of General Revenue Sharing expenditure decisions to be linked to the process analytic theories of budgeting (see Chapters II and III) which suggests that the federal funds would most likely be budgeted in accord with the usual budgeting procedures and that because of their unrestricted nature should not be expected to alter the normal pattern of expenditure decisions.

II. The General Revenue Sharing Impact

A. Southfield

Southfield's first revenue sharing check for $137,500 was received December 15, 1972. This check for the first entitlement period was followed shortly thereafter on January 12, 1973 by a check amounting to $131,251 for the second entitlement period. With these two checks in hand and looking ahead to the receipt of the third check which would cover the first half of the third entitlement period, the City Administrator in his annual budget message to the Mayor on March 15, 1973 took note of the manner in which the Federal Revenue Sharing funds, received retroac-

tive to January 1972, had been allocated. According to the City Administrator, "By council resolution these funds in the amount of $360,668 and matching funds in the amount of $124,332 have been allocated for capital construction projects..."[7]

The capital construction projects to be funded by the first inflow of General Revenue Sharing funds into the city of Southfield and the matching funds were to occur in six areas: 1) improvement of the criminal justice facilities in Southfield to streamline criminal justice procedures and enhance public safety in the community with the construction of a third courtroom, judge's chambers, and related facilities on the lower level of the municipal building; 2) modernization of the city's penal facilities for greater detention security and more liveability; 3) restructuring and reorganization of the city hall itself for greater responsiveness and sensitivity to the needs of the total community; 4) expanded community education facilities and programs for greater citizen use, interest, and involvement through expanded library facilities; 5) development of drug prevention facilities to effectively combat drug experimentation and use in the community in the form of a youth center; 6) construction of a modern and attractive day center for the elderly and development of programs and activities for interesting and meaningful use of leisure time.

Inspection of the first Actual Use Reports for the period beginning January 1, 1972 and ending June 30, 1973, covering the first three revenue sharing checks, indicates that this rather lengthy list of capital projects had been modified somewhat. The latter four construction projects were deleted from the report filed with the Office of Revenue Sharing. In addition a new capital project, calling for conversion to and installation of equipment allowing for the city-wide use of the "911"

Emergency Communication System, had been added to the list. Despite these changes, the list of capital projects supposedly funded by the first General Revenue Sharing funds might be deemed impressive by any observer.

Despite this seemingly impressive list of capital expenditures, Southfield officials involved in allocating the initial General Revenue Sharing funds have at best only a vague general recollection of where the money went. The generally shared belief among decision-makers is that the first federal dollars went into the capital expenditure area for construction and building. When asked to be more specific, a typical reply was that the money was "spent to renovate the inside of city hall, to give us more space, to give us whatever we had to have inside there."[8] In short, on the basis of interviews with Southfield officials, it would be hard to conclude that the first General Revenue Sharing checks made any substantial impact on city government. The first three General Revenue Sharing transfers seem to have been quietly incorporated into the budget. Just where the money came to rest, nobody seems to remember for sure.

Although Southfield officials admittedly had difficulty determining the initial impact of General Revenue Sharing funds, they were in contrast very certain where the bulk of the money for the subsequent entitlement periods was allocated. The consensus was that the funds were used to support Southfield's paramedic life support units. Planning for the paramedic programs had begun in 1971 and a feasibility study was finally completed in May of 1972. In November of 1972, a month before the first General Revenue Sharing check arrived in Southfield, two paramedic life support units were put into operation. By the time planning for the fiscal year 1973-1974 budget began during the first half of 1973

(the first budget ever to reflect General Revenue Sharing receipts), the paramedic life support unit program was a resounding success. The number of emergency alarms related to individual human problems (heart attack calls, accident injuries, and so on) literally doubled from an average of fifty such alarms per month to in excess of one hundred per month. In the first five months of operation at least five person's lives had been saved and another fifteen to twenty people were considered probable saves. Clearly the paramedic program was one of the most important programs to have been initiated in Southfield in many years.

It was in this highly charged atmosphere that most of Southfield's share of the General Revenue Sharing funds for 1973-1974, approximately $240,000, was committed to the general fund operating budget to support the recently implemented, most successful, and innovative paramedic life support units. As one official described this decision, "We bought the training, we bought the trucks, we bought the equipment and put them on the street. That was the biggest chunk."[9]

Throughout fiscal year 1973-1974 the paramedic program continued to gain in popularity and success. The City Administrator's budget message to the Mayor for fiscal year 1974-1975 concisely summarized the sentiments of Southfield officials to the newly instituted program.

> Southfield's two life support units (paramedic) program has proved to be an enormous success far exceeding our most optimistic expectations with thirty-six definite life saves and a 26 per cent reduction in the dead-on-arrival (D.O.A.) rate being experienced at Providence Hospital, directly attributable to this program. For 1974-1975 we have committed $280,000 of Southfield's Federal Revenue Sharing funds towards maintaining this unique service. (It should be noted that this $280,000 is 91.5 per cent of all the Federal Revenue Sharing funds Southfield will receive next year.)[10]

The paramedic program certainly produced a big impact on the community and city officials. Even though General Revenue Sharing funds were committed to maintain this highly successful program, it would be

misleading to surmise that the General Revenue Sharing program made a very big impact on Southfield. Because the life support unit program was already underway before the decision was made to allocate General Revenue Sharing funds for its continued maintenance, one cannot conclude that General Revenue Sharing was responsible for the program innovation. Had there been no General Revenue Sharing, Southfield officials speculated that they would still have had a paramedic program. As one official hypothesized, "Yes, we would have had a life support unit had there been no General Revenue Sharing. We would have just tightened up on some other program. We would have had to increase our borrowing, not raise taxes because it takes one half mill to generate $500,000. General Revenue Sharing was only $300,000. You can't ask the taxpayer to give us one fourth mill."[11]

As might be expected a more favorable assessment of General Revenue Sharing's impact came from the fire chief whose department is responsible for administering the life support program. "We were already into it (the life support program) before we had the Federal Revenue Sharing. I'm sure of that...because of the fantastic success we have experienced with this thing. I think that this Federal Revenue Sharing has really accelerated the thing and held it from going backwards. In other words, maybe if this money wasn't there, then perhaps we would have to drop a life support unit or something."[12] Even the fire chief admits, however, that the paramedic program would have continued without General Revenue Sharing funds. For this reason, one must be cautious in concluding that General Revenue Sharing produced anything more than a mild impact on the city's budget.

B. Dearborn

Dearborn like other municipalities around the country has been

affected by the fiscal crunch of the 1970's. Yet, in many respects, Dearborn has been more fortunate than most. City officials, for example, still expect a few more reasonably good years where they will be able to "balance off the tax limit."[13] For fiscal year 1975 the city was levying 20.97 mills. Of that sum 19.97 was authorized by the city charter which sets the maximum property tax rate at twenty mills. The additional mill is authorized by state statute which allows cities to levy up to two mills for the collection and disposal of garbage and rubbish.[14] Dearborn officials thus have a little financial muscle left (three cents on their own millage and one dollar of the special state authorization) which is expected to suffice for a couple more years.[15]

Thus far Dearborn's financial muscle has allowed city officials to put together a budget that stays within the city charter and state statutory property tax limits without sacrificing services. As the city approaches its maximum millage capacity, however, there is speculation among governmental officials that a city income tax may have to be considered an an alternative source of revenue.[16] The Mayor has let it be known that he steadfastly opposes an income tax. In light of the pressing financial circumstances the Mayor's influence over city politics will likely be put to a test on this issue.

Short of adopting a city income tax, city officials have taken another step to protect themselves against the increasing costs of government. They have set up a program to invest state revenue sharing funds as a hedge against inflation. In the words of the Deputy Controller,

> We, as you know, get the state revenue sharing. We have a very aggressive investment program. We invest our surplus funds daily. We have a goal here, using the computer, of a zero cash balance in the bank. With the interest rate we have had in the last year we are increasing the non-property tax revenues that we have. These revenues can be increased, both with the state (income tax) and the sales

> tax going up. This offsets to some extent the increased costs which we have incurred.[17]

Despite this preventative strategy, the Deputy Controller lamented the fact that the costs of government are going up faster than the non-property tax revenues received from the state. The fact that inflation hits the municipalities harder than other sectors of the economy was emphasized.

> Inflation has hit municipalities very, very hard. Probably harder than out in the general business community. If we give a dollar of increased wages or fringe benefits, we have to raise a full dollar to pay for it. If Ford Motor Company is operating at a profit, for every dollar they give it only costs them fifty cents. The federal government is sort of "revenue sharing" with them to the extent that they can write half that off against their taxes. So when we get a dollar increase in costs, we have to raise the full dollar some way and this is kind of tough. This is why it's particularly hard on local units of government. Inflation is a penalty on everybody, but it's particularly hard on local units of government where they use the property tax as their basis of raising funds.[18]

Given these worries about inflation, one might reasonably speculate that the Federal General Revenue Sharing funds would be primarily used in Dearborn to lower taxes or hold back the rate of tax increase. With local property tax revenues and non-property tax revenues from the state not keeping up with the rising costs of government, Federal General Revenue Sharing would appear to offer Dearborn some needed fiscal relief. In fact, after Dearborn received its $2,040,626 in Federal Revenue Sharing funds for the first three entitlement periods extending from January 1, 1972 through June 30, 1973, the city lowered its tax rate from twenty mills for fiscal year 1973 to 19.10 mills for fiscal year 1974.[19] Furthermore, the entire sum of Federal Revenue Sharing money was not spent during fiscal year 1973, but it sat untouched in the trust fund account collecting interest.[20] In view of the fact that city officials had used non-property tax revenues from the state to hold down taxes, it seems plausible to try to link Federal General Revenue Sharing

receipts for fiscal year 1973 with the tax decrease in fiscal 1974. Afterall, the interest on over two million dollars alone could generate some tax relief.

The linkage that an outside observer might be tempted to draw between the tax rate reduction and the advent of Federal Revenue Sharing is rejected, however, by city officials. City officials claim that the General Revenue Sharing funds were allocated entirely to capital improvements. As the Mayor stated, "We're using our money here all in the sewers and senior citizen housing. All of it. Every dime of it."[21]

On a purely theoretical level budget officials acknowledged that using General Revenue Sharing for capital improvements may release money in the general budget for other expenditures. City officials also realized that this was a problem of practical concern for politicians in Washington. As the Deputy Controller described the situation,

> As I understand it, one of the difficult things about this is the difference of opinions that lies between a large segment of the Congress and the administration. The administration holds that there is nothing wrong with using this money (General Revenue Sharing) to reduce taxes and this is where dislocation would come in. If you use this money to pay for some activity's operating and maintenance expenses that you would normally pay out of tax levy, then you don't have to levy that much tax and you can reduce your taxes. The administration claims that this is one of the purposes, that there isn't anything wrong. There's a strong feeling in Congress that this is an inappropriate use of Federal Revenue Sharing. It wasn't the intent of the Congress to let the federal government raise the revenue, channel it to the local units of government, and let the local units of government cut taxes and take credit for it. So there appears to be a difference of opinion. As far as I can tell legally from the Act, you can use this money to reduce taxes.[22]

One gets the feeling after talking with local officials that they wanted to stay clear of any controversy that someday might brew over a decision to use Federal General Revenue Sharing funds to reduce local taxes. Allocating revenue sharing money for capital expenditures eliminates this worry. When asked then to explain the relationship between

the tax rate and the General Revenue Sharing program, the Deputy Controller responded,

> It's a difficult question to answer. We actually had a tax rate decrease that year...but in analyzing it we cameto the conclusion that with or without Federal Revenue Sharing we would have had the same tax rate. What we would have had would have been a smaller capital improvement appropriations for that year.[23]

In order to understand the rationale behind the Deputy Controller's statement, one must understand the somewhat unique relationship between capital and operating expenditures in the city of Dearborn. Unlike most municipalities the city of Dearborn does not sell bonds to finance its capital improvement projects. In the words of the Deputy Controller,

> We are not borrowing to finance our capital improvement program. We identify a program as a capital improvement and we begin to budget for it ourselves over a three-, four-, or five-year period. Each year we appropriate so we will have enough money to implement that program. Now there are a number of factors that enter into that judgement. At the time you are accumulating this, your costs aren't going down. But at the time you are accumulating this you are generating some interest on that to offset the increase in cost. This third factor is the tremendous cost of borrowing money. If you borrow money for twenty-five or thirty years, it's going to cost you twice as much to build that facility or that capital improvement. The interest costs are tremendous. Our administration takes the attitude that you spend it after you've got it. You don't borrow it and pay it back because there's tremendous advantage to it. Now there's argument on both sides of the fence, I realize that. The use of the facilities, if you bond, are being paid by the people who use it; but the Mayor feels that he doesn't want to burden future taxpayers with a lot of debt.[24]

Another city official described Dearborn's method of financing capital expenditures in more individualistic terms,

> We don't owe a penny for sewers, for streets, for public buildings, for anything. Everything's paid for. This would be like you saying as a married man, "I don't have a charge account and the house is paid for and I just keep plenty of money in the bank." But our money doesn't go in the bank; our money is poured right back into capital improvements.[25]

The city of Dearborn thus seems to have a well-articulated policy of avoiding bonded indebtedness by financing capital improvement projects out of general tax revenue. The setting aside of Federal General

Revenue Sharing funds for capital projects to be undertaken at some future date seems to correspond with this practice. The question, however, of whether General Revenue Sharing was in any way related to the tax decrease is unfortunately still moot. Allocating Federal Revenue Sharing for capital expenditures afterall creates some additional slack in the general tax supported budget. Since General Revenue Sharing pays for the senior citizen's housing and sewers, local funds need not be diverted to these areas or need not be raised at all. City officials claim though that these capital expenditures would not have been undertaken without General Revenue Sharing funds and thus are in no way related to the tax decrease.

In support of the city officials claims that they would have had a smaller capital appropriation if there had been no General Revenue Sharing is the fact that in the past Dearborn had relied mostly on federal aid to construct its three existing senior citizen facilities, Townsend Towers, Kennedy Plaza, and Sisson Manor. Federal funds for housing, however, were no longer available. The Nixon administration's squeeze on the Department of Housing and Urban De v elopment had brought the city of Dearborn's construction plans to build additional senior citizen housing to an abrupt halt. As a result the General Revenue Sharing program was looked upon as a means of restoring the federal aid that had been cut off. The main impact of the General Revenue Sharing program was thus federal aid restoration. From the vantage point of one local official,

> Actually what it had done is replace some of the block grants which we used to get for our local housing projects. They've (the Nixon administration) substantially cut that off. That was I believe part of the money they impo u nded. So just about the time that they turn this faucet on, they turned the other faucet off. So we're getting it in a different form.[26]

C. Royal Oak

The impact that the General Revenue Sharing program made on the city of Royal Oak was tersely described by one city commissioner, "It's been our survival!"[27] Indeed, the general impression that Royal Oak officials have of the program is that "there would have been no way we could have maintained the same level of services without Federal Revenue Sharing."[28] General Revenue Sharing's primary impact was thus on the expenditure side of the budget-program maintenance. It was used "just for the general operations of the city."[29] The operating and maintenance needs of the city were so great that the General Revenue Sharing funds "just went into the general budget,"[30] which precluded them from ever being used for capital outlays. Besides having a diffuse impact on Royal Oak's operating and maintenance expenditures, the General Revenue Sharing program was also credited with stabilizing the city's revenue problems in the short run. Although the city's financial resources were under tremendous pressures, the General Revenue Sharing funds were believed to allow the city to operate for a "three- to four-year period" without increasing taxes.[31]

A general consensus thus exists among Royal Oak officials that on the expenditure side General Revenue Sharing was spread throughout the general fund and that on the revenue side General Revenue Sharing temporarily forestalled a local tax increase. When one presses local officials for more details regarding the impact of General Revenue Sharing funds, however, the consensus among officials begins to break down. It seems that most Royal Oak officials hold the same general impressions of General Revenue Sharing's impact on the city government, but their perceptions of specific details often reveal contradictions, inconsistencies, and ambiguities. For example, the Mayor and the former Director of Fi-

nance each hold a different impression as to the city budget that was first affected by the General Revenue Sharing program. When asked to recall when General Revenue Sharing money was first budgeted, the then Director of Finance replied:

> Well that would be 1972. We were aware of the fact that we were going to get some (General Revenue Sharing) in there. Of course at that time we picked up a little additional money on the retro basis... We used it to balance the budget. That's what it amounted to even then.[32]

In contrast, the Mayor indicated that the first decisions to budget General Revenue Sharing funds were made in "last year's fiscal budget, the 1973-1974 budget."[33]

An inspection of the audited budgets reveals that the former Director of Finance is correct. The figures show that $343,830 of the General Revenue Sharing monies were spent in the 1972-1973 budget year.[34] What the Mayor probably recalls is that the first budget hearing for General Revenue Sharing was held in May 1973 during the time formally scheduled for discussion of the adoption of the fiscal year 1973-1974 bidget.[35] The fact that the Mayor has no earlier recollection of General Revenue Sharing expenditure decisions indicates that the city's leading politician was somewhat insulated from the administrative process which channeled the federal funds into the 1972-1973 budget. Such differences of perspectives among politicians and administrators makes attempts to subjectively evaluate General Revenue Sharing impact a difficult task.

Overtures to Royal Oak officials to be more precise in their description of General Revenue Sharing expenditure impacts were to no avail. It became apparent that most officials had only the haziest notions of what the General Revenue Sharing money was used for. A common reply was: "We just more or less said that this is a lump sum of money which we could use for salaries which is 80 per cent of our budget."[36]

The availability of General Revenue Sharing funds to offset personnel costs was thought to be particularly advantageous in light of current contract negotiations with the city's unionized work force. As the Mayor explained: "It will help us this year (1974) after our negotiations. I'm sure we'll have to put a lot of it into increased pay benefits."[37]

Royal Oak officials seem unable to be any more specific in describing General Revenue Sharing expenditures. Even the city's Personnel Director is not able to go beyond the amorphous description that General Revenue Sharing was spent on salaries in order to balance the budget. The Personnel Director is unable to determine which employee salaries or portions of salaries are funded by General Revenue Sharing. Somewhat incredulously the Personnel Director exclaimed that he could not be expected to know where the General Revenue Sharing money ended up: "I'm not the person who decides how it's recorded. I don't get involved in recording."[38]

One man who did happen to get involved in the recording of General Revenue Sharing expenditures was the former Director of Finance. His best recollection was that 60 to 70 per cent of the General Revenue Sharing money was allocated to public safety since that was the city's greatest need.[39] The new Director of Finance, however, was far less glib in his comments:

> We budget our revenue from Federal Revenue Sharing as a line item. We budget our revenue from the intangibles taxes as a line item. It all gets budgeted the same way. We treat everything almost the same. The only requirement is we specifically identify how we are going to spend the money (General Revenue Sharing)... We got $500,000 from the Federal Revenue Sharing for the year ending June 1974. So we spent two million dollars for police and fire protection or something along those lines. Well all right we say, we spent $395,000 of Federal Revenue Sharing for public safety, but you couldn't specifically identify those dollars. You know it's just revenue coming in. In your budget process you've got X dollars of revenue and expenditures,

9.5 million dollars of revenue and 9.5 million dollars of expenditures.[40]

As a result of being merged with the general operations of the city, it appears impossible to determine the exact impact of General Revenue Sharing expenditures in Royal Oak. Yet because General Revenue Sharing funds were sorely needed to help balance the budget, more officials consider them as having had a great impact on the city government even though no one is really certain where the General Revenue Sharing dollars actually went. Despite the significant impact that General Revenue Sharing had on the budget, there are indications that the federal funds are at best only a stop-gap measure for the city. Reflecting on the widening gap between revenues and expenditures, one city official observed: "I think that in our situation it's very evident that we can't continue to operate unless we increase this millage. (If there had been no Federal Revenue Sharing), it would have just hastened the day of atonement. Right now the day is here."[41]

While General Revenue Sharing may have given city officials a temporary three or four years respite from fiscal pressures, city officials concede that "we may even with the Revenue Sharing have to ask for some tax increase, so it certainly didn't stabilize any tax problem."[42] Even with General Revenue Sharing the city has not been able to balance the budget completely, having run a deficit for fiscal year 1973-1974. The chances are that the city's future will continue to be just as troublesome. City officials expect to receive approximately the same General Revenue Sharing allocation they have in the past, although demands on city resources are increasing because of new union contracts, inflation, etc. It is therefore conceivable that the city will run up a deficit in its 1974-1975 budget which will then have to be paid off during the following fiscal year 1975-1976.[43]

In summary, Royal Oak officials realize that the city would be worse off without General Revenue Sharing. The financial problems of the city have forced local decision-makers to use General Revenue Sharing as a budget balancer. As a result, in the minds of most governmental leaders it does not make sense to talk about specific General Revenue Sharing expenditures. In addition, the financial difficulties of Royal Oak are so severe that even the substantial sum of General Revenue Sharing money flowing into the city does not completely meet the demands for resources. Royal Oak's future will likely be one of either increased local taxes or deficit financing accompanied by a further deterioration of city services.

D. Warren

As in many other communities city officials in Warren are very sensitive about taxes. Local politicians consider it political death to talk about tax increases. The city council has thus acted very conservatively with local taxpayers' dollars avoiding a tax increase for the last three years. The fact that the city budget is frequently passed after the formal June 30th appropriations deadline is a direct indication of the city council members' efforts to squeeze all the goods and services they can from the various departmental units. With such a relatively tight city budget it was, of course, out of the question for Warren officials to attempt to use General Revenue Sharing funds as a device to cut taxes. The city faced tremendous pressures for new and expanded services. Besides, using General Revenue Sharing to cut taxes was not considered in keeping with the spirit of the New Federalism. This philosophy was simply summed up by the Mayor:

> It (General Revenue Sharing) hasn't done a thing to our taxes. That isn't the object of revenue sharing money from the federal government

> --to give money and then you cut back on your taxes. It's to provide services better than what you had before.[44]

In the minds of Warren officials Federal Revenue Sharing money was to be kept separate from local funds and be used for something extra that the city did not already have or could afford. It was therefore a rather easy task for governmental officials to describe the impact that General Revenue Sharing made in their community. Everyone knew that the federal funds were used for new capital expenditures even if they could not always completely recall everything that was contained in the city's five-year General Revenue Sharing capital improvements program. Everyone was aware, however, perhaps because it was so visible that General Revenue Sharing funds were responsible for the construction of the 1.5 million dollar justice court building that was being errected next to city hall. In addition different individuals mentioned senior citizen housing, recreation facilities, and a new police station as capital improvements funded by Federal Revenue Sharing. In dollar figures these last three projects were broken down as follows: 2.4 million dollars were allocated to build 125 units of senior citizen housing, the first in the city; 4.5 million dollars were given to the recreation department (two million dollars for acquisition of park land and 2.5 million dollars for the development of three artificial ice rinks and an outdoor swimming pool); and two million dollars were set aside for the construction of a new police station in the city center complex behind city hall and next to the court building.[45]

On the one hand, General Revenue Sharing seems to have made a tremendous impact on the city budget by allowing roughly 2.5 million dollars of capital work per year. On the other hand, viewed in overall perspective to the city of Warren's total capital needs, the General Revenue

program seems totally inadequate. For example, city officials estimate that they have a backlog of at least 100 million dollars in capital projects for storm and sanitation sewers alone. As the city controller glibly commented, "We're just being realistic in Warren. Most of the other communities don't even know what their problems are."[46]

With such a large backlog of capital projects, city officials find it difficult to conceive of any other use for the General Revenue Sharing funds. General Revenue Sharing is thus credited with enabling the city of Warren to at least begin to make a dent in its long list of capital projects. Summing up General Revenue Sharing's impact on the city of Warren one official stated: If there had been no Federal Revenue Sharing, "then all these things that are happening now would not have happened, at least not as quick. They would have happened, but we would have had to go another route."[47]

The other routes that city officials might have followed in order to finance their capital improvement projects can be looked upon as the indirect impact which General Revenue Sharing made on the city budget. Whereas there is an overriding consensus of opinion among Warren officials that the direct impact of the General Revenue Sharing program came in the form of new capital expenditures, there are wide differences of opinion among officials as to what the city would have done had Warren never received federal funds. While it is certainly impossible to resolve these perceptual conflicts by relying upon attitudinal data, nevertheless since these indirect impacts were frequently mentioned by governmental officials and are tied in closely with their assessments of the revenue sharing program, it seems relevant to attempt to sort the different viewpoints out.

The traditional route, which most municipalities follow to finance

their long-term capital projects and one frequently mentioned by Warren officials as an alternative they would have had to follow had they received no revenue sharing money, is to borrow money. This point of view was expressed quite persuasively by the Budget Director:

> We would have had to increase our borrowing and debt if we wanted to afford some of the capital projects. In fact this is one problem that I had with my first project (the courthouse building). Just before letting out the bids, they (the city council) created a building authority; then when they decided to use revenue sharing, (they created) a building committee. So there was no question that on this courthouse it was going to be bonds when it was originally proposed. Then Federal Revenue Sharing came along so they decided to use this.[48]

The indirect impact of General Revenue Sharing, according to some officials, was thus borrowing avoidance. General Revenue Sharing enabled the city to make new capital expenditures. It allowed Warren officials to reduce the amount they otherwise would have had to borrow to undertake capital projects now financed by federal funds.

Another route which many city officials feel the city would have had to travel had it not been blessed with General Revenue Sharing funds was to increase taxes. General Revenue Sharing was perceived by some officials as a means of helping the city of Warren get through a tough period. As one councilman stated:

> The council--I can speak for a majority--they always want to prohibit a tax increase. In the three years that I've been on the council, this council has acted very conservatively watching the taxpayers' dollars and we have not had a tax increase. One of the reasons I think we haven't, yet we made great progress in areas of recreation, senior citizen housing, etc., is through revenue sharing. Without revenue sharing to have the programs that we have going, we would have had to have a tax increase.[49]

Members of the city council thus saw tax stabilization as an indirect impact of the revenue sharing program in Warren. There were two implicit assumptions behind this view. First is a belief that certain capital projects were so important that they would have had to have been

carried out had the city actually not received any revenue sharing funds. Second, there was a feeling that it would have been necessary for council to increase taxes because the Warren voter would never have approved the bond issues needed to finance the capital projects. Individuals who could not accept the view that General Revenue Sharing had a tax stabilizing impact on the city were not able to accept both of these implicit assumptions.

The Mayor, for example, felt that the courthouse would have been built regardless of the receipt of General Revenue Sharing funds, but he did not want to be associated with even the thought of a tax increase: "We would have built that (the courthouse) through an increase in fines. We would have probably increased the fines to make up for the difference."[50] Likewise some officials thought that a tax increase could have have been avoided by securing other types of intergovernmental aid. As one official reflected on the council's decision to build senior citizen housing: "Senior citizen housing, perhaps they could have gotten assistance from government on that, although many of the councilmen are very reluctant to go that route because of the failure of the urban renewal program."[51] In contrast, the controller felt that the new courthouse and other capital projects would not have been started at all without the General Revenue Sharing funds: "We went on with these capital projects that otherwise we would have had to sell bonds to provide or else not just done them. Chances are we wouldn't have done them because the people won't vote for bonds."[52]

Still another route that some individuals felt local officials would have had to have opted for had the city not received General Revenue Sharing funds was to take money from the general fund. The various city departments were cut down to a bare minimum in many of their programs.

Ultimately it was felt that the need for capital improvements would have grown had there been no revenue sharing program. The difficulty of getting voter approval for bond issues and the reluctance of the city council to increase taxes enough so as to generate adequate revenue to take care of the city's capital needs led some people to conclude that money would have had to have been taken from the general fund to support the needed capital projects. In such a situation the indirect impact of General Revenue Sharing was to balance the budget.

The Mayor, for example, indicated that this was already partly the case in connection with the construction of the courthouse: "Some of it (funding for the courthouse) was coming out of the general fund so it (General Revenue Sharing) didn't make that much difference anyway."[53] By minimizing General Revenue Sharing's impact on the courthouse construction project, the Mayor is implying that some of the General Revenue Sharing money really went into the general fund to help balance the budget.

E. Westland

The consensus of opinion among Westland officials was that Federal Revenue Sharing had been a lifesaver for the city. If there had been no revenue sharing program, it was expected that Westland would have had to reduce services, borrow, and/or lay off workers workers during fiscal year 1974. As it turned out, even with General Revenue Sharing the city was forced to lay off twenty-four workers and curtail services at the beginning of fiscal year 1975. The initial life saving impact which General Revenue Sharing had on the city of Westland, however, was described in general terms by the Mayor:

> Our money was used to bail us out. We were not one of those communities that was able to consider that (revenue sharing) as being

> excess money. We were not in any kind of a fiscal position to say well, let's proceed with our regular budget and then set aside over here Federal Revenue Sharing and say out of Federal Revenue Sharing we were going to do extra things.[54]

The Director of Finance who was responsible for administering the General Revenue Sharing program described the first flow of General Revenue Sharing funds into the city of Westland a little more specifically:

> Well, what we did is, like all the other cities that I can see, we merely relieved the general fund situation where we could. We didn't have to go for a tax increase. We were able to maintain our full complement of personnel without layoffs and also our capital expenditures were continued without any drastic cuts in that. In other words, we did not have to go for an additional millage or program cutbacks.[55]

Thus Westland used its General Revenue Sharing funds for fiscal year 1973 primarily for budget balancing or program maintenance. In contrast the situation during fiscal year 1974 was a great deal more complicated. In his 1974 budget message to the city council on March 30, 1973, the Mayor proposed that part of the General Revenue Sharing fund be directed to the Recreation Department in order to enclose the ice rink at Jaycee Park. In the same letter the Mayor stressed the need for the city to budget for a multipurpose recreation building which was also expected to be constructed at Jaycee Park during the summer of 1974.[56] In retrospect it appears that General Revenue Sharing monies were not only used to fund the ice rink enclosure but was indirectly used to finance the construction of the multipurpose building as well. In the words of the then Director of Finance: "It's (the multipurpose building) not a result of revenue sharing, but it wouldn't have been possible without it."[57]

It appears that General Revenue Sharing funds made possible sizeable capital expenditures during fiscal year 1974. It seems that one net effect of the General Revenue Sharing program was to free up approximately

$500,000 in general revenues which then allowed the city of Westland to build the multipurpose building and enclose the ice rink.[58] Needless to say, this was quite a significant departure from the previous fiscal year when General Revenue Sharing funds had primarily been used to balance the budget.

In addition to General Revenue Sharing funds making possible new capital expenditures, it also appears that revenue sharing facilitated a tax cut in 1974.[59] As the Mayor indicated in his budget message to the Westland city council, Federal Revenue Sharing represented almost 1.5 mills of revenue to the city of Westland in 1974.[60] In other words, General Revenue Sharing amounted to almost a 20 per cent increase over the previous fiscal year's operating millage of 7.68 mills.[61] Apparently city officials felt that this influx in revenue sharing was enough to warrant giving Westlanders some tax relief. The city council thus levied only 6.99 mills for operating during fiscal year 1974.[62] This had the impact of reducing the total millage needed to run the city by .39 mills from 11.63 in 1973 to 11.24 in 1974.

Besides new capital expenditures and tax cuts, local officials also claimed that during fiscal year 1974 General Revenue Sharing was used not only to support existing services but to add some police, fire, and recreation employees to the city payroll as well.[63] Generally speaking, however, it was hard for city officials to be very specific when they talked about the impact that General Revenue Sharing had on operating and maintenance expenditures. The Chief of Police, who did not have any idea what proportion of his budget was funded by revenue sharing, expressed beliefs about General Revenue Sharing's impact that were typical of many Westland officials:

> It (revenue sharing) goes into the general fund. I think that if it were really analyzed, we got our share of it--the police department

> got our share of it... I would say, that taking everything into consideration, we probably came in number two in getting our fair share... In this city recreation is a top priority. I think that they got a good share. I can't say its the General Revenue Sharing money because it all comes out of the general fund. When money comes in my budget, it's not said this is revenue sharing. We get X number of policemen, so many cars, etc.[64]

This inability of local officials to, in their minds, clearly separate General Revenue Sharing funds from other sources of revenue is perhaps one of the reasons that during fiscal year 1974 General Revenue Sharing seems to have meant all things to all people. The Mayor, for example, maintained that the receipt of General Revenue Sharing funds had enabled the city to restore federal aid that had been expected but suddenly cut off by the Nixon administration. The city had wanted to finance the construction of senior citizen housing through HUD. The freeze on HUD revenue, however, had forced city officials to look for alternative sources of financing. The city of Westland ended up underwriting senior citizen housing by partially exempting the units from the city property tax. According to the Mayor, the existence of revenue sharing was an important factor that persuaded city officials to resort to this option: "When we looked at that (underwriting senior citizen housing), we analyzed how much less revenue we would have by reducing the property tax and we anticipated through the additional revenue sharing we would be able to do that by more funds coming in."[65]

In addition to facilitating new capital expenditures, permitting a tax cut, expanding and maintaining existing operations, and restoring cutbacks in federal aid, General Revenue Sharing was also singled out as having enabled the city to avoid borrowing in fiscal year 1974. As the Chief Executive declared: "We would have had to borrow more had it not been for Federal Revenue Sharing. The amount that we would have got in revenue sharing we would have had to borrow."[66]

Lastly the new Budget Director even claimed that during fiscal year 1974 General Revenue Sharing was allocated to ongoing programs so that the net effect was to increase fund balances. This official's comments, however, pretty well summed up the broad impact which General Revenue Sharing was perceived to have had on Westland's 1974 budget:

> Right now 95 per cent of our budget comes from other sources (other than revenue sharing) but your 5 per cent is kind of like the additional amount that help out and if you didn't have it you would be in bad shape... We wouldn't have had this new capital expenditure; we wouldn't have had a tax cut; we would have had to borrow; we certainly wouldn't have had an increased fund balance; and we wouldn't have been able to maintain the programs we had. But then again, you know, it's just like any other revenue. If we wouldn't have had what we got from the state we would really have been in trouble.[67]

While there were numerous opinions about the impact which General Revenue Sharing had on the 1974 budget, Westland officials agreed that in 1975 the federal funds were needed to keep the city from total financial ruin. Even though the city of Westland was entitled to receive close to three quarters of a million dollars during fiscal year 1975, the city's financial crisis had deepened so that the Mayor had to present the council a budget with a one million dollar deficit.[68] Capital outlays were reduced to a minimum; the city was forced to operate at its charter limitation of eight mills; twenty-four city employees were laid off; and the city appealed to the voters to approve an earmarked millage increase later in August. The word out from the Mayor's office was that while "certainly Federal Revenue Sharing has been a saving, although temporary blessing, the fact is that Westlanders must rely on themselves to increase revenues and establish 'pay as you go' budgeting."[69]

F. Pontiac

For several years prior to the beginning of the General Revenue

Sharing program budget officials in Pontiac had been contemplating a shift in the city's budget year from a calendar year beginning January 1 to a fiscal year starting July 1. Due to a complicated cash flow situation, however, the transition from calendar year to fiscal year had always been ruled out as impractical, that is until the General Revenue Sharing program came along.[70] With the arrival of revenue sharing checks in December 1972 and January 1973 a virtual certainty, city officials enacted plans late in calendar year 1972 to use the General Revenue Sharing money "for carry-through time to get on the new fiscal year."[71] General Revenue Sharing's initial impact on the City of Pontiac was thus to support the six-month interim budget between the old calendar year 1972 and the new fiscal year 1974. In retrospect Pontiac officials all agreed that "if it hadn't been for revenue sharing, we couldn't have done it (changed the budget year)."[72]

Besides facilitating the budget year transition, officials in Pontiac repeatedly pointed out that revenue sharing really gave the city a shot in the arm because it allowed the city to hire back employees who had been previously laid off because of a severe financial crisis caused by the protracted General Motors strike in 1970.[73] Before revenue sharing city officials were looking at a budget in red figures which had forced layoffs of over 100 municipal workers including police and firemen. As a result of revenue sharing and the guidance of a new City Manager, the city's finances were once again in the black. At best, however, Pontiac officials contended that General Revenue Sharing merely allowed the city to maintain service levels and was not enough to really beef up operations. For example, even though revenue sharing permitted the Police Department to hire back officers who had previously been laid off, the Police Department still found itself unable to do a lot of

things it wanted to do in the area of crime prevention. The result was a rush to Washington for LEAA funding for specific crime prevention projects. The plea for categorical funds was successful with about $800,000 of LEAA money eventually being pumped into the city to support four ongoing crime prevention projects.[74]

The initial use of General Revenue Sharing money as a financial cushion to convert to a fiscal year budget and to rehire previously laid-off municipal employees seemingly precluded revenue sharing money from being used to add programs to the operating budget. As the following remarks of a Pontiac city commissioner will show, however, there may have also been some reluctance among the commission members to use General Revenue Sharing funds for ongoing programs in the first place. In any event it seems that in subsequent budgets at least some of the General Revenue Sharing money found its way into capital projects. In the words of the commission member:

> It (tight financial situation of the city) didn't leave any room to start what you would call ongoing programs, but a few one-shot things could be accomplished. We were able to achieve some, you know, programs that weren't something where you had to hire a lot of people that you were going to have to keep.[75]

Some of the capital projects made possible by General Revenue Sharing funds were recalled by the commissioner: "We went to one-man garbage trucks in the DPW (Department of Public Works)... We bought the one-man garbage trucks and got new equipment, lowered manpower costs on the operation of the Sanitation Department with the aid of the revenue sharing money."[76] As the commissioner continued to reflect: "I don't know if the street sweepers had anything that came out of (revenue sharing). I'm sure that we probably wouldn't have been able to have done it, however we did it, if it hadn't been for revenue sharing--the sweepers, the street sweepers, four of them."[77]

When asked whether the purchase of new vans recently acquired by the Human Resources Department to transport senior citizens was also a result of revenue sharing, the commissioner replied:

> Well, there again, because of not knowing for sure the line (item figure in the budget) of how it's accounted for, I don't know whether it was revenue sharing money that paid for them or not. But I'd say revenue sharing made it possible to do it because if we couldn't use the money for that, it certainly freed up some other money that made it possible. It's those kind of things that you do.[78]

Perhaps the best example of the kind of one-shot things General Revenue Sharing money enabled Pontiac officials to do was connected with the financing of Pontiac's new Silverdome Stadium. As the commissioner explained:

> Well, we were able to put money from the general fund aside or earmark it or make it available and one example would be for the stadium effort... In other words, we couldn't (legally) use revenue sharing money for the stadim, okay. But because we could use revenue sharing money for some other things we were doing, we were able to take money from the general fund and earmark it for the stadium... I think it was because of the inability of us to use revenue sharing money to pay interest on a bond that we were able to take general fund money and use it for the first two years of bond retirement. That is what it was. The first two years of bond interest we were able to take out of the general fund because the revenue sharing allowed us to do some other things.[79]

The General Revenue Sharing money thus helped make the stadium a reality even though technically speaking General Revenue Sharing funds were not formally allocated to the stadium project. As the Mayor of Pontiac emphasized: "We didn't use revenue sharing on our stadium...but revenue sharing has helped us because we could allocate other monies in our stadium area."[80]

As one can see, determining the actual impact that General Revenue Sharing money had on the city of Pontiac is a complicated task and sometimes even a moot question. As the City Manager noted, after the initial receipt of the revenue sharing monies by the city, it was getting harder for him to determine the impact of the revenue sharing money:

> This, I guess, is just from my own experience. Each year it (revenue sharing) seems to be more inclined to just get soaked up in what you're doing and it becomes extra money that the city has and eases the money pinch a little bit. Maybe in some instances (revenue sharing) does allow you to get in some programs which you otherwise might not have been able to do, but for our part they aren't all that significant that you could point to them.[81]

One thing Pontiac decision-makers are sure about though is that the city desparately needs the federal funds. As the City Manager concluded:

> Now we can't levy any more taxes (because Pontiac is at its charter and statutory limits). Now some of the costs keep going up. Salaries go up and fringe benefits increase and for materials it costs more to buy what we have to buy. So it's just like the individual's home budget. Our cost of living in the city government increases. Now if there were not 2.4 million dollars of revenue sharing available to the city this year, we would be doing 2.4 million dollars less than what we're doing. I don't know where it would be less, but it would have to be less because there wouldn't be any money there to do it.[82]

III. General Revenue Sharing Expenditure Decisions: Conclusions

In four of the six Detroit area cities the first few checks from the Office of Revenue Sharing were used for regular general fund activities and thus local officials found it difficult to identify a specific General Revenue Sharing expenditure impact. Southfield officials found the initial receipt of General Revenue Sharing funds too small to precisely point to a revenue sharing impact. Decision-makers in Royal Oak and Westland faced deficit budgets and were forced to channel the first flow of General Revenue Sharing monies into the general fund to support everyday operating and maintenance expenses. In Pontiac officials used their first revenue sharing receipts to subsidize their general fund activities as the city changed over from a calendar year to a fiscal year budget.

After the General Revenue Sharing program had gotten underway and decision-makers had gained experience with the program, General Revenue

Sharing funds began to be allocated for one-shot expenditure items in three of the four cities mentioned above. In Southfield the General Revenue Sharing money was set aside for a paramedic program. The construction of a multipurpose recreation building was made possible by General Revenue Sharing funds in Westland. City officials in Pontiac indicated that General Revenue Sharing's impact was to pay off the first two years of interest on bonds used to construct their new Silverdome Stadium and that, in addition, capital expenditures for garbage trucks, street sweepers, and senior citizen vans were the result of the federal monies.

In the cities of Dearborn and Warren the General Revenue Sharing funds were designated for capital expenditures right from the beginning of the program. Dearborn earmarked its share of the federal funds to senior citizen housing. Warren embarked on a conprehensive five-year General Revenue Sharing capital improvements progeam which enabled the city to construct swimming pools, a court building, a new police station, and senior citizen housing.

It thus appears that there was a very definite tendency for local budgetary decision-makers to use their General Revenue Sharing funds for capital projects and other one-shot expenditure items. General Revenue Sharing did not just flow into the feneral fund budget pot and augment the existing pattern of expenditures as the process analytic theory of municipal budgeting would suggest. In Chapter V which follows some of the reasons why these General Revenue Sharing expenditure decisions are seemingly at odds with budgeting theory are analyzed.

Notes

[1]U.S., Congress, House, Intergovernmental Relations Subcommittee of the Committee on Government Operations, Replies by Members of Congress to a Questionnaire on General Revenue Sharing, 93rd Cong., 2d sess., 1974 (Washington, D.C.: U.S. Government Printing Office, 1974), p. 5.

[2]For a concise overview of the General Revenue Sharing legislation see U.S., Congress, Staff of the Joint Committee on Internal Revenue Taxation, General Explanation of the State and Local Fiscal Assistance Act and the Federal-State Tax Collection Act of 1972 (Washington, D.C.: U.S. Government Printing Office, 1973).

[3]For example, consider the many proposals solicited by the National Science Foundation under the program of Research Applied to National Needs (RANN); see National Science Foundation, Division of Social Systems and Human Resources, Program Announcement: Research on General Revenue Sharing (Washington, D.C.: National Science Foundation, 1974); National Planning Association, Compendium of Research in Progress (Washington, D.C.: National Planning Association, 1973).

[4]The work of David A. Caputo and Richard Cole reflects the early attempts to identify General Revenue Sharing expenditure decisions. See David A. Caputo and Richard L. Cole, "Initial Decisions in General Revenue Sharing," Municipal Yearbook, 1974 (Washington, D.C.: International City Management Association, 1974), pp. 95-102; David A. Caputo and Richard L. Cole, Revenue Sharing: The First Actual Use Reports (Washington, D.C.: Office of Revenue Sharing, 1974); David A. Caputo and Richard L. Cole, "General Revenue Sharing Expenditure Decisions in Cities over 50,000," Public Administration Review, XXXV (March/April, 1975), 136-142.

[5]David A. Caputo and Richard L. Cole, Urban Politics and Decentralization (Lexington, Mass.: D.C. Heath and Company, 1974), p. 16.

[6]Catherine H. Lovell and John L. Korey, "Measuring the Fiscal Impact of General Revenue Sharing" (paper presented at the 71st meeting of the American Political Science Association, San Francisco, Calif., Sept. 2, 1975).

[7]Letter, from Peter J. Cristiano, City Administrator of Southfield, to Donald Fracassi, Mayor, March 15, 1973, p. 8.

[8]Steve Hurite, City Commissioner, Interview No. 30 held in Southfield, Michigan, August 14, 1974.

[9]Ibid.

[10]Letter, from Cristiano to Fracassi, March 15, 1973, p. 7.

[11]Hurite, Interview No. 30.

[12]Don Foote, Fire Chief, Interview No. 14 held in Southfield, Michigan, July 25, 1974.

[13]Daniel S. McCormick, Budget Director and Deputy City Controller,

Interview No. 1 held in Dearborn, Michigan, July 16, 1974.

[14]City of Dearborn, 1974-1975 Budget Resolution, 5-429-74.

[15]McCormick, Interview No. 1.

[16]Ibid.

[17]Ibid.

[18]Ibid.

[19]City of Dearborn, 1973-1974 Budget Resolution, 5-357-73.

[20]City of Dearborn, General Revenue Sharing Actual Use Report, entitlement period: January 1, 1972 - June 30, 1973.

[21]Orville L. Hubbard, Mayor, with Daniel S. McCormick, Deputy City Controller and Budget Director, Interview No. 31 held in Dearborn, Michigan, August 15, 1974.

[22]McCormick, Interview No. 1.

[23]Ibid.

[24]Ibid.

[25]Simon Banda, Housing Director, Interview No. 2 held in Dearborn, Michigan, July 16, 1974.

[26]Hubbard and McCormick, Interview No. 31.

[27]John Austin, City Commissioner, Interview No. 27 held in Southfield, Michigan, August 13, 1974.

[28]John DaGiau, Director of Finance, Interview No. 5 held in Royal Oak, Michigan, July 18, 1974.

[29]Ibid.

[30]Austin, Interview No. 27.

[31]Michael Lesko, Personnel Director, Interview No. 23 held in Royal Oak, Michigan, August 6, 1974.

[32]George Tubbs, former Director of Finance, Interview No. 13 held in Roayl Oak, Michigan, July 25, 1974.

[33]James Cline, Mayor, Interview No. 33 held in Royal Oak, Michigan, August 19, 1974.

[34]City of Royal Oak, Michigan, Budget Appropriations and Expenditures in City Budget for 1974-1975, p. 54.

[35]Tubbs, Interview No. 13.

[36]Austin, Interview No. 27.

[37]Cline, Interview No. 33.

[38]Lesko, Interview No. 23.

[39]Tubbs, Interview No. 13.

[40]DaGiau, Interview No. 5.

[41]Lesko, Interview No. 23.

[42]Cline, Interview No. 33.

[43]Tubbs, Interview No. 13.

[44]Ted Bates, Mayor, Interview No. 16 held in Warren, Michigan, July 30, 1974.

[45]Letter, from Frank Muser, Assistant Controller, to Ted Bates, Mayor, City of Warren, March 12, 1974.

[46]John Hanrahan, Controller, Interview No. 3 held in Warren, Michigan, July 16, 1974.

[47]Arthur Burke, Deputy Council Secretary, Interview No. 12 held in Warren, Michigan, July 25, 1974.

[48]Martin Wicker, Budget Director, Interview No. 4 held in Warren, Michigan, July 16, 1974.

[49]Arthur Miller, Jr., Council Vice-President, Interview No. 32 held in Warren, Michigan, August 15, 1974.

[50]Bates, Interview No. 16.

[51]Burke, Interview No. 12.

[52]Hanrahan, Interview No. 3.

[53]Bates, Interview No. 16.

[54]Eugene McKinney, Mayor, Interview No. 11 held in Westland, Michigan, July 23, 1974.

[55]Leonard Bartos, former Director of Finance, City of Westland, Interview No. 10 held in Pontiac, Michigan, July 23, 1974.

[56]Letter, from Eugene McKinney, Mayor, to Westland City Council, March 30, 1973, p. 3.

[57]Bartos, Interview No. 10.

[58]A. Kent Herbert, former accountant and current Budget Director, Interview No. 7 held in Westland, Michigan, July 18, 1974.

[59]Ibid.

[60]Letter, from McKinney to Westland City Council, March 30, 1973.

[61]City of Westland, Michigan, Proposed 1974 Budget.

[62]City of Westland, Michigan, 1974 Budget, p. 1.

[63]McKinney, Interview No. 11.

[64]William Rechlin, Chief of Police, Interview No. 24 held in Westland, Michigan, August 8, 1974.

[65]McKinney, Interview No. 11.

[66]Ibid.

[67]Herbert, Interview No. 7.

[68]Letter, from Eugene McKinney, Mayor, City of Westland, to Robert Wagner, Council President, April 1, 1974, p. 3.

[69]Ibid., p. 2.

[70]Letter, from Robert W. Rummel, Director of Finance, to the City Commission, Pontiac, Michigan, May 1, 1973, p. 2.

[71]Wallace E. Holland, Mayor, Interview No. 29 held in Pontiac, Michigan, August 13, 1974.

[72]Frank Smiley, City Manager, Interview No. 26 held in Pontiac, Michigan, August 8, 1974.

[73]Robert W. Rummel, former Director of Finance, Interview No. 18 held in Pontiac, Michigan, July 30, 1974.

[74]David Braunschneider, Administrative Assistant of Chief of Police, Interview No. 25 held in Pontiac, Michigan, August 8, 1974.

[75]Norman Lee, City Commissioner, Interview No. 34 held in Pontiac, Michigan, August 21, 1974.

[76]Ibid.

[77]Ibid.

[78]Ibid.

[79]Ibid.

[80]Holland, Interview No. 29.

[81]Smiley, Interview no. 26.

[82]Ibid.

CHAPTER V

THE DYNAMICS OF GENERAL REVENUE SHARING EXPENDITURE BEHAVIOR

General Revenue Sharing is frequently thought of as a program with relatively few strings attached. Consequently the receipt of such unrestricted funds by a unit of government might not be expected to affect the local pattern of expenditure decisions. In this chapter this view of the General Revenue Sharing program is challenged. Although not subject to numerous legally mandated categorical restrictions, the General Revenue Sharing program is shown to have produced the widely shared perception among local officials that their General Revenue Sharing decisions were in fact constrained by the possible transitory duration of the General Revenue Sharing legislation.

In Section I below the logic of the permanent income hypothesis as it pertains to consumer behavior of citizens in the private sector is extended and applied to decision-makers in the public sector.[1] In Order to accomplish this, the reader should note that the traditional focus of the municipal budgeting literature on the operating budget is extended to include the capital budget as well.[2] Hopefully this theoretical decision will enhance the reader's understanding of the dynamics of General Revenue Sharing expenditure decision-making revealed by the case studies material presented in Section II. Section III closes with some brief concluding comments.

I. The Dynamics of Expenditure Behavior

A. The Permanent Income Hypothesis

The question of how budgetary decision-makers in the public sector adapt their expenditure behavior to the receipt of intergovernmental transfers might possibly be answered if one considers the analogous behavior of citizens in the private sector. It has been determined that at a given point in time people do not adapt their cash expenditures on consumption to their cash receipts. Instead individuals adapt their behavior to their expected cash receipts over a certain time period. This idea was formalized by Milton Friedman in the late 1950's.[3] Friedman has made a distinction between income which is recorded at one point in time and income to which consumers adapt their behavior. The former is labeled "measured income," whereas the latter is termed "permanent income." A similar distinction is made between measured consumption and permanent consumption. This notion that consumers adapt their behavior to permanent income has been set forth by Friedman as the "permanent income hypothesis."

Permanent income or consumption cannot be measured directly. The most that can be observed are actual receipts and expenditures during some finite period or perhaps some verbal statements of the future. Permanent income or consumption must be inferred from the behavior of consumer units. Factors which affect consumer receipts and expenditures have a range of time dimensions. Those effects which last less than a certain time period are considered "transitory." Those effects which last longer than a certain time period are considered "permanent." The length of this time period is termed the consumer units' "horizon."

Transitory components of income are believed to show up primarily in changes in the consumer units" assets and liabilities, i.e. in measured saving. Furthermore, transitory components of consumer units'

incomes is said not to have any effect on current consumption. In other words, perhaps the basic assumption of the permanent income hypothesis is that there is no correlation between transitory income and transitory consumption. Current consumption is thought to be affected by long-term income considerations and by transitory factors that influence consumption directly. According to the permanent income hypothesis, transitory changes in income lead to additions to assets or to the use of previously accumulated balances rather than changes in consumption.

It has been argued that the assumption of the permanent income hypothesis that there is no correlation between transitory income and transitory consumption might be too strong. Afterall, will not someone who receives transitory income increase transitory consumption? Friedman maintains that this really depends on how one defines consumption. If consumption is defined in terms of the value of services rather than in terms of purchases, then purchases of durable goods are classified as savings. Transitory income that is used to accumulate durable goods is thus considered savings. Even though purchases are made as a result of the receipt of transitory income, current consumption behavior is not affected according to the definition.[4]

Another problem with the permanent income hypothesis is not so easily rectified. There is a question as to whether the receipt of a windfall can be precisely identified with transitory income. Friedman states that it is impossible to be able to precisely equate windfalls with transitory income. If the windfall was expected to occur sometime or another, it may have already been allowed for in permanent income. Therefore, there is no reason to believe that the receipt of the windfall should change consumption because it is anticipated as part of existing permanent income. On the other hand, the windfall may be totally

unexpected. In this case an increase in permanent income will result and will justify higher consumption. In short, it seems windfalls cannot be precisely identified with transitory income because either they are expected and partly considered permanent income or are unexpected and have a permanent income effect.

B. The Permanent Revenue Hypothesis

The logic of the permanent income hypothesis as it pertains to consumer behavior of citizens in the private sector can easily be applied to decision-makers in the public sector. Budgetary officials, like individual consumers, can be hypothesized to adapt their municipal expenditure decision-making behavior to permanent revenue. Transitory components of the governmental unit's revenue would then supposedly not have any effect on current expenditures. Instead, current expenditures would be determined by long-term revenue considerations. Furthermore, unlike consumer expenditures which are measured indirectly by subtracting savings from income, the expenditures of local governments can be measured directly via the budget. Governmental expenditure behavior can be defined in terms of the value of the services which are performed for the community, that is by revenue allocated to the operating budget.

Transitory changes in revenue would not be expected to show up in the operating budget since transitory revenue is presumedly uncorrelated with expenditure behavior measured in terms of the value of services rendered to the public. On the other hand, transitory revenue could show up as purchases in the form of capital improvements.[5] This phenomenon would be analogous to the individual consumer unit spending its transitory income on durable goods. Municipal decision-makers quite conceivably would be reluctant to use transitory or non-recurring revenue

to support on-going programs that would lose financial support in the future. In addition, transitory revenue might be used for debt retirement. In other words, the city might use transitory revenue the same way as the consumer unit uses transitory income, to reduce its liabilities.

As in the case of a consumer unit, the receipt of a windfall by a unit of government cannot precisely be identified with transitory revenue. If the windfall is expected, it may be partly treated as permanent revenue because it is anticipated. If the windfall is unexpected, an increase in permanent revenue could result and justify an increase in expenditures. Thus a governmental unit might be thought to adapt its expenditure behavior to the receipt of a windfall under certain circumstances when it is treated as permanent revenue. It should be pointed out, however, that the adaptive behavior resulting from the treatment of the windfall as permanent revenue does not necessarily imply a restructuring or shift in expenditure patterns. It simply means that the windfall revenue would end up in the operating budget.

C. Explaining General Revenue Sharing Expenditure Decisions

Having extended the "permanent income hypothesis" originally developed to explain the expenditure behavior of consumer units to governmental units, the resulting "permanent revenue hypothesis" can be used to analyze local General Revenue Sharing expenditure decisions. First, one must hypothesize that local governmental decision-makers perceived General Revenue Sharing funds as transitory revenue. The five-year time span and uncertain future of the General Revenue Sharing legislation in Congress may have acted as an unintended revenue constraint which affected budget-making. According to this view, decision-makers

would separate General Revenue Sharing money from operating revenue early in the budget process because they were reluctant to mortgage their future tax dollars to support programs that might lose federal support and possibly have to be later continued at local taxpayers' expense.[6] Such a phenomenon would seemingly account for the finding that local officials displayed a tendency to use their General Revenue Sharing money for non-recurring capital expenditure items (see Chapter IV). The following case studies explore this aspect of General Revenue Sharing expenditure decision-making in detail.

II. General Revenue Sharing Expenditure Behavior

A. Southfield

The way Southfield city officials reacted to the General Revenue Sharing program is neatly summarized by the Mayor, "We anticipated that since Federal Revenue Sharing was new and we really didn't have too much experience with it, that we must be conservative in our handling of it."[7] It should be pointed out, however, that conservative fiscal management is not new to Southfield government. In fiscal year 1972-1973 and fiscal year 1973-1974 Southfield's rating by the professional financial institutions (Moody's and Stand and Poors') showed improvement.[8] In addition, Southfield levies the lowest city taxes of any city over 20,000 population in the entire state of Michigan. The tax levy was only 60 per cent of the average rate for all cities in the state in 1973.[9] With such a tradition of "hold-the-line" budgets, the conservative approach to the General Revenue Sharing program indicated by the Mayor seems to fit in with the fiscal management policies of the city. It should be noted, however, that even in light of this tradition for conservative fiscal management, there were certain features of the General Revenue Sharing

program which caused Southfield officials to be much more cautious in handling the federal funds than they normally were with their own local revenues. These features are described below.

The ups and downs that accompanied the passage of the General Revenue Sharing legislation in Congress have made Southfield officials somewhat cautious, if not cynical, about the General Revenue Sharing program. The Deputy Administrator expressed the sentiments of a number of Southfield officials when commenting on the congressional debate over the formula that was used to allocate General Revenue Sharing funds to local governments.

> We heard initially that the Senate bill would have given Southfield over a million dollars and that the House bill was $400,000. They reached a compromise of $200,000 and some thousand. That was the first time that I heard of a compromise that was not even between the two figures but pretty much below. So I'd say that there is a little bit of cynicism as far as we're concerned toward General Revenue Sharing. We feel that we try to do more with less money and yet if we just went and blew money and threw it away, then we might end up getting a few more federal dollars.[10]

When the Deputy Administrator is objecting to is the provision in the General Revenue Sharing allocation formula that rewards cities with high tax rates and therefore hurts Southfield because of its low level of city taxation. The tax incentive part of the formula has become a sore point of contention among city officials. The situation of Southfield can be vividly illustrated by contrasting it with the situation of its nearby suburban neighbor, the city of Dearborn.

> The city of Dearborn with a tax base almost 50 per cent larger than Southfield's levies in excess of 20 mills for operation and debt and will be receiving over two million dollars annually under the Federal Revenue Sharing program. Southfield levies a tax rate which is less than half that of Dearborn's and will receive between $240,000 and $260,000 annually. Thus the highly touted revenue sharing programs, both state and federal, proved to be a major disappointment to Southfield and its residents.[11]

Southfield's experience with General Revenue Sharing funds has

made officials cautious in handling the new intergovernmental transfers. The General Revenue Sharing money is never budgeted in anticipation of receipt of the federal funds. "We were supposed to get one and a half million dollars and we ended up with $238,000. If we had budgeted for a million and a half, we would have ended up in a hell of a mess."[12]

Southfield has avoided getting into a mess, not only because of its conservative fiscal practices, but also because it is a very wealthy city in the sense that it has a large tax base. (Southfield's 1974-1975 assessed valuation was $770,000,000 for budget purposes.)[13] Unlike most cities that used General Revenue Sharing funds just to keep their heads above water, Southfield was blessed with wealth and sound fiscal management. As the Mayor proudly stated, "Our budgets always had a little slack in them so we were never caught where we were in the red."[14]

The notion that fiscal difficulties could be encountered by cities whose officials were not as cautious in their handling of General Revenue Sharing as officials in Southfield was also expressed:

> I think the thing that most cities get in trouble with is that they say, "Okay, the federal government estimates that we will get so much X dollars." They start initiating programs at that point and start budgeting the money in anticipation that it is going to come. Now in the case of an impoundment of funds, they're immediately in trouble.[15]

In addition to the uncertainties surrounding the amount of General Revenue Sharing money to be allocated to Southfield, some annoyance with the program was also expressed as to the timing of the flow of funds into the budget cycle:

> You file for General Revenue Sharing using the formula that they (federal government) based it upon, and then you were sort of left up in limbo. The first year we got $75,000 but never knew when we were going to get it. ...the monies came after your budget but should have come prior to your budget.[16]

In short, the uncertainties evoked by the controversy surrounding

the allocation formula and the timing of the initial receipt of revenue sharing funds reinforced and strengthened the already existing conservative fiscal attitude prevalent among Southfield officials. The presumption was that General Revenue Sharing money could not be counted on until it was securely in hand. Once the money was deposited in the General Revenue Sharing trust fund account, however, it continued to be treated differently than local revenues. Another source of uncertainty, stemming from the limited five-year duration of the General Revenue Sharing legislation, strongly influenced General Revenue Sharing expenditure decisions in Southfield.

> One of the first considerations anytime you have any money which has a limited time span, you try to keep that money from going into expenditures that are more long-term--personal services, for example. We have violated that due to the fact that we thought the paramedic program was of such importance that the city had to commit funds to it. Basically our premise has been (it's the case of all the other revenue sharing funds, other than the paramedic, which the city allocated) we treat it as if it is one-shot money. Therefore, we allocate it for what we consider to be one-shot programs. A program like the tree preservation program will continue, but if the funds stop, you don't have to fire fifty people.[17]

This theme that the limited time span of the General Revenue Sharing money predisposed it for short-term capital expenditures was widely expressed by Southfield officials. The idea that the city must be fiscally prudent and take steps to protect itself in the event that the federal barrel should run dry was commonly shared among participants in the budget process. In view of these fiscal attitudes, it is especially interesting to note that Southfield officials ignored their own caveat and allocated General Revenue Sharing funds to the Fire Department's operating budget in order to support the paramedic program. The rationale that Southfield officials gave for allocating General Revenue Sharing funds to the operating budget is a subject of further investigation in Chapters VI, VII, and VIII.

B. Dearborn

Through the fifth entitlement period ending June 30, 1975, the city of Dearborn indicated two uses for its Federal Revenue Sharing funds. The predominant portion (88 per cent) was appropriated for senior citizens' housing with the remaining money (12 per cent) designated for sewer construction.[18] The Housing Director of the city of Dearborn was eager to point out that although the city already had three public housing units, the senior citizens' housing to be constructed with the General Revenue Sharing funds will not be public housing in the traditional sense. It will be totally city operated. As the Housing Director explained,

> It will not be of the public housing variety. Currently under public housing an individual to qualify must be of low income and they can't pay any more than 25 per cent of their adjusted gross income for rent. Under our program that the revenue sharing money is being used for, the rent will be determined by what it costs to operate the building. We're talking about building up a reserve fund for any unusual expenses and we're talking about an adequate retail fund for operation of the building. It's difficult to project right now what the rent will be, but it will be moderate.[19]

In contrast the sewer construction was viewed as a much less innovative undertaking for the city. The sewer projects were described as "some small feeder lines, some small sewers, which we could have done ourselves...under our customary capital improvements.[20]

When asked to explain the reasons underlying Dearborn's General Revenue Sharing expenditure decisions, the Mayor responded in somewhat rhetorical terms emphasizing the importance of housing as a policy problem. "I've said during my time that while I'm here we're going to do everything we can for senior citizens. In my opinion the most pressing porblem in the country is housing for people."[21]

The demand for housing in Dearborn was described in more precise terms by the city Housing Director. The Director, like the Mayor,

believed that it was the demand for housing that largely determined Dearborn's General Revenue Sharing expenditure decisions.

> It was decided out of necessity more than anything. We've got currently 333 public housing units for the elderly in Dearborn. That's three projects for a total of 333 units. We have currently an excess of 700 applications just for our low rent public housing. In addition to that we have about 900 total for what we would consider moderate income housing and for our project in Florida. So I think this dictated where the Federal Revenue Sharing money should go more than anything.[22]

Dearborn's past success with federal housing projects also was a factor affecting General Revenue Sharing expenditure decisions. The Mayor, for example, spoke with pride as he described Dearborn's prior efforts in the area of housing:

> If you want to see the best federal projects in the world that have been built with federal money, it's right here in the city of Dearborn. We put our own money in additionally. We've ploughed our own money in. We just put rennovations in these apartment houses that makes them decent inside the apartment house. But most of them (federal projects) are just as shabby as can be. I've seen some of them in San Francisco and other places; they are so shabby it makes you feel just like a peasant to walk in them.[23]

The Deputy Controller indicated that in the future the city would continue its commitment to public housing. As in the past, housing projects would be financed using local revenues to augment federal funds.

> The three (housing units) we have on the drawing board will be financed from this Federal Revenue Sharing money--the five years, our total take--plus perhaps another eleven million dollars in our own money. So we're going to use a combined approach. We're going to use the Federal Revenue Sharing money and augment that to complete three more senior citizens' housing programs. That's the plan now.[24]

The "combined approach" described above where Dearborn officials augment federal funds with local revenues is facilitated by the fact that the city has managed to avoid a big backlog of capital improvement projects. Unlike other municipalities that struggle merely to finance essential capital improvements, the city officials in Dearborn often seemingly have the opposite problem of wondering what to do with all of their

money. As one official depicts Dearborn's affluence,

> The biggest thing under capital improvements for years has been recreation items such as ball diamonds, swimming pools, ice rinks, and housing. We've always allocated money towards housing and money towards our community development or if you want to call it urban renewal... Dearborn is pretty well set as far as our water mains go, as far as sewers go, and the streets are all paved. Really what else can you allocate it (General Revenue Sharing) to except for recreation purposes and for housing?[25]

Viewed from the perspective of Dearborn's affluence, one realized that it was not only housing demands and past experience with housing projects that swayed local officials to appropriate money for senior citizen's housing units. The conspicuous absence of competing demands for revenue played an important part in the General Revenue Sharing expenditure decision-making calculus of Dearborn city officials. In addition to these factors, the decision to appropriate General Revenue Sharing funds for housing was significantly affected by cutbacks and freezes in the federal system of categorical grants-in-aid. For example, the Mayor's description of the General Revenue Sharing decision-making process stresses the need to use the federally shared revenues to restore cutbacks in federal aid. "The Mayor and the council made the decision. It seemed like the natural thing to do. You see they cut off all the subsidy for senior citizens' housing. I don't think we've had any under Nixon at all."[26]

The dilemma that the city found itself in as a result of the federal grant cutbacks is more completely reiterated by the Housing Director:

> There's no more money left at the federal level--any more grants. There have been no reservations approved by HUD in the last five years. They are still trying to play catch-up for reservations committed to six years ago. That means we've had an application in for 270 units for six years and no response.[27]

General Revenue Sharing funds were thus used for public housing because city officials had an application for categorical assistance with

the federal government for six years and were unable to get an approval on it. If there had been no General Revenue Sharing to restore federal aid, the city would probably have continued to approach the Department of Housing and Urban Development as well as the Michigan State Housing Development Association in the hope of eventually procurring the desired revenues. Facing these rather limited options, city officials decided to allocate General Revenue Sharing funds to public housing.

As important as programmatic and demand considerations were in shaping particular General Revenue Sharing expenditure decisions, these certainly were not the only factors at work. As one official noted, the transitory nature of the General Revenue Sharing program had a large impact on an initial decision to allocate General Revenue Sharing funds to capital improvements.

> It's a five-year program and nobody really knows what's going to happen to it at the end of five years. Whether or not they are going to revert back to more categorical type grants or programs. There's a fear, I suppose, there's a concern that if you use this money for operating expenses and at the end of five years they change this, change it significantly or basically, then you would have a hole in your budget. At the end of five years you have to come up with other revenue, new revenue, or you have to cut back your activities. So where a municipality can, I think it is a very wise course not to use this money for operating and maintenance expenses to avoid at the end of five years having a rather large hole in your budget that you are going to have to do something about. That you may not like, that the public may not like, and the employees may not like.[28]

While the limited five year time span of the General Revenue Sharing program may have precluded the funds from ever being spent on operations and maintenance, it was contended by one official that this factor alone cannot explain the decision to allocate money for housing. Need factors still must be taken into consideration. "If we knew that this was a continuing program for the next twenty years, I think we would use this for housing until we reach a plateau where we felt we had adequate housing for the elderly."[29] As in the case with most social research,

the task of explaining Dearborn's General Revenue Sharing expenditure decisions is no simple task.

C. Royal Oak

The strivings of bureaucrats to immunize themselves against the vagaries of the economic, political, and social environments are well known. Decision-makers involved in municipal budgeting are no exception to the general bureaucratic tendency to seek insulation and protection from the intrusive environment. The municipal budgetary system within which local officials work, for example, has been described as a relatively closed system, ceteris paribus.[30] When the ceteris paribus assumption breaks down, the municipal budgeting system is pressured to open up and adapt to the exogenous environmental stimuli. Traditionally these environmental pressures have been thought to accumulate gradually, forcing changes only in the long run. It is also conceivable, however, that sometimes a public official may find himself confronted with a turbulent environment that may force the municipal budgetary system to open up and adapt in the short run.

In Royal Oak budgetary decision-makers are quite concerned about turbulent environmental forces that can potentially incapacitate the city government in the short run. They are extremely worried about short-term fluctuations in the economic environment and the impact they are likely to have on the ability of officials to balance the current fiscal year's budget. As a result, Royal Oak officials have formulated their budgets while keeping a close eye on those environmental uncertainties.

The recent instability of the state and local economic environments is a major source of environmental uncertainty that affects Royal

Oak's budget. So as not to be caught off guard by an unexpected shift in the economy, budgetary decision-makers in Royal Oak keep a close watch on economic indicators.[31] The memory of the forty day General Motors strike in the early 1970's which sent shock waves rippling through the state of Michigan's economy is fresh in the minds of city officials. The decision-makers realize that even a temporary down swing in the economy might significantly reduce the allotment of revenue sharing funds Royal Oak receives from the state of Michigan. When formulating the budget, officials seek advance warning of fluctuations in state revenue sources which the city has come to depend on. Close attention is paid to data provided by the Michigan Municipal League regarding the expected yields of the intangibles tax, the sales tax, income tax, and other revenues that the state channels back to Royal Oak.[32] Care is then taken not to exceed these revenue estimates.

The instability of the economic environment has also influenced the debate among city officials as to the best way to solve Royal Oak's pressing financial problems. Policy makers are considering basically two options: 1) an increase in property tax millage or 2) the enactment of a city income tax. Although the property tax is admittedly regressive, it seems to be the preferred choice of governmental officials. City officials are disinclined to adopt a city income tax due to its highly elastic nature. While in good times the city would benefit from the growth in income tax revenues, officials seem unwilling to take a risk and adopt a tax which in bad times would play havoc with attempts to balance the budget. The financial difficulty of the neighboring Oakland County suburb of Pontiac is singled out as a case history that does not bear repeating in Royal Oak:

The income tax, that's what done them (city of Pontiac) in! I know

> they had a million dollar deficit carried over from last fiscal year but that was because they had predicted their income tax to be such and such and their income tax yield to be such and such. The economy goes to hell for twenty-six consecutive weeks; car sales just plummeted--a real mess.[33]

Thus to avoid environmental uncertainty and instability associated with an elastic income tax, budgetary elites in Royal Oak lean towards the property tax as the solution to their revenue problems.

Royal Oak officials were also cognizant of the fact that a certain amount of uncertainty surrounded the future of the Federal Revenue Sharing program. Decision-makers were divided, however, as to the probability of the General Revenue Sharing legislation being extended in 1976. The financial needs of local governments were thought to be so great that it was inconceivable to some officials that the General Revenue Sharing program would not be extended by Congress. As one official declared: "If it isn't (extended), then some of these communities are going to be in pretty bad shape. I think it will be extended."[34] In contrast, other officials were more cynical in their assessment of General Revenue Sharing's chances for renewal. One common expression of this belief was based on a realization of the federal government's own fiscal woes:

> If I had to guess, I think Uncle Sam is going to embark on an austerity program. I think this (General Revenue Sharing) is the easiest part (to cut) if Uncle Sam wants an austerity program. He can tell the taxpayer, "Imagine, I tightened my belt and saved you umpteen billion dollars." I think he is going to cut it out.[35]

Although decision-makers may have disagreed as to what the future fate of the General Revenue Sharing program would be, the thought of losing the federal funds was extremely dreadful to Royal Oak officials. The financial pressures experienced by Royal Oak did not permit the city to protect itself from the uncertainties associated with the General Revenue Sharing program. As the Mayor explained the situation:

> There's always uncertainties. Yes, because see we don't have the

> luxury of having a large contingency fund or a surplus of funds. So the very thought of it dying scares the living daylight out of you because it has been badly needed to keep us solvent--and to lose it! We're in dire need of new revenues.[36]

The fact that Royal Oak is operating at its charter tax limit and that the General Revenue Sharing money has been used primarily to support everyday governmental operations makes the city especially prone to injury should the General Revenue Sharing program be curtailed. Had Royal Oak been financially solvent, chances are city officials would have used their surplus General Revenue Sharing funds for capital expenditures as more affluent neighboring communities had done. Somewhat enviously one official remarked that General Revenue Sharing:

> ...gave a lot of municipalities a repreieve. It gave a lot of them money to do things that they hadn't intended. The ones who really made out were the fledgling communities, the booming communities, the Southfields, the Troys. With their gain in assessed valuation, their gain in income, they could utilize revenue sharing for capital expenditures.[37]

Had Royal Oak been able to allocate its General Revenue Sharing money for capital outlays, the latent feelings of distress that currently pervade city hall out of fear that Federal Revenue Sharing might be discontinued would undoubtedly be weaker today. Somewhat forlorn, budget officials recognize that because they are in no position to alter the situation, they might as well not spend their conscious working hours worrying about the uncertain future of General Revenue Sharing legislation in Congress. Practically speaking then, city officials have continued to go about their daily routines ignoring the uncertainty in the federal environment which they cannot control.[38] One gets the impression, however, that city officials might possibly have reacted to the environmental uncertainty by increasing capital outlays, had the financial pressures facing the city been less severe.

Lack of available resources thus forced General Revenue Sharing

funds to be used to maintain the existing level of services in the community. As the previous discussion in Chapter IV, Section II indicated, however, it seems impossible to determine how General Revenue Sharing dollars were specifically allocated because it appears the funds were simply merged into the general fund. To talk about those factors that determined the distribution of General Revenue Sharing funds in Royal Oak then is to really identify those forces that shape local budgetary decisions in general. Probably the single most important determinant affecting budgetary policy in Royal Oak is the city's unionized work force. In order to flesh out differences between Royal Oak and the other five Detroit suburbs being investigated, it is illustrative to examine the impact unions exert on city hall and any relationship this activity may have had with the General Revenue Sharing program.

The state of Michigan was one of the first states in the country to experiment with binding arbitration for public sector employees. The laws of the state of Michigan require that the city administration enter into economic negotiations with representatives of the city's organized work force groups.[39] Furthermore, the reputation that the Detroit metropolitan region has for being such a strong labor area tends to reinforce the strength of the public sector unions. Needless to say, Royal Oak officials find themselves faced with strong union demands for increased pay and benefits. City officials are inclined to believe that in recent years union workers have become more militant which has created tremendous leadership problems for the unions and numerous headaches for the city government. In the words of the Personnel Director:

> When you're dealing with these unions, you're dealing with very militant organizations. I've been in this business twenty years and I've never seen more militancy. I don't think you'll ever see more malicious destruction of property and lack of control of the unions over their membership. Time was when you had an agreement it meant that

> you'd have a ratification. These days it doesn't... The easiest thing I have to deal with is a strong union. If every guy belongs to the union and attends the union meetings, it makes my job ten times easier.[40]

Union activity in Royal Oak normally occurs in two- or three-year cycles corresponding to the duration of the union contracts. In the recent past the city has encountered great difficulties in meeting the union demands. Fiscal year 1973-1974, for example, was the second year of a two-year contract with unions representing the city's policy patrolmen, fire officers and firemen, and all hourly-rated classifications. The contracts provided that "a wage and salary increase of 3 per cent would be paid plus the percentage of increase in the Detroit cost of living index over the last twelve-month period."[41] Although adjustments were made in this budget to meet these contractual requirements, the city found itself facing a $325,000 deficit at the end of the fiscal year.[42]

As plans were being made to pay off this deficit in fiscal year 1974-1975, the city was confronted with the expiration of previous union contracts which marked the beginning of a new round of negotiations. As preparations for the new contract talks got underway, the City Manager presented a balanced fiscal year 1974-1975 budget to the city commission which was based upon the last year's salary schedules.[43] The dilemma posed by the new cycle of negotiations was tersely depicted by the Mayor:

> So right off the bat you're deficit spending because your budget is in and balanced. Now all of a sudden you get an additional load thrown against that budget for wages and benefits and we know right away that we don't have the money to cover it. Now that sounds like a dark story and it is.[44]

Although union demands threatened to overwhelm the city of Royal Oak, most local officials felt that the receipts of new Federal Revenue

Sharing funds had little connection with the contract negotiations. As one local official observed, "If they (the union) were aware of it (General Revenue Sharing), they didn't make very much of an issue out of it.[45] Another decision-maker was even more explicit in asserting that General Revenue Sharing money was never a stimulus for union activity:

> It (General Revenue Sharing) was used to increase pay, but it wasn't a factor. Increased pay and benefits were generated by the economic recession, not Federal Revenue Sharing. In other words, this is what prompted rate increases in benefits. Compulsory binding arbitration sets the standard regardless of ability to pay... Basically those increases as a result of bargaining in negotiations are regardless of ability to pay which should not be a factor as far as the law goes. It is for us, but not for them.[46]

It thus seems that General Revenue Sharing monies were used by Royal Oak officials to offset union demands for increases in wages and benefits that would certainly have existed even if there had been no Federal Revenue Sharing program. An understanding of union strength in Royal Oak appears necessary to understand why the General Revenue Sharing funds were merged into the general fund, but it would be erroneous to assume that the federal funds really intensified the efforts of the unions to seek improvements in wages and benefits.

D. Warren

The city of Warren's General Revenue Sharing money was allocated to a variety of capital improvement projects as part of a special five-year capital improvement program. Before attempting to explain how particular capital expenditure decisions were made, however, it is extremely useful to direct one's attention to the reasons that city officials had for placing their newly acquired federal funds into a special capital improvement budget in the first place. Only by understanding why Warren officials used their General Revenue Sharing funds for capital improvements rather than operating and maintenance expenses will one

really be able to give a complete explanation of the factors influencing specific General Revenue Sharing expenditure decisions.

The tremendous population growth that Warren experienced from 1960 to 1970, jumping from 80,000 to 179,000 people, presented the newly incorporated home-rule city with many technical and administrative problems. City officials had to concentrate their efforts on providing streets, sewers, and other basic services required by an expanding population. Although city officials have succeeded remarkably well in meeting the citizens' needs, the pressures for capital projects have been so great that, even today after the growth rate has peaked, Warren faces a large backlog of capital improvement projects. The existence of a large backlog of capital projects weighed heavily in the decision of local government officials to develop a special five-year capital improvement budget for Federal Revenue Sharing funds. Reflecting on the city council's decision to allocate most of the General Revenue Sharing money for capital improvements, one official explained, "They knew from the beginning that they would receive approximately ten million dollars (in revenue sharing funds), but their (capital improvement) programs are about 110 million dollars."[47]

The tremendous pressures which the city of Warren faces for new capital projects is exacerbated by the local electorate's refusal to vote for tax increases whether for the general fund or for specific bond issues. The city thus operates at its nine mill charter limit and has a very tight twenty million dollar general fund budget. Approximately 80 to 82 per cent of the general fund budget goes for salaries and fringes, the rest being considered necessary overhead. The only capital projects that can be funded out of general revenues are thus those of a replacement nature, e.g. a fire truck, etc.

Faced with such bleak fiscal circumstances the General Revenue Sharing program was looked upon by Warren officials as a welcome opportunity to finally undertake some capital improvement projects. As the City Controller explained:

> We've got so many capital projects that the people in Warren have gone without for years, simply because the money wasn't there and because taxes were so high and they were adamant about not increasing the taxes, whether it was to pay off bonds or what it was. The people here had just made up their minds that they were not going to improve their tax load anymore no matter how bad they wanted something. Whether they wanted recreational facilities, whether they wanted an auditorium or a library, or whatever it was, if it was not absolutely necessary they would not tax themselves. So Federal Revenue Sharing was the first chance the city of Warren had to enter into some projects that were really desperately needed but which the people would not tax themselves to provide those facilities.[48]

While the combination of a long backlog of capital projects and voter resistance to tax increases might be the most prominent factors responsible for local officials' decision to use General Revenue Sharing money for capital improvements, there are other factors that still must be taken into account. First of all, there was a question in some Warren officials' minds whether using General Revenue Sharing money for general operations would improve city services. The philosophy that more is not necessarily better is evident in the following explanation of why Warren decision-makers opted to place their revenue sharing money in the capital budget:

> It's so easy for governments to put their money into operations, to put more employees on the payroll and maybe you improve services to your people significantly and maybe you don't. It's something like supersaturating the ground with fertilizer. The first 100 pounds probably does a tremendous amount of good and the first employee that you put on the dump truck does a tremendous amount of good. But you put three fellows on that same dump truck and you lose some of the benefit by putting the third and even the second guy on. It's the same way with adding personnel to government. We try to run the city of Warren in a very businesslike manner. In doing that we try to handle our revenue sharing funds in exactly the same way so that at the end of the five-year period we will be able to say to the federal government that yes, we as managers in the city of Warren do

> know how to handle money that's given to us by the federal government in an intelligent and businesslike manner.[49]

Another factor which mitigated against putting General Revenue Sharing into the general fund was associated with the uncertain future of the revenue sharing program itself. That Warren officials wanted to do something meaningful with the money and believed that the federal funds would exert their maximum impact in the form of capital expenditures has just been discussed above. The five-year time span of the program, however, also influenced this decision-making calculus:

> We felt that if we were to really do something meaningful with that money (we expect we will get about twelve million dollars plus another 1.5 to two million in interest), we should build first. Because if we spend our money for operating purposes, we might never have the money for capital. Whereas, if we spend the money first for those capital projects and Federal Revenue Sharing continues, then we'll have the money to operate those projects afterwards.[50]

The limited five-year span of the revenue sharing program kept the federal funds out of the general budget in yet another way. Perhaps the basic concern underlying all of Warren's General Revenue Sharing expenditure decision was to avoid doing anything rash now with the revenue sharing money that might interfere with general operations later. As one official declared, "You're looking for ways to spend that money that will not affect your normal operations."[51] Warren officials had not been able to accept the possibility that General Revenue Sharing would continue to flow into the city without interruption. If the federal program were discontinued, it was pointed out that those communities that had used the money for operations would face a staggering problem. Although some officials recognized that, politically speaking, it would be hard for Congress to drop the program once communities had come to depend on it, renewal itself was viewed as a potentially destabilizing influence. As one budget realist pessimistically concluded:

> The way it (renewal of revenue sharing legislation) will probably work out is that there will be a lull, six months probably, between the last payment of revenue sharing and the new five-year period, or maybe a year lull. That's kind of disasterous for any type of rational planning. It could very likely happen and this will be disastrous for people who are using their funds for operating.[52]

Having examined some of the factors that persuaded city officials to place the General Revenue Sharing funds in the capital rather than the operating budget, attention can now be briefly turned to those forces that influenced the choice of specific capital projects. Once again the uncertain future of the revenue sharing program seemed to play an important role in city officials' General Revenue Sharing expenditure decisions. The City Controller, for example, explained the criteria his office used in establishing General Revenue Sharing priorities:

> The first capital projects that we built do not require large amounts of labor to maintain them. So if the project is discontinued at the end of the fifth year, we would have constructed those projects which would not increase our total labor force by that much. In other words, just because we built a new police station doesn't mean that we will automatically put on 200 more policemen and because we acquire nine or ten recreation sites doesn't mean we are going to be putting on 250 recreation employees. So we've been very, very careful in our selection of our capital projects, first to make our revenue sharing program capital intensive and secondly, to build those items which require the least amount of additional labor to maintain them once they are constructed.[53]

While the desire to avoid capital projects that would require a great deal of labor to maintain them was foremost in the minds of the city's professional administrative staff, political factors certainly also influenced General Revenue Sharing expenditure decisions. The city council developed its own list of General Revenue Sharing capital expenditure priorities which was modified in response to input from interest groups in the community. There seemed to be certain pressures building up in the city of Warren that the city council could not ignore.

During Warren's peak period of growth and industrial expansion in the 1960's, for example, capital projects for roads, sewers, etc. took

precedence over recreation. Last in the hierarchy of needs, the recreation program had traditionally been one of the first items to have been cut from the budget. In the 1970's, however, as the city's growth showed signs of stabilizing, recreation facilities were no longer regarded as frills. Instead they have become a basic necessity.[54] The snail's pace at which Warren's recreation program had developed in the past no longer met the expectations of newly rooted Warren suburbanites, many of whom have migrated to Warren from nearby Detroit where the recreation facilities are more extensively developed. Although the fourth largest city in the state of Michigan, Warren had no outdoor swimming pool where sunbathers and swimmers could flock.

Similar pressures affected other General Revenue Sharing expenditure decisions. When General Revenue Sharing funds first arrived in the city in 1972, Warren was the only community in the nearby area that had no senior citizen housing. Furthermore the Warren police station was overcrowded and in a poor location to serve the city. It can be said then that Warren's General Revenue Sharing expenditure decisions were thus determined by a complex set of factors which made it mandatory for city officials to come to grips with both their administrative and political environments.

E. Westland

During fiscal year 1973 the city of Westland found itself struggling to provide services to 100,000 residents with a tax rate of 7.68 mills for operating.[55] City officials were worried about ending the fiscal year 1973 with over a half million dollar deficit and were also very much concerned about the future.[56] When Westland was incorporated in 1966 the founding fathers had limited the tax for operating the city to

eight mills. While perhaps realistic in 1966, city officials felt their fiscal options for the next few years were severely limited by the charter restriction. For example, the Mayor found it impossible to bring Westland's police force up to the recommended ratio of one officer per 1000 population. Whereas the neighboring community of Dearborn had one police officer per 590 citizens and Detroit had 3.7 officers per 1000, Westland operated with only one officer per 1279 residents, one of the lowest ratios for a city its size in the state.[57] With one mill generating just over $300,000 in tax revenues and with the city fast approaching its charter limitation of eight mills, Westland officials were wondering whether they would be able to provide adequate levels of police protection and other services to Westlanders in the near future.

When in the fall of 1972 city officials first learned that General Revenue Sharing funds would actually be arriving in Westland, it gave them "a basis for going through with some of the programs that they might have had to take action on cutting."[58] Suddenly the city administration found itself ahead of the budget game. When the first two revenue sharing checks reached Westland during the middle of fiscal year 1973, the Mayor and Director of Finance found themselves truly blessed with a revenue windfall of $428,898.[59] Just three months later on April 9, 1973 the city received a third check of $125,016 from the Office of Revenue Sharing, making the total revenue sharing fund receipts the city would receive during fiscal year 1973 $553,914.[60]

It was with these first three General Revenue Sharing checks in hand that in a letter, dated May 21, 1973, the Director of Finance informed the Mayor that the city of Westland was in financial trouble and by the end of the fiscal year, June 30th, the city could be expected to be left in a net cash shortage position of $542,109.[61] Fortunately,

however, the Director of Finance went on to explain how the city of Westland's impending deficit could be eradicated by transferring Federal Revenue Sharing funds into the general fund. Facing such fiscal pressure, Westland's first few revenue sharing checks were eventually merged into the general fund budget. According to the Director of Finance, the reason for the required revenue sharing transfer was a result of revenues being under budget, expenditures being over budget, and too many accounts receivable requiring payments at the end of fiscal year 1973.[62] Other officials speculated though that the so-called revenue sharing windfall might have partly been responsible for the city's budget problems by having stimulated deliberate over-expenditures.[63]

Although transferring the Federal Revenue Sharing money into the general fund had managed to bail the city out of its fiscal difficulties and end fiscal year 1973 with a balanced budget, the administrative act of merging the federal funds directly with local revenue created a great deal of dissatisfaction among politicians. The city council members were bitter because it seemed as if the Director of Finance could by-pass the appropriations process by stipulating that the revenue sharing funds could not be set aside for something extra but instead had to be used to balance the 1973 budget.[64] The Mayor was also disappointed with the fact that the city of Westland could not afford to use the General Revenue Sharing funds for anything special, but as the chief executive in charge of the entire city administration, the Mayor understood the necessity of merging revenue sharing monies into the general fund budget.[65]

It does seem fair to say though that the Mayor was greatly irritated by the fact that some of the wealthier communities surrounding Westland had used their General Revenue Sharing funds for frills. As the Mayor expressed his sour-grapes feelings:

> Any city that can use revenue sharing to build something that they couldn't build without it, I'm not sure is meeting the goals of revenue sharing. The cities that are building those kind of things are the Dearborns, the Waynes, the Livonias, the Gross Pointes, the Birminghams--the relatively wealthy communities. You pick up in the newspapers when there has been an impact. There would be an article in the newspaper that Dearborn is going to build, to use a wild example, a special wing in its library devoted solely to butterflies native to the city of Dearborn. And at the next council meeting there will be someone with that article saying, "Well, Dearborn is building its library wing with its revenue sharing. What are we doing?" And we're saying, "We've got half of it in our police department and half in our fire department and a part of it in our recreation."[66]

Having been disappointed in fiscal year 1973 that the city could not keep revenue sharing separate from other revenues and use the federal funds for something extra, it seems that the local politicians were determined not to let the budget cycle roll them over again in fiscal year 1974, especially since it was an election year. As a result, the council cut taxes and the Mayor decided to finance the construction of the multipurpose recreation building at Jaycee Park out of the general fund budget rather than go through the tedious and uncertain process of establishing a bonding authority and then asking the electorate to pass a bond issue.[67] The implication was that General Revenue Sharing funds would cover the costs.

Meanwhile the pressures on an already strained city budget continued to mount. With the advent of the Arab oil embargo, the nation fell into the energy crisis and double digit inflation. City officials immediately found in the latter half of 1974 during new contract negotiations with the city's three major unions that they had to deal with the rising costs. In addition, the rising inflationary spiral pushed upward the cost of materials and utilities.

The worsening of Westland's general economic situation plus the strains imposed on the city budget by using General Revenue Sharing to subsidize taxes and indirectly fund a $600,000 capital project dealt

the city a severe financial blow. The politicians' desires to use General Revenue Sharing money for something extra had created a financial catastrophe that even prompted the resignation of the Director of Finance. On May 1, 1974, not being able to trim the budget any other way, the city of Westland was forced to lay off twenty-four municipal employees (four firemen, six policemen, and fourteen general employees) from its 250 municipal service work force in order to get through fiscal year 1974.[68]

The fiscal crisis of fiscal year 1974 was carried over to the 1975 budget. One of the most immediate results of the energy crisis for Westland had been to slow down the growth of the city from an average of 7 to 10 per cent to 2 per cent.[69] This reduced the expected growth in revenue for the city. In addition, whereas in the previous year there had been a tax cut, during fiscal year 1975 the city was forced for the first time ever to operate at its maximum charter limit.[70] The Mayor described just how city officials were forced to lower their expectations during fiscal year 1975:

> The uncertainty of municipal finance altogether has caused us to gear down our thinking. We know, for instance, that we are at our charter limitation of eight mills and we also know that economic conditions, being what they are, we're not going to see some massive building. So that mill which now brings in something like $360,000 over the next couple of years, we'll probably be lucky if it tops $400,000. So we see a definite impasse on what we can do as we project ahead. And if Federal Revenue Sharing doesn't (continue to) come in, it's going to have a disasterous impact on our delivery of services because we definitely will have to cut back.[71]

In order to alleviate the fiscal crisis, the Mayor and city council put two millage proposals on the August 1974 ballot. There were two propositions calling for earmarking 1.5 mills for public safety and 1.5 mills for recreation, both for ten years.[72] The electorate overwhelmingly turned down the recreation proposal by a two to one margin. The public

safety proposal was also defeated by a narrower 55 per cent to 45 per cent split.[73] While the convincing defeat of the recreation proposal certainly made that a dead issue, some officials expressed hopes that in the future the city might be able to get the voters to approve the public safety millage. As the Police Chief remarked, "My recommendation would be to go back to the voters and try it again. The schools do it all the time and they've become very successful. In January I would call for a special election and pray for snow and rain."[74]

Since the city of Westland did not increase its millage and become more financially self-sufficient, its financial problems continued to grow throughout fiscal year 1975. While voters in the Wayne-Westland School District have been willing to tax themselves so that they have become the highest taxed district in the state (over forty mills), the fact that the electorate has resisted any millage increase for the city of Westland offered city officials no other choice than once again to merge Federal Revenue Sharing funds with the general fund.

F. Pontiac

On October 2, 1972 the voting residents of the city of Pontiac approved a city charter amendment which changed the budget year from a January 1 to December 31 calendar year to a July 1 to June 30 fiscal year.[75] The change enabled the city to better determine its revenue sources prior to the adoption of the city budget. Under the old calendar year system property taxes did not come on the books until the middle of the year on July 1. In essence this meant that the city operated for the first six months of each year without having any cash available from property taxes although the city did receive local income tax revenue. This awkward system made it difficult for local decision-makers

to estimate property tax revenue and sometimes also resulted in cash flow problems caused by the city's larger budget outlays for snow removal during the winter and for construction supplies at the beginning of summer. Quite frequently on June 30 of every year the city would be in the red cash-wise because budget officials would not yet have the money they had been spending against for the prior six months. Essentially what the switch to the July 1 fiscal year accomplished was a change in how the city spent its property tax money.[76]

The change in budget year had been a "want-to-do" kind of thing in Pontiac for many years prior to voter approval in 1972. Several city commissioners had looked at proposals for the budget year change over, but every time they did the financial realities had always made them set the idea aside.[77] As the City Manager described the problem: "In making the shift from a calendar year to a fiscal year you wind up with a six-month period there that there aren't any taxes available because we've really been working six months ahead before."[78] Unless the city leaders found a new revenue source to fund the six-month interim period during which the city would have to operate without its usual property tax revenue, then hopes for budget conversion appeared dashed.

The options city leaders faced were not attractive: 1) cut services so that a special fund could be built up to forward revenue to operate during the interim period; 2) postpone the financial problem by floating tax anticipation notes that would have to be paid back after the budget conversion had been made; 3) antagonize taxpayers by asking for a special property tax to fund the six-month transition budget.

The anticipated receipt of the first General Revenue Sharing funds by Pontiac in December 1972 made it possible for city budget officials to finally carry out their plan for a budget year switch.[79] The favor-

able vote of the electors in October 1972 establishing the new fiscal year coincided favorably with the receipt of the major new source of federal revenue for the city. The General Revenue Sharing funds eliminated the hardships that might have otherwise accompanied such a budget transition. This seems especially true in light of the fact that the city began the interim budget period in January 1973 with a general fund deficit of $557,000 carried over from the severe financial crisis brought about by the 1970 General Motors strike.[80] With such a deficit it seems especially doubtful that city officials would have considered the budget conversion had there been no General Revenue Sharing monies available.

The fact that in 1973 the city of Pontiac was still recoiling from the crisis caused by the 1970 GM strike illustrates the hazards that a city government in an industrial complex dominated by one major industry faces. Every three years around contract negotiating time with the United Auto Workers' Union the castle of government could conceivably crumble. Since the late sixties the city of Pontiac has relied heavily on the city income tax to maintain operations. This source of revenue has grown until it almost equals the amount of money the city takes in from property taxes.[81] The large amount of income tax money which Pontiac receives relative to other revenue sources stems primarily from the fact that in addition to the assessed valuation that General Motors generates, the company employs a lot of people. Even GM workers living outside the city of Pontiac must pay a .5 per cent income tax while residents are taxed at the higher rate of 1 per cent.

It seems that if it were not for the pervasive influence of General Motors in Pontiac, the city long ago would have folded under. For example, in the last fifteen years the assessed valuation of the central business district has slid from 6 per cent to less than 1 per cent of the

total assessed valuation.[82] In most other cities such a marked decline would have had a crippling effect, but because of the presence of General Motors, the city has been able to survive. Survival, however, has been contingent upon a growing dependence on the elastic local income tax. When the economy declines and auto workers are laid off or when the union goes on strike, city finances take a beating due to the loss of city income tax revenue. Although city officials cannot insulate the city from the vagaries of the national economy, they have, on the other hand, been able to devise budget strategies to protect themselves from getting too badly burned should the auto workers go on strike.

City officials plan for possible strikes.[83] From the past history of strikes they estimate the average length to be thirty to sixty days. The city's revenue losses are projected for the hypothetical strike period and then contingency decisions are made regarding what programs could be cut to keep the city budget balanced in the event that a strike should actually transpire. As the Mayor summarized this strike planning process: "You just don't go way overboard in a strike year. You know what program is sitting over there that you can snap off, that you can reduce if you have to. These are some of the things that you have to watch."[84]

There is a striking parallel between the way Pontiac budgetary decision-makers plan for possible strikes and the way they planned their General Revenue Sharing expenditure decisions, which illustrates the desire of local officials to maintain a smoothly functioning city government in the shadow of environmental uncertainty. The words of the former Director of Finance describing General Revenue Sharing decision-making bear a strong resemblance to the description the Mayor gave above of how city officials plan for potential strikes:

> There's concern that maybe isn't being vocalized right now, but there's that latent concern of what are we going to do if they don't renew revenue sharing. And it has to have a bearing on the initiation of new programs, that you're going to retrench and try to keep yourself in a position that if it isn't renewed you're going to suffer the least damage.[85]

In order to protect themselves from damage should the General Revenue Sharing program not be renewed, Pontiac officials took special care not to overextend themselves in any way that might mortgage future local tax revenues. According to the City Manager:

> I think we've sort of gone on the basis that those first five years looked pretty certain, that Congress surely isn't going to come back and make a major jump and jump out of the traces. So let's do as good as we can during the five years and hope to heck it gets reinstated. I don't think we've gone on an overly cautious basis that says, "Wait a minute, we've got to undo this." Because the monies aren't really committed as far as extending. You don't start something this year with revenue sharing that says we've got to have next year's revenue sharing to do it.[86]

This focus on one-shot revenue sharing expenditures is epitomized by the actions undertaken by city officials to finance the construction of the Pontiac Stadium. In 1968 the city commission adopted the Articles of Incorporation which established the city of Pontiac Stadium Building Authority. The purpose of the Stadium Authority was to carry out the difficult task of acquiring or constructing a sports stadium within the city limits. General obligation and revenue bonds in principal amounts of $15,950,000 and $25,000,000 respectively were sold in December 1973 to pay for site acquisition and construction costs.[87] Prior to this time the Stadium Authority had been advanced approximately $396,000 from the general fund in order to cover preliminary architectural, feasibility, and other consulting fees and expenses.[88]

The receipt of General Revenue Sharing funds by the city of Pontiac enabled local decision-makers to pay the interest on the bonds until the stadium could start producing its own revenue and become self-supporting.

The Mayor explained the relationship between General Revenue Sharing funds and the financial arrangements made to pay for the stadium as follows:

> We have to pay the interest on our bonds, you know, until the stadium is complete and we were able to take money out of our general fund which we were obligated to and not hurt our programs. We couldn't use revenue sharing for it. There's no way we could use that for it, you know. But we have all the strings on our general fund monies. That's our money... So it (revenue sharing) helps supplement and do things that you would want to do that you don't have strings on.[89]

The one-shot nature of the interest payments on the stadium bonds thus coincided with Pontiac officials' desires to avoid allocating General Revenue Sharing funds to program areas with continuing operating costs. They could formally designate General Revenue Sharing funds to support the general fund budget knowing that they would not really be depending upon General Revenue Sharing funds to pay for future operating and maintenance expenses. Once the stadium became self-sufficient and could retire its own bonds, there would once again be sufficient local revenue on hand to support general fund operations. Meanwhile the city's service levels were maintained and potential damage which might result from a cutback of the General Revenue Sharing program was minimized.

III. The Dynamics of General Revenue Sharing Expenditure Behavior: Conclusions

The prevalent view of General Revenue Sharing as a program with, practically speaking, no revenue constraints is contradicted by the case study data. Although the General Revenue Sharing program operated with relatively few legal restrictions, it appears to have been beset with a significant revenue constraint. The uncertain future of the General Revenue Sharing legislation in Congress caused decision-makers in most cases to treat the federal money as transitory revenue. The perceived transi-

tory nature of the General Revenue Sharing money acted as a decision-making parameter which affected local expenditure patterns.

The treatment of General Revenue Sharing funds as transitory revenue was nowhere more explicit than in Warren where city officials were determined to use General Revenue Sharing money in such a way so that it would not affect the normal operations of the city. To insure General Revenue Sharing's noninterference with the operating budget, Warren officials chose to use the federal funds for capital intensive projects which would require the least amount of labor to later operate and maintain.

With a similar strategy to avoid continuing operating costs in mind, budget officials in Pontiac used their General Revenue Sharing funds for non-recurring expenditures. General Revenue Sharing funds were thus used to support the interim budget during the switch from calendar to fiscal years. In addition the General Revenue Sharing funds made it possible for the city of Pontiac to pay off the interest on its bonds until its new stadium was completed and self-supporting.

Equally adamant about protecting their cities from the uncertainties associated with the General Revenue Sharing program were the budget-makers in Dearborn and Southfield. Dearborn officials stressed the need to allocate General Revenue Sharing for short-term items so as to avoid potential holes in their budget should the federal funds dry up. Likewise decision-makers in Southfield consciously allocated their General Revenue Sharing money to one-shot programs.

Decision-makers in Royal Oak and Westland were far less fortunate. The financial situations in their communities were so pressing that they were unable to insulate themselves from the uncertainties accompanying the General Revenue Sharing program as officials in the more affluent

communities had done. There was no real choice in Royal Oak and Westland but to put the General Revenue Sharing money into the general fund budget, and budget officials expressed fears as to what would happen if the General Revenue Sharing program were ever discontinued. When the political leadership in Westland at one point ignored economic realities and in essence used General Revenue Sharing funds for a half-million dollar capital project, the entire city was thrown into a financial turmoil.

Notes

[1]For a discussion of the permanent income hypothesis see Milton Friedman, A Theory of the Consumption Function (New York: National Bureau of Economic Research, 1957); Milton Friedman, "Windfalls, the 'Horizon' and Related Concepts in the Permanent Income Hypothesis," in Measurement in Economics, ed. by Carl Christ (Stanford, Calif.: Stanford University Press, 1963), pp. 3-28.

[2]For a description of capital budgeting see J. Richard Aronson and Eli Schwartz, "Capital Budgeting," in Management Policies in Local Government, ed. by J. Richard Aronson and Eli Schwartz (Washington, D.C.: International City Managers Association, 1975), pp. 303-328.

[3]Friedman, A Theory of the Consumption Function; Friedman, "Windfalls, the 'Horizon' and Related Concepts in the Permanent Income Hypothesis."

[4]For an application of this reasoning see Michael R. Darby, "The Allocation of Transitory Income Among Consumers' Assets," The American Economic Review, LXII (December, 1972), 928-941.

[5]It has been said that the capital budget and the capital program should relate directly to the operating budget and operating program because the raison d'etre of a capital project is to facilitate the attainment of an operating objective. Despite this relationship there are special characteristics of capital projects which justify segregating them in a capital program, e.g. life span, irreversible nature of capital decision, etc. See Lennox L. Moak and Albert M. Hillhouse, Local Government Finance (Chicago: Municipal Finance Officers Association, 1975), pp. 97-100.

[6]For a general model of how organizational decision-makers respond to future uncertainties which is similar in many respects to the idea behind Friedman's permanent income hypothesis see Anthony Downs, Inside Bureaucracy (Boston: Little, Brown, and Company, 1967), pp. 167-174.

[7]Don Fracassi, Mayor, Interview No. 21 held in Southfield, Michigan, August 1, 1974.

[8]Letter, from Don Fracassi, Mayor, City of Southfield, Michigan to the City Council, April 8, 1974, p. 4.

[9]Letter, from Don Fracassi, Mayor, City of Southfield, Michigan to the City Council, April 2, 1973, p. 2.

[10]Robert Caldwell, Deputy Administrator, Interview No. 6 held in Southfield, Michigan, July 18, 1974.

[11]Letter, from Fracassi to City Council, April 2, 1973, p. 2.

[12]Fracassi, Interview No. 21.

[13]City Budget, Southfield, Michigan, 1974-1975, p. 39.

[14]Fracassi, Interview No. 21.

[15]Ibid.

[16]Ibid.

[17]Caldwell, Interview No. 6.

[18]Daniel S. McCormick, Budget Director and Deputy City Controller, Interview No. 1 held in Dearborn, Michigan, July 16, 1974.

[19]Simon Banda, Housing Director, Interview No. 2 held in Dearborn, Michigan, July 16, 1974.

[20]Ibid.

[21]Orville L. Hubbard, Mayor, with Daniel S. McCormick, Budget Director and Deputy City Controller, Interview No. 31 held in Dearborn, Michigan, August 15, 1974.

[22]Banda, Interview No. 2.

[23]Hubbard and McCormick, Interview No. 31.

[24]McCormick, Interview No. 1.

[25]Banda, Interview No. 2.

[26]Hubbard and McCormick, Interview No. 31.

[27]Banda, Interview No. 2.

[28]McCormick, Interview No. 1.

[29]Banda, Interview No. 2.

[30]John P. Crecine, Governmental Problem Solving (Chicago: Rand McNally & Co., 1968).

[31]George Tubbs, former Director of Finance, Interview No. 13 held in Royal Oak, Michigan, July 25, 1974.

[32]Ibid.

[33]Michael Lesko, Personnel Director, Interview No. 23 held in Royal Oak, Michigan, August 6, 1974.

[34]Tubbs, Interview No. 13.

[35]Lesko, Interview No. 23.

[36]James Cline, Mayor, Interview No. 33 held in Royal Oak, Michigan, August 19, 1974.

[37]Lesko, Interview No. 23.

[38]John Austin, City Commissioner, Interview No. 27 held in Southfield, Michigan, August 13, 1974.

[39]Letter, from Bruce W. Love, City Manager, to James P. Cline, Mayor, and City Commission, City of Royal Oak, Michigan, April 30, 1971, p. 3.

[40]Lesko, Interview No. 23.

[41]Letter, from Bruce W. Love, City Manager, to James P. Cling, Mayor, and City Commission, City of Royal Oak, Michigan, April 27, 1973, p. 2.

[42]Ibid.

[43]Cline, Interview No. 33.

[44]Ibid.

[45]Tubbs, Interview No. 13.

[46]Austin, Interview No. 27.

[47]Arthur Burke, Deputy Council Secretary, Interview No. 12 held in Warren, Michigan, July 25, 1974.

[48]John Hanrahan, Controller, Interview No. 3 held in Warren, Michigan, July 16, 1974.

[49]Ibid.

[50]Ibid.

[51]Paul Van Den Branden, Director of Public Services, Interview No. 22 held in Warren, Michigan, August 6, 1974.

[52]Martin Wicker, Budget Director, Interview No. 4 held in Warren, Michigan, July 16, 1974.

[53]Hanrahan, Interview No. 3.

[54]Ibid.

[55]City of Westland, Proposed 1974 Budget, p. 5.

[56]Letter, from Leonard J. Bartos, Director of Finance, to Eugene McKinney, Mayor, City of Westland, May 21, 1973.

[57]William Rechlin, Police Chief, Interview No. 24 held in Westland, Michigan, August 8, 1974.

[58]Leonard J. Bartos, former Director of Finance, City of Westland, Interview No. 10 held in Pontiac, Michigan, July 23, 1974.

[59]A. Kent Herbert, Accountant, "Receipts: Revenue Sharing Fund," June 28, 1974, (Mimeographed).

[60]Ibid.

[61]Letter, from Bartos to McKinney, May 21, 1973.

[62]Ibid., see attachments.

[63]A. Kent Herbert, former Accountant and current Budget Director, Interview No. 7 held in Westland, Michigan, July 18, 1974.

[64]Glen Shaw, Councilman, Interview No. 28 held in Westland, Michigan, August 13, 1974.

[65]Eugene McKinney, Mayor, Interview No. 11 held in Westland, Michigan, July 23, 1974.

[66]Ibid.

[67]Herbert, Interview No. 7.

[68]Robert Stark, Presient Local 1602, Interview No. 20 held in Westland, Michigan, August 1, 1974.

[69]Letter, from Eugene McKinney, Mayor, City of Westland, to Robert Wagner, Council President, April 1, 1974, p. 2.

[70]City of Westland, 1975 City Budget, p. 1, (Mimeographed).

[71]McKinney, Interview No. 11.

[72]City of Westland, "Fact Sheet on August 6th Millage Proposals for Recreation and Public Safety," July 1974, (Mimeographed).

[73]Shaw, Interview No. 28.

[74]Rechlin, Interview No. 24.

[75]City of Pontiac, Michigan, "Financial Report for the Six Months Ending June 30, 1973," p. 124, (Mimeographed).

[76]Kervin J. Young, Controller, Interview No. 36 held in Pontiac, Michigan, August 21, 1974.

[77]Norman Lee, City Commissioner, Interview No. 34 held in Pontiac, Michigan, August 21, 1974.

[78]Frank Smiley, City Manager, Interview No. 26 held in Pontiac, Michigan, August 8, 1974.

[79]Ibid.

[80]Letter, from Robert W. Rummel, Director of Finance to the City Commission, Pontiac, Michigan, May 1, 1973, p. 1.

[81]Wallace E. Holland, Mayor, Interview No. 29 held in Pontiac, Michigan, August 13, 1974.

[82]Smiley, Interview No. 26.

[83]Holland, Interview No. 29.

[84]Ibid.

[85]Robert Rummel, former Director of Finance, Interview No. 18 held in Pontiac, Michigan, July 30, 1974.

[86]Smiely, Interview No. 26.

[87]City of Pontiac, Michigan, "Financial Report for the Six Months Ending June 30, 1973," p. 125, (Mimeographed).

[88]Ibid.

[89]Holland, Interview No. 29.

PART TWO: THE IMPACT OF THE SYSTEM ON THE ENVIRONMENT

CHAPTER VI

BUREAUCRATIC GYRATIONS, POLITICAL DRAMATURGIES AND GENERAL REVENUE SHARING

This chapter marks the beginning of Part Two, "The Impact of the System on the Environment." The General Revenue Sharing program is viewed not as an exogenous stimulus which decision-makers within the municipal budget system adapt to but as a source of budgetary information which local officials may use to manipulate their federal environment. In Section I attention is first given to the important role that the strategic use of information normally plays within the municipal budgetary system. The focus then shifts to examine exchanges of information between the municipal budget system and the intergovernmental environment. The possibility that information contained in the General Revenue Sharing Planned and Actual Use Reports was being used by municipal budget officials as part of a strategy to minimize federal interference in local decision-making is discussed in light of the emerging theory of governmental regulation. This idea that local officials may have used the General Revenue Sharing reports to manipulate their federal environment is explored in Section II with respect to the case study data obtained from the six Detroit area cities selected for analysis. Section III concludes with some general observations.

I. The Strategic Use of Information

A. Municipal Budgeting Strategies

The strategic use of information has been observed to be a basic part of municipal budgetary activity. For example, the chief executive has been shown to be able to exert significant control over the flow of information that comprises the budget-making process.[1] First of all, the very existence of an executive budget gives the chief executive authority. In addition the superior information capabilities of the executive's office have given it definite advantages vis-a-vis the council. It is the chief executive, afterall, who draws up the budget document and supplies the supporting information that is sent to council. The existence of a superior information gathering ability in the hands of the executive branch makes it difficult for council members to challenge the executive's budget.

By controlling the information upon which council members base their judgements, the executive has at his disposal a tool which can be used to exert control over the council. In addition, it appears that attempts to alter the fragmented incremental nature of the municipal budgeting process by attempting to make it more rational have tended also to enhance the power of the chief executive. The establishment of program budgets, for example, may have actually made it easier for the executive branch to justify its programs to the council.[2] The chief executive and department heads are often accustomed to think of their operations in terms of programs. It may be easier for these officials to sell programs to council based on their emotional and symbolic appeal rather than to justify the cold hard facts of line item requests which are much more difficult to interpret.

The ability to gather and channel information throughout the municipal budget system is an important source of power that the chief executive exerts over the other budget participants. The pivotal position

that the control of the information flow by the chief executive plays in municipal budgeting should not blind one, however, to the strategic use of information by other budget officials. Departmental officials, for example, are often engaged in a "padding" strategy designed to protect themselves against the chief executive's inevitable budget cuts.[3] This strategic use of information has become institutionalized in the form of roles which seem to mandate that the departments always ask for larger appropriations than they can reasonably expect to receive. The departments' padding role is legitimized as a symbol of greater service for the public.[4] The fragmented incremental budgetary decision-making process is thus held together and given some cohesiveness by this role which institutionalizes the strategic uses of information employed by the departmental officials. The strategic use of information by other participants in the budget process can also be characterized by recurring patterns of behavior. The fact that the chief executive's office routinely cuts the appropriation requests of the departments and the council often rubber stamps the executive budget indicates the existence of roles which reflect different budget strategies.

As this brief discussion has indicated, the strategic use of information normally plays an important part in the municipal budgetary process. The budget strategies outlined above, however, pertain primarily to exchanges of information with the budgetary system and with the way they affect the internal decision-making environment. In order to consider how the General Revenue Sharing program may have provided municipal decision-makers with a source of information that they could have used to try to manipulate their federal environment, attention must be turned to the intergovernmental arena. Below, these General Revenue Sharing strategies are analyzed from the vantage point of regulatory

theory.

B. General Revenue Sharing As A Question of Regulation

The decentralization of decision-making authority within the United States federal system generates debate as to what the nature of the relationship between the national government and local governments should be. These efforts to define the proper sphere of national-local interactions might be put into clearer perspective if they were viewed within the framework of regulatory theory. Debate over General Revenue Sharing raises a question of regulation because the federal legislation changes the setting within which national policies are carried out. Fears have been expressed that there may be externalities produced by the decentralization of decision-making which are damaging to the national interest. The idea that General Revenue Sharing reinforces the status quo and does little to further national goals has been expressed by dissatisfied Congressmen and other critics.[5] It is this consideration of external costs that makes the debate of General Revenue Sharing a question of regulation.

As William Riker and Peter Odeshook have said in an attempt to establish the foundations for a general theory of regulation, "the intrinsic nature of external cost is typically a matter of ideology. So therefore is regulation which depends on the perception of the external cost."[6] Similarly, debate over General Revenue Sharing is rooted in ideological affirmations of morality that carry different perceptions of positive and negative externalities. Liberal opponents of General Revenue Sharing, for example, see externalities everywhere in society and tend to believe that the General Revenue Sharing program is an abdication of national responsibility. In contrast, conservative supporters

of the General Revenue Sharing legislation see a greater externality in the regulation necessary to prevent an externality than in the externality itself. While the decentralized decision-making facilitated by General Revenue Sharing may indeed create externalities, the notion is that it is at least an improvement over the categorical grant system, the administration of which was an externality of considerable cost.

C. General Revenue Sharing As A Game Of Regulation

Political controversy over General Revenue Sharing can be understood as individual ideological responses to questions of regulation raised by the General Revenue Sharing legislation. The behavioral responses of local governmental decision-makers to the General Revenue Sharing program, on the other hand, must be understood in light of the interplay of participants on both sides of the national-local regulatory arena. The enactment of regulatory legislation is designed to protect society form negative externalities by explicitly setting penalties for violators. Therefore, local decision-makers face a context of choice which is fixed by the legal parameters and consequently they do not consider the future state of the world and the national interest when making their budget expenditure decisions.[7] Murray Edelman in his study of governmental regulation, however, has contended that in spite of explicit penalties for violation, implicitly there is room for evasion because regulation is treated as a game by the participants involved in regulatory activity.[8]

According to Edelman, the basic rule of the regulation game is that "a fairly large portion of instances of noncompliance will not be detected or penalized."[9] This rule is established and maintained due to the mutual dependency relationship which develops between the regulators

and those whose activities are regulated. In this context, a psychology of mutual role-taking is said to evolve whereby the participants in regulatory activity look at the consequences of their acts from the point of view of the other player. Essentially what occurs is that both regulators and the regulated tend to accept each other's decision-making premises as valid. Once the regulators put themselves in the place of the special interest that they are suppose to be regulating, an appreciation of the temptations that the regulated face creates a gaming atmosphere where a certain amount of evasion is permitted. The outcome of the regulation game is thus that the regulatory commission becomes dominated by the interests it was originally designed to control. Despite this situation, Edelman maintains that regulatory agencies are essential if for no other reason than that they give the unorganized public the symbolic reassurance that its interests are being protected.

The administration of the General Revenue Sharing program, as the following scenario illustrates, might be easily construed as a regulatory game between national and local officials. The spirit of the New Federalism which surrounded the passage of the General Revenue Sharing legislation was a mandate for non-interference in local decision-making.[10] Congress, however, felt it could not just give federal money away. The complete abandonment of federal guidelines might result in frivolous local expenditures. Lack of federal regulation would be looked upon as an act of national irresponsibility which could increase the tension and instability in the national political system. In order to maintain accountability to the national interest, Congress devised broad priority categories within which the general revenues had to be spent.

To be dogmatic about the enforcement of the priority category restriction would, however, be a violation of the intent of the legislation.

Moreover, the high costs involved in policing the General Revenue Sharing expenditures precluded Congress and the Office of Revenue Sharing from ever being certain that accurate information had been received via the Planned and Actual Use Reports. The priority categories were so very broad that they sanctioned practically any type of expenditure activity anyway. The implication was that neither national nor local decision-makers were particularly worried about strict enforcement of the meager expenditure guidelines.

Within this loose decision-making atmosphere, where strict enforcement of the General Revenue Sharing legislation is neither desired or even possible, local officials might be envisioned as pursuing strategies that are designed to widen local expenditure options while at the same time keeping the federal government and the nation satisfied. Local decision-makers have at least two incentives to generate misinformation which would fulfill the General Revenue Sharing reporting requirements and at the same time symbolically reassure the nation that its interests are being protected. First of all, local budget officials have a bureaucratic incentive to simplify and standardize the task of filling out the General Revenue Sharing Planned and Actual Use Reports. In instances where the actual impact of the General Revenue Sharing money is difficult to determine or when the intent is to minimize the time and effort required to fill out the forms, the reports may reflect little more than bureaucratic gyrations designed to please federal officials. Secondly, participants in the budget process may face a political incentive that causes them to misinform the federal government. Even though the priority categories are quite broad, there are still some limits imposed on General Revenue Sharing expenditures. In cases where there are local political pressures to spend the General Revenue Sharing money in

an area which is officially off limits (such as using the revenue to match federal funds), misinformation might find its way into the General Revenue Sharing reports in order to conceal the actual use of funds and evade the federal constraints. Such a situation implies that the act of filling out the reports is pure political dramaturgy.

Whether a result of bureaucratic gyrations or political dramaturgies, the transmission of misinformation to the federal government produces symbolic benefits for the national public and at the same time legitimizes the actions of local governmental officials whose decisions may not necessarily have been in the national welfare. By treating the administration of the General Revenue Sharing program as a game, misinformation is tolerated. As long as both federal and local participants and the national public at large are satisfied with the General Revenue Sharing game, conflict between national and local interests is averted. On the other hand, should a player, such as the federal government, no longer wish to play the game, or should more rigid rules be drawn up, then the conflict of interests which was previously submerged might become more visible. In the case studies section that follows the hypothesis that municipal decision-makers used the information contained in the General Revenue Sharing Planned and Actual Use Reports to manipulate their federal environments is investigated.

II. Bureaucratic Gyrations, Political Dramaturgies, and General Revenue Sharing

A. Southfield

Southfield officials approached their first receipts of the new General Revenue Sharing funds cautiously. Lacking prior experience with the program, they wanted to be conservative in their handling of the federal monies. Thus the officials involved in making General Revenue Shar-

ing expenditure decisions adopted what might be described as a wait-and-see attitude towards the General Revenue Sharing program. The idea was to proceed carefully in allocating the General Revenue Sharing funds so that the federal government would never have cause to complain about the way Southfield used the money.

> We always felt that if you're going to take federal monies, you're going to have to show that you've done something with it. Like I say, being new to it, not knowing how they are going to issue more revenue sharing or future revenue sharing, we didn't know if they were going to look back and say, "You squandered the money and why should we give you more?" Our argument was always we would show you that we would spend your money wisely.[11]

Southfield officials were thus eager to demonstrate to the federal government that they could be trusted to spend the federal taxpayer's money wisely. It was felt that if the federal government was properly impressed with the way Southfield spent its shared revenue, possibly Southfield would continue to be eligible for future allotments of federal revenues. As another official remarked,

> Our prime purpose was to use revenue sharing in a manner that would indicate to the federal government that, yes, we are capable of managing our own affairs, that we don't need strings attached to it. We don't need you looking over our shoulder. We are not going to build some beautiful edifice or statue in a park someplace with the money you give us. We are going to use it judiciously.[12]

Perhaps because Southfield's status as a wealthy community had prevented it from being eligible for many federal programs, the desire among Southfield officials to convince the federal government that the city government was indeed worthy of federal support was especially strong.

The cautious, conservative approach to General Revenue Sharing espoused by officials in Southfield was reflected in the first Planned and Actual Use Reports submitted to the Office of Revenue Sharing.[13] These reports indicated that the General Revenue Sharing money had been set aside for capital expenditures. The money was primarily used according

to the reports to enhance the public safety of the community. A third courtroom, judge's chambers, and related facilities on the lower level of the municipal building were constructed along with modernization of the city's penal facilities and installation of equipment allowing for city-wide use of the "911" Emergency Communication System. One receives the impression that because the wary attitude that Southfield officials held of the new General Revenue Sharing program, the federal funds were earmarked for capital expenditures in public safety since they would be easy to justify to the Office of Revenue Sharing. On the other hand, conversations with Southfield officials revealed that the desire to insure a working political relationship with the federal government was not the only consideration for budgeting the federal funds. It appears that the General Revenue Sharing funds were initially allocated to public safety expenditures in the capital budget because it was a relatively uncomplicated decision that did not threaten to disrupt existing bureaucratic routines. In an attempt to explain why the initial receipts of General Revenue Sharing funds had been allocated to the capital budget, one councilman replied, "Well, we had to get it started and it just eased the pain a little better. Let's put it this way, it ate up most of the money, but it was well worth it. If we had to do it over again, we would start it just like that."[14]

It thus appears that the initial General Revenue Sharing expenditure decisions as reflected in the Planned and Actual Use Reports were influenced by both political and bureaucratic considerations. The desire to maintain a good working relationship with the federal government and the hope of minimizing the pain of bureaucratic adjustments to the new General Revenue Sharing program were important factors that influenced the content of the reports submitted to the federal government. The fact

that the General Revenue Sharing reports seem to have expressed a desire among city officials to please their federal constituency and maintain the bureaucratic stability of the municipal budgetary process proves to be somewhat disconcerting. Any expectation that the General Revenue Sharing reports actually reflect the impact of the General Revenue Sharing dollars is eroded by the realization of the political and bureaucratic factors that influenced the flow of information to Washington. In other words, the General Revenue Sharing reports seem to reflect nothing more than paper work which simplifies the accountability problem by allocating money to a few capital projects that "eat up" the bulk of the shared revenue. Furthermore, the paper work seems to have been carefully construed to show the feds that Southfield city officials could handle the federal revenues wisely.

Even if the political and bureaucratic factors that are thought to strongly influence the content of the General Revenue Sharing reports are set aside, there is still reason to interpret the General Revenue Sharing reports with caution. It seems that even though a Planned Use Report may have been filed with the Office of Revenue Sharing, the General Revenue Sharing funds may remain uncommitted in the trust fund and not really be considered a part of the budget. For example, General Revenue Sharing funds may be budgeted after the normal budgetary processes have run their course.

> We have some funds now that are uncommitted, but in our last Planned Use Report I think they were listed for tree preservation. Obviously the details haven't been worked out and it's not in the budget per se, but the money's in the revenue sharing account. We'll get around to putting these programs together and at that point we'll make the decisions. Where it has affected the budget per se, obviously the budgeting of that money is based upon the presumption that the funds have been received, but it has not always been timed directly to the general operating budget.[15]

It thus seems that in certain instances the Planned Use Report may be a

much more tenuous hypothesis regarding actual expenditures than the regular general budget. As a result, they should be given more scrutiny than the general budget.

As Southfield officials gained experience with the General Revenue Sharing program, they also became less conservative in their use of General Revenue Sharing funds. Whereas the initial receipts of General Revenue Sharing monies supposedly had been channeled into capital expenditures, over 90 per cent of the funds for subsequent entitlement periods was allocated to support the operations of the fire department's newly instituted paramedic program.[16] Explaining why Southfield officials decided to allocate the money to the highly successful paramedic program, one councilman declared, "The money wasn't that much, but we did try to allocate it to show the feds. The feds thought they were the big brother. They felt that the money with no strings would be spent for niceties rather than the necessities of the city."[17] It appears that one of the underlying reasons for allocating the General Revenue Sharing money to support the paramedic program was to impress the federal government. What could be more impressive than two life support units that "proved to be an enormous success, far exceeding our most optimistic expectations with thirty-six definite life saves and a 26 per cent reduction in the dead-on-arrival rate being experienced at Providence Hospital, directly attributable to this program."[18]

While Southfield officials surely appreciate the federal monies, they are also not beyond boasting that "because of the progressive attitude of the city, we would have probably gone the same route with or without the funds. It just made it (paramedic program) come a little faster."[19] Given this decision-making atmosphere, it seems that the Planned and Actual Use Reports indicating that General Revenue Sharing

funds went to support the paramedic program, possibly represent more of a public relations maneuver designed to score points with the federal government rather than an accurate reflection of fiscal impact.

Perhaps the most tangible piece of evidence indicating that the Planned and Actual Use Reports do not accurately portray the fiscal impact of the General Revenue Sharing funds stems from the fire chief's own estimate as to the cost of the paramedic program: "Initially, the first year, somewhere around $90,000 was for operation of this thing--might as well talk about $100,000. That was equipment, training, overtime costs, supplies, the whole thing."[20] Although the fire chief is describing the first year of the program, when because of initial equipment purchases the cost of the paramedic program might be expected to be highest, his estimate of $100,000 is considerably below the approximately $280,000 figure transmitted to the federal government for subsequent operation of the program. The fire chief admits, however, that "it is very difficult to break down costs as far as personnel is concerned because they are also fire fighters. They perform a dual function. Primarily they are fire fighters trained in life support..."[21] Even with this caveat, such a wide disparity between estimates of the cost of the paramedic program does raise questions regarding the interpretation of General Revenue Sharing reports. It may very well be an indication that the figures submitted to the Office of Revenue Sharing are more symbolic than real.

B. Dearborn

According to the General Revenue Sharing Planned and Actual Use Reports submitted to the Office of Revenue Sharing, Dearborn city officials committed their Federal Revenue Sharing funds primarily to much

needed senior citizen housing. This expenditure decision was justified to the Dearborn public via press releases that accompanied the publication of the Planned and Actual Use Reports in the local newspapers. According to the articles released by the city's Research and Information Department, Dearborn would spend the greatest portion of its Federal Revenue Sharing funds on senior citizen housing because an acute demand for such housing had been demonstrated to exist throughout the city. As one news release described the situation, "A recent report submitted to the Mayor by the Housing Director Simon Banda showed a waiting list of almost 1,600 applicants for low and moderate senior citizen apartments in Dearborn."[22]

Although several million dollars of Federal Revenue Sharing money were allocated to a program in critical need of governmental assistance, city budget officials indicated on their Planned and Actual Use Reports that the General Revenue Sharing program was not expected to make a marked impact on the city of Dearborn's taxes. For example, General Revenue Sharing for the first three entitlement periods was said to have "no effect on tax level"[23] while receipts of the federal funds for subsequent entitlement periods were believed to at best "reduce (the) amount of rate increase of a major tax."[24] As the Deputy Controller explained,

> We can only make a simple judgement. Without Federal Revenue Sharing what would it have done to the tax rate? This entitlement period (fourth) we had a tax increase. It's a difficult question to answer. The only way I can answer it is to look at the budget, take it out, and see what would have happened to taxes.[25]

If one endeavors to look at what actually happened to taxes after the General Revenue Sharing program began rather than speculate what would have happened had there been no General Revenue Sharing, one discovers that in the first years of the program the city experienced a tax

decrease. The general property tax levy was reduced from its charter maximum of twenty mills in fiscal year 1973 to 19.1 mills in fiscal year 1974.[26] The Planned and Actual Use Reports do not credit General Revenue Sharing for this tax reduction. Supposedly had there been no federal program, less money for capital expenditures in housing would have been appropriated. The demand for senior citizen housing in Dearborn would have gone unanswered.

Perhaps one could let the matter rest and be content to accept the face validity of the General Revenue Sharing reports if it were not for the fact that such a conclusion conflicts with the description of General Revenue Sharing's impact on the budgetary process discussed in Chapter IV, Section II. In that chapter it was mentioned that budgetary decision-makers believed that General Revenue Sharing had a significant impact on the general budget. Federal Revenue Sharing was perceived as freeing up local tax supported revenues that would otherwise have been earmarked for capital expenditures. General Revenue Sharing, by increasing the pool of general purpose resources, took some of the burden off of the local taxpayer.

The tax relief resulting from appropriating General Revenue Sharing for capital expenditures becomes even more readily apparent if one recalls Dearborn's unorthodox policy for financing capital expenditures described in Chapter IV, Section II. Dearborn does not borrow to finance capital improvements but budgets for the projects by accumulating general tax supported revenues over a four- or five-year period. Given this inclination of Dearborn officials to avoid debt, which puts a tremendous burden on the present generation of taxpayers to finance long-term capital projects, the flow of General Revenue Sharing funds into Dearborn was undoubtedly a real relief.

An understanding of the behavioral dynamics underlying the city of Dearborn's financial management policies thus challenges the credibility of the Planned and Actual Use Reports forwarded to the federal government. Contrary to the reports, there is reason to believe that General Revenue Sharing had a significant impact on the general tax levy. Since this is denied by local officials, the task becomes one of piecing together data and interpreting it in light of an analytic framework that will hopefully enable one to explain the discrepancy between official accounts and behavioral processes.

There is evidence which suggests that the interaction between Dearborn and federal officials via the Planned and Actual Use Reports can be viewed as a type of political dramaturgy. As was indicated in Chapter IV, Section II, there was a strong perception shared by Dearborn officials that Congress felt that it was inappropriate to use General Revenue Sharing funds for tax relief even though the State and Local Fiscal Assistance Act of 1972 did sanction such use. For example, as one Dearborn official described the purpose of the General Revenue Sharing program,

> It's not to bail you out or to give your employees a 10 per cent raise instead of a 6 per cent raise which you could afford. That wasn't the intent of it. Revenue sharing monies were intended for development of community facilities that you heretofore couldn't afford under capital improvements.[27]

Such a perception of congressional intent might seemingly underlie the reluctance of local officials to identify General Revenue Sharing with tax relief in their Planned and Actual Use Reports. Lacking prior experience with the program and seeking to avoid conflict over a sensitive issue, Dearborn officials could easily have fallen into the role that they believed was expected of them by Congress. Perhaps eager to please their federal constituency, Dearborn officials eschewed any

mention of tax relief in their reports to the Office of Revenue Sharing. Even though the Planned and Actual Use Reports might be unreliable in terms of indicating General Revenue Sharing's impact on Dearborn's general tax supported budget, their contents may nontheless be symbolic of attempts to avoid potential conflicts with federal authorities.

Besides viewing the Planned and Actual Use Reports from a dramaturgical perspective, the data denoting General Revenue Sharing expenditure decisions may be seen as having been shaped by bureaucratic considerations. Dearborn officials found that there were certain advantages to be gained by designating General Revenue Sharing funds for capital expenditures. First of all, allocating General Revenue Sharing money to a few large capital projects simplified the task of meeting the federal government's reporting requirements. For example, as the Deputy Controller recollected, "We made the decision here early that we would use this money for capital improvements. So we're not involved in the use of this money for operating expenses. So this made budgeting rather simple."[28]

Secondly, Dearborn officials discovered that using General Revenue Sharing funds for capital improvements tended to, in their eyes, minimize the strings that the Congress had attached to the program. According to the astute observation of the Deputy Controller, "There are eight categories of authorized expenditures for normal operating and maintenance expenses and we are not involved in those. So we don't feel any particular rub."[29] In short, Dearborn's Planned and Actual Use Reports may be considered unreliable to the extent that designation of federal funds for capital improvements reflects the desires of local officials to minimize reporting paper work and avoid federal strings.

C. Royal Oak

When the first General Revenue Sharing checks arrived in Royal Oak in December 1972 and January 1973, there was little time lost debating expenditure priorities. The city was enthralled by one of its seemingly perennial fiscal crises. As usual the budget was under severe union pressure for improvements in wages, salaries, and benefit arrangements. Consequently, the General Revenue Sharing money was promptly seized and used to balance the budget. These early efforts to use the newly available General Revenue Sharing money to balance the budget were recalled quite clearly by the Personnel Director who at the time was quite concerned with the disasterous impact an unbalanced budget would have on Royal Oak's municipal work force:

> They (the City Manager's office) demonstrated and it was my own attitude that we were in such dire requirements that it had to be spread throughout the organization. We cracked the egg. We couldn't say yes, we were going to use this money to improve the recreation program and improve the fire station. We did nothing of that nature.[30]

It was easy for Royal Oak officials to channel the General Revenue Sharing dollars immediately into the fiscal year 1972-1973 budget. Afterall, the first few General Revenue Sharing checks were exempt from the subsequent accounting requirement that Planned Use Reports be submitted to the Office of Revenue Sharing. Neither was a public hearing convened to discuss the appropriation of these federally shared revenues. The formal process of holding public hearings and submitting Planned and Actual Use Reports to the federal government did not begin until May 1973 when the city commission formally passed the budget for fiscal year 1973-1974. As a result, when budgeting officials were first compelled to submit reports of actual and planned General Revenue Sharing expenditures to the Office of Revenue Sharing, what took place was essentially a

drawing room exercise. In the words of the then Director of Finance, "They (Office of Revenue Sharing) just said you have these categories that you can use it for, so we went ahead and used it."[31]

In other words, after a brief general discussion between the City Manager's office and the city commission, it was agreed, even though it was virtually impossible to tell where the revenue sharing dollars that had been merged into the general fund actually went, that the city should establish some revenue sharing priorities in keeping with the federal reporting requirements. The simple logic behind this reporting exercise was succintly sketched out by the former Director of Finance: "Once we've established the fact that we're going to use it for the budget balancing purpose, why then do we have to establish what percentage of it we're going to use. So once the per cent was established, it's been that way ever since."[32]

The percentage breakdown of General Revenue Sharing expenditures for operating and maintenance that was finally submitted to the federal government was as follows: 78 per cent, public safety; 9 per cent, recreation; 7 per cent, libraries; and 6 per cent, financial administration.[33] With these percentage figures in hand, the dollar figures that appear on Royal Oak's Planned and Actual Use Reports were computed. A check of the reports forwarded to the Office of Revenue Sharing reveals that this breakdown has remained constant through subsequent reporting periods. In fact, on the reporting work sheets which were provided by the federal government and used by the City Manager's office in preparing the final reports submitted to Washington, the percentage figures are written in over the corresponding priority expenditure category, presumably as an aid to calculation!

Although the General Revenue Sharing money which Royal Oak received

was merged with the city's own general fund, the reporting requirements mandated by the General Revenue Sharing legislation forced local officials to artificially separate the federal funds from the municipality's general budget. The former Director of Finance conceded that it now appears that many city officials initially misinterpreted the ramifications of the General Revenue Sharing Act. Originally, thinking they could use General Revenue Sharing for whatever they wanted to, the first few revenue sharing allotments were indiscriminately intermingled with the general fund. The later discovery of the General Revenue Sharing reporting requirements and priority categories, however, seems not really to have crimped the decision-making style of local budget officials. The way budget officials were able to maintain their administrative flexibility in spite of the reporting requirements was explained by the former Director of Finance:

> We thought we could use it (General Revenue Sharing) for whatever we wanted to. We still can, but there is one little catch. We are now required to show it separately in there (the general budget), the amounts we have allocated to revenue sharing, which washes out really because it's just a point of keeping those funds separately.[34]

As long as the General Revenue Sharing reporting requirements do not handicap the city's accounting system, local officials are likely to remain satisfied with the newest federal innovation in intergovernmental relations. All the indications are that having standardized the task of filling out the federal forms, the future interactions the city of Royal Oak will have with the federal government regarding revenue sharing will probably closely resemble the exchanges of information that have occurred between the two levels of government in the recent past. With the type of confidence that comes from having memorized the solution to a puzzle, the former Director of Finance declared:

It's nothing to filling out the report because well, we've considered

> that the per cent of allocation remains the same. So if you get the same amounts you've gotten, the dollar amounts will remain about the same. Just show it and list it and shove it in. Now you say, "What are you going to use it for the next year?" It's the same thing unless something changes.[35]

It appears that the only change which might force Royal Oak budget officials to depart from the standard operating procedures they have devised to deal with the General Revenue Sharing reports would be for the city's revenue sharing allotment to be greatly increased. This might free the city from immediate pressures of budget balancing and permit expenditures on needed capital projects. As the former Director of Finance speculated: "But if we had more money, then we could use it for other purposes than to balance the budget. We could build other things with it. We need a civic center, recreation facilities, and so forth. The commission is very receptive to doing things like that."[36]

D. Warren

Conceptually General Revenue Sharing represents a radically different approach to federalism, a new federalism of no strings attached to federal dollars. Warren officials acutely realize, however, that the federal government cannot indiscriminately give away the national taxpayer's money. Some expenditure restrictions are viewed as necessary to prevent the abuse of federal funds. In the words of one Warren official, "If we were dealing solely with the city of Warren, of course, I would be in favor of abolishing all restrictions. At the same time, I know that there are some communities that if there aren't some restrictions and some guidelines put on them, they might use their money other than in a wise manner."[37] The priority expenditure categories accompanying the General Revenue Sharing legislation are thus viewed by governmental leaders in Warren as a way to keep everybody on the straight and narrow

and make sure that something gets accomplished with the revenue sharing monies. As one observer of the Warren city council half jokingly remarked, "I think if the federal government just would give them (the council) ten million dollars to do what you can with it, it would take them five years just to make a decision as to how they want to spend it and this isn't very good."[38]

Decision-makers in Warren do not have any real qualms with the broad list of expenditure priority categories that they are allowed to spend their General Revenue Sharing money in. For example, the Budget Director acknowledges that "we eliminate a lot of restrictions because of the way our programs are set up here."[39] The Budget Director is referring to the fact that all of Warren's General Revenue Sharing expenditures have been for capital improvements which is the least restrictive priority category under the State and Local Fiscal Assistance Act. If a local government opts to use its General Revenue Sharing money for capital expenditures, it simply chooses any ordinary and necessary capital expenditure authorized by law. In this respect, Warren officials consider themselves to be more fortunate than other communities that had to use their funds for operating purposes and thus faced a more well defined list of priority categories to choose from.

In addition to recognizing the need for the federal government to establish expenditure priority categories for the General Revenue Sharing funds, Warren officials also agree that the federal government has the right to hold local decision-makers accountable for their General Revenue Sharing expenditure decisions. The rather slow and insipid manner by which the Office of Revenue Sharing developed the administrative rules designed to insure accountability has caused some Warren decision-makers a great deal of frustration though. As one official expressed his

dissatisfaction with the Office of Revenue Sharing's administrative rule-making: "You've got revenue sharing and six months later here's the rules. Of course that always causes you a little bit of trial and tribulation and everything else."[40]

It appears that the Office of Revenue Sharing was slow in getting information regarding specific regulations to budgetary decision-makers in Warren. This caused some delays and complications with the first few General Revenue Sharing projects the city had scheduled. Extra time was spent rechecking decisions that had already been made to make sure none of the regulations (e.g. Davis-Bacon, etc.) was violated. While the Office of Revenue Sharing was gearing up and starting to come out with the administrative rules, Warren officials, eager to obligate their General Revenue Sharing funds and begin construction of their capital projects, felt very much alone and on their own.

The initial adjustment that Warren officials had to make to the General Revenue Sharing program was thus mixed. The General Revenue Sharing priority categories posed no special problems for local decision-makers, but the administrative rules designed to hold city officials accountable for spending the federal taxpayers' dollars were slow in coming and thus shrouded the General Revenue Sharing decisions with a certain air of confusion. In comparison to other federal programs, however, Warren officials conceded that General Revenue Sharing was a vast improvement. The few strings that were attached to the General Revenue Sharing funds did not stifle local decision-making initiative. Still Warren officials often expressed strong misgivings about some aspects of the revenue sharing program and these will now be discussed below.

From the vantage point of the City Controller's office, the cost of administering the General Revenue Sharing program is higher than it

need be. The reporting requirement that the federal funds be kept separately from local revenues is seen as creating a double accounting system which increases the cost of running government. The Controller's own description of the red tape involved in running the General Revenue Sharing program is to the point:

> The way it is presently structured with the federal government, where you have to separate your Federal Revenue Sharing money from your other operating money and where you have to use separate funds to account for the Federal Revenue Sharing money, it does restrict the flow of those funds somewhat... I think it actually hinders the good businesslike handling of these funds. Certainly I can't help but think there is some loss of efficiency in having to go through three or four different accounting steps in accounting for federal money. If your accounting system is good enough to account for, in our instance, fifty million dollars of local taxpayers' money here, then I would think that same accounting system would be good enough to account for the twelve or fourteen million dollars that we get from the federal government.[41]

Besides administrative cost increases resulting from a double accounting system, Warren officials also noted that other restrictions contained in the General Revenue Sharing legislation also increased costs. For example, while earmarking the General Revenue Sharing money for capital projects avoided some of the strings that were placed on operating expenditures, capital expenditures, nonetheless, required elaborate measures to insure accountability. As the Budget Director explained: "All of our revenue sharing expenditures to date have been capital improvements and because of that we have a lot of federal regulations with federal monies involved."[42] The Davis-Bacon Act, which makes it mandatory for local governments to pay prevailing wage rates, was especially troublesome for Warren officials with regards to their first capital project, the city courtroom. Originally, before General Revenue Sharing funds became available, Warren officials were expecting to finance the courtroom construction by the sale of municipal bonds. Planning for the project had first begun without worrying about federal

regulations. With the advent of revenue sharing, the Budget Director suddenly found that he had Davis-Bacon regulations to get into the contracts and consequently he perceived this additional effort as being superfluous and wasteful.[43] Furthermore, the Davis-Bacon Act was looked upon as hiking up the cost of capital projects in general because contractors would simply pass on their additional labor and administrative reporting costs to city hall.[44]

Another misgiving that budgetary decision-makers in Warren have about the General Revenue Sharing program relates to the impact that the Planned and Actual Use Reports have on the political and administrative environments. It is contended that the consciousnesses of both officials and citizens are dulled and befuddled by the confusing barrage of information that emanates from the Planned and Actual Use Reports. One primary problem centers around the cash flow of revenue sharing funds. It appears that the General Revenue Sharing accounting reports do not correspond to the entitlement period with one payment overlapping the other. This cash flow confusion is depicted by the Assistant Controller:

> They give you your General Revenue Sharing check July 5th and the federal government considers it being in the old fiscal year. Of course, we're on the standard fiscal year, and the cut-off is June 30th. If you haven't got the cash until July 5th, it's in the following fiscal year. So there we stood a little red-faced explaining how we could miss our projections by $600,000 which we didn't because we were just putting it in the other year.[45]

Budgetary decision-makers are actually dealing with different dollars even by entitlement periods from what the Actual Use Reports are. This creates a very confusing situation not only for the outsider but for the budgetary decision-makers themselves. As the Budget Director stated: It is very difficult to find out (what General Revenue Sharing dollars we're dealing with) because I myself have to make up separate work sheets putting together what we got in our budget versus what we're

reporting and what is left to be reported."[46]

Whereas the Planned Use Reports are more or less an accrual concept, the Actual Use Reports are on a cash basis. Confusion results because Planned Use Reports go into the following period and because the dollars reflected in those reports may not always correspond to the dollars budgetary decision-makers are actually working with in a particular entitlement period. As the City Controller lamented: "When you try and explain even to our local people here, our local council, what's happened between these two reports, it's difficult. There's no doubt about it."[47]

What perhaps unsettled budgetary decision-makers the most about the General Revenue Sharing reporting requirements was the fact that in Warren's case the Planned and Actual Use Reports tended to mislead the public. Warren officials did not object to the idea of having the reports published in the local newspapers. They felt though, because the city of Warren had developed a comprehensive five-year capital improvement plan for General Revenue Sharing funds and had not taken a year to year approach with the federal monies, that the citizenry was being mislead by being presented with only partial views of the total plan. This dissatisfaction with the General Revenue Sharing reporting format was expressed forcefully by the Assistant Controller:

> The reporting that they have us do, that's one of the things that I really resent. By publishing in the newspaper that I've spent $500,000 on this type of project, John Q. Public thinks that's what they spent on that project. They don't know that it's a million and a half project. To me that's ridiculous.[48]

Rather than publish General Revenue Sharing reports that are misleading, the feeling among some officials is that the city would be better off by not publishing anything at all. It was admitted that the reporting format might have more bearing in cities that had used their

General Revenue Sharing funds for operating expenses. The figures then would represent an amount of money that was actually charged into the budget. But when one is talking about capital projects that extend over a long period of time, the revenue sharing reports are a waste of time as far as some decision-makers are concerned. The local citizen who wants to get a true picture of General Revenue Sharing expenditure decisions will have to wait for the City Treasurer to put out his synopsis of the city budget with the annual distribution of the tax bills.

E. Westland

With the passage of the State and Local Fiscal Assistance Act of 1972, the Office of Revenue Sharing was established within the Treasury Department to administer the General Revenue Sharing program. One of the provisions of the General Revenue Sharing legislation required that each state and local government submit periodic reports to the Treasury Department regarding the planned and actual use of General Revenue Sharing funds. In the city of Westland, the official contacts with the Office of Revenue Sharing were handled through the Department of Finance. Although the Director of Finance was directly responsible for the contents of the reports filed with the Office of Revenue Sharing, the actual paper work itself was handled by the Finance Department's chief accountant.[49]

The chief accountant encountered only minor difficulties in filling out the federal forms. It seems that the way the Treasurey Department kept track of the revenue sharing entitlement periods differed from the method used by the city of Westland. On the last day of the fiscal year, on what the Treasury Department considered to be the last day of the last quarter within a particular entitlement period, the Office of

Revenue Sharing would mail out the fourth quarter entitlement period checks to the city of Westland. This fourth quarter entitlement period check would arrive in Westland after the next fiscal year had already begun and another entitlement period had started. Instead of counting the revenue sharing check as part of the prior fiscal year's entitlement period, the accounting procedure used in Westland was to consider the check as part of the current entitlement period that had just begun with the new fiscal year.[50] For example, on July 8, 1974 Westland received payment of $118,375 which the Office of Revenue Sharing considered to be the last check of the fourth entitlement period. In Westland the check would be considered part of the fifth entitlement period.

The result of Westland's different accounting procedure was that for any fiscal year city officials would anticipate their revenue sharing funds as amounting to three-fourths of what the Office of Revenue Sharing said the city was to receive for any particular entitlement period plus the amount of the last check that the Treasury Department considered to be payment for the last quarter of the previous entitlement period.[51] In other words, when the Office of Revenue Sharing announced that the City of Westland could be expected to receive approximately $800,000 during the fifth entitlement period spanning fiscal year 1975, Westland officials anticipated on receiving only $600,000 plus the $118,375 check for the last quarter of the fourth entitlement period.

Westland's accounting practice of recognizing the General Revenue Sharing money when the city received it permitted the flow of federal monies to be synchronized with the city's annual budget cycle, thereby facilitating expenditure planning. In contrast, the Planned Use Reports which Westland was required to submit to the Office of Revenue Sharing had to be tied to the figures that the Treasury Department was using.

Consequently the Planned Use Reports had an air of unreality about them because the city was in effect forced to play a false type of planning game with the Office of Revenue Sharing. In the words of Westland's chief accountant:

> They said our planned use is $801,000. Well, even though we didn't budget expenditures of $801,000 next year, we came up with a formula how we expect to use that $801,000 even though it may not be in our next fiscal year the way the audit would look at it.[52]

The formula that the chief accountant mentions reflects the standard operating procedures which the Department of Finance developed to keep track of all of Westland's General Revenue Sharing money and consequently does not represent the outcome of a genuine revenue sharing expenditure decision-making process. The bloc-type reports requested by the Office of Revenue Sharing were a simple reflection of the broad General Revenue Sharing priority categories contained in the General Revenue Sharing legislation. Westland officials found the priority categories so broad that they surprisingly realized that they had almost complete discretion as to how they could budget Federal Revenue Sharing dollars. Because there was hardly a thing that anyone could think of that the city could spend money on that would not be in one of the specified priority categories, the Department of Finance decided to simplify the task of filling out the Planned and Actual Use Reports.

The basic formula was that the General Revenue Sharing money would be used to fund accounts in a few departments that would ordinarily have been supported by the general fund. By concentrating the General Revenue Sharing money in a few large accounts the bookkeeping time necessary to keep tabs on the General Revenue Sharing money was significantly reduced (especially important given the limited staff resources in the Department of Finance). The process which the Department of Finance used

to fill out the revenue sharing reports was described in detail by the chief accountant:

> Say we spent $150,000 on police salaries. On our audit report that's $150,000 spent for police salaries. In other words, this is very similar to the way that we handle the gas tax with the state in that you reimburse (the general fund) or you just say this is a priority category with us, which you know police is. Well, then we put the money out but then that frees $150,000 elsewhere we already appropriated for police salaries. That's why I think if you want to you could, this is kind of illegal, get around the Actual Use Reports and maybe even the actual intent of revenue sharing. I don't know. In my opinion, it's just to help the financially strapped cities. But, you know, you aren't really increasing police services by $150,000 like our Actual Use Report said we were. What we were doing is covering our deficit, covering other areas where we had overspent our budget.[53]

Westland officials believe that the General Revenue Sharing priority categories and restrictions are essentially nonenforceable. The real loophole is that a city can use General Revenue Sharing funds for an item that has already been appropriated elsewhere. Westland officials say this loophole really does not make much difference, however, because the city did not really get involved in anything that was not on the General Revenue Sharing priority category list anyway. Besides as the Mayor puts it, it is not really in the spirit of the New Federalism to encumber local decision-makers with a lot of bureaucratic red tape anyway. As the Mayor described the revenue sharing reporting process:

> We print in the newspaper according to the requirements that we have to allocate certain funds for certain categories. But that's a relatively simple thing to do. It's so broad, transportation, public safety, whatever they are. You just simply say okay, you've got another three quarter million bucks. You say that just happens to be part of our revenues that someone says we've got to account for. So we just say we're allocating this three quarters of a million dollars to these particular areas. It almost becomes an automatic thing. It just sort of merges with the total government, with the total budget and it just happens that that particular phase of our budget we have to account for in some broad terms.[54]

Westland officials have thus reduced the process of filling out the reports for the Office of Revenue Sharing to a simple routinized

task. As a result Westland officials are satisfied with the General Revenue Sharing program and favor keeping the program as it is unless the federal government just wanted to hand over its General Revenue Sharing funds to the city the way the state does. Although the existing reporting arrangement with the Office of Revenue Sharing has the approval of Westland budget officials and seems also to satisfy federal officials, the information contained in the reports themselves is practically useless insofar as it does not reveal the actual impact that the General Revenue Sharing funds made on the City of Westland.

One example of a major discrepancy between the data forwarded to the Office of Revenue Sharing and the real impact of the General Revenue Sharing money serves to illustrate the illusionary nature of Westland's Planned and Actual Use Reports. Although not mentioned in the General Revenue Sharing reports, the chief accountant admitted that one of the major consequences of revenue sharing in the city of Westland during fiscal year 1974 was the construction of the multipurpose building ice rink:

> We built the ice rink and the additional (revenue sharing) money has helped us to be able to maintain the ice. But you know, if you looked at our Actual Use Reports, you wouldn't see it dollar for dollar where this extra help came in... It might not have been on our Actual Use Reports, because like I said, you can always play this planning game, but in effect I think that ice rink which was a major portion of our receipts was made possible through revenue sharing.[55]

One of the reasons why the total construction costs of the ice rink were not fully listed in the Actual Use Report submitted to the Office of Revenue Sharing was a result of initial confusion over whether or not Davis-Bacon Act requirements guaranteeing prevailing wage rates to construction workers applied to the General Revenue Sharing Act. During the course of the General Revenue Sharing program as local officials

gained experience with the new program, they realized that the State and Local Fiscal Assistance Act of 1972 required that if 25 per cent or more of the cost of any capital project was paid for out of a local government General Revenue Sharing trust fund, then the Davis-Bacon Act applied.[56] By that time, however, the contracts had already been let to construct the ice rink. Faced with this perplexing situation the officials in the Department of Finance took the following action to cover up their initial error in judgement:

> What we did is we took just under 25 per cent of it. Two contracts were involved here and we paid for them out of revenue sharing funds. The contracts were let about the time we were getting revenue sharing. When we were getting later revenue sharing payments, we found out the Davis-Bacon Act applied and all that. I just didn't want to get involved in the big hassle of having the check bounce and so on, so I didn't charge over 25 per cent.[57]

In the case of the construction of the ice rink, budget officials did not bother with the Davis-Bacon Act in order to avoid complications with the contracts that had already been let. The Davis-Bacon Act, however, does not appear to have been the only expenditure restriction that was circumvented. As the Mayor explained, the city budget officials were also concerned with the provision in the General Revenue Sharing Act which prohibits local governments from either directly or indirectly using General Revenue Sharing monies to obtain federal matching funds:[58]

> ... without revenue sharing at that particular time we wouldn't have been able to allocate our monies toward that ice rink. In other words, we had so much money to come up with for the ice rink and without Federal Revenue Sharing that money wouldn't have been freed up for us to contribute it to the ice rink. There were some problems because the ice rink is part of a state-federal grant to be built in the first place and revenue sharing can't piggyback onto federal monies. So it's a matter of you putting revenue sharing in the total recreation department (budget) and that money you would have allocated, you simply allocate part of that to the construction of the ice rink. Had we not had revenue sharing, we would not have been able to take our general fund money and allocate it to the ice rink.[59]

F. Pontiac

When Pontiac's City Manager first learned of the General Revenue Sharing reporting requirements established by the Office of Revenue Sharing, he reacted with pleasant surprise: "I was amazed at the first sheet that came out from the Director of Revenue Sharing. It was one page. You know, I just couldn't believe it that this was the kind of reporting you want."[60] Needless to say, other city officials reacted in a similar positive fashion to the guidelines and restrictions that were placed on the new General Revenue Sharing program. There was no dissension at all among the city commissioners or the administrative staff that the General Revenue Sharing grant had too many strings on it or that the accounting procedures were unreasonably complex. The strong consensus of opinion among city officials was that the General Revenue Sharing reporting requirements could be very easily satisfied.

The computerized data processing system that had been recently introduced into the Finance Department and Controller's office was one factor that simplified the task of reporting General Revenue Sharing expenditure decisions to the Office of Revenue Sharing. The General Revenue Sharing priority expenditure categories were broad enough and the computerized accounting system sophisticated enough to enable budget officials to compile detailed lists of every employee's salary and every invoice which involved a transfer of Federal Revenue Sharing. The individual employee, however, had no need to be concerned that his salary was paid out of revenue sharing money. It was strictly an accounting procedure that did not affect the tenure of the worker.[61] Should the revenue sharing fund dry up, seniority, not absence of federal funding, would determine whether an employee would be bumped.

In addition, as the former Director of Finance indicated, the fact that city officials decided to allocate their General Revenue Sharing funds for operating expenses rather than capital projects also made it easier to fill out the federal reporting forms:

> We only had operating expenses. We didn't have to keep track of capital purchases and fixed asset registers in relation to revenue sharing. It was merely time sheets for labor there which made it relatively easy. We ran it through our system with an identifying code. We could pick off that part which was paid for by revenue sharing. It was a very simple accounting system.[62]

Pontiac officials are proud that they have gone beyond the old pork-barrel style of making budget decisions which previously characterized the way municipal governments were run and that today like private industry they can make their books balance.[63] In the case of the General Revenue Sharing program it seems that the job of balancing the books never presented itself as much of a chore for budget officials who at most spent only a nominal amount of their time handling the reports required by the Office of Revenue Sharing. As the Controller declared, the city had more than enough programs that would suffice as Federal Revenue Sharing expenditure areas:

> We've got so many areas, categories that are applicable to revenue sharing, that it's never been a concern of are we going to have enough programs that will be covered by revenue sharing. We have more than enough. It was never a question of we've got to treat these separately, which we do. But when we're wrapping up the budget, there's never a problem of finding where to spend the money because if we didn't have that money we would have to cut services.[64]

In slightly more specific terms the City Manager expressed sentiments similar to the Controller's that the General Revenue Sharing reporting guidelines had not proved particularly restrictive for Pontiac decision-makers:

> We have no trouble at all and I can't envision any community that would. We have no trouble at all in properly and legally allocating our share of federal revenue monies to all those categories.

> When you look at the Police Department which in Pontiac is over five million dollars a year, you know that's twice what we get out of Federal Revenue Sharing. Hell, I don't have any trouble finding a place to put the Federal Revenue Sharing money.[65]

The fact that Pontiac budget officials appear to be completely unfettered by the General Revenue Sharing reporting guidelines and expenditure restrictions is an illustration that Pontiac officials are clearly cognizant of the "fungibility" of Federal Revenue Sharing monies. The belief held by budget officials that there is more than enough money in the regular general fund budget to cover for revenue sharing expenditure decisions, raises questions as to the extent which the reports filed with the Treasury Department really reflect the impact of General Revenue Sharing money on the Pontiac city budget. According to the former Director of Finance, the very concept of a General Revenue Sharing impact may be an irrelevant notion:

> ... take the comingling in the funds concept. If you put the revenue sharing check in the same bank account with your local revenues, then you can't tell one dollar from another. When you're spending the dollars out of that pot, which dollars are you spending? I think that's just a stretch of somebody's imagination. It doesn't make any difference which dollar is which. If you've got a ten million dollar budget and two million dollars of it's revenue sharing, as long as two million dollars of your expenditures are within the guidelines, who knows which dollar it is and who really cares? Let's say you've got two million dollars in revenue sharing and you spent one million dollars within categories that were acceptable and the other million were spent on things that weren't acceptable. Well then you couldn't prove that you used your revenue sharing correctly. But as long as the expenditures out of the general operating fund of the city are within the (revenue sharing) categories in an amount equivalent to revenue sharing, I see no reason why it should be any concern at all.[66]

It seems that although Pontiac officials were adamant about the fact that they had not merged or comingled General Revenue Sharing funds with other sources of revenue, they were willing to concede that even though the General Revenue Sharing money might not have been stirred into the pot it might have displaced local revenue from their previous

expenditure categories. As one city commissioner observed:

> I understand the idea that it (revenue sharing) in truth is not comingled money. But really, the only thing that does is by the bookkeeping method, it allows you to use monies that had been going into the general fund regularly in the past for some things that you weren't able to use them for before. Because even though the revenue sharing money wasn't stirred up in the pot, there were some things that we were doing out of the general fund that you couldn't do with revenue sharing money.[67]

This phenomenon, that without technically being merged, comingled, or stirred into the general fund pot, the General Revenue Sharing money could displace or free up other revenue sources, makes the data on the Planned and Actual Use Reports an unreliable indicator of revenue sharing's budgetary impact. General Revenue Sharing gave Pontiac budget officials added flexibility in making their budget decisions; yet at the same time the program seemingly created an accountant's nightmare. As one city official explained how a situation faced by Pontiac budget officials may have been handled:

> The revenue sharing money permitted the city to continue certain programs and still be able to meet the debt service requirement on both sets of (stadium) bonds. It's an accountant's nightmare. It comes in at the top and something goes on at the bottom. But you don't use your revenue sharing money to pay interest on bonds, but you could use your capital improvement fund which is a part of your property tax base to pay the interest on the bond because that's a legitimate use. So what you do is you use your revenue sharing money to replace your capital improvement fund money that you're using to pay the interest on the bond.[68]

Thus although on paper General Revenue Sharing funds are treated differently than local funds, in practice it becomes superfluous on the expenditure side to make distinctions between General Revenue Sharing dollars and other dollars. This inability to explicitly link specific revenue sources with expenditure decisions is not unique to General Revenue Sharing as the Controller explains:

> It's just like the general fund. You've got all these revenues coming in. You've got property tax and income tax. Who is to say that

> this was funded by income tax and this was funded by property tax? Or was it funded by X per cent of the income tax and X per cent of miscellaneous and X per cent of the property tax?[69]

The unabashed opinion held by most Pontiac officials seems to be that the guidelines and restrictions accompanying the Federal Revenue Sharing money are essentially nonenforceable and so what of it? The comments of the former Director of Finance who later became head of Pontiac's Stadium Building Authority expresses the views of many budget officials:

> I think they're nonenforceable frankly. A dollar is a dollar. As I say, if you've got two million dollars in revenue and you can demonstrate that two million dollars were spent in the proper categories, I don't think they're really enforceable. I don't think there would be any reason to enforce anything unusual or to demand any unusual audits. I think you could demonstrate from a practical standpoint that an amount equivalent to your revenue sharing was spent in the proper place. If I go to a lot of cost and a lot of red tape to try to keep track of one dollar different from another, it just doesn't make sense.[70]

As Pontiac decision-makers view it, the whole idea of maintaining a separate reporting system for the federal government is a needless redundancy. This notion that one accounting system is enough was clearly phrased by the City Controller:

> Obviously you have to be accountable for the money. I guess the question that really comes to my mind is they're saying that their money is different than everybody else's. Well, shouldn't we be accountable for everything? Isn't all revenue accountable for something good... To what degree can the feds come out here and say you spent your revenue sharing money okay when we have the city commission and the citizens and auditors come in and say you spent all your money okay, not just revenue sharing. You spent all your money okay which you should be doing anyway. I question the need for that.[71]

While Pontiac budget officials consider it redundant and of little value to fill out separate accounting reports for the federal government, some officials like the former Director of Finance feel that the Planned and Actual Use Reports may have considerable local public relations value:

> I think this concept of publishing what you intend to use the federal tax dollars for and then what you actually did with them is

> just a way of satisfying the public that at least you're not hiding anything. There's nothing wrong with that. So I don't think that's a constraint at all.[72]

Thus while the value of the statistical data contained in the Planned and Actual Use Reports is questionable because of the fungibility of the General Revenue Sharing money, at least the publishing format appears to be a viable public relations tool. In Pontiac this fact became especially evident when city officials published the Planned and Actual Use Reports in Spanish and then received a very favorable reaction from the city's Latin community.[73]

III. Misinformation In The General Revenue Sharing Reports: Conclusions

It appears that the General Revenue Sharing Planned and Actual Use Reports of five of the six Detroit area cities selected for analysis may have contained misinformation which was generated as part of conscious strategies to symbolically appease Congress and meet the bureaucratic requirements of the Office of Revenue Sharing. In Dearborn where it was strongly felt that Congress did not want communities to use General Revenue Sharing for fiscal relief, city officials refused to link a tax reduction with the initial receipt of General Revenue Sharing funds. In Southfield city officials soon abandoned their original intentions to use their small General Revenue Sharing allotment for one-shot capital projects when it became apparent that federal officials might be more impressed by using the federal funds to support the operations of a new but highly spectacular paramedic program which was started and would have probably continued to operate without revenue sharing funding.

Budget officials in Royal Oak admitted that because the revenue sharing egg had been cracked and used for budget balancing purposes, they could not really be sure where the federal funds went. Consequently when

it became time to fill out the General Revenue Sharing reports, budget officials felt they were going through a drawing room exercise in which they artificially separated the federal funds from the rest of the city budget.

In Westland budget officials tried to reduce their bookkeeping headaches by concentrating the General Revenue Sharing funds in a few large general fund accounts. The fact that the city could use the General Revenue Sharing money for items that had already been appropriated was considered a loophole in the revenue sharing legislation. As a result officials played a planning game with the Office of Revenue Sharing and never listed a half million dollar ice rink as a General Revenue Sharing expenditure, thereby circumventing Davis-Bacon and federal matching restrictions.

Finally in Pontiac budget officials found it convenient to list General Revenue Sharing funds as being used for operating expenses. The accounting procedures for operating expenses were simple and General Revenue Sharing expenditure decisions were never a problem because as city officials emphasized, they had more than enough programs that would suffice as Federal Revenue Sharing expenditure areas. The fact that General Revenue Sharing funds had facilitated capital expenditures and had made it possible for Pontiac to pay off the interest on bonds used to support the construction of a stadium was never mentioned to federal officials.

In Warren, perhaps because it was the only city where the federal funds had been completely segregated from the rest of the budget in an attempt to develop a comprehensive five-year General Revenue Sharing capital improvement plan, the data in the Planned and Actual Use Reports seemed technically accurate. Somewhat ironically, however, Warren

officials felt that the Planned and Actual Use Reports misinformed Warren citizens because the reporting format based on entitlement periods was not inclusive enough to display long-term capital projects in their entirety. The fact that a million dollar project would show up in a Planned or Actual Use Report as costing considerably less was a source of irritation for Warren budget-makers.

Notes

[1]James E. Jernberg, "Financial Administration," in Managing the Modern City, ed. by James M. Banovetz (Washington, D.C.: International City Managers Association, 1971), pp. 347-376.

[2]Ibid., p. 368.

[3]John P. Crecine, Governmental Problem Solving (Chicago, Ill.: Rand McNally & Co., 1968).

[4]For a description of this phenomenon at the state level see Thomas J. Anton, "Roles and Symbols in the Determination of State Expenditures," in Policy Analysis in Political Science, ed. by Ira Sharkansky (Chicago, Ill.: Markham Publishing Company, 1970), pp. 209-224.

[5]Cases for and against General Revenue Sharing are concisely summarized in U.S., Congress, House, Intergovernmental Relations Subcommittee of the Committee on Government Operations, Replies by Members of Congress to a Questionnaire on General Revenue Sharing, 93rd Cong., 2d sess., 1974, (Washington, D.C.: U.S. Government Printing Office, 1974), pp. 6-10.

[6]William H. Riker and Peter C. Odeshook, An Introduction to Positive Political Theory (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1973), p. 290.

[7]Political decision-makers involved in municipal budget-making have been said to be preoccupied with their own immediate reelection chances. For an elaboration of the political approach to municipal budgeting see Otto A. Davis and George H. Haines, Jr., "A Political Approach to a Theory of Public Expenditures: The Case of Municipalities," National Tax Journal, XIX (September, 1966), 259-275; James L. Barr and Otto A. Davis, "An Elementary Political and Economic Theory of Expenditures of Local Governments," Southern Economic Journal, XXXII (October, 1966), 149-165.

[8]Murray Edelman, The Symbolic Uses of Politics (Urbana, Ill.: University of Illinois Press, 1964), pp. 44-72.

[9]Ibid., p. 45.

[10]One member of Congress strongly committed to the General Revenue Sharing concept summed up the program as follow, "The concept of revenue sharing presupposes that it is none of the cotton-picking business of Congress to second-guess local decisions." See U.S., Congress, House, Intergovernmental Relations Subcommittee of the Committee on Government Operations, Replies by Members of Congress to a Questionnaire on General Revenue Sharing, p. 4.

[11]Donald Fracassi, Mayor, Interview No. 21 held in Southfield, Michigan, August 1, 1974.

[12]Steve Hurite, City Commissioner, Interview No. 30 held in Southfield, Michigan, August 14, 1974.

[13]City of Southfield, Michigan, General Revenue Sharing Planned Use Report, entitlement period: January 1, 1972 - June 30, 1973; General Revenue Sharing Actual Use Report, entitlement period: January 1, 1973 - June 30, 1973.

[14]Hurite, Interview No. 30.

[15]Robert Caldwell, Deputy Administrator, Interview No. 6 held in Southfield, Michigan, July 18, 1974.

[16]Letter, from Peter Cristiano, City Administrator, to Donald Fracassi, Mayor, City of Southfield, March 15, 1974, p. 7.

[17]Hurite, Interview No. 30.

[18]Letter, from Cristiano to Fracassi, March 15, 1974, p. 7.

[19]Fracassi, Interview No. 21.

[20]Donald Foote, Fire Chief, Interview No. 14 held in Southfield, Michigan, July 25, 1974.

[21]Ibid.

[22]Doyne Jackson, Director of the Research and Information Department, City Dearborn, Michigan, "Use of Federal Funds for Senior Citizen Apartments" (Press Release on June 20, 1974).

[23]City of Dearborn, General Revenue Sharing Actual Use Report, entitlement period: January 1, 1972 - June 30, 1973.

[24]City of Dearborn, General Revenue Sharing Planned Use Report, entitlement period: July 1, 1973 - June 30, 1974.

[25]Daniel S. McCormick, Deputy City Controller and Budget Director, Interview No. 1 held in Dearborn, Michigan, July 16, 1974.

[26]City of Dearborn, 1972-1973 Budget Resolution, 5-417-72; 1973-1974 Budget Resolution, 5-357-73.

[27]Simon Banda, Housing Director, Interview No. 2 held in Dearborn, Michigan, July 16, 1974.

[28]McCormick, Interview No. 1.

[29]Ibid.

[30]Michael Lesko, Personnel Director, Interview No. 23 held in Royal Oak, Michigan, August 6, 1974.

[31]George Tubbs, former Director of Finance, Interview No. 13 held in Royal Oak, Michigan, July 25, 1974.

[32]Ibid.

[33]City of Royal Oak, General Revenue Sharing Actual Use Report, entitlement period: January 1, 1972 - June 30, 1973.

[34]Tubbs, Interview No. 13.

[35]Ibid.

[36]Ibid.

[37]John Hanrahan, Controller, Interview No. 3 held in Warren, Michigan, July 16, 1974.

[38]Arthur Burke, Deputy Council Secretary, Interview No. 12 held in Warren, Michigan, July 25, 1974.

[39]Martin Wicker, Budget Director, Interview No. 4 held in Warren, Michigan, July 16, 1974.

[40]Frank Muser, Assistant Controller, Interview No. 4b held in Warren, Michigan, July 16, 1974.

[41]Hanrahan, Interview No. 3.

[42]Wicker, Interview No. 4.

[43]Ibid.

[44]Muser, Interview No. 4b.

[45]Ibid.

[46]Wicker, Interview No. 4.

[47]Hanrahan, Interview No. 3.

[48]Muser, Interview No. 4b.

[49]Leonard Bartos, former Director of Finance, City of Westland, Interview No. 10 held in Pontiac, Michigan, July 23, 1974.

[50]A. Kent Herbert, former Accountant and current Budget Director, Interview No. 7 held in Westland, Michigan, July 18, 1974.

[51]Ibid.

[52]Ibid.

[53]Ibid.

[54]Eugene McKinney, Mayor, Interview No. 11 held in Westland, Michigan, July 23, 1974.

[55]Herbert, Interview No. 7.

[56]U.S., Congress, Staff of the Joint Committee on Internal Revenue

Taxation, General Explanation of the State and Local Fiscal Assistance Act and the Federal Tax Collection Act of 1972 (Washington, D.C.: U.S. Government Printing Office, 1973), p. 47.

[57]Herbert, Interview No. 7.

[58]U.S., Congress, Staff of the Joint Committee on Internal Revenue Taxation, General Explanation of the State and Local Fiscal Assistance Act and the Federal-State Tax Collection Act of 1972, p. 21.

[59]McKinney, Interview No. 11.

[60]Frank Smiley, City Manager, Interview No. 26 held in Pontiac, Michigan, August 8, 1974.

[61]Kervin J. Young, Controller, Interview No. 19 held in Pontiac, Michigan, July 30, 1974.

[62]Robert Rummel, former Director of Finance, Interview No. 18 held in Pontiac, Michigan, July 30, 1974.

[63]Wallace E. Holland, Mayor, Interview No. 29 held in Pontiac, Michigan, August 13, 1974.

[64]Young, Interview No. 19.

[65]Smiley, Interview No. 26.

[66]Rummel, Interview No. 18.

[67]Norman Lee, City Commissioner, Interview No. 34 held in Pontiac, Michigan, August 21, 1974.

[68]Bob Anderson, Director, Human Resources Department, Interview No. 35 held in Pontiac, Michigan, August 21, 1974.

[69]Young, Interview No. 19.

[70]Rummel, Interview No. 18.

[71]Young, Interview No. 19.

[72]Rummel, Interview No. 18.

[73]Ibid.

CHAPTER VII

THE POLITICIAN AND GENERAL REVENUE SHARING

This chapter investigates the way General Revenue Sharing funds were incorporated into the decision-making strategies of politicians involved in the municipal budgetary process. In Section I the entrepreneural role that a local politician might be expected to assume with respect to the General Revenue Sharing program is outlined. The agenda setting strategy which such an entrepreneurial role might likely lead to is set forth with regard to General Revenue Sharing expenditure decisions. Section II traces the linkages between politicians' decision-making strategies and General Revenue Sharing expenditures in the six Detroit area communities chosen for research. In Section III the findings of the case study material are reviewed in light of the politicians's role as entrepreneur.

I. Political Saliency, Municipal Budgeting and General Revenue Sharing

It is an axiom of democratic government that politicians need to win public support in order to remain in power. This electoral imperative gives rise to political entrepreneurship whereby politicians devise ways to make their actions salient to build reputations that will facilitate reelection. As Robert Dahl found in New Haven: "It would be wrong to suppose, then, that politicians were pressed into action by public demand. On the contrary, they had to sniff the faint smell of distant political success, generate the demands, and activate the latent

consensus."[1] The success of every political entrepreneur depends on this ability to anticipate the preferences of those in the political environment. As another observer of political entrepreneurship has noted, "For the political entrepreneur, the test is whether the proposal sounds attractive enough, in advance, to win the public's support for the man or party who proposes the innovation."[2]

The success of every political entrepreneur hinges on his ability to demonstrate leadership. The politician's reelection chances can be improved only if the opportunities which the entrepreneur seeks out to demonstrate his leadership are readily visible to the public. If credit is to be claimed and public support won for the politician, the entrepreneurial activities must be salient to the community constituency. It is because entrepreneurship must be salient to be politically effective that one is able to hypothesize about how General Revenue Sharing funds might have been used by local politicians as part of an agenda setting strategy. This idea is developed and explored below.

In order to understand how General Revenue Sharing funds might have been expected to have been incorporated into a politician's agenda setting strategy, one must consider the nature of municipal budgeting. As those familiar with municipal government realize, expenditure decisions are manifest in two different types of budget, the operating budget and the capital budget. The bulk of political science inquiries regarding municipal budgeting has focused attention on decision-making activities that lead to the formation of the operating budget. Capital budgeting, in many respects, however, is quite different than budgeting for operations. A prerequisite for understanding the way General Revenue Sharing might be incorporated into the agenda setting strategies of

politicians is a clear conceptualization of the differences between these two types of budgets.[3] From the vantage point of a politician who is interested in exhibiting his leadership ability by demonstrating to his constituency that the city received something for its General Revenue Sharing monies, operating expenditures and capital expenditures are likely to generate quite different appeals.

A municipality's operating budget is designed to deal with recurring problems that must be continually faced in carrying out the day-to-day functions of city government. Roads and sewers must be kept in repair, police are expected to patrol the city, firemen must be prepared to respond quickly to emergencies, etc. Operating expenditures must occur in program areas which maintain the mix of goods and services which has come to be associated with a particular community's life style. As a result, budgeting for program operations itself has become a routinized process. Standardized decision-making strategies are relied upon each year to handle budget problems which do not change very much from year to year. Even though it is often difficult to measure or evaluate the outputs and outcomes of program operations, the reliance upon historically acceptable solutions mutes debate over the budget. Neither budget officials nor the community at large are likely to get politically embroiled over the operating budget, provided an acceptable mix and level of goods and services is maintained. Only when the status quo is threatened and the standardized operating procedures no longer seem to adequately cope with the budget problem is it likely that the community and budgeting officials will begin to take special notice. For the most part, budgeting for operations is essentially a non-political incremental decision-making process.[4]

Unlike the operating budget, the capital budget consists of unique

and non-recurring expenditures. Although one-shot expenditures, such as civic centers, courthouses, and tennis courts are usually paid off over a number of years, there is no standardized solution to capital budgeting in the same sense that there is for budgeting for operations. Each capital expenditure must be analyzed according to its own merits. Furthermore, capital expenditures are highly visible. Their tangible and salient nature most certainly generates more awareness in the minds of citizens and public officials alike than operating expenditures. As a result the capital budget is apt to be much more political than the operating budget.[5]

Everything else equal, it would appear that expenditures in the capital budget are much more salient to the community than expenditures in the operating budget. One might then expect that the political entrepreneur who desires to demonstrate his leadership ability to the community might be predisposed to favor capital expenditures over operating expenditures. This hypothesis implies that when faced with the decision to spend General Revenue Sharing funds, the politician would prefer to allocate it to capital rather than operating expenditures.

The political entrepreneur would likely try to set the General Revenue Sharing agenda so that the federal funds would be channeled into the capital budget rather than the operating budget because his citizens could more readily perceive that they had received something in return for their General Revenue Sharing dollars. If the General Revenue Sharing money were allocated to the operating budget, for example, it would likely be merged and appear lost amidst a sea of locally raised revenues. Of course, General Revenue Sharing money could conceivably be set aside to support a specific on-going or even new innovative operating program. As those familiar with public bureaucracies realize,

however, operating programs often have an intangible, non-measureable aspect to them. Politicians would thus seem better able to woo their constituencies with more highly visible tangible capital expenditures. General Revenue Sharing funds allocated to the capital budget would be clearly separate from local revenues and thus provide the politician with an excellent source of political capital.

The need to create political saliency would thus seemingly bias the politician against allocating General Revenue Sharing funds to the operating budget. Consequently General Revenue Sharing expenditure decisions might appear to be based against people programs because they entail large operating expenses. Whereas in his passive role as influence broker, the politician might be most prone to support people programs; in his active role as entrepreneur, the politician may find it easier to generate public support via the endorsement of physical projects.

In the event that a small revenue sharing allotment or financial pressures made it possible for General Revenue Sharing funds to be earmarked for salient, tangible capital expenditures, the politician would have to then settle for relatively less salient and comparatively less tangible operating expenditures. Even under such circumstances, however, one might expect the logic of General Revenue Sharing entrepreneurship to continue to unfold. The enterprising politician might be expected to allocate the General Revenue Sharing funds to the most salient and most tangible operating categories, i.e. police and fire protection. A community's tendency to allocate a great portion of its General Revenue Sharing money to public safety might possibly stem from the bias inherent in the politician's agenda setting strategy. The political entrepreneur might find that the high degree of symbolic benefits which are

normally provided by public safety expenditures compensates for the relatively lower saliency and tangibility of operating expenditures. Thus even though a politician would have more to show his constituency if General Revenue Sharing funds went into the capital budget, he might manage to get somewhat comparable results when the funds ended up in the operating budget. In the next section this logic can be tested against the General Revenue Sharing decision-making behavior of politicians in six Detroit area communities.

II. The Politician and General Revenue Sharing

A. Southfield

During the early 1970's Southfield officials found it increasingly more difficult to balance the city's budget. The city's growth rate had slowed significantly and proved to be a major constraint on the fiscal capability of the community. For example, the 5.7 per cent increase in state equalized valuation for 1972-1973 did "not even cover the past year's built-in-cost increase for personnel, supplies, and other expenses."[6] In addition, Southfield decision-makers were handicapped because Southfield had the lowest city operating property tax rate for a city its size in the state of Michigan (seven mills). The severity of this revenue constraint on budget-making was poignantly described by the City Administrator:

> It is frankly not reasonable or practical to expect our city to provide the highest standards of public service with the lowest city tax rate of any community over 25,000 in the entire state. Yet I am proud of the level of achievement we have accomplished up to the present time under these severe financial limitations. However, I cannot see us undertaking any major expansions of service in the foreseeable future without some additional sources of revenue being made available to us.[7]

Under these rather bleak fiscal circumstances, the City Administrator and his staff put together a "hold-the-line" budget for 1972-1973.

The Mayor in his budget message to the city council complimented the Administrator on his "practical and realistic recognition of Southfield's current economic situation."[8] Yet he warned that the public safety area would be particularly hard hit by the stringent budget. Describing Southfield's plight, the Mayor indicated that,

> Our police and fire departments in particular need additional manpower if they are to retain their present high standards of professional service to the community. Yet, it is quite evident that we do not have the financial resources available to us at this time, which will allow for any significant increases in personnel for public safety purposes.[9]

Faced with the prospect of deteriorating public services, especially in public safety, the search began for new sources of revenue. The so-called "revenue sharing" from the state level did not prove to be very helpful from Southfield's vantage point. Effective August 1, 1971, the method of distributing state income tax receipts and a portion of the intangibles tax receipts had been changed to a relative tax effort (RTE) formula. Because Southfield taxed its residents at a very low rate, it reveived only 61 per cent of the average per capita distribution in the state.[10] The City Administrator's reaction to the new formula clearly indicates the disgust that Southfield officials felt for the new method of determining shared revenue distributions.

> In brief, this new method of determining revenue distribution involves the use of a formula which, in effect, says that the more you are taxing your community the greater will be your share of revenues from the state. What relevance this philosophy has to the effective utilization of public funds for the public good, I fail to see.[11]

Southfield officials were no more optimistic about the proposed Federal Revenue Sharing program. In his budget letter to council, the Mayor emphasized the fact that "the proposed Federal Revenue Sharing program, if passed, will give some relief, but it must be made clear that it will in no way resolve our immediate or long-range revenue

requirements."[12] With no apparent reliable source of external revenue on the horizon, Southfield officials began to direct their attention to the local electorate.

In the general election of November 1972, the citizens of Southfield were asked to grant the city government a tax increase. Proposition F on the city ballot requested the voter to approve a 3.5 mill increase. The money was to be used by Southfield to upgrade and expand its public safety services manpower (by eighty-three men) and operations over a five-year period. In addition, the money was to be used to provide for continuation of criminal justice facilities, a new police station, a fifth fire station, and a fire training center.[13]

Despite Southfield city government's tight fiscal situation, Proposal F lost 15,133 to 13,950 by the narrow margin of 1,183 votes. This defeat in effect meant that there would be no major expansion of its public safety programs. The fact that almost half of the voting community agreed that additional funds were needed to meet Southfield's growing public safety needs was interpreted with somewhat guarded optimism by the City Administrator. "It is my firm conviction that once our electorate understands the full needs of the community and the implications to their own health, safety, and general welfare, they will support and vote for the expansion program."[14] The Mayor, likewise, expressed similar sentiments, "I have faith that our voters will respond to the needs of their community and react favorably the next time around. To do otherwise can only result in less progressive and innovative city service programs and I cannot believe any of us want that."[15] Encouraged by the close election and motivated by the conviction that the voters would soon see the light, the Administrator's office thus began a process of reviewing alternatives with the aim of presenting a

revised recommended revenue program to the voters at a not too distant date.

While these preparations for the next millage election were underway, the success of Southfield's two newly instituted paramedic units became evident. The two paramedic life support units had begun operating in November 1972, the same month Proposal F was defeated. Although the program had been put into operation with no additional fire fighters, the impact on the citizenry during its first five months of operation was enormous. Emergency alarms related to individual human problems (heart attacks, accidents, injuries, etc.) literally doubled, rising from an average of fifty such alarms per month to in excess of one hundred. Furthermore, at least five lives were credited with being saved by this program.[16]

The initial success of the paramedic program had a marked effect on city officials. "As soon as a few lives are saved, then public officials begin to take note," explained the Fire Chief.[17] The result of this public attention was city council action that specifically allocated Southfield's share of the Federal Revenue Sharing program money to the continuance of "this most vital life saving unit."[18] The City Administrator was quick to point out, however, that the Federal Revenue Sharing monies in no way resolved the fiscal pressures facing Southfield. "Any further expansion of this program or any of our other fire fighting capabilities depends completely on whether additional revenues can or will be provided by our voters."[19]

In the wake of the initial success of the paramedic program, a campaign to urge the voters of Southfield to support a public safety expansion program was undertaken. The Southfield Citizens for Public Safety Committee and an associated youth group were formed and became a focal

point of preparation and support of the new millage proposal. In addition, numerous police and fire personnel, city staff members, the city council, and the Mayor worked energetically in support of the millage campaign. The final result was that on April 2, 1974 the first operating millage change since Southfield had first become a city in 1958 was approved by the local electorate. Three mills were specifically allocated for a public safety expansion program which was to be implemented over a four year period.[20]

According to the Mayor, the successful millage campaign indicated that "Southfield and its voters are realists and that they are willing to pay a realistic price for their safety and welfare."[21] It seems clear, however, that a realistic intellectual assessment of the city's fiscal circumstances was certainly not the only factor underlying the successful millage campaign. It seems that the single most important factor contributing to the support of the three-mill public safety expansion program was the continued spectacular success of the paramedic program. In a relatively short time span the paramedic program had made a deep impact on the community. This is indicated by the Mayor's evaluation of the program after its first year of completion:

> During this past year while cold statistics of all sorts in one sense proved the success of the program, how does one really measure the value of the thirty-six lives saved in twelve months? As the fire department graph clearly shows, the volume and success of our paramedic work far, far exceeded our wildest expectations.[22]

It seems safe to conclude that the overwhelming success of the two life support units engendered the success of the public safety expansion millage campaign. In the words of the Fire Chief in charge of the paramedic program, "I think that the reason we were successful in passing the millage was because of the life support unit and indirectly you can probably relate that back to the fact that the funds were there from the

Federal Revenue Sharing so we could support it up to that point."[23] It thus appears that the city council's decision to allocate General Revenue Sharing contributed to the control that local politicians had over their political environment.

B. Dearborn

Embossed over the city of Dearborn's official letterhead is the aphorism: "What a man does for himself dies with him--what he does for his community lives forever."[24] It is always easier to state a principle, however, than to follow it. Not every individual can be expected to accomplish great community deeds. To be recognized as a significant contributor to the community most certainly requires that an individual display qualities of leadership. Orville L. Hubbard's elections to fifteen consecutive terms as Mayor of the city of Dearborn after defeats for his first ten tries for public office are indicative of individual persistence and stamina that has been successfully transformed into political leadership.

The Mayor's success as a political leader in the city of Dearborn may also be partly attributed to his ability to turn ideas into political capital. As the Mayor has summarized his philosophy of leadership, "If you like an idea and think it has merit and will benefit people, you have to grab hold of it with everything you've got and not let go... no matter who says it will not work or will not happen."[25] Mayor Hubbard's political skills in lighting a fire under an idea and not letting a good idea go had an impact on the debates taking place in the late 1960's as to whether Congress should pass general revenue sharing legislation. The story of how the Mayor first became aware of the federal revenue sharing idea and how he refused to let it go has become part of the local

folklore. In fact, the view that the city of Dearborn's Research and Information Department has conveyed to the citizens of Dearborn is that "there might not have been any shared revenue money for any city, had not a brief one-column, 30-line story in the December 12, 1965 edition of the Detroit News caught the Mayor's eye."[26]

The article's headline read: "Ann Arbor Mayor Opens Drive to Share in Taxes." The story told of how Ann Arbor Mayor Wendell E. Hulcher was seeking support for a federal revenue sharing proposal whereby a percentage of federal income taxes paid by local residents would be returned to local communities to allocate in accord with their own local needs. Mayor Hubbard was immediately attracted to the idea and decided to launch a nationwide campaign to gain support for the idea. Hubbard began his seven-month campaign by asking the Dearborn city council to adopt a resolution giving its "wholehearted endorsement to the proposal that a percentage of the federal income tax collected be returned to the community from which it was derived."[27] The council unanimously passed the resolution in January 1966.

Copies of the resolution were sent to the mayors and councils of all the cities and villages in Michigan, the Governor of Michigan, members of Congress representing the Dearborn area, and Michigan's two U.S. Senators. In addition Hubbard wrote to all the mayors and newspaper editors of 500 principal United States cities and to officers of forty-five existing state municipal leagues urging them to follow Dearborn's example and pass a resolution in support of federal revenue sharing.[28] As the Mayor proudly recalls his early efforts to generate support for the idea of federal revenue sharing:

> Yes, we carried on a big campaign and I was the leader of the whole campaign. The main leader in the whole campaign throughout the United States and Hawaii. The Mayor of Ann Arbor that night in the

> paper said that if the cities got back more than ten dollars per capita, said how much that money would mean to them. Afterall, that money is collected here you know. So I picked it up from there and I wrote all the mayors in cities over 50,000 across the United States. The response from them was tremendous.[29]

The first month of the Mayor's statewide and nationwide mailing did generate immediate response. City councils in the Michigan cities of Saginaw, Flushing, Lake Ann, Bay City, Rockwood, Ostego, East Detroit, Madison Heights, Harper Woods, Warren, Dearborn Heights, Jackson, and Mackinac Island quickly passed resolutions in support of federal revenue sharing. Nationally the response was also encouraging. Mayors and city managers in such cities as Philadelphia, Pennsylvania; Salt Lake City, Utah; Yuma, Arizona; Jacksonville, Florida; Vallejo, California; Wilmington, Delaware; and San Jose, California notified Mayor Hubbard of their support for his resolution. Newspaper editorials in the Dover (Delaware) State News, the Klamath Falls (Oregon) Herald and News, the Orlando Sentinel, and the Sacramento Bee supported Mayor Hubbard's federal revenue sharing plan.[30]

Heartened by such response, Mayor Hubbard sent a group of department heads to Washington, D.C. on March 29-31, 1966 to seek support of mayors attending a legislative conference of the National League of Cities. The purpose of the visit was to lay the advance ground work for a formal endorsement of the plan from officials who would be attending the United States Conference of Mayors in Dallas, Texas on June 14, 1966.[31] Syndicated columnist Joseph Alsop noted the Dearborn delegation's appeal and wrote and wrote a column backing the plan in the March 30, 1966 edition of the Washington Post.[32] Finally the 800 mayors in attendance at the United States Conference of Mayors in Dallas, Texas later that June voted unanimously in favor of a variation of the resolution submitted by Mayor Hubbard urging the President and Congress to "consider and

adopt a tax-sharing program underwhich a portion of federal income taxes will be returned directly to local communities without condition as to use."[33]

Reflecting back on the culmination of his seven-month effort to win national support for the federal revenue sharing idea, the Mayor stated: "I carried the ball on it at the Dallas Convention, at the Mayors' Conference. It was unanimously endorsed there and it started from there. I kind of stimulated the thing so it continued to gather momentum."[34]

The early support and nationwide campaign for the nascent revenue sharing ideas was an indication of the Mayor's political entrepreneurial talents. The Mayor's sponsorship of the revenue sharing resolution clearly casts him in the role of local and even national leader. The Mayor's political image certainly benefited from the fallout that tends to accompany support of a powerful idea whose time has finally come. Ideas, however, lose their appeal unless they are translated into reality. As the Mayor indicated in another of his famous aphorisms: "No matter how much one has to offer, if it isn't delivered when and where needed, it isn't worth much."[35] After a little more than six years of gathering momentum, the revenue sharing ideas were delivered to the citizens of Dearborn. The Michigan State Legislature passed its State Tax Sharing Plan. Two months later Congress passed its State and Local Fiscal Assistance Act.

The Mayor's leadership position in Dearborn is likely to be strengthened even further by the reality of the millions of federal dollars which are now flowing into the city. The money is primarily being used to erect highly visible senior citizen housing throughout the city. One press release from the city's Research and Information Department pretty

well sums up the impact that the General Revenue Sharing program is expected to have on the community's leading politician: "In many ways, Dearborn's new senior citizen apartments will stand as living tributes to a 'good idea'...and the man who decided to take a leadership role in sponsoring it almost seven years ago."[36]

C. Royal Oak

At the end of each meeting of the Royal Oak city commission just before adjournment, the Mayor mechanically asks the same question: "Is there anyone in the audience that has anything he would like to bring up before the commission?"[37] The momentary period of silence which customarily follows this query is normally dispelled only by the noise of the gavel and the shuffling of chairs as the commission is officially adjourned. In order to understand the political significance of this oft repeated scenario, it is necessary to try to identify some of the forces that contribute to the making of this familiar scene. In Royal Oak it appears that perhaps the single most important force which shapes this agenda of non-participation originates in the economic environment. Attention will therefore be primarily focused on the city's tight fiscal situation with particular attention given to how it circumscribes the political activity of the public and how this in turn affects elected officcials' roles as politicians.

The city of Royal Oak, beseiged as it is with budget problems, struggles just to provide the public with a minimally acceptable level of goods and services. The city lacks funds to meet the demands of the special interest groups in its constituency and it seems that these groups are reluctantly forced to acknowledge the fact that the city does not have enough funds to meet their needs. As the former Director of

Finance describes this expectation-jolting process:

> There are, for example, meetings of parks and recreation committees. They meet periodically and come up with areas they think need improvement. However, the commission says: "Well, we haven't got the funds. We can't do anything about it unless we get some more funds someplace. We can't help you out."[38]

Undoubtedly one of the results of this type of interaction between the city commission and special interest groups, whereby the groups are told not merely to lower their expectations but instead that they should expect nothing, has been to discourage active participation in local politics. The onset of the Federal Revenue Sharing program did not seem to appreciably alter this relationship between special interests and city government. The reaction that special interests had to the arrival of General Revenue Sharing funds in Royal Oak was concisely summarized by one official: "I think initially when revenue sharing came out, yes, there were groups that wanted money for specialized purposes. They found out, hey, there's nothing here."[39]

This initial nascent interest in General Revenue Sharing displayed by some groups never materialized into any substantive demands for the federally shared revenues. The severe budgetary constraints that the city of Royal Oak was operating under prevented General Revenue Sharing expenditure decisions from becoming a political issue. In the words of the Mayor:

> Oh, there was a lot of talk about what would be nice if you could do it--take your revenue sharing and earmark it over a period of two or three years and build a new civic center or something like this. Now that's good, fine, except there is no way to earmark it and put it aside when you know all the time that if you do, you are coming up with a deficit budget. So you sit down and look at the facts and figures and see the stark reality of the situation.[40]

In addition to putting a damper on the level of political participation in government, Royal Oak's financial crisis may have also affected the way local politicians relate to their political environment. The

tight revenue situation has, practically speaking, put an end to pork-barrel politics. The local politician has very little to offer various interest and clientele groups in the way of tangible program benefits. As a result, one occasionally finds that not being able to exhibit political leadership by providing a particular constituency with a program benefit, the Royal Oak politician turns his attention to the cost side of the revenue-expenditure equation. Being unable to provide interest groups with specialized program benefits, perhaps the best that an enterprising politician can do is to protect certain political constituencies from incurring specific costs. For example, the Mayor recalls the successful attempt of one commissioner to score points with the public by launching a campaign to thwart a city income tax proposal which had just passed the city commission: "The person who initiated the (income tax) referendum is now on the commission. I think it would have gone through with flying colors, but she had to go out and stir up, I would assume, publicity for her campaign. So it went on the ballot and was defeated."[41]

It seems that an austere city budget can sometimes affect the way a politician responds to his external political environment. A tightly balanced budget is basically geared towards the maintenance of a minimal level of collective benefits for the entire community. In this situation the politician cannot easily pass programs designed to satisfy special interests. Consequently the politician becomes more cost conscious and, as the above example indicates, can sometimes individually capitalize on what would otherwise be described as a serious community problem.

Royal Oak's precarious financial circumstances might therefore be said to have affected the relationship local politicians have with their external political environment, in essence making him less of a political entrepreneur or influence broker. At the same time there are indications

that the lack of available resources may also be affecting the relationship between the politician and his internal administrative environment. Prevented from pork-barreling, the politician in Royal Oak may be viewed as increasingly taking on the role of a cost-conscious administrator whose main concern is to keep the entire city functioning smoothly. In fact in recent years politicians in Royal Oak have made deliberate attempts to keep well informed of the city's finances. Royal Oak politicians want to be able to exert their own impact on the city budget and not let the entire agenda be established by the City Manager's office. What little debate there was over General Revenue Sharing expenditures in Royal Oak seems to have occurred primarily between the commission and the administration as part of the steps normally taken by the commission to make sure its views are reflected in the city budget. This pattern of interaction between politicians and administrators which ultimately determines the final form of the budget document is described by the following dialogue between the Mayor, Interviewer, and City Commissioner:

> Mayor: We don't wait till a given Monday night when the manager comes to the commission and dumps it (the proposed city budget) on the table. We are appraised of this thing for three months in advance. We hold study sessions on the budget. So the night it's presented we know what it is. There's no use to sit there at the table and debate what you've been debating for the last three months.
>
> Interviewer: Do you get together just as a commission to discuss it or do you work with department heads.
>
> Mayor: Oh with department heads sure. I suppose it's illegal. I don't know whether that law ever past or not, but secret meetings, you know.
>
> Commissioner: It's not secret meetings, the administration is there.
>
> Mayor: Yeah, but the public isn't, that's what counts. Of course, the reporter is welcome to come.
>
> Commissioner: We've had reporters.
>
> Mayor: Yeah, we've had them there, but no way in the wide world could we take a city approaching 100,000 people and let the administration make up the budget and take it to a commission meeting and hash it out. There isn't enough time left in the day. It takes a lot of time on the budget and of course we get reports at home. It comes in our mail so we know pretty well how the money is swallowed up.[42]

Since extensive debate over the budget in Royal Oak takes place between politicians and administrators prior to adoption, the formal budget hearing has essentially become a public ritual. If either the commission or administration were to gain predominant control over budgetary decision-making in Royal Oak, it would seem that the public interest might be seriously compromised. In Royal Oak, however, it does not appear that the commission has completely succeeded in politicizing the administrative process nor certainly has the administration been able to entirely bureaucratize the political process. It appears instead that the tight financial situation is forcing politicians and administrators to interact and realize the growing interdependence of their respective roles. As a result, it seems as if the city commissioners are acting more like cost-conscious administrators than ever before, while city administrators are very much cognizant of the fact that they operate in a political environment. The severe fiscal constraints facing the city of Royal Oak may thus have produced something positive for they appear to have blurred the dichotomy between politics and administration, forcing both sets of actors to move together towards some middle ground. As the politicians put pressure on the administration to be more responsive and as the increased contact with the administration makes politicians more "professional," perhaps the general public interest will be looked after as never before.

D. Warren

Before the General Revenue Sharing funds had even arrived in Warren, the city council had let it be known that the newly acquired revenue would be used for capital improvements. The impact of this early political decision was to preclude much debate over the General Revenue

Sharing budget. For example, the council's action effectively kept the city's unions out of the revenue sharing decision-making process. As one councilman explained: "Believe it or not there hasn't been any (union) pressure because we've expressed from the day one that this money was for capital improvements and that's that."[43]

The public debate which took place during the special hearing on the proposed General Revenue Sharing capital improvement program also convinced some politicians of the value of allocating Warren's entire five-year General Revenue Sharing allotment quickly. This view was sharply articulated by the Mayor:

> Little interest groups that wanted a swimming pool or ice-skating rink or this or that attended the meetings and they wanted it all to go to that group. But that's why you have to have a capital improvement program or have that money earmarked. If you don't, every pressure group that comes in there, they'd be giving the money out to. That's why you've got to have a program.[44]

After the original onset of the General Revenue Sharing program, there was not much fuss made over it in the city of Warren. By establishing at the very beginning how the city was to spend its General Revenue Sharing money throughout the entire five-year span of the program, conflict regarding revenue sharing expenditure decisions was minimized. On the surface what appeared to be a simple process of setting up a capital improvement program against expected General Revenue Sharing dollars turned out to have a deeper significance. Warren officials' experience making General Revenue Sharing expenditure decisions showed how administrators' desires for rational long-range planning accomodated politicians' instincts to avoid controversy whenever possible.

A five-year capital improvement program for General Revenue Sharing was passed by the city council shortly after receipt of the first federal funds. Having made the big appropriations decision, attention

was now focused on the more mundane task of implementing the capital improvement program. Perhaps one of the best examples of how a General Revenue Sharing appropriation decision was implemented is found in the city's Parks and Recreation Department.

The city council had allocated two million dollars of its Federal Revenue Sharing money to the Parks and Recreation Department for the acquisition of park land. The Director of the Parks and Recreation Department, the Planning Director, the Planning Commission and the City Council conducted several meetings concerning the availability of open space for park land. Every piece of vacant property five acres or more was considered as a possible site. As a result of much search, by September 1973 a priority list had been drawn up of twenty-one potentially suitable park sites. The twenty-one sites were ranked according to their desirability of purchase. It was then determined that the two million dollars that the council had allocated for park land would allow the city to buy only nine of the twenty-one sites.[45]

The efforts of the Parks and Recreation Department, the Planning Commission, and the City Council to implement a portion of the General Revenue Sharing capital improvement program were the epitome of rational comprehensive decision-making. Even the best of plans sometimes goes awry though. A political issue was brewing in the community which would inevitably affect the park-site acquisition process. Although initially independent of the General Revenue Sharing capital improvement program, the political controversy stemming from the issue soon became intertwined with it.

A vacant field located on the southeast corner of Campbell Drive and Martin Road across the street from an elementary school became a scene of a heated political debate. It was one of the larger tracts of

vacant land left in the city of Warren, situated right in the middle of one of the denser areas of homes. Originally the field belonged to the Archdiocese of Detroit. The Archdiocese had been planning to build a Catholic high school on the property until the bottom fell out of federal funding. As a consequence, the Archdiocese sole the land to Edward D. Binkowski, a developer.

It was Mr. Binkowski's idea to erect condominiums on the Martin-Campbell site. In order to do so, however, he would have to first obtain seven votes on the nine-member city council to rezone the property from single (R-1-C) to multiple family swellings (R-3).[46] Binkowski's plan created a virtual uproar in the community. Citizens began actively protesting the development of multi-family units in a single family area. Petitions against the condominiums began to circulate. The Warren Homeowners' Association and various other homeowner groups retained attorneys to testify before the city council against the construction of the condominiums.[47] Faced with such a vehement citizen protest, the city council was forced into action.

As a quirk of fate would have it, the disputed Martin-Campbell property was located across the street from a piece of land that the Parks and Recreation Department, the Planning Commission and the City Council had been considering acquiring for a park. On the list of twenty-one suitable sites, the ten-acre parcel across the street from the disputed area had been listed as priority number five.[48] Much to the surprise of the Parks and Recreation Department and the Planning Commission, the city council decided to settle the controversy over the condominiums by purchasing the twenty acres owned by Mr. Binkowski rather than the ten acres across the street that had been originally designated as a potential park site.[49] Political pressures had thus caused a

deviation from the original implementation strategy.

The General Revenue Sharing funds had seemingly turned out to be an unexpected source of political capital which enabled the city council to end the political protest that had erupted over the future of the Martin-Campbell property. Had the incident occurred a few years earlier when the city had not yet received General Revenue Sharing dollars from the federal government, the council most certainly would not have been able to buy the parcel of land. There had been similar cases in the city before where the developer had won.[50] The General Revenue Sharing funds were, therefore, instrumental in making it possible for the city council to settle the issue in favor of the homeowners.

Of course, there is a price to paid for every political solution and the Martin-Campbell decision was no exception. By deviating from the original implementation plan, the council traded off some administrative efficiency for an increase in political equity. In purely monetary terms, there is no question that the political solution proved costly for the city. As the Parks and Recreation Director explained:

> The unfortunate thing was that the people who owned the property knew the amount of money the city had to spend. So here was property that normally would have sold for $10,000 an acre, and the owner, knowing the amount of money the city had, asked $25,000 an acre and he got it.[51]

In January 1974 the city of Warren purchased the Martin-Campbell property from the developer for $500,000, spending one-quarter of the two million dollars set aside for the acquisition of park land on one site. Perhaps fearing another such incident in the future, the council at the same time sent a letter to the Archdiocese of Detroit asking whether it owned any more vacant land in the city of Warren.[52]

What happened at Martin Road and Campbell Drive seems to have been an isolated case. The political controversy inflated the price of that

particular piece of land. Other noncontroversial prospective park sites have been acquired though for what the city had originally expected to pay for them. It should also be noted that city officials did not fault the developer. They considered him to be in business to make a profit and he did. It was simply a matter of being in the right place at the right time. The acquisition of the Martin-Campbell property by the city made everyone happy. The homeowners stopped the development of the condominiums, the developer made a profit, and the city council was off the hook. It is ironic then to find in the aftermath of this political settlement that another controversy over the same Martin-Campbell property should emerge. Having purchased the Martin-Campbell property, the city council proposed to install a fifty-meter outdoor Olympic-size swimming pool at the newly acquired park site. Citizens then began pouring into council chanbers saying they did not want a public swimming pool in their backyerds. Other homeowners complained that they were now entirely against the idea of a park.[53]

The council soon learned that being against the construction of condomimiums did not necessarily mean that the citizenry favored a park. Perhaps they just wanted plain open space. In any event council was not as sympathetic this time with the second citizen protest over the Martin-Campbell property and thus formally designated it, after some deliberation, as the location of the new swimming pool complex to be funded out of General Revenue Sharing monies.

E. Westland

Fiscal year 1974 was a year of financial crisis for the city of Westland. Towards the end of the fiscal year the Mayor realized that the city was running up a million dollar deficit.[54] Consequently in

May 1974 the Mayor was forced to lay off twenty-four municipal employees in an effort to reduce the impending deficit.[55] This action alone, however, was not sufficient to balance the budget. In addition to the layoffs the city of Westland was forced to borrow $500,000 from the city's tax anticipation notes in order to make it through the fiscal year ending June 30, 1974.[56] To show the council and the community that action was being taken to prevent this kind of fiscal crisis from occurring again in the future, the Mayor created a new staff position of Budget Director in the Department of Finance.[57] One of the Budget Director's duties was to computerize the city budget so that the Chief Executive could keep a closer tab on departmental budgets and line item accounts, thereby keeping a tighter reign on city expenditures.

Although the city of Westland managed to weather its financial crisis and the city administration has since taken steps to hopefully prevent another such budget debacle in the future, one might justifiably wonder how a city that was expected to receive close to a half million dollars in revenue sharing funds during fiscal year 1974 ended the year in such financially bad shape? Why with such a significant amount of new revenue flowing into the city of Westland at the beginning of the year was there such a financial mess in Westland at the end of the year?

The official reply given by the Mayor was that the demands on city finances had been so great that things would have been much worse without Federal Revenue Sharing. In other words, had there been no revenue sharing program, the city would have had to borrow that much more to get through fiscal year 1974.[58] While one might be tempted to accept this logical post hoc explanation of Westland's fiscal woes, additional interviews with other key budgetary decision-makers lead one to an

opposite conclusion, namely, had there been no Federal Revenue Sharing program, the city of Westland might have avoided some of its serious financial problems. In order to understand the basis for this rather counter-intuitive statement, one must take into consideration the political motivations of the Mayor and the council in allocating General Revenue Sharing monies. Afterall, fiscal year 1974 was the first real opportunity that Westland's politicians had to make General Revenue Sharing expenditure decisions along with the general fund expenditure decisions. As one will see below, the political desires of some of Westland's elected officials were fueled by the prospect of Federal Revenue Sharing funds and overpowered administrative common sense, leaving the city in financial ruins.

According to Westland's former Director of Finance who resigned amidst the financial upheavals of fiscal year 1974, one of the main reasons for Westland's financial plight was the strain caused by capital expenditure programs that had recently been added to the city budget. As the former Director of Finance reflected, "Yes, it was some very large capital expenditures put out, like the parks and recreation building, which was something like $600,000. That's a lot of money. That's two mills for Westland."[59] Although not wanting to link the construction of the parks and recreation building directly to Federal Revenue Sharing, the former Finance Director did admit that "it would have been impossible without it."[60]

The Finance Department's chief accountant, who suddenly found himself in charge of Westland's budget when the Director of Finance resigned amidst controversy, was more blunt in his analysis of the city's financial problems during fiscal year 1974:

It (General Revenue Sharing) went into one major project because we

> did have additional funds and that was this ice rink. It cost us half a million dollars, and this is my personal opinion, I don't think we should have taken operating revenue sharing funds and applied them toward that. We should have applied it toward just normal operation expenses because this is part of the reason why we got into such a financial bind this year. Because he (the Mayor) took a half million dollars out of what we normally use to operate the city.[61]

It seems that the Mayor, who in Westland is also the Chief Executive in charge of the city administration, initially had a very different conception of General Revenue Sharing funds than the staff of the Department of Finance did. As the chief accountant, who has subsequently been appointed to be the Budget Director by the Mayor, described these differences in perspectives:

> The Mayor thought they (the revenue sharing monies) were separate (from the general fund). The accountants thought they were merged because we thought, just as we had done, that you can say it's for something that's already appropriated and it frees up money elsewhere. But I think it was his idea that he thought it was separate that caused him to build the ice rink which blew us up financially.[62]

Trying to explain just why the Mayor had been inclined to initially view the General Revenue Sharing funds as separate from the general funds when his staff in the Department of Finance thought otherwise, the chief accountant stressed the Mayor's political role:

> Now sure we added revenue sharing, but then we also added inflation costs and all the menial costs like this which revenue sharing would have covered. But instead this i c e rink was built, anticipating you know, "Well, I have to show something with revenue sharing. This is new money and we have to show something that the community did with it." It practically broke us because we had to lay off twenty-four people a couple of months ago.[63]

According to the officials in the Department of Finance, it seemed that when the Mayor first got wind of the General Revenue Sharing program, he acted as if "he thought he was to do it like a model cities program where you show what you do with the money by building buildings."[64] In the wake of Westland's financial crisis, however, the chief accountant expressed hope that the Mayor had really learned something from his past

mismanagement of city resources:

> I think somebody really learned a lesson on capital improvements without necessarily going through the process. Like I'm sure he will just not go out and do another major capital project without bonding for it because, you know, we paid this out of our payment funds rather than bond issues. You can pay for it over a period of twenty-five to thirty years, but when you pay it all in one year, you know, it's a real wipe out... On paper it says you've got $500,000 next year and so you think, "Well, there's a million dollars. I ought to be able to build an ice rink for that." But there are a lot of other needs at that time too.[65]

In the aftermath of Westland's fiscal crisis the Mayor himself held a rather somber view of revenue sharing and city finances in general. As the Mayor matter-of-factly discussed the impact that General Revenue Sharing had made on city finances:

> If someone were to ask me, "What specifically were you able to do with Federal Revenue Sharing? Were you able to build an ice rink or were you able to build a library?" I would say, "No, we've just been able to balance our budget and I don't credit that to the federal government. Federal revenue was part of it, state revenue sharing was part of it, and the local property tax was part of it. It just all goes into the pot."[66]

Even though the Mayor felt it was unfair to attribute any one particular programmatic impact to General Revenue Sharing, the Mayor did acknowledge that he tried to allocate the General Revenue Sharing funds so that they would have maximum impact on the community.

> I can only say the use that I have tried to devote that (General Revenue Sharing) to and that has been the service departments, those departments that directly affect the service that the people see and feel. And I kind of think that that's basically what the framers of revenue sharing wanted. They wanted the people to feel an impact of that money. I don't build up my staff departments with revenue sharing... With this additional revenue we have been able to build up our police and fire departments. I would say what we have attempted to do is divert those monies into direct service departments in a way that people could feel an impact of it.[67]

Despite the unwillingness of the Mayor to link a specific program to General Revenue Sharing funds, one receives the impression that the Mayor was very concerned about the political impact which revenue sharing funds would have on the community. For example, rather than telling the

citizenry that the General Revenue Sharing funds went to support the Department of Public Services, the Mayor earmarked the money for the more visible Police and Fire Departments. Afterall, when Department of Public Service personnel go beneath the pavement to clean out a sewer, it is hardly as visible or glamorous to the public as the actions of the uniformed police and firemen above.

In spite of the fact that the Mayor did not allude to the conflict that occurred within his own administration regarding the different views he and his staff had over the use of revenue sharing funds, the Mayor was quite open in describing the conflict that had been created between the administration and the city council as a result of debate over General Revenue Sharing. Speaking retrospectively on the basis of his own recently acquired experience, the Mayor declared:

> As far as using General Revenue Sharing, I've found those people who are not in the day-to-day administration of government tend to look upon revenue sharing as some sort of extra kind of thing that is sort of nice to have and the fact of the matter is that without it, it would be chaos. We don't set it aside as something separate and say, "Well, let's go ahead with our our normal budget." And then over here we've got Gederal Revenue Sharing, "Let's have some public meetings, let's have committees, and let's see how we are going to spend this half million bucks." We don't do that.[68]

In the Mayor's opinion the city council like most citizens was oversold on the General Revenue Sharing program. Upon hearing for the first time that the city of Westland would be receiving a significant amount of revenue sharing money, each council member started putting together his thoughts and ideas on how revenue sharing should be used. As it turned out though, all of the council members' planning was for naught. When the council had the opportunity to scrutinize the 1974 city budget, it found that the administration had already merged the federal funds into the budget to balance it. The disillusionment that the council felt when it became aware of the plans that the administration

had to at least ostensibly merge General Revenue Sharing funds into the general fund budget was depicted by one council member:

> Now this became very frustrating to many councilmen because I think most of them felt it was for the purpose of what I was saying, new programs. So then we had quite a lengthy discussion on it wondering well, you know, where is this money at. You know where? It's in the budget, but where? Where is it we can tell the people we spent these Federal Revenue Sharing funds because it was sort of just placed in there to balance the budget. So we categorically had nothing to hang our hat on, to say this is what we used the money for, except for one thing, which is to say we balanced the budget with it and which was quite disturbing. I know quite a few of us were upset about it.[69]

The rather rash and sudden manner with which the administration had presented the 1974 budget to council created tension between the Mayor and council members. Instead of taking the time to sit down with the council and outline the reasons why the administration had seemingly chosen to merge the General Revenue Sharing funds with the rest of the budget, the Mayor simply laid the closed budget in council's lap without an in-depth explanation. Perhaps the Mayor felt that his own plan to use General Revenue Sharing for the parks and recreation building would be revealed if he attempted to outline the state of city finances in any detail to the council. Whatever the real reason, the way the Mayor presented the Federal Revenue Sharing program to the council members created a communications gap between the Mayor's office and the city council which subsequently proved hard to overcome.

One of the Mayor's most vocal critics on the city council summed up the way the administration has handled the Federal Revenue Sharing funds and overall city finances as follows:

> I felt the fiscal policy was faster than what the community could keep up with and I felt that the administration was also transferring funds around without council or legislative approval and I'm not so sure that wasn't done yet. You know our Finance Director quit. I understand that he quit, one of the reasons he stated privately to an individual, not publicly but privately, that he couldn't keep up with the Mayor's fiscal policy... The Mayor made some

> type of statement to the council I haven't quite figured out yet. He says, "Well, maybe you didn't like Mr. Bartos (former Finance Director), maybe you did, but everything he did was legal." Now I'm not sure I figured that one out, just what that means... The Mayor and I got into a very bitter argument over spending of funds that weren't in the council, which they were transferring without getting council approval and he said they weren't. But then, all of a sudden we come up short a half million dollars. Now how do you come up short half a million dollars if you budgeted money? You know the money is budgeted. How can you spend it if it's not there?[70]

It appears that lacking the detailed knowledge of the Department of Finance staff, the city council members were under the impression that there was enough money in the city's general fund budget to finance the construction of the parks and recreation building. It seems that the Mayor had not made the council totally aware of the serious financial troubles that the city was headed for, possibly because he himself was unaware of the enormity of the dilemma. Expecting the arrival of close to $500,000 in revenue sharing dollars, the Mayor may have been lulled into a false sense of security that the city would be able to finance the construction of the parks and recreation building once the Federal Revenue Sharing monies were merged with the general fund revenues. In any event it was the Department of Finance staff's belief that the large capital expenditures the city of Westland made in fiscal year 1974 were primarily responsible for the city's massive financial problems and that they could have been partially avoided if the Chief Executive had been a more astute financial manager.

In order to take some of the blame for mismanagement of city finances off of the administration, the Mayor contended that the city's deficit had been created by the fact that Westland had been forced into a position of having to loan money to the city paving programs which had been held up in court by the protests of Westland residents. Although the community could not be assessed for the paving programs until the

city won the case in court, the administration went ahead with the land acquisition part of the programs using general fund revenues to cover the purchases. This line of reasoning, however, seemed specious to come council members. The difficulties of ever trying to determine the origins of Westland's financial maladies was philosophically summarized by one city councilman:

> Everything was allocated, was put in the budget, and monies were supposed to be available to cover them. The only thing they came back with was an argument, and I believe it's of a political nature again, was the the road paving thing. That they spent money for land acquisition. Well, they had been budgeting that in the budget for the last couple of years, covering that, you know, which is another one of our very strong political problems in the community, our road paving programs. So I think you get into where personalities and politics get involved in trying to explain things at times, why things happen.[71]

F. Pontiac

The first General Revenue Sharing funds reached Pontiac in the aftermath of a record-breaking General Motors strike which had produced a serious decline in city revenues. The city commission at the time was faced with the choice of either setting the newly acquired General Revenue Sharing receipts aside for capital investment or using the federal money to rehire municipal workers who had been laid off as a result of the budget crisis. While city politicians would have liked to have been able to use the revenue sharing money for "bricks-and-motar" type projects, they had to respond instead to the tremendous local pressure to reestablish city services that had been cut back. A familiarity with the nature of the political environment at the time of the initial inflow of General Revenue Sharing funds into the city is thus necessary to understand General Revenue Sharing decision-making in Pontiac. The importance of knowing how the local political environment structured the use of General Revenue Sharing funds was emphasized by the then

Director of Finance:

> I think again you would have to know the political environment, I think considering what had occurred with the layoffs. There wasn't a great deal of furor raised when we were cutting back on garbage collectors and street sweepers and laboreres and so on, but when you hit the policemen and firemen and laid them off, then all hell broke loose. There were recall petitions to recall the commissioners. Everything went into a turmoil... The fact that revenue sharing came in along with the public employment program, those two combined would allow us to bring those people back relatively quickly and ease what could have been a tremendously difficult period. Literally there were recall campaigns.[72]

According to the Director of Finance, General Revenue Sharing proved to be an invaluable source of political capital for the city commissioners. The commissioners had had no choice but to cut Police and Fire Departments' budgets. They had cut to the bone everything else and still had not been able to make the city budget balance. The Police and Fire Departments had been left untouched to the last possible moment, but the financial crisis was so severe that the commissioners were eventually forced to make a tough and very unpopular decision and cut the public safety budgets.

In retrospect, the Director of Finance concluded that the use of General Revenue Sharing money to handle the volatile political situation resulting from the layoffs had been the most valuable use of revenue sharing funds by the city:

> They (recall efforts) were not successful, but it actually went to a recall election at one point. But the revenue sharing really allowed that to be corrected fairly quickly and that issue very quietly died. So of all the things you might think of that revenue sharing was important for, I think the best use was reestablishing the stability of the community attitude-wise and getting that problem solved and avoiding what could have been a real difficult situation.[73]

General Revenue Sharing from the vantage point of the Department of Finance apparently proved invaluable to the city commission in its efforts to contain political problems originating in the decision-making environment. The perspective which some city commissioners held of the

political environment, however, suggests that while revenue sharing was able to restore budget cuts, the recall threat which the Director of Finance attributes to the layoffs was really precipitated by an unrelated factor and was thus not really "corrected" by revenue sharing. As one city commissioner explains:

> Oh, we had recall elections, but they were over a different thing (than the layoffs). We had a recall election against the last Mayor and one of the commissioners, Mayor Jackson and Commissioner Douglas. It was narrowed down to those two. When they started out they were going to recall everybody... They charged them with or at least their complaint was, it was kind of ridiculous. It was a nothing complaint. What it was really about, there were a lot of olks that were upset with the bussing thing when the school district went to their bussing. The city commission caught most of the blunt, but we had nothing to do with it. We weren't involved in it. We weren't involved in the court decision or the decision to do whatever. We catch hell for whatever goes on in the city of Pontiac and really that's what it amounts to. They were the scapegoats. They were going after them because, well for one thing, we weren't standing up saying we were against it. We weren't saying we were for it, but we weren't standing up saying we were against it... I don't think the layoffs or anything like that were involved in it. It was a time in the economy, I think, when a lot of other folks, a lot of other towns were having the same problems as far as their work force.[74]

While bussing most certainly was an underlying factor behind the recall movement, other observers of the political scene were not so ready to discount the relationship between the recall election and dissatisfaction with cutbacks in the city work force. For example, the Police Department is known to be quite adept at exercising political savy. As the new Mayor reflected, "There was a recall out and that was a reaction (to budget cuts). Sure it was a reaction. It is a reaction because the Police Department is not only our Police Department but they're a political entity anyway you go."[75] It seems that the Police Department may have capitalized on the coincidence of the city's financial and bussing crises. Together the two crises interacted to make the political environment especially turbulent and the Police Department took advantage of the situation to put pressure on the commission.

Ordinarily the Pontiac Police Department would not have an active community constituency to call upon in the face of financial difficulties. As in most core cities, there exists tension between the Police Department and the minority communities even though steps are being taken through the city's affirmative action plan to boost minority representation in the 244-person department from 16 per cent to 27 per cent.[76] The city commission, making an effort to be sensitive to minority complaints with police service, has often been skeptical of the Police Department's budget requests. For example, the city commission did not believe the findings of a study conducted by the International Association of Chiefs of Police which indicated that Pontiac's Police Department was operating under strength and thus hired a second consulting firm to conduct a second study of police manpower requirements. Only when the results of the second study concurred with the first, did the city commission relent and approve the hiring of additional personnel.[77]

Realizing the commission must aim to please all elements in the community, the Mayor has tried to define public safety in broad terms not only to include police and fire but health and sanitation and other areas as well.[78] This broad definition of public safety espoused by the commission, plus the critical attitude of the police held by people in the community, has reinforced the feeling among Police Department officials that they must look after themselves. As the administrative assistant to the Chief of Police summed up the Police Department's dilemma: "Who's going to fight for the Police Department to get money except the Police Department?"[79]

The unusual thing about the coincidence of the city's financial crisis and bussing crisis was that the Police Department discovered it suddenly had active support in the community. Citizens agitated over

the bussing issue would also make their indignation known to the city commission when police protection was suddenly cut amidst skyrocketing crime statistics and vice versa. By restoring cutbacks in police service, General Revenue Sharing funds may have indeed dispelled some of the political pressures which provoked the recall elections.

III. General Revenue Sharing and the Political Agenda: Conclusions

In all six Detroit area cities General Revenue Sharing funds were primarily either designated for or resulted in salient expenditures, i.e. tangible capital projects or highly visible public safety expenditures. That political entrepreneurship was a factor in shaping the General Revenue Sharing agendas was most apparent in Westland, Dearborn, and Southfield. In Westland the Mayor's entrepreneurial desires were fanned by the prospect of General Revenue Sharing funds, overpowered his administrative common sense, and left the city in financial chaos. Had the Mayor been less of an entrepreneur and not felt that he had to make the people feel an expenditure impact, perhaps the financial upheaval which resulted from the construction of the half million dollar ice rink could have been averted. In Dearborn the fifteen consecutive term Mayor displayed his skill at getting extensive political exposure by lighting a fire under a good idea. The Mayor's early support and nationwide campaign for revenue sharing legislation would later allow observers to identify the senior citizen apartments, paid for by General Revenue Sharing funds, as a living tribute to the man whose leadership had made them a reality. In Southfield politicians discovered that budgeting the city's General Revenue Sharing funds for a highly visible operating program was opportune. Allocating General Revenue Sharing funds to the innovative new paramedic program helped muster support for the special public safety

millage election.

In the cities of Warren, Royal Oak, and Pontiac it appeared that politicians initially responded to political and economic demands rather than having generated and shaped them through entrepreneurial activities. Nevertheless, one should not discount the possibility that local political careers may have benefited when General Revenue Sharing funds were used for capital projects or salient operating programs. In Warren a huge backlog of capital projects made it imperative for the city council to set aside its General Revenue Sharing money for capital expenditures. The resultant five-year General Revenue Sharing capital improvement program was a clear sign to Warren residents that they were getting something for their federal tax dollars. A severe financial crunch in Royal Oak made it impossible for local politicians to engage in any tangible form of General Revenue Sharing entrepreneurship. The General Revenue Sharing funds had to be merged with the general fund for budget balancing purposes. The reader should recall, however, (see Chapter VI, Section II) that in the face of these bleak financial circumstances 78 per cent of the General Revenue Sharing money was symbolically earmarked for public safety. Similarly economic and political realities forced the city commission in Pontiac to designate most of its first revenue sharing receipts to the Police and Fire Departments. Once Pontiac's financial situation had stabilized though, subsequent General Revenue Sharing money was used to purchase street sweepers, senior citizen vans, one-man garbage trucks, i.e. highly salient and tangible capital expenditure items (see Chapter IV, Section II).

Notes

[1]Robert A. Dahl, Who Governs? (New Haven, Conn.: Yale University Press, 1961, p. 139.

[2]James Tobin and W. Allen Wallis, Welfare Programs: An Economic Appraisal (Washington, D.C.: American Enterprise Institute for Public Policy, 1968), pp. 43-44.

[3]For an excellent description of the distinguishing characteristics between budget types see James E. Jernberg, "Financial Administration," in Managing the Modern City, ed. by James M. Banovetz (Washington, D.C.: International City Management Association, 1971), pp. 347-376.

[4]Ibid., p. 352.

[5]Ibid., p. 352-353.

[6]Letter, from Peter Cristiano, City Administrator, to Norman Feder, Mayor of Southfield, March 15, 1972, p. 1.

[7]Ibid., p. 5.

[8]Letter, from Norman Feder, Mayor, to the Southfield City Council, March 27, 1972, p. 1.

[9]Ibid.

[10]Letter from Cristiano to Feder, March 15, 1972, p. 6.

[11]Ibid.

[12]Letter from Feder to the Southfield City Council, March 27, 1972, p. 2.

[13]Letter, from Peter Cristiano, City Administrator, to Don Fracassi, Mayor of Southfield, March 15, 1973, p. 2.

[14]Ibid.

[15]Letter, from Donald Fracassi, Mayor of Southfield, to the City Council, April 2, 1973, p. 3.

[16]Letter from Cristiano to Fracassi, March 15, 1973, p. 9.

[17]Donald Foote, Fire Chief, Interview No. 14 held in Southfield, Michigan, July 25, 1974.

[18]Letter from Cristiano to Fracassi, March 15, 1973, p. 9.

[19]Ibid.

[20]Administrator Supplemental 1974-1975 Budget Message, Southfield, Michigan, April 8, 1974, p. A2, (Mimeographed).

[21]Letter, from Donald Fracassi, Mayor, to the Southfield City Council, April 8, 1974, p. 2.

[22]Ibid., p. 3.

[23]Foote, Interview No. 14.

[24]City of Dearborn, Michigan, Official Letterhead

[25]Research and Information Department, City of Dearborn, Michigan, "Hubbard Lit Fire for Original Revenue Sharing Idea in 1965," (Press Release on October 12, 1972), p. 1.

[26]Ibid.

[27]Dearborn City Council, Resolution by Councilman Guy supported by Councilman Bondie, January 15, 1966.

[28]Research and Information Department, City of Dearborn, Michigan, "Hubbard Lit Fire for Original Revenue Sharing Idea in 1965," p. 4.

[29]Orville L. Hubbard, Mayor, with Daniel S. McCormick, Deputy City Controller and Budget Director, Interview No. 31 held in Dearborn, Michigan, August 15, 1974.

[30]Research and Information Department, City of Dearborn, Michigan, "Hubbard Lit Fire for Original Revenue Sharing Idea in 1965," pp. 4-5.

[31]Orville L. Hubbard, Mayor of Dearborn, Michigan, "Memorandum in Support of Resolution to Return a Portion of Federal Income Tax to Local Units of Government," (memorandum presented to the Legislative Conference of the National League of Cities, Washington, D.C., March 29-31, 1966).

[32]Research and Information Department, City of Dearborn, Michigan, "Hubbard Lit Fire for Original Revenue Sharing Idea in 1965," p. 6.

[33]Ibid.

[34]Hubbard, Interview No. 31.

[35]"Hubbard Begins 33rd Year as Mayor on January 1," The Dearborn Guide, January 4, 1974, (newspaper reprint).

[36]Research and Information Department, City of Dearborn, Michigan, "Hubbard Lit Fire for Original Revenue Sharing Idea in 1965," p. 7.

[37]John DaGiau, Director of Finance, Interview No. 5 held in Royal Oak, Michigan, July 18, 1974.

[38]George Tubbs, former Director of Finance, Interview No. 13 held in Royal Oak, Michigan, July 25, 1974.

[39]Michael Lesko, Personnel Director, Interview No. 23 held in Royal Oak, Michigan, August 6, 1974.

[40]James Cline, Mayor, Interview No. 33 held in Royal Oak, Michigan, August 19, 1974.

[41]Ibid.

[42]Ibid.

[43]Arthur Miller, Jr., Council Vice-President, Interview No. 32 held in Warren, Michigan, August 15, 1974.

[44]Ted Bates, Mayor, Interview No. 16 held in Warren, Michigan, July 30, 1974.

[45]Letter, from Frank Muser, Assistant Controller, to Ted Bates, Mayor of Warren, Michigan, March 12, 1974, p. 4.

[46]Warren City Council, Minutes of Meeting, May 22, 1973, p. 3, (Mimeographed).

[47]Ibid.

[48]Adam Wojciechowski, Parks and Recreation Director, Interview No. 17 held in Warren, Michigan, July 30, 1974.

[49]Warren City Council, Minutes of Meeting, December 26, 1973, p. 4, (Mimeographed).

[50]Wojciechowski, Interview No. 17.

[51]Ibid.

[52]Warren City Council, Minutes of Meeting, January 8, 1974, p. 4, (Mimeographed).

[53]Warren City Council, Minutes of Meeting, June 11, 1974, p. 5, (Mimeographed).

[54]Letter, from Eugene McKinney, Mayor of Westland, to Robert Wagner, Council President, April 1, 1974, p. 3.

[55]Eugene McKinney, Mayor, Interview No. 11 held in Westland, Michigan, July 23, 1974.

[56]Ibid.

[57]Ibid.

[58]Ibid.

[59]Leonard Bartos, former Director of Finance, City of Westland, Interview No. 10 held in Pontiac, Michigan, July 23, 1974.

[60]Ibid.

[61]A. Kent Herbert, former accountant and current Budget Director, Interview No. 7 held in Westland, Michigan, July 18, 1974.

[62]Ibid.

[63]Ibid.

[64]Ibid.

[65]Ibid.

[66]McKinney, Interview No. 11.

[67]Ibid.

[68]Ibid.

[69]Glen Shaw, Councilman, Interview No. 28 held in Westland, Michigan, August 13, 1974.

[70]Ibid.

[71]Ibid.

[72]Robert Rummel, former Director of Finance, Interview No. 18 held in Pontiac, Michigan, July 30, 1974.

[73]Ibid.

[74]Norman Lee, City Commissioner, Interview No. 34 held in Pontiac, Michigan, August 21, 1974.

[75]Wallace E. Holland, Mayor, Interview No. 29 held in Pontiac, Michigan, August 13, 1974.

[76]David Braunschneider, Administrative Assistant to Chief of Police, Interview No. 25 held in Pontiac, Michigan, August 8, 1974.

[77]Ibid.

[78]Holland, Interview No. 29.

[79]Braunschneider, Interview No. 25.

CHAPTER VIII

THE BUREAUCRAT AND GENERAL REVENUE SHARING

This chapter focuses attention on the way General Revenue Sharing funds were incorporated into the decision-making strategies of bureaucratic officials engaged in municipal budgeting. Section I begins with a brief outline of the bureaucratic decision-maker's policy perspective. The impact which the bureaucrat's policy perspective might have been expected to have had on his budget-making strategies is discussed with respect to the formation of the General Revenue Sharing agenda. In Section II the linkages between the bureaucrats' decision-making strategies and General Revenue Sharing expenditures are drawn with regards to the six Detroit area cities selected for investigation. Section III concludes with some general observations of the impact which bureaucratic decision-makers made on the General Revenue Sharing agenda.

I. Bureaucratic Maintenance, Municipal Budgeting, and General Revenue Sharing

Bureaucrats have been shown to hold a rather distinct policy-making perspective.[1] Unlike politicians who find themselves caught up in partisan struggles, bureaucrats tend to be more preoccupied with technical, financial, and administrative matters that are necessary to maintain the functioning of their organizations. Compared to politicians, bureaucrats are more like puzzle-solvers. Whereas a good politician is responsive to his constituency, a good bureaucrat supports and maintains the organization upon which his livelihood depends. The politician may be a vote

getter but the bureaucrat is an organizational man. The politician in his activities as an entrepreneur may reinforce community bias, but the bureaucrat in his role as technocrat frequently uses his expertise to support the organization's bias.

While in theory public bureaucracies are merely supposed to implement the goals established by the polity, evidence has been accumulated indicating that they often seem to take on a life of their own.[2] Bureaucrats are able to use their technical skills to legitimize policies which keeps their organizational interests alive. This gives them considerable control over the political environment. It is the way that bureaucrats use their technical expertise to bolster their own independence that has the greatest ramifications for agenda setting. The way General Revenue Sharing funds might have entered into the agenda setting strategies of bureaucrats involved in municipal budgets is briefly discussed in the following paragraphs.

Given the preoccupation of bureaucrats with their own organization interests, they might be thought to try to form a General Revenue Sharing agenda which would channel federal funds to their respective departments. The notion is that bureaucratic officials would have a strong desire to try to get the General Revenue Sharing money budgeted to support the operating and maintenance expenses of their departments. In other words, bureaucratic officials might be inclined to try to exert pressure so that the General Revenue Sharing funds would be designated to support their operating budgets. By using General Revenue Sharing funds to support on-going or new programs, the bureaucrats' organizational interests would be most directly enhanced. Afterall, new money flowing into operations would mean that wage and benefit demands could be met, etc.

Using General Revenue Sharing funds to support departmental opera-

tions would thus bestow bureaucrats with direct tangible benefits. In contrast, the benefits which departmental officials would receive from allocating General Revenue Sharing funds for capital projects might, as a rule, prove to be indirect and less tangible. While the bureaucrat would receive indirect tangible benefits from capital expenditures because they inevitably necessitate the expansion of program operations at some later date, the main benefits would be probably more symbolic. It is important to note, however, that in certain instances the symbolic benefits provided by capital expenditures may enhance the position of some bureaucrats within their own agencies and the community. As Wallace Sayre and Herbert Kaufman noted in their study of New York City:

> As in merchandising, the product is often its own best advertisement. City and other government line agencies building and managing great public works are thus more fortunate than many. The reputation enjoyed by members of the Port of New York Authority and by Commissioner Robert Moses rests in considerable part upon the fact that people use, see, enjoy, and benefit from the facilities to which their names are attached. The tunnels and bridges, highways and parks, and playgrounds and beaches testify to millions of citizens that these are men who get things done. For the agencies, the use of their facilities thus serve a triple service--solidifying community support for them, maximizing their earnings, as well as providing New York City and the surrounding area with needed services.[3]

Thus in the event that political or economic pressures kept the General Revenue Sharing funds out of the operating budget and channeled the money into capital projects instead, the symbolic benefits that certain departments might have received by generating a favorable climate of public opinion may to have some extent offset the relative "loss" of tangible benefits. In the following section the decision-making activities of bureaucrats in six Detroit area cities are investigated to see whether, in fact, active agenda-setting strategies were pursued to get the General Revenue Sharing funds placed within particular departments' operating budgets.

II. The Bureaucrat and General Revenue Sharing

A. Southfield

The city of Southfield is not normally a recipient of many federal grants. For example, the 1972-1973 budget adopted by Southfield prior to General Revenue Sharing indicates that the city received just four federal grants, amounting to only $103,122.[4] (Events would force these figures to swindle even further in future budget years. Due to grant expirations, reductions in federal funding, and federal cutbacks, Southfield was to receive only one federal grant of $29,000 in 1974-1975.)[5] Given this tight funding situation, one city official summed up the attitudes in city government towards the New General Revenue Sharing program, "Whatever we were going to get was going to be a plus."[6]

Although Southfield officials were certainly glad that the General Revenue Sharing program had made their city eligible for federal revenues, the initial General Revenue Sharing checks for $137,500 and $131,251 received respectively in December 1972 and January 1973 failed to generate much concern among either politicians or bureaucrats. The primary reason for the rather low key reaction to the newly instituted General Revenue Sharing program stemmed from the fact that the General Revenue Sharing allotment was deemed very small in relation to Southfield's actual needs. As one administrative official declared, "As far as we are concerned, it is not enough money to make a major impact on city hall."[7] Southfield's share of the General Revenue fund comprised approximately 2 per cent of the general fund and 1.5 per cent of all revenues.[8]

The relatively small size of Southfield's General Revenue Sharing allotment tended to make both elected city officials and administrators rather indifferent towards the new General Revenue Sharing program. Officials were aroused primarily in the negative sense that they were ex-

tremely dissatisfied with the formula used to determine a city's allotment of General Revenue Sharing. Serious objections were raised against the formula which penalized Southfield for its low level of city taxation. The principle said to underlie the formula that "the more you tax yourselves, the more you get from us"[9] was vehemently opposed by both politicians and administrative officials. The notion was that efficiently managed cities such as Southfield that managed to keep their tax rates low should be rewarded, not penalized, by the allocation formula.

The lack of enthusiasm shared by many officials for the new General Revenue Sharing program was also reinforced by the realization that General Revenue Sharing was being accompanied by cutbacks in other federal programs. As one official stated, "He (Nixon) gave us the money, but he chopped some of the categorical grants out."[10] The futility of seemingly giving the cities money with one hand and taking it away with the other was aptly expressed by another official, "If they are going to give you the Federal Revenue Sharing money and just cut off everything else, you are kind of back to square one."[11]

In this atmosphere of relative indifference and lack of enthusiasm for General Revenue Sharing, the newly instituted program came to be treated as a minor bureaucratic burden rather than as a much acclaimed social innovation. The General Revenue Sharing program never did seem to directly command the attention of administrative officials. For example, according to one administrator, General Revenue Sharing was a program that "gets done between everything else."[12] The relatively no-strings-attached nature of the shared revenues made the General Revenue Sharing program a bit more of an accounting problem than categorical grants-in-aid, but this involved "just more paper work, that's all."[13]

Actually it appears that the initial paper work requirements were simplified somewhat by allocating the first few revenue sharing checks to capital expenditure items. This "eased the pain" of administering the new program because "it ate up most of the money."[14] Furthermore, this practice of allocating General Revenue Sharing monies to the capital budget could easily be justified by pointing to the uncertain future of the General Revenue Sharing program. As the Deputy City Administrator explained, "We treat it as if it is one-shot money. Therefore, we allocate it for what we consider to be one-shot programs."[15]

The General Revenue Sharing program might have continued to have generated only lackluster interest among city officials had it not been for the Fire Department's efforts to push for an innovative paramedic program. After only a few months of operation, the two life support units had proven themselves to be a resounding success by saving at least five persons' lives and doubling the number of emergency alarms related to human problems.[16] The city councilmen apparently sensed the handwriting on the wall and saw in the General Revenue Sharing program a chance to get onto the life-support-unit bandwagon. As a result, over 90 per cent of the General Revenue Sharing funds were allocated to the successful paramedic program.[17]

The council's decision to commit the General Revenue Sharing funds to the paramedic program indicated that the politicians were beginning to exhibit more interest in the General Revenue Sharing program. Afterall, using General Revenue Sharing funds to support the highly successful life support units would clearly demonstrate the progressive attitudes of elected officials. It certainly would not harm relations with the electorate. Any hesitation that city officials may have had regarding the inadvisability of allocating so-called one-shot General Revenue

Sharing funds to the operating budget was completely quelled by the strong attraction of the paramedic program.

The wisdom of this decision became clearly evident when the paramedic program continued to generate statistics indicating fantastic success. At the completion of its first year of operation, thirty-six lives had been saved and the volume of emergency alarms related to human problems remained high.[18] Perhaps just as significant of a development from the standpoint of city government was the approval of the three-mill public safety expansion program by the electorate in April 1974. The passage of the millage was largely attributed to the success of the paramedic program in mobilizing voter support for public safety expansion.[19]

Despite the attention given the General Revenue Sharing program by elected officials, administrative officials remained largely indifferent and did not share the politicians' zeal toward the program. The Fire Chief, for example, wanted to maintain and operate the two life support units that had brought his department public recognition but was relatively unconcerned where the money would come from. In fact the Fire Chief was so confident in the merits of his program that he was certain that the paramedic program would have continued to be funded had there been no General Revenue Sharing dollars.[20] He admitted, however, that "Federal Revenue Sharing has really accelerated the thing and held it from going backwards."[21] Furthermore, since the federal monies were general revenues and not earmarked specifically for the Fire Department, the Fire Chief expressed little care for the future of the General Revenue Sharing program. If General Revenue Sharing were discontinued, it would make a difference "only if it came down to the possibility of losing my life support unit. I think this is the greatest thing since

sliced bread."[22] The passage of the three-mill public safety expansion program seemed to rule out the possibility of the Fire Chief having to worry about future congressional action regarding the General Revenue Sharing legislation.

In short, it seems that the indifference of bureaucrats towards the General Revenue Sharing program was the resultant of a combination of factors sure to influence administrative activity. The small revenue sharing allotment, the uncertain future of the program, and the no-strings-attached nature of the revenue cast a rather unfavorable light on the General Revenue Sharing program from the perspective of bureaucratic officials. The General Revenue Sharing program did not win the heart of bureaucrats in Southfield. Nevertheless, the program may have had an impact on the relationships between local and federal officials. It appears that General Revenue Sharing increased the Fire Chief's awareness of federal programs. Ever since the advent of General Revenue Sharing, the Fire Chief has been trying to obtain categorical grants for his department.[23] That General Revenue Sharing should have increased the demand of a department official for specific grants-in-aid is undoubtedly an unintended consequence of the General Revenue Sharing legislation.

B. Dearborn

Although the city of Dearborn is governed by an unusually strong mayor, the complex organizational task of providing goods and services to a suburban population of 100,000 is too great a burden for any person to single-handedly administer. As a result, the Mayor must delegate authority to administrative officials in order to carry out the day-to-day business of government. Even the most loyal appointee, however, from

time to time wields power over his political patron by virtue of his specialized training and close proximity to the locus of decision-making. In Dearborn the dependency of the political generalist on the specialized bureaucrat does not seem to have been altered by the passage of the General Revenue Sharing legislation.

When Mayor Hubbard had been first attracted to the concept of federal revenue sharing in 1965, he saw it as an idea that promised to put an end to much of the bureaucratic red tape which surrounded the administration and operation of categorical grant-in-aid programs. As the resolution presented by the Mayor for adoption at the National League of Cities meeting in 1966 indicated, "...the current methods of distributing federal funds result in the creation of a costly bureaucracy and cause needless delays and complications in getting the funds distributed to local units of government."[24] Although the General Revenue Sharing legislation passed by Congress some six years later was a significant departure from the traditional system of categorical assistance, Mayor Hubbard was still less than pleased with the extent of bureaucratic expertise required to administer the State and Local Fiscal Assistance Act. In the Mayor's words, "There's a big rigamaroll. You've got to fill a lot of forms out. I'll tell you they've (Congress) tied all kind of strings to this operation, to this revenue sharing program."[25]

The State and Local Fiscal Assistance Act of 1972 thus did not fulfill the Mayor's original vision that a General Revenue Sharing program would eliminate reliance upon a costly bureaucracy. Measured by a less absolute standard, however, the Mayor acknowledged that the General Revenue Sharing program was a relative improvement in intergovernmental fiscal relations, "As far as what we do with it (federal aid) we have more freedom than we had before."[26] The fact that local political decision-

makers had to make their General Revenue Sharing expenditures within a realm of relative rather than absolute freedom reflects the fact that political concerns are often tempered by the reality of bureaucratic constraints.

The need for the Mayor to depend upon his administrative staff to handle the technical aspects of expenditure decision-making is by no means limited to General Revenue Sharing and the intergovernmental fiscal arena. Although the Mayor would have liked the General Revenue Sharing program better if it had not involved such a "big rigamaroll" and instead had bestowed upon local decision-makers absolute freedom of choice, there is reason to suspect that the Mayor's reliance upon his administrative bureaucracy is so well established that even a completely no-strings-attached General Revenue Sharing program would do little to alter the basic form of this relationship. For example, when one examines how local general tax revenues are budgeted in Dearborn, one discovers that the Mayor shows great deference to his technically trained staff. The following dialogue between the Mayor and his Budget Director over a rather prosaic but important link in the municipal budgetary process vividly reveals the dependence of the Mayor on his policy advisor.

> Interviewer: Do you give a Mayor's message at the beginning of the budget cycle?
> Mayor (looking at the Budget Director): No, I don't think I do, do I?
> Budget Director: Yes Sir, you do.
> Mayor: Do I? What do I say?
> Budget Director: You ...
> Mayor: We don't have a message; we just ask them to turn in their budget, their preliminary thing. We really don't have a message, do we?
> Budget Director: We give them a little message.
> Mayor (visibly irritated): We do? What the hell do I say?
> Budget Director: To keep it cool.
> (Laughter)
> Mayor: We've done it so long here; it has just become a routine matter.[27]

The preceeding exchange between the Mayor and the Budget Director shows how the Mayor after thirty-three years of continuous service to the city of Dearborn has lost touch with or perhaps interest in the details of the budgetary process. The Mayor's avoidance of administrative details seems to reflect a political judgement that his leadership can best be demonstrated to the community in other ways. The Mayor, for example, is interested in trimming the fat out of his city payroll but not in the usual sense. The Mayor has ordered a crash diet program and made his subordinates line up in front of a public scale in the lobby of city hall fifteen minutes before staff meetings. The staff is required to set weight loss goals for themselves.[28] Similarly, in another political stunt the Mayor has gained recognition as the state's "marrying-est" mayor. Since July 1972 when a new Michigan state law permitted mayors to officiate at weddings, he has averaged more than ten weddings a week. In addition, he has set up free mass weddings on New Years and Valentine Days.[29]

Given this inclination of the Mayor to consciously avoid the more mundane tasks of city government, it seems quite probable that the Mayor's strivings for public attention clearly gives his administrative staff a great responsibility for minding the shop while the Mayor occupies himself with political gimmickery. It is within this context of administrative responsibility and independence that the impact of bureaucratic expertise on Dearborn's General Revenue Sharing decisions is examined below.

The arrival of General Revenue Sharing funds into the city of Dearborn caused no apparent change in the operations of the bureaucracy. Even though the city received over two million dollars for the first three entitlement periods there was no significant change in the level

of competition or conflict within or across city departments. Neither was there evidence of increased discussion or tumult between the administration and council or the communnty at large. There instead seemed to be an overriding consensus amongst all decision-makers concerned that generally speaking the best use was in the area of capital improvement and the least desireable use was in the area of operating and maintenance expenses. Furthermore within this broad area of consensus one capital expenditure item stood out as the most likely candidate for revenue sharing funding simply because there was no apparent backlog of projects in other areas, senior citizen housing.

The consensus to use most of the General Revenue Sharing funds for senior citizen housing made General Revenue Sharing decision-making nonconflictual. Yet the fact should not be overlooked that the initial General Revenue Sharing legislation gave local bureaucrats a great deal of administrative discretion over the actual implementation of the General Revenue Sharing decisions. As the Budget Director described the situation:

> There is a time clock running on the expenditure of this money. Let's say you have two years to spend, obligate, or appropriate; this is the way it came out in the law. So translating that into municipal accounting terms, you have two years to expend, two years to disburse or spend; to obligate that would translate into encumber, we have a contract and we encumber that contract; or to appropriate, it only takes a simple action of council to appropriate and you've satisfied it. Theoretically you could appropriate it and not expend it for ten years and still satisfy the requirements.[30]

The Office of Revenue Sharing soon realized that the original legislation had open-ended the General Revenue Sharing decision-making process. Subsequent interpretations were issued stating that the General Revenue Sharing program was to be administered so that appropriations were made for a specific period of time. Initially it was mandated that

General Revenue Sharing funds had to be obligated within two years from the date the first checks were received by the city. Later the time period was extended to two years from the end of the entitlement period.[31] Of course, when decision-makers are dealing with large complex capital projects it is not unusual to find a considerable time lag between appropriations and obligations as plans are drawn, contractors lined up, etc. In the meantime, the General Revenue Sharing money sits in a trust account collecting interest.

C. Royal Oak

In council-manager type cities such as Royal Oak the city manager normally exerts a great deal of control over budgetary decision-making by virtue of his position as chief executive. In addition the city manager is also looked upon as a professional whose responsibility it is to administer the affairs of government in an efficient non-partisan manner. This combination of formal authority and technical expertise usually gives the city manager a great deal of influence over the scope and direction of municipal expenditure decisions. In Royal Oak, however, it appears that while the City Manager is nominally and in fact the professional chief executive, his ability to be able to shape the agenda of budgetary decisions is limited because of the city's pressing financial straits. It seems that in Royal Oak the City Manager is not really able to set the decision-making agenda by calling upon his formal authority and technical know how anymore than a city commissioner can bring force to bear in the arena of budgetary decision-making by rallying behind special interest groups in the community (see discussion of Royal Oak in Chapter VI, Section II). In short, it seems Royal Oak's extremely tight financial situation has taken away the latitude that both

bureaucrats and politicians have in shaping the pattern of municipal expenditure decisions.

The decisions that come out of the City Manager's office seem to be shaped primarily by the economic pressures which constrain the operations of city government. The fact that the City Manager's office has become a reactive rather than an independent proactive force in budgetary decision-making is reflected in the City Manager's budget messages to the Mayor and the city commission in recent years. The dire tone that these budget messages sound is partially captured in the following excerpt:

> The growing financial problems of local units of government have caused one commentator to remark recently that "attempting to cure a deficit budget is like trying to treat a patient suffering from malnutrition by placing the patient on a weight-reducing diet." So it is with the city's proposed 1971-1972 general fund budget... the situation is not good.[32]

Whether the City Manager will be able to submit a balanced budget to the city commission each year is an especially critical problem in Royal Oak. Furthermore, it does not seem that the flow of General Revenue Sharing funds into the city has made the City Manager's task of fulfilling the city's legal obligation to balance the budget noticeably easier; there simply was not that much money to put the city back on a sound financial footing. Although to the casual observer it might appear that the City Manager exercised a great deal of influence over the city commission with regard to General Revenue Sharing expenditure decisions, a closer inspection reveals that the City Manager had only one real option. For example, the former Director of Finance recalled that the City Manager presented the city commission in essence with a fait accompli:

The manager went to the commission prior to the budget coming out

> and said: "The budget is very tight. We need this money, this revenue sharing money, to balance the budget and that's all there is to it. We can't use it for any other priority otherwise we're going to have an unbalanced budget which is illegal."[33]

As was just described above, Royal Oak's General Revenue Sharing expenditure decisions were initially made by the City Manager who then proceeded with a rather blunt and straight forward hard sell of his views to the members of the city commission. There was hardly any resentment though among the city commissioners towards the bold action of the City Manager. As one city commissioner rationalized the imposition of the City Manager's General Revenue Sharing expenditure decisions on the city government: "Well, he (the City Manager) basically made the recommendation (to allocate Federal Revenue Sharing), but you could see by looking at the figures it was the only thing he could do!"[34]

In the minds of the city commissioners the City Manager did not set the agenda for General Revenue Sharing decisions in Royal Oak, the tight budget did. With absolutely no chance of the General Revenue Sharing funds being diverted from the general fund into capital projects, General Revenue Sharing decision-making became very dull and routinized. This blase approach to General Revenue Sharing decision-making was summed up by the new Director of Finance: "We don't spend that much time with the revenue sharing. We get the four quarterly checks and then spend them."[35]

In short, it seems that what discretion the City Manager's office does enjoy regarding General Revenue Sharing expenditure decisions is more apparent than real. With a tight budget General Revenue Sharing can only be used as a budget balancer. What interaction and discussion does take place between the administration and the commission is primarily in the form of a political and bureaucratic dramaturgy which deter-

mines what General Revenue Sharing expenditure figures are to be reported to the federal government. (See Chapter VI, Section II.) Even while engaged in the dramaturgy, however, the administration lacks the power to completely set the General Revenue Sharing agenda because it must acknowledge the formal role of the commission to determine the priorities of government.

D. Warren

On November 10, 1972 the Mayor submitted to the council an allocation plan for Federal Revenue Sharing funds which were estimated to be received by the city of Warren over the next five years. The allocation plan was based on the concept that "we must build first, then operate."[36] Consequently 76.6 per cent of the estimated $10.5 million the city would receive through the Federal General Revenue Sharing program was to be set aside for capital improvement projects. The Mayor recommended that the remaining money be earmarked for operations. Specifically, the Mayor's request was for twenty additional policemen, twelve additional firemen, and two additional janitors.[37] Public safety had always been an important city expenditure in Warren. The Police and Fire Departments always charged that they were undermanned and operating under the national manpower averages. With the crime rate on the increase, the Mayor expected the city council to support his administrative proposal. Because the general fund budget was so very tight from year to year, the Mayor looked upon General Revenue Sharing funds as an easy way to add needed personnel in the Police and Fire Departments.

Somewhat unexpectedly the city council reacted negatively to the Mayor's plan to allocate a portion of the General Revenue Sharing funds to operations. The council members wanted to use all of the General Rev-

enue Sharing money for capital improvements such as senior citizen housing, a courthouse, etc. It seems that this disagreement was partly a result of the fact that the Mayor, although an elected official, had a general administrative perspective of city government. As the Assistant Controller described the tension that existed between the Mayor and the council regarding the allocation of General Revenue Sharing funds for operations:

> You really got into a philosophy question between the administration and the council. The council indicated that they clearly wanted to use the money strictly for capital improvements, where the Mayor, of course, felt the operating needs were important. He wanted to beef up the Police and Fire Departments... The Mayor, in many ways, was (for) capital (improvements), but in the same token the crime rate had been on the increase, so he felt the operating needs, being an administrative type problem, not a council type problem, deserved his attention.[38]

In his role as chief executive, the Mayor was sensitive to the problems of maintaining the quality of Warren's police and fire services. Also as one of Warren's most visible politicians, the Mayor realized that his political future depended upon whether the day-to-day operations of the city ran smoothly. In contrast, the city council feared that if General Revenue Sharing was not kept out of operations, the federal funds would soon get eaten up by pay raises and inflation. On the other hand, using Federal Revenue Sharing for capital projects would show the people and the federal government that they got something for their money.[39] According to the council, the proper use of General Revenue Sharing was not to prop up or expand existing operations but to give cities the financial capacity to buy something extra.

In order to buttress their position, the city council members countered the Mayor's plan to allocate General Revenue Sharing for operations with an administrative argument of their own. The council members pointed out that if the revenue sharing program were to be discontinued at

the end of five years, the city would not be in a good position to take up the salaries of these people. The council members were sensitive to their roles as appropriators of city revenue and did not want to be put in the politically disastrous position of having to support tax increases or lay off police and firemen.[40] The fear was that the city would be turned topsy turvy if it overextended itself by using temporary sources of federal revenue to finance general operations. This fear among Warren officials that they would be left holding the bag should federal support dwindle was not reserved just for the General Revenue Sharing program but included other federal programs as well. For example, recently federal money was used to hire civilian dispatchers to man the police switchboards instead of officers; Warren officials are dreading the day when the program will end.[41]

The Mayor acknowledged the council's argument that theoretically according to conservative principles of fiscal management General Revenue Sharing should not be used to start or expand programs which will eventually have to be terminated if the federal funds run dry. Practically speaking, however, the Mayor emphasized the need to use General Revenue Sharing to expand public safety services:

> If at the end of five years, revenue sharing isn't put back into effect, then I would be laying police and firemen off. But right now is the situation where crime is on the increase and the only way you're going to do anything about it is with more manpower. So we're good for five years with twenty more policemen. Fine, maybe that will do something against the crime statistics and we can go and prove to Washington that hey, this is where the money is needed, in crime.[42]

Actually the manpower situation in the Police Department is not as bleak as the Mayor's comments may first lead one to believe. Even without revenue sharing, the Police Department has been able to bolster its force to 295 people, having added eighteen officers in the last two

years.[43] The Mayor's argument is that this is not enough to make a real impact on crime because for every three of four policemen the city hires actually only one is put on the road. There are three shifts a day, vacations, sick leave, etc. that affect the useable work force.

The disagreement that existed between the council and the Mayor regarding the desirability of allocating General Revenue Sharing funds for operations was resolved by a compromise. The Mayor's original request to immediately begin using General Revenue Sharing funds to hire additional police and firemen was postponed until the third year of the revenue sharing program. In addition it seems the council will get to carry out all of the capital projects it originally intended even if part of the General Revenue Sharing funds are used for public safety. It appears that the city will actually receive more General Revenue Sharing money than the council initially budgeted for. The city of Warren expects to receive $12.7 million from the federal government rather than $10.5 million as originally estimated by the Mayor's office. Most of this "increase" in General Revenue Sharing money will be used to support the operating budget.[44] Thus, it appears that either the Mayor's office was very crafty in controlling the General Revenue Sharing data or otherwise lucky that the allocation figures were revised upward and easily accomodated the public safety expenditures.

While the beginning of the General Revenue Sharing program seems to have slightly raised the level of tension between the administration and council because of disagreement over whether or not to allocate part of the money to operations, the new federal program also appears to have made a similar impact across the various city departments. In the words of the City Controller: "There's more conflict now because there's more money. You know before they didn't have anything to argue about, whether

we were going to build a library or a recreation site. So you know, we didn't have those arguments before; it was pretty simple."[45]

From the vantage point of city departments, revenue sharing was important in the sense that it produced some additional revenues for the entire city that a particular department might be able to get a hold of for its own purposes. Yet, because of the general nature of the grant, revenue sharing really did not do much for a particular department anymore than any additional taxation would do. For this reason, department heads tended to prefer categorical over General Revenue Sharing type grants. As the Director of Public Services explained: "I think the categorical grant, in general, will probably be a pretty good thing from the public works official's point of view because it does tie the money down to one specific area in which we are interested and seeking to build improvements."[46] Phrased somewhat differently the Police Commissioner expressed the same sentiments: "I like the way it's set up now, for a specific projects, for a specific program use, apply for it and only use the money for that purpose. I don't see any problem with it."[47]

From the departmental official's point of view, categorical grants are seemingly more advantageous than General Revenue Sharing grants. Specifically designating a grant for a particular purpose eliminates conflict among departments for a piece of the pie. In fact, it sometimes encourages cooperation as the Director of Public Services observed: "If I know my sewer system needs it and here comes a federal program, anti-pollution or whatever it is, and this money is available, everybody's going to help me get the kind of seed money I need to get that big grant."[48]

Besides reducing conflict among departments for funds, categorical grants were percieved to be preferable to General Revenue Sharing grants

for another reason, they insulated the departments from local politics. As one official candidly stated: "Let's face it, the politicians cannot change the revenues to another designated use if they're earmarked."[49]

The arrival of General Revenue Sharing funds in Warren was thus greeted with rather mixed feelings by department officials. Everyone was glad the city was able to tap into an additional source of revenue, but department heads were put under more stress because they were now directly competing with other departments and bargaining with the city council over the use of federal funds. The old system of intergovernmental transfers was less stressful.

It should also be pointed out that the new approach to intergovernmental relations signaled by the Federal Revenue Sharing legislation was preferred by some departmental units within the city of Warren. Although the General Revenue Sharing program politicized the appropriation of federal funds by forcing the departments to compete for the general revenues, the net result was an increase in equity. Departments that had been less influential with the council and also unable to get funding under the system of categorical grants-in-aid (e.g. the Parks and Recreation Department) were now given a share of revenue sharing funds. This philosophy of using General Revenue Sharing to promote interdepartmental equity was expressed by the Director of Public Services whose department has long been one of the most powerful in the city:

> We have been able to articulate our needs to the extent that we have been successful in getting some of these needs filled out of regular funding, whereas other people haven't. They've waited so long that finally when this money (General Revenue Sharing) has become available, it has become their turn to get what they've been wanting. Our needs have been inportant and we have put so much pressure on different people to get some things, that I think we don't really have a complaint selfishly speaking.[50]

E. Westland

Within six months after the city of Westland had received its first two revenue sharing checks in December 1972 and January 1973, the Chief Executive had taken the initiative and made revenue sharing expenditure decisions which affected fiscal year 1973 and 1974. The Chief Executive's decisions were subsequently rubber-stamped by the city council even though some council members were irritated with the Mayor's actions because they felt the council's appropriation authority had been circumvented by the administration. The timing of the Chief Executive's actions and the weak financial profile of the city in general, however, left the council members with no alternative but to trust the city administration to handle all matters relating to General Revenue Sharing.

As the budget cycle for fiscal year 1975 began, many council members were beginning to question whether the trust they had placed in the administration to manage city finances had been well placed. Fiscal year 1974 had been a virtual financial disaster for Westland during which the city was forced to borrow a half million dollars and lay off twenty-four employees in order to balance the budget. It was during this financial upheaval that the Director of Finance resigned from the Mayor's staff. This resignation further weakened the credibility of the administration to manage city finances in the eyes of some council members. As the time came near for the administration to submit to council a proposed 1975 budget, some council members wondered whether the Chief Executive would actually be able to put together a budget without a Director of Finance.

As it turned out, the Mayor was able to put together a 1975 budget. The original budget proposal, however, contained a large deficit and was promptly rejected by council. It seems that the council sensed that the

Mayor was in a weak position without a Director of Finance. The council appeared ready to reverse the trend of past years where the Mayor's budget proposals were routinely approved. The council was prepared to fill the vacuum created by the resignation of the Director of Finance if the administration could not produce an acceptable budget. Much to some people's surprise, with the aid of the chief accountant, the Mayor was able to finally put together a balanced budget.

It was in this rather highly charged political atmosphere that the administration set forth its list of General Revenue Sharing expenditures for fiscal year 1975. The decision-making process by which the administration arrived at its 1975 General Revenue Sharing expenditure proposals was basically the same as that used in earlier fiscal years, but it takes on a deeper significance considering the more politicized budget-making environment of fiscal year 1975. It seems that the administration's General Revenue Sharing decision-making process was deliberately designed to avoid political hassles with the city council and community as well as avoid bookkeeping problems stemming from the federal government's reporting requirements. This aspect of General Revenue Sharing expenditure decision-making in Westland is broadly outlined by the chief accountant's description of the process:

> I'm sure a lot of cities do this, that they appropriate revenue sharing to one certain area and that would free additional funds to be doing other things... Well, believe me, as far as keeping track of it, you don't get into the political hassles. You don't get into all the bookkeeping problems. Like if he (the Mayor) says, "Okay, I want to budget one tractor here for recreation," Well, you know, you can do that, but really what you could do is say, "Okay, I'll give $5,000 to police salaries." Then in your general fund expenses you can just say in your normal budget you got a recreation tractor there. Then you can pay for it that way. But, you know, it saves the hassle.[51]

The political hassle that the chief accountant sought to avoid reflected his actual experience with General Revenue Sharing decision-

making in fiscal year 1975. With the resignation of the Director of Finance, the chief accountant suddenly found himself directly responsible for carrying out the General Revenue Sharing reporting requirements. Although in the past he had handled most of the General Revenue Sharing paper work anyway, his new de facto status as Director of Finance exposed him much more directly to political pressures. In his new role the chief accountant had to directly advise the Mayor how the city of Westland should allocate its expected $530,000 in revenue sharing funds for fiscal year 1975.

Given the rather politicized budget-making environment the administration found itself facing in fiscal year 1975, the chief accountant suggested that they give the council more information than it had received in the past. Consequently, rather than just listing General Revenue Sharing as a line item on the revenue side of the city budget and telling council that the funds had been used for budget balancing purposes, the administration departed from its past practice and presented the council with a detailed list of revenue sharing expenditures. In spite of the fact that the council had been given a specific list of revenue sharing expenditures, the administration tried hard to drive home the point that because General Revenue Sharing money was still basically being used as a budget-balancer, the expenditure figures on the list were entirely arbitrary. As the chief accountant explained the administration's presentation of its General Revenue Sharing expenditure proposals to the city council:

> So what we did is we said, "Okay, these are the major areas we plan on using it (public safety, recreation, transportation)." These were easy things to pick up and we said, "This is how we figure we we are going to detail it." Now we then also explained, "Well, you can use them anyway you want. If you want to change the numbers, it doesn't matter to us because all it does is net us $530,000 anyway

> you want to do it. Okay?" Well, then they (the council) thought that, they got all confused. They thought it was real important which way we appropriated these things.[52]

The fact that the city council actually took the list of proposed General Revenue Sharing expenditures seriously bewildered the chief accountant who had thought he had taken adequate precautions to insure the council's acquiescence. In a chagrined manner, the chief accountant expressed his amazement at the council's attitude: "All I did, the Chief Executive didn't even pick this out. What I did is looked for something that would be easy to pick up... I thought these would be all non-touchy issues because anytime you say, "police and fire," that's like saying, "Sunday School and tea."[53]

Given the more highly politicized budgetary process of fiscal year 1975, the more activist stance of the city council is understandable. Not only did the council feel it finally had an opportunity to actually influence General Revenue Sharing expenditure decisions because there was formally no Director of Finance, but it also faced for the first time political pressures from the community regarding Federal Revenue Sharing. The senior citizens were upset with the fact that over the past two years, while the Police and Fire Departments had received their shares of the Federal Revenue Sharing money, the senior citizens had been neglected.

From the vantage point of the chief accountant's office the political turmoil which surrounded the 1975 General Revenue Sharing expenditure decisions reflected the fact that neither the senior citizens nor the city council fully realized that since General Revenue Sharing funds had been used to balance the budget, the Planned and Actual Use Reports the city submitted to the Office of Revenue Sharing were only part of a bureaucratic ritual. For example, the chief accountant contended that

there was no necessary reason why the senior citizens should get worked up over the fact that the Actual Use Report did not list senior citizens as the direct recipients of General Revenue Sharing money. Indirectly senior citizens and other groups had benefited from the General Revenue Sharing money. As the chief accountant observed:

> There was one senior citizen that got up last year and he was really jacked out of shape because we spent money on police salaries and fire salaries... He says, "Well, what do the senior citizens get?" Well really because we just reimbursed this way, this left us more money to do things for senior citizens, for the kids in the street, and a lot of other people.[54]

Realizing that it would be futile to try to explain the mechanics of the budget game to the irate senior citizen, the chief accountant just let him talk. The city council members, on the other hand, were compelled to seriously consider the senior citizen's request for some of the "new and extra money." Looking down the detailed list of proposed General Revenue Sharing expenditures for fiscal year 1975 which the chief accountant had prepared for the council, the council members' attention was struck by the single item listed under recreation, dump truck and front end loader, $10,000. As the chief accountant described the council's members' reaction:

> They thought, "Well these are dumb expenditures for revenue sharing. We can't tell the public that." So they crossed that out (dump truck and front end loader). So they put in senior citizen programs, $5,000, and then they had something else for $5,000. It was part of their final budget draft. It was a change we had to make.[55]

By eliminating the dump truck and front end loader from the proposed list of General Revenue Sharing expenditures, the city council responded to the senior citizen's request for revenue sharing money, thus ending that particular political conflict. The cynical truth of the matter though was that the council's action did not really produce an impact on senior citizen programs in Westland. In the words of the chief

accountant: "It's like taking a dollar from one pocket and putting it over in the other. They just changed what they wanted to call the thing and it really didn't affect anything."[56] In other words money that had already been appropriated for senior citizens programs out of general fund revenues was simply recategorized as General Revenue Sharing funds.

It seems that the only fiscal impact of the council's action was negative in the sense that once council decided to cut the dump truck and front end loader out of the list of General Revenue Sharing expenditures, the chief accountant had to go back to the general fund and cut them out there so that the city did not end up purchasing the items. Had the council actually realized the totally arbitrary nature of the proposed list of General Revenue Sharing expenditures, they could have satisfied the senior citizens and purchased the dump truck and front end loader too. Since the council took its budget-making role so seriously and obviously did not understand the intricacies of the budget game, the easiest course for the chief accountant to pursue was to slice the dump truck and front end loader completely from the budget.

With the wisdom that comes from perfect hindsight, the chief accountant admitted that things would have probably worked out much better had he not given the council such a detailed list of General Revenue Sharing expenditures and instead had merely listed a lump sum of money under recreation. Then when asked by council to be more specific he could have simply declared that the money was to have been set aside for senior citizens all along. In the future the chief accountant vowed to handle things more skillfully:

> What I'm planning on doing next year is just saying, "Okay, it's public safety" and I'll pick something out at the time I want to reimburse the general fund for what public safety spent. Because what they would do is, you know, they would move these things around

> and then, you know, I have to sit here. I don't feel like I got a lot of time because we've got a small staff anyways. Every month after the bookkeeper balances out our books, I would have to see whether or not this money for senior citizens is being spent because this is what on the Planned Use Reports we said we were going to spend money for, senior citizens. So I have to check every month and try to find which expenditures have been made.[57]

F. Pontiac

The much acclaimed General Revenue Sharing program seems to have made very little impression on decision-makers within the city of Pontiac's service departments. For example, although it was general knowledge that the majority of General Revenue Sharing funds had been channeled into the Police Department, officials there appeared unconcerned by the flow of Federal Revenue Sharing dollars. As one Police Department official matter-of-factly explained:

> The Police Department doesn't really handle anything to do with the revenue sharing. That's rolled in together with some other federal funds. I guess that's handled by the city itself. Actually the city is a separate department, the Finance Department, that is not connected in any way with the City Manager or anything. Its Finance Director is a commission appointee, but like the City Manager it's a parallel position. It's not like the Finance Director is under the City Manager. So the whole financing for the city is a totally separate entity... Anyway the whole point is we, the Police Department, really don't have all that much contact with revenue sharing.[58]

Officials in the Police Department thus consider the budgeting of General Revenue Sharing funds to be out of their control and hence mainly the concern of the staff departments such as the Department of Finance and the City Manager's office. The prevailing notion among Police Department officials is that they will submit an annual budget request and from that point on it is the city's problem to come up with the money. Whether the budget request is filled with General Revenue Sharing dollars or other dollars does not seem to matter:

> They said, "You're getting this amount of money" and frankly where it comes from I don't think that anybody here in the Police Depart-

> ment really cares too much as long as it's there. Well I mean they'll care if it's not there. They cry and complain when the budget is cut. When we draw up a budget and bring it over there and they sit and red pencil through it, they care about that. But I think as far as the source of the money, I don't think it really enters that much into the picture as long as it's there.[59]

Such feelings that General Revenue Sharing dollars are not worth distinguishing from other local revenue sources are also found in other departments. For example, when asked to confirm a statement made by the Mayor that the purchase of senior citizen vans was made possible through revenue sharing funding, the Director of the Human Resources Department who is in charge of the program quickly replied: "I don't know where the money came from. The commission made an allocation of some $40,000 and I couldn't identify the source of it."[60]

According to the City Manager, the attitude of indifference toward the General Revenue Sharing funds displayed by officials in service departments such as the Police Department is a common phenomenon. When asked whether the service departments were ever concerned about their sources of funding the City Manager stated:

> With respect to revenue sharing they aren't, right. There are other areas that they get concerned about, the Chief of Police in particular. We've got a pretty big LEAA grant program going. We have to be concerned about some aspects of that. There's some constraints and limitations there that aren't pertinent to a program like revenue sharing.[61]

Indeed Police Department officials are very much concerned about their LEAA grants which comprise one million dollars of their five million dollar budget. Categorical grants are so essential to maintain the level of police service in Pontiac that Police Department officials shudder to think what would happen if these specific type grants were phased out and replaced with a General Revenue Sharing type grant to the city:

> I think we would fare worse. I don't think we would end up with as much money as we've got now. I really believe that because I think

> that if it were left up to the city to be able to be the sole judge of who gets what, they would be subject to pressures from the other departments. You know, "Well, we want a little bit more. We need a little bit more of this." I think the Police Department would lose. Now when you're comparing it with LEAA funds that's "our moneey." Granted you can only spend it on specific projects. We have to be very careful that we keep a strict accounting of the money because they do audit. But you know part of that money doesn't go to the Fire Department. Part of that money doesn't go the the Community Development Department or anything like that. I mean that is Police Department money. You know, I think that if we had somebody say, "You've got a choice, revenue sharing or LEAA." I think we would take LEAA simply for the money.[62]

A similar strong preference for categorical grants was echoed by the Director of the Human Resources Department:

> I would rather get the categorical (grant). That way the money and the purpose are specifically identified and I don't have to queue up on a priority basis with other departments. Because one of the priorities I guess in town is the redevelopment of the downtown and curbing crime. So that kind of leaves me out in the cold when you get down to people programs.[63]

The preferences which officials in the Police Department and the Human Resources Department have for categorical grants seem to be rooted in a desire to avoid a direct budget confrontation. In one sense, officials in these two departments hold a mirror image of the budget process with each side reacting to its own projected fear of possibly losing to the other in a scramble to obtain general funds from the city commission. When push turns to shove in the budget decision-making process, proponents of public safety programs fear that advocates of people programs will prevail and vice versa.

During a period of sustained financial difficulties, however, there is little doubt in the Human Resources Director's mind that his department tends to lose ground relative to "more essential" services such as public safety, public works, etc.[64] The Director is hopeful though that the new program budget system being set up by the Finance Department will allow his department to be more competitive. Just as categorical grants

are preferred over General Revenue Sharing grants because the money can be linked to a particular department, so is a program budget format favored over the traditional line item budget because it enables department officials to more clearly identify their share of regular general fund monies. As the Human Resources Director remarked:

> I think the program budget is an asset to me because I can specifically identify for the decision-makers the number of dollars and the number of people that it takes to deliver a given service. Whereas prior to this year, you know, it was very difficult to justify my utilization of poeple and funds because it was very difficult to explain to them how much manpower and dollars it took to deliver a given service. Now they can look at it and they can make the decision based upon the program whether or not they want to go with a given service or not.[65]

In summary, it appears that officials in the service departments such as the Police Department and Human Resources Department have an overriding preference for categorical grants. Because categorical revenue can be identified as their money, competition with other departments is avoided. In contrast, little interest was shown by service department officials in the General Revenue Sharing program since these funds were not distinguishable from other sources of general revenue.

General Revenue Sharing expenditure decisions seem to have primarily involved officials in the staff departments. According to the then Director of Finance, the biggest decision-making problem was agreeing how to set up the General Revenue Sharing program. Before the federal funds had arrived there was considerable debate as to whether the money should be earmarked for the operating or the capital budget. Pontiac's worsening financial profile which forced cutbacks in the city's work force eventually resolved the debate in favor of allocations for operating expenses.[66] As it turned out, there were a lot less decision-making headaches involved in putting General Revenue Sharing money into general fund activities because it was not necessary to go through the process

of prioritizing capital projects. In the words of the Director of Finance:

> It's very simple to go out and hire ten policemen. That's an easy thing to do. But if you've got to weigh, like I say, between a swimming pool and a new fire station and/or senior citizen drop-in center and building a new set of ball diamonds, you have different priorities there to consider.[67]

Thus it seems that even those in the staff departments took a relatively passive stance towards General Revenue Sharing decision-making. On the other hand, there may have been more activity than meets the eye. The practice of allocating General Revenue Sharing money to support general fund activities sometimes freed up local revenues which were then "reallocated" to other expenditure areas, but this was never directly acknowledged by the budget staff. (See Chapter IV, Section II, Pontiac.)

III. General Revenue Sharing and the Bureaucratic Agenda: Conclusions

In contrast to what might have been expected bureaucratic officials within the service departments, e.g. Police Department, Fire Department, Department of Public Works, etc., in five of the six Detroit area municipalities exhibited little interest in the General Revenue Sharing program. There were no special attempts by department officials to acquire a slice of the General Revenue Sharing pie to sustain or expand program operations in Southfield, Dearborn, Royal Oak, Westland, and Pontiac. General Revenue Sharing money was treated just as another source of general revenue that the city received. Since the new federal funds were not designated for any particular department, officials continued the usual budgetary procedures of essentially queuing up in front of the city council on a priority basis for general fund revenues.

Only in Warren where the General Revenue Sharing funds were to be set aside as part of a five-year capital improvement program did depart-

ment officials display any real concerns for the General Revenue Sharing program. In Warren's case though it was not the traditionally "strong" departments such as the Department of Public Services which received most of the new capital projects. The General Revenue Sharing funds were funneled to those departments such as Recreation which had great backlogs of capital projects, thereby promoting interdepartmental equity.

Although officials in the service departments were for the most part indifferent to the new General Revenue Sharing program, administrators in the staff departments, e.g. Controller's office, Department of Finance, Mayor's office, etc., were by virtue of their generalist positions relatively more involved with the new federal program. The General Revenue Sharing funds gave the administrative staffs more budget-making flexibility. The systemic perspective of the administrative staffs, however, seemed to make them very leary of using General Revenue Sharing funds to support operating and maintenance expenses. (See Chapter V.) The notion was that the continued smooth functioning of the municipal budget system could be best achieved by not depending upon a possible transitory source of revenue to support the operating budget. Thus there was a clear preference among staff department officials to use General Revenue Sharing funds for capital expenditures.

In the cities of Southfield and Dearborn relatively prosperous economic conditions enabled officials to allocate their General Revenue Sharing funds for capital projects. There were sufficient regular general fund revenues to maintain the normally expected levels of municipal services without having to rely upon General Revenue Sharing subsidies. Budgeting General Revenue Sharing funds was thus a relatively simple process in Southfield and Dearborn. The relatively small General Revenue Sharing allotment which Southfield received was allocated to several

small capital projects without controversy. Similarly there was a clear consensus among budget-makers in Dearborn that the city's relatively large General Revenue Sharing allotment should be designated for Dearborn's only pressing capital project, senior citizen housing.

Financial circumstances in Royal Oak and Pontiac, on the other hand, presented budget-makers with no other choice than to use the General Revenue Sharing funds to support current operations. In Royal Oak it was painfully clear that the City Manager had no other choice than to recommend that the General Revenue Sharing money be used for regular general fund activities. Likewise in Pontiac, the administrative staff somewhat reluctantly conceded that they would have to give into economic pressures and initially place General Revenue Sharing money in the operating budget. Because economic pressures had so definitively set the General Revenue Sharing agendas in Royal Oak and Pontiac, budgeting the federal funds turned out to be a rather simple and non-controversial process.

Unlike Southfield and Dearborn where it was apparent that city services could survive without General Revenue Sharing funding, and in contrast to Royal Oak and Pontiac where it was obvious that city services needed to be supported by General Revenue Sharing money, officials in Warren and Westland faced a rather uncertain decision-making environment. In Warren and Westland there were questions raised as to whether the General Revenue Sharing funds should be placed in the capital or operating budget. The arguments tended to shape up around the institutional cleavage between the executive branch and city council. The executive branch favored using General Revenue Sharing for operating and maintenance expenses, while the city council wanted to allocate General Revenue Sharing funds for capital projects.

In Warren the Mayor, acting in his role as chief executive officer, urged the council to set aside a portion of the city's General Revenue Sharing receipts for public safety. Cognizant of the growing crime rate, the Mayor felt that designating some of the new federal money to the Police Department was an absolute necessity. Although the Warren city council balked at the Mayor's proposal, it appeared that in the end the Mayor was successful in setting the General Revenue Sharing agenda. After the city council had compiled its capital improvement program, the administration found that they could revise the General Revenue Sharing allotment estimates upward and easily accomodate the Mayor's proposed public safety expenditures.

In Westland where the city was recoiling from the chief executive's earlier tacit decision to use General Revenue Sharing funds for a large capital project, the Mayor's staff lined up against the city council and stressed the need to use the General Revenue Sharing funds to maintain the existing level of city services. By deftly manipulating General Revenue Sharing budget data, the budget staff was able to minimize political interference in decision-making. The agenda was thereby set to use General Revenue Sharing funds to support normal general fund activities.

In conclusion it seems that bureaucrats who comprised the administrative decision-making staff in all six Detroit area cities were greatly concerned about maintaining the stability and integrity of city finances. How this concern for budget stability was manifested, however, depended upon the particular economic pressures faced. Where the pressures were easily recognized as severe (Royal Oak and Pontiac), both administrators and politicians reluctantly realized that the General Revenue Sharing money was needed to prop up city services. Where the city was clearly in no immediate financial danger (Southfield and Dearborn),

both administrators and politicians agreed that the General Revenue Sharing funds should be used for capital expenditures. The administrators felt that separating General Revenue Sharing money from the general fund budget would not make the city become dependent on a possible transitory source of revenue. Politicians, on the other hand, were glad to have something tangible to show their constituency. Where there was disagreement as to the actual financial circumstances that a city faced (Warren and Westland), there tended to be conflict between the executive and legislative branches. The chief executives' administrative staffs, being sensitive to their city's basic operating requirements, urged that the General Revenue Sharing funds be merged with local revenues. In contrast, politicians expressed their desires to separate the funds from local revenues and build capital projects in order to demonstrate to the electorate that the federal tax dollars were being used wisely. As in most clashes of this type, the technical expertise of the administrative staff allowed the executive branch to set the agenda.

Notes

[1]Robert D. Putnam, "Bureaucrats and Politicians: Contending Elites in the Policy Process," in Perspectives on Public Policy-Making, Tulane Studies in Political Science, Vol. XV, n.d., pp. 179-202.

[2]The power of public bureaucracies is discussed at length in Francis E. Rourke, Bureaucracy, Politics, and Public Policy (Boston: Little, Brown, and Company, 1969), pp. 11-88; Guy Benveniste, The Politics of Expertise (Berkeley: Glendessary Press, 1972).

[3]Wallace Sayre and Herbert Kaufman, "Administrators of the Line Agencies," in State and Urban Politics, ed. by Richard I. Hofferbert and Ira Sharkansky (Boston: Little, Brown, and Company, 1971), pp. 343-371.

[4]City Budget, Southfield, Michigan, 1972-1973, p. 18, (Mimeographed).

[5]City Budget, Southfield, Michigan, 1974-1975, p. 26, (Mimeographed).

[6]Steve Hurite, City Commissioner, Interview No. 30 held in Southfield, Michigan, August 14, 1974.

[7]Robert Caldwell, Deputy Administrator, Interview No. 6 held in Southfield, Michigan, July 18, 1974.

[8]Letter, from Peter Cristiano, City Administrator, to Donald Fracassi, Mayor of Southfield, March 15, 1973, p. 8.

[9]Letter, from Donald Fracassi, Mayor, to the Southfield City Council, April 2, 1973, p. 2.

[10]Hurite, Interview No. 30.

[11]Caldwell, Interview No. 6.

[12]Ibid.

[13]Ibid.

[14]Hurite, Interview No. 30.

[15]Caldwell, Interview No. 6.

[16]Letter from Cristiano to Fracassi, March 15, 1973, p. 9.

[17]City of Southfield, Michigan, General Revenue Sharing Planned Use Report, entitlement period: July 1, 1973-June 30, 1974.

[18]Letter, from Donald Fracassi, Mayor, to the Southfield City Council, April 8, 1974, p 3.

[19]Donald Foote, Fire Chief, Interview No. 14 held in Southfield, Michigan, July 25, 1974.

[20]Ibid.

[21]Ibid.

[22]Ibid.

[23]Ibid.

[24]Orville L. Hubbard, Mayor, City of Dearborn, Michigan, "Resolution to Return A Portion of the Federal Income Tax to Local Units of Government," (memorandum presented to the Legislative Conference of the National League of Cities, Washington, D.C., March 29-31, 1966).

[25]Orville L. Hubbard, Mayor, with Daniel S. McCormick, Deputy City Controller and Budget Director, Interview No. 31 held in Dearborn, Michigan, August 15, 1974.

[26]Ibid.

[27]Ibid.

[28]Ibid.

[29]"Hubbard Begins 33rd Year as Mayor on January 1," The Dearborn Guide, January 4, 1974, (newspaper reprint).

[30]Daniel S. McCormick, Budget Director and Deputy Controller, Interview No. 1 held in Dearborn, Michigan, July 16, 1974.

[31]Ibid.

[32]Letter, from Bruce W. Love, City Manager, to James P. Cline, Mayor, and City Commission, City of Royal Oak, Michigan, April 30, 1971, p. 5.

[33]George Tubbs, former Director of Finance, Interview No. 13 held in Royal Oak, Michigan, July 25, 1974.

[34]John Austin, City Commissioner, Interview No. 27 held in Southfield, Michigan, August 13, 1974.

[35]John DaGiau, Director of Finance, Interview No. 5 held in Royal Oak, Michigan, July 18, 1974.

[36]Letter, from Ted Bates, Mayor, to Warren City Council, November 10, 1972, p. 1.

[37]"Revenue Sharing Capital Improvement Program," (attachment to Letter, from Bates to Warren City Council, November 10, 1972).

[38]Frank Muser, Assistant Controller, Interview No. 4 held in Warren, Michigan, July 16, 1974.

[39]Arthur J. Miller, Council Vice-President, Interview No. 32 held in Warren, Michigan, August 15, 1974.

[40]Arthur Burke, Deputy Council Secretary, Interview No. 12 held in Warren, Michigan, July 25, 1974.

[41]Ibid.

[42]Ted Bates, Mayor, Interview No. 16 held in Warren, Michigan, July 30, 1974.

[43]Milford S. Gilliam, Police Commissioner, Interview No. 15 held in Warren, Michigan, July 30, 1974.

[44]Letter, from Frank Muser, Assistant Controller, to Ted Bates, Mayor, City of Warren, March 12, 1974, (attachment: Exhibit A of Capital Improvement Program).

[45]John E. Hanrahan, Controller, Interview No. 3 held in Warren, Michigan, July 16, 1974.

[46]Paul Van Den Branden, Director of Public Services, Interview No. 22 held in Warren, Michigan, August 6, 1974.

[47]Gilliam, Interview No. 15.

[48]Van Den Branden, Interview No. 22.

[49]Ibid.

[50]Ibid.

[51]A. Kent Herbert, former accountant and current Budget Director, Interview No. 7 held in Westland, Michigan, July 18, 1974.

[52]Ibid.

[53]Ibid.

[54]Ibid.

[55]Ibid.

[56]Ibid.

[57]Ibid.

[58]David Braunschneider, Administrative Assistant to Chief of Police, Interview No. 25 held in Pontiac, Michigan, August 8, 1974.

[59]Ibid.

[60]Bob Anderson, Director of Human Resources Department, Interview No. 35 held in Pontiac, Michigan, August 21, 1974.

[61]Frank Smiley, City Manager, Interview No. 26 held in Pontiac, Michigan, August 8, 1974.

[62]Braunschneider, Interview No. 25.

[63]Anderson, Interview No. 35.

[64]Ibid.

[65]Ibid.

[66]Robert Rummel, former Finance Director, Interview No. 18 held in Pontiac, Michigan, July 30, 1974.

[67]Ibid.

CONCLUSION: MUNICIPAL BUDGETING AND THE NEW FEDERALISM

CHAPTER IX

THE NEW FEDERALISM IN ACTION

The preceeding chapters described how decision-makers in six Detroit area municipalities dealt with the State and Local Fiscal Assistance Act of 1972 (General Revenue Sharing). The responses of municipal decision-makers can be explained by recalling how complex organizations interact with their external environments. One theme which runs through the entire literature on organizations from classic bureaucratic theory to contemporary behavioralism is that organizations seek stability. Organizational stability may be achieved in two ways. Either the organization can adapt to the environment or the organization can seek to manipulate the environment. The economic theory of the firm provides one with a useful analogy to explain how municipal budget systems handled the General Revenue Sharing program by adapting to and manipulating the environment.

The traditional competitive theory of the profit-maximizing firm depicts an organization which responds to market signals by adjusting its prices. This "neoclassical" model of the firm has been contrasted with a "managerial" model which emphasizes the control that the modern corporation exerts over the market via market research, advertizing, etc.[1] Between these two bipoloar models of the firm lies the "behavioral" model which focuses attention on the organizational interface between the internal decision-making environment and the external environment. Cyert and March, for example, view the internal equilibrium of the firm as

being maintained by strategies designed to avoid uncertainty.[2] On the one hand, decision-makers avoid uncertainty by relying upon decision rules which emphasize short-run reaction to short-run feedback from the environment. On the other hand, rather than treating the environment as exogenous, they seek ways to make it controllable by arranging a negotiated environment. Plans, standard operating procedures, and contracts are imposed on the environment in order to achieve manageable decision situations.

Decision-makers in municipal budget systems like those in private firms can be looked upon as engaged in strategies to avoid uncertainty by adapting to and manipulating their environments. On the one hand, the advent of the General Revenue Sharing program can be viewed as an exogenous force which local officials adapted to. On the other hand, rather than viewing General Revenue Sharing as an exogenous intergovernmental stimulus, the program may be viewed as an opportunity to control the environment. Municipal decision-makers undertook special efforts to convince their federal and local constituencies that the return of federal taxpayer dollars to local government had been a noticeable improvement in intergovernmental relations. The problems of adaptation and opportunities for manipulation which municipal officials faced as a result of the passage of the General Revenue Sharing legislation are examined below.

I. Problems of Adaptation

As the discussion in Chapter II indicated, municipal budgetary subsystems have been found to operate relatively independently of the external environment in the short run. Because budget-makers rely upon a hierarchical decision-making sequence and a set of standardized decision

rules to make expenditure decisions, the municipal budgetary system is nearly decomposable from the external environment.[3] In other words, in order to make sense of the diverse social, economic, and political environment within which municipal budget-makers operate, they have devised means to simplify it and reduce it to a manageable form. Rather than treat the external environment as exogenous, municipal budget-makers have traditionally sought to make it controllable by imposing standard operating procedures on the environment. In Cyert and March's terminology, municipal decision-makers have usually solved their budget-making problems by arranging a negotiated environment. The low level of public participation in General Revenue Sharing expenditure decision-making revealed in Chapter II can be partially attributed to the tendency of municipal budgeting subsystems to operate as a nearly independent subsystem.

Although for the most part municipal budget-makers do not treat the external environment as exogenous, the review of J.P. Crecine's study of municipal budgeting in Chapter III emphasized the fact that in a small number of cases the municipal budgetary subsystem does adapt to the external environment in the short run.[4] Crecine found that the external environment affects the expenditure decisions of local government primarily through the revenue constraints placed on intergovernmental transfers. Thus it appears legitimate to look upon the General Revenue Sharing program as an exogenous intergovernmental stimulus which the municipal budgetary subsystem must adapt to.

To explain how the municipal budgetary subsystem adapted to intergovernmental transfers, Crecine set forth an opportunity model of budgeting. Supposedly whenever local officials had an opportunity to obtain an intergovernmental transfer, they would apply whether they needed the grant or not. Categorical grants would cause a shift in the usual pat-

tern of local expenditures. In contrast, the receipt of unrestricted sources of revenue would merely expand the existing pattern of local expenditures. Such expenditure behavior implies that unrestricted revenues are initially merged into the budget pot and then budgeted along with other revenues. Categorical grants are presumably appended to the city budget after local revenues had been budgeted.

The case study findings of how six Detroit area municipal budgetary subsystems adapted to the receipt of General Revenue Sharing monies contradicted the opportunity model of budgeting. The examination of General Sharing expenditure decisions in Chapter IV indicated that General Revenue Sharing funds were not used to expand the existing pattern of local expenditures nor did they cause a budget shift. Instead the unrestricted federal funds tended to end up in the capital budget. Furthermore, the analysis of budgetary decision-making processes in Chapter III found that General Revenue Sharing funds were often the last revenues to be budgeted. In addition restricted revenue sources were found to be actually the first revenues to be budgeted.

In order to reconcile the differences between the predictions of the opportunity model and the findings of the case studies, it is useful to contrast the policy perspectives of the general administrative staff with the specialized service department officials. Officials in the service departments have a rather narrow view of the budget process. Service department heads such as the police chief or the director of public works were almost oblivious to the General Revenue Sharing program. They were concerned only about intergovernmental transfers that were specifically earmarked for their departments. Thus the opportunity model of budgeting correctly describes the behavior of service department officials. In contrast, the generalist administrative staff which was

responsible for handling the General Revenue Sharing money has a systemic perspective of municipal budgeting. Generalist administrators, such as the director of finance or the budget director, tried to keep the General Revenue Sharing money in reserve as a financial cushion to maintain a stable level of city services. Therefore the suboptimization model of budgeting set forth in Chapter III seems to more accurately reflect the decision-making processes that budgeted the General Revenue Sharing money rather than the opportunity model.

The reasons that municipal officials budgeted General Revenue Sharing money last was to maintain the stability of the municipal budgetary subsystem by building up a contingency fund which would serve as protection from shifts in the external environment. This desire to insulate the municipal budgetary system from environmental instabilities was also responsible for the tendency to allocate General Revenue Sharing funds for capital projects and other one-shot expenditure items. As the discussion in Chapter V indicated, decision-makers adapt to environmental shifts only if they appear to be permanent. Because General Revenue Sharing money was viewed as a transitory source of revenue due to its uncertain future in Congress, budget-makers were reluctant to allocate the money for operating expenses. Furthermore, local officials were wary of becoming too dependent on federal revenues and were hesitant to use General Revenue Sharing funds to stimulate the demand for local services that might put a severe burden on future city resources.

The general administrative staff, ever mindful of the need to maintain the internal equilibrium of the municipal budgetary system, thus regulated the flow of General Revenue Sharing funds into their cities. Acting as budgetary thermostats the general administrators would try to maintain an optimal level of community services. If economic pressures

threatened the level of services, General Revenue Sharing funds were channeled into the general fund to prevent deficit spending and reductions in work force. If the desired level of city services could be achieved without using General Revenue Sharing funds, the federal monies would be set aside for capital expenditures. The way a municipal budgetary subsystem adapted to the exogenous General Revenue Sharing stimulus seems to have depended upon its service level goals and its economic environment. Adapting to the General Revenue Sharing program in this manner served to reinforce the status quo.

II. Opportunities for Manipulation

Municipal budget systems are known for being relatively independent of the vast social, economic, and political environments in which they are imbedded. Municipal budget-makers do not usually treat the environment as exogenous but have devised ways to make it controllable. By imposing standard operating procedures on the environment, the budgetary decision-making situation is made manageable. As it was pointed out in Chapter VI, faced with the task of filling out General Revenue Sharing Planned and Actual Use Reports for the federal government, budget officials often resorted to their familiar tactic of arranging a negotiated environment to reduce the accountability problem to manageable form. In other words, instead of going to the trouble of maintaining a separate accounting system for the General Revenue Sharing dollars, the federal funds were often earmarked for a few large accounts and designated for items which would normally have been appropriated out of local revenues.

In addition to the bureaucratic manipulation of the federal environment described above, local political officials felt under pressure

to demo nstrate to federal officials that the return of federal taxpayers' dollars to local governments had been a worthwhile endeavor. The mood among local decision-makers was that now that officials in Washington no longer controlled the purse strings, local leaders had better clearly demonstrate the advantages of local control. As the case study data in Chapter VI indicated, the desires that local officials had to impress Congress and the Office of Revenue Sharing led to the generation of Planned and Actual Use Report data which was designed to produce a favorable reaction among federal officials. The fungibility of the General Revenue Sharing money made this type of political dramaturgy a relatively easy matter for local officials to act out.

The General Revenue Sharing program also presented local officials with opportunities to manipulate their local political environments. As the case study material in Chapter VIII indicated, local politicians would display their entrepreneurial talents by using General Revenue Sharing money to fund salient capital projects that would have constituency appeal. The General Revenue Sharing funds were sometimes used as a political resource which would allow officials to demonstrate their leadership abilities to the community. It should be pointed out that the capital expenditures which were a result of the General Revenue Sharing money were not always identified as such in the city budget because to do so would sometimes have revealed violations of federal regulations. The important thing to local officials was that the public felt some tangible benefit from the city leadership. Since no one was certain whether the public ever read the revenue sharing reports which were printed in the local newspapers, a close correspondence between real and reported General Revenue Sharing impacts was not deemed crucial.

In situations where economic pressures forced the General Revenue

Sharing funds to be used to balance the general fund budget, administrative officials were careful to submit a General Revenue Sharing budget to the city council which would have maximum symbolic appeal. As was indicated in Chapter VIII, even though the city administration was often forced to merge the General Revenue Sharing funds into the budget pot where they then became indistinguishable from other revenues, the city council members often felt obliged to try to do something extra with the federal money. If politicians did not sense the urgency to use the federal funds to maintain existing service levels and took their General Revenue Sharing budget-making duties too seriously, tension between the city council and the administration would develop. To avoid a confrontation the administrative staff would try to control their political environment by manipulating the General Revenue Sharing budget data. Instead of simply telling the council that the General Revenue Sharing money was lost amidst a sea of other revenues, the budget staff would select appealing items from the regular budget to be listed as General Revenue Sharing expenditures. In the event that the budget staff's agenda-setting strategy failed and city council members or the public began to complain about the General Revenue Sharing expenditure decisions, a budgetary charade would ensue.

The upshot of all the bureaucratic gyrations and political dramaturgies which municipal budget officials devised to make the General Revenue Sharing program controllable was to generate a lot of misinformation. Such a situation threatened the integrity of the federal system.[5] The processes of national and local self-determination were impaired by the proliferation of misinformation related to the General Revenue Sharing program which primarily served to enhance the individual purposes

of municipal budget-makers. The General Revenue Sharing program thus exacerbated the problem of maintaining political accountability at both the national and local levels.

III. General Revenue Sharing As Public Policy

Although General Revenue Sharing is an unconditional transfer of funds from the national to local governments, it is far from a neutral instrument of intergovernmental fiscal policy. As the investigations of revenue sharing decision-making in the six Detroit area cities illustrated, the General Revenue Sharing program tends to reinforce the status quo and aggravate the problem of maintaining political accountability at both the national and local levels. Therefore as public policy, the success of the General Revenue Sharing program is moot.

Liberals and conservatives will, of course, disagree over whether it is appropriate to judge the success of General Revenue Sharing in terms of whether the shared revenue was used to reinforce the status quo, fund new programs, or facilitate the reduction of property taxes. Conservatives argue that using General Revenue Sharing to create inter-jurisdictional fiscal parity should be the extent of national involvement.[6] In contrast, liberals stress the need for developing national priority spending categories.[7] Such arguments over whether the level of government which spends public revenues should be accountable to the level which raises them reflect ideological tensions which give our federal system its dynamism and hence will never be conclusively resolved.

No matter which end of the ideological spectrum one leans toward, however, one is likely to consider the findings of the second half of this study of General Revenue Sharing and municipal budgeting repugnant. General Revenue Sharing decision-makers were sometimes shown not to be

accountable to either a national or local constituency. Instead General Revenue Sharing funds were used to enhance individual purposes. The State and Local Fiscal Assistance Act of 1972 seems to have created a political crisis of responsibility throughout the intergovernmental system.

One can understand how this situation developed by examining the rationale behind the passage of the General Revenue Sharing legislation. The 1972 General Revenue Sharing Act seems to have been primarily a response to a new administrative realism which swept the country in the aftermath of disappointing experiences with the social programs of the 1960's. A consensus on both the right and left emerged that detailed administrative guidelines issued from Washington simply did not work.[8] Congressional attempts to make local governments responsible to federal taxpayers by defining accountability in terms of designated program inputs resulted in the proliferation of detailed bureaucratic guidelines and controls on objects of expenditures. The categorical grant-in-aid approach was criticized for spawning bureaucratic rigidity and thereby creating an administrative crisis of efficiency.

The 1972 General Revenue Sharing Act was geared to end the administrative crisis of efficiency. General Revenue Sharing liberated local decision-makers from the straight jacket of input controls. Spending categories were broadened. Local governments could use the shared funds for any capital expenditure, but spending for operation and maintenance was limited to eight program areas.[9]

By making the federal bureaucracy the scapegoat for the failure of the Great Society programs of the 1960's, Congress appeared to be exhibiting a sophisticated awareness about the capacities and limits of bureaucratic organization. The fact that this stance also dovetailed

nicely with the Nixon White House strategy to diminish the role of Congress and centralize power in the executive branch, however, might cause one to question the wisdom of Congress.[10] It has been contended that the federal bureaucracy should not be entirely blamed for the problems encountered with the categorical grant approach to intergovernmental relations. Congress must also share the blame for failure. Congressional mandates which enacted the various social programs into law were so broadly defined that effective bureaucratization was next to impossible. By delegating too much of its authority to administrative agencies, Congress created a political crisis of national responsibility.[11] From this perspective the passage of the 1972 General Revenue Sharing legislation automatically produced a more severe national crisis of legitimacy. The case study findings that local decision-makers used the misinformation contained in the Planned and Actual Use Reports to symbolically appease their federal constituency merely adds insult to injury.

Of course, those who see no logical reason why local governments which spend federal revenues should be held accountable to federal government which raises them are likely to be enthusiastic supporters of the General Revenue Sharing concept. Yet the case study findings which indicated that General Revenue Sharing decisions were frequently made without much citizen input and were sometimes used to manipulate the local political environment expose a political crisis of local responsibility which should bother even ardent backers of General Revenue Sharing. The 1976 amendments to the General Revenue Sharing Act of 1972 indicate that Congress gave some attention to this problem and had some second thoughtsabout the efficacy of local political processes. Whereas the 1972 Act relied entirely on existing local political processes, the

1976 amendments elaborated public participation procedures to make local governments accountable to their own constituencies.[12] Congress apparently sensed a need to subject local governments to more severe standards of accountability than those which govern its other expenditures.

As it presently stands the General Revenue Sharing program seems to contain the worst of two worlds. For liberals the absence of detailed guidelines and controls on objects of expenditures is seen as an abdication of national responsibility. For conservatives the new public participation requirements can be viewed as bothersome congressional meddling in local politics. This frustration is guaranteed to continue at least through September 30, 1980 when the present act expires. Meanwhile the policy debate over General Revenue Sharing is sure to continue.

Notes

[1]These contrasting models of the firm have been extended to describe the entire American economy by the arch heretic J.K. Galbraith. According to Galbraith, a planning system comprised of the largest U.S. corporations exists alongside a market system consisting of smaller firms. The planning system stro ngly dominates its environment while the market system accomodates itself to forces it does not control. See John K. Galbraith, Economics and the Public Purpose (New York: New American Library, Inc., 1973), pp. 38-50.

[2]Richard M. Cyert and James G. March, A Behavioral Theory of the Firm (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1963), pp. 118-120.

[3]For a discussion of nearly decomposable systems see Herbert A. Simon, The Sciences of the Artificial (Cambridge, Mass.: M.I.T. Press, 1969), pp. 99-108.

[4]John P. Crecine, "A Simulation of Municipal Budgeting: The Impact of Problem Environment," in Policy Analysis in Political Science, ed. by Ira Sharkansky (Chicago: Markham Publishing Company, 1970), pp. 270-303.

[5]For a discussion of the integrity of self-steering systems see Karl W. Deutsch, The Nerves of Government (New York: Free Press, 1969), pp. 131-133.

[6]For a conservative's assessment of Federal General Revenue Sharing see Elliot L. Richardson, "Dialogues on Decentralization: An Introduction," Publius, The Journal of Federalism, VI (Fall, 1976), 1-6.

[7]For a liberal's indictment of the Gederal General Revenue Sharing program see Michael D. Reagan, The New Federalism (New York: Oxford University Press, 1972), p. 163.

[8]Alice M. Rivlin, Systematic Thinking for Social Action (Washington, D.C.: Br ookings Institution, 1971), pp. 122-130.

[9]For a list of the General Revenue Sharing priority categories see U.S., Congress, Joint Committee on Internal Revenue Taxation, General Explanation of the State and Local Fiscal Assistance Act and the Federal-State Tax Collection Act of 1972 (Washington, D.C.: U.S. Government Printing Office, 1973), p. 20

[10]John Brademas, "Revenue Sharing: The National Policy Debate," Publius, The Journal of Federalism, VI (Fall, 1976), 155-159.

[11]Theodore J. Lowi, The End of Liberalism: Ideology, Policy, and the Crisis of Public Authority (New York: W.W. Norton & Company, Inc., 1969).

[12]Revenue Sharing Advisory Service, "Highlights of the 1976 Revenue Sharing Amendments," Revenue Sharing Bulletin, IV (October, 1976), 4-5.

APPENDIX

APPENDIX

STUDY DESIGN

I. Purpose

This study examines the impact which the State and Local Fiscal Assistance Act of 1972 (General Revenue Sharing) had on municipal budgeting in six Detroit area cities. Since the General Revenue Sharing grant as an intergovernmental transfer is an exogeneous variable with respect to the municipal budgetary system, special attention is given to the relationship between the municipal budget system and the environment. Part One (Chapters II, III, IV, and V) focuses on the impact of the environment on the municipal budgetary system. The aim is to determine whether innovations or changes in budget procedures, services, or programs of municipalities can be causally linked to the General Revenue Sharing program. Part Two (Chapters VI, VII, and VIII) focuses on the impact of the budget system on the political environment. The notion that General Revenue Sharing increases the control that local decision-makers have over their political environments is explored. The possibility that General Revenue Sharing funds may have been incorporated into the agenda setting activities of local officials is investigated.

II. Hypotheses Investigated

A. Part One: The Impact of the Environment on the System

The hypothesis is General Revenue Sharing did not produce any impact on the municipal budget system. It is derived from the process

analytic theory approach to municipal budgeting (see Chapter II) and serves as a baseline from which any General Revenue Sharing impact can be detected. In depth analyses of the budget systems of the six Detroit area municipalities were used to support alternative research hypotheses in the instances where a General Revenue Sharing impact was found.

B. Part Two: The Impact of the System on the Environment

The hypothesis is General Revenue Sharing budgets were used strategically as political resources by local decision-makers to control their political environments. The notion is that General Revenue Sharing enhances the control that local officials have over their political environments. It reflects a return to the concerns expressed by the classical bureaucratic theortists regarding the impact which organizations exert on their environments. It also corresponds to the interest in agenda setting expressed by political scientists in recent years.

III. Selection of Municipalities

The Detroit metropolitan area, consisting of eighty-eight cities and villages spread over three counties, provided a rich and diverse universe from which to select the municipalities to be studied. (See Table 1, p. 357.) Furthermore, this region was chosen because it was within easy driving distance from the University of Michigan where the principle investigator lived, worked, and studied. An a priori decision was made that six cities could be investigated during the summer allotted for the completion of the research phase of the project. Three criteria, based upon the Senate formula which was used to allocate General Revenue Sharing funds among the cities, were used to select the research sample: population, per capita income, and per capita adjusted tax.[1]

A. Population

Population was used as a variable to screen out some of the cities and thereby narrow down the size of the universe. By restricting the focus of research to cities over 50,000 in population the universe was reduced to thirteen communities. By looking at cities over 50,000 in size, one is, in a limited sense, minimizing the amount of internal variation which exists between the budgetary processes of the municipalities. City governments serving populations over 50,000 deal with a wide range of programs that cannot be reduced to a common dimension and therefore require complex decision-making rules to allocate resources. Previous studies of the municipal budgetary process have indicated that the ways that local decision-makers respond to a complex environment tend to be similar regardless of other differences which may exist between cities. By choosing cities which were believed to have roughly similar budgetary processes, the task of determining the impact of General Revenue Sharing and making contrasts between cities was made easier.

Although having a population over one and a half million, Detroit was not one of the cities included in the sample. It was felt that the problems which Detroit faces are somewhat unique in relation to the other communities in the metropolitan area. The intent of the research was to determine and then compare the impact of General Revenue Sharing on municipal budgeting in six cities of roughly similar size and complexity. As a result, attention was specifically focused on suburban communities within the metropolitan area. The fact that the majority of Americans now live in suburbia illustrates the point that a narrow focus on suburban communities is by no means trivial. In addition the fact that the Mayor of Detroit issued a gag order forbiding city officials to discuss

city business with outsiders just before the field research began reinforced the decision made earlier to exclude Detroit from the analysis. The thirteen suburban communities that remained after screening for population are displayed in Table 2, p. 359.

B. Per Capita Income

Per capita income among the thirteen suburban communities over 50,000 in population ranged from $5,949 in Southfield to $2,843 in Pontiac. In terms of the overall metropolitan universe of eighty-eight cities and villages, Southfield and Pontiac ranked sixteenth and eighty-fourth respectively. Since per capita income has frequently been singled out in the public finance literature as being related to differences in expenditure patterns among cities, the thirteen suburbs were stratified according to per capita income to aid in selecting cities with different expenditure patterns. There turned out to be one suburb in the $5,000 stratum, two in the $4,000 stratum, nine in the $3,000 stratum, and one in the $2,000 stratum. The four cities in the $5,000, $4,000, and $2,000 strata were chosen as part of the final research sample. The task that remained was to choose the last two suburbs from the $3,000 stratum.

C. Per Capita Adjusted Tax

Per capita adjusted tax was the criterion used to select the final two cities from the $3,000 stratum. Within this stratum, per capita adjusted tax ranged from a high of $75.84 in Warren to a low of $33.83 in Dearborn Heights and $34.20 in Westland. The aim was to choose two cities differing widely along this dimension. Warren was selected because it clearly stood alone at the upper limit of the range in per capita adjusted tax. At the lower end of the range, Westland was chosen

over Dearborn Heights. Even though Dearborn Heights had a slightly lower per capita adjusted tax, it was felt that the addition of Westland would produce more variation in the final sample because of Westland's relatively lower ranking in terms of per capita income. (Dearborn Heights had $3923 per capita and Westland had $3396.)

It should also be pointed out that the two cities chosen in the $4,000 stratum differ markedly in terms of per capita adjusted tax. Dearborn had the highest tax in the sample of thirteen with $176.88 per capita. Royal Oak's per capita adjusted tax was roughly one-third the size of Dearborn's at $60.87.

D. The Sample

After screeining by population, stratifying by per capita income, and then maximizing variation in per capita adjusted tax, six municipalities were chosen for research: Dearborn, Pontiac, Royal Oak, Southfield, Warren, and Westland. (See Table 3, p. 360.) As it turns out the six cities appear to be representative of the Detroit metropolitan area in other ways not originally envisioned as part of the selection criteria. For example, the tri-county area, Wayne, Macomb, and Oakland, is represented in the sample, three cities in Oakland, two in Wayne, and one in Macomb. In addition the six cities are equally split between mayor-council and council-manager forms of government. Pontiac, Southfield, and Warren have mayor-council systems and Dearborn, Royal Oak, and Westland have council-manager systems.

IV. Selection of Subjects

Once the cities had been selected, the task remained of choosing the subjects to be interviewed regarding their perceptions and assessment of the General Revenue Sharing program. Subjects were selected

from the administrative, executive, and legisltive branches of government. First of all, the administrator in charge of handling the General Revenue Sharing reports was contacted. Usually this person had the title of controller, budget director, or director of finance and was the individual who had the most intimate knowledge of the accounting procedures involved in implementing the General Revenue Sharing program. Secondly, after becoming initially acquainted with the General Revenue program as it was operating in a particular city, the head(s) of the administrative department(s) supposedly benefiting from General Revenue Sharing funds was contacted. It was felt that the particular bureaucratic orientation of a Police Chief, Fire Chief, Recreation Director, etc. would supposedly give these individuals a unique view of General Revenue Sharing that the more generalist administrators might not have. Thirdly, a member of the city's legislative body, a commissioner or councilperson, was contacted in order to become acquainted with the political processes surrounding General Revenue Sharing. This would be the mayor or the city manager or someone in their respective offices, depending on the city's governmental structure.

The above criteria served as a guide for the selection of subjects that were to be contacted in each city regarding the General Revenue Sharing program. During the course of the research, formal interviews were conducted with the following individuals in each of the selected Detroit area cities. The interviews and subsequent conversations with these individuals proved to be invaluable in determining the impact of General Revenue Sharing in each community.

I. Dearborn
   A. Simon Banda, Housing Director
   B. Orville L. Hubbard, Mayor
   C. Daniel S. McCormick, Deputy Controller
   D. Marcel Pultorak, Accountant

II. Pontiac
- A. Bob Anderson, Director of Human Resources Department
- B. Leonard Bartos, Director of Finance
- C. David Braunschneider, Administrative Assistant of Chief of Police
- D. Don Brooks, Assistant Controller
- E. Wallace E. Holland, Mayor
- F. Norman Lee, Commissioner
- G. Jim Miriami, Internal Auditor
- H. Robert W. Rummel, Former Director of Finance
- I. Frank Smiley, City Manager
- J. Kervin J. Young, Controller

III. Royal Oak
- A. John H. Austin, Commissioner
- B. James P. Cline, Mayor
- C. John L. DaGiau, Director of Finance
- D. Mike Lesko, Director of Personnel
- E. George W. Tubbs, Former Director of Finance

IV. Southfield
- A. Robert Caldwell, Deputy Administrator
- B. Don Foote, Fire Chief
- C. Don Fracassi, Mayor
- D. Steve S. Hurite, President of City Council

V. Warren
- A. Ted Bates, Mayor
- B. Arthur Burke, Secretary to the Secretary of City Council
- C. Milford S. Gilliam, Police Commissioner
- D. John Hanrahan, Controller
- E. Arthur J. Miller, Council Vice-President
- F. Frank Muser, Assistant Controller
- G. Paul Van Den Branden, Director of Public Services
- H. Martin C. Wicker, Budget Director
- I. Adam Wojciechowski, Parks and Recreation Director

VI. Westland
- A. Leonard Bartos, Former Director of Finance
- B. Pat Bradley, Former Vice-President of Dept. of Public Services Union #1602
- C. Kent Herbert, Budget Director
- D. Robert Matzo, Director of Finance
- E. Eugene McKinney, Mayor
- F. William Rechlin, Police Chief
- G. Glen Shaw, Councilman
- H. Robert Stark, President of Dept. of Public Services Union #1602

V. Methods of Gathering Evidence

Two methods of gathering evidence were used in this study. First of all, personal interviews were conducted with decision-makers and

participants involved in the General Revenue Sharing allocation process. The interviewing schedule was designed to ascertain the impact that General Revenue Sharing had on budgetary procedures, municipal expenditure patterns, intergovernmental relations, and local politics. The interviews contained some survey instruments developed by the University of Michigan's Survey Research Center and the Brookings Institute. These were combined with questions designed specifically for the purpose of the present study of six Detroit suburbs. The interviews were tape recorded whenever possible.

The second method of gathering evidence was to analyze the available records. Public documents such as budgets, Planned and Actual General Revenue Sharing Reports, as well as internal memorandums and reports relating to General Revenue Sharing, were scrutinized when available. This data served to check the attitudinal responses obtained from the personal interviews regarding the impact of General Revenue Sharing funds.

VI. Analysis of Data

This study of General Revenue Sharing's impact on municipal budgeting in six Detroit suburbs does not scientifically test hypotheses. The small sample size does not permit generalization beyond the six cities analyzed. As a result, there is little merit in quantitatively aggregating and analyzing the interview data. The hypotheses previously introduced primarily serve to focus the general lines of inquiry. On the other hand, this research benefits from the richness of a case-study approach. Moreover, a deliberate attempt is made to go beyond the simple description of events that is often characteristic of case studies. This is accomplished by the use of analytic frameworks to interpret the data.

Each substantive chapter focuses on a separate dimension of the relationship between General Revenue Sharing and municipal budgeting. The case studies in each chapter are usually preceded by the development of an analytic framework based upon past empirical theory and research. The presentation of the case studies is followed by a short discussion of whether the analytic framework can be supported by the data. The intent is to determine whether an understanding of General Revenue Sharing and municipal budgeting can be enhanced by applying different analytic frameworks to the case studies. Hopefully in this fashion the case study findings might be fruitfully linked to larger and more general bodies of theory and research.

Notes

[1]Data used to select the research sample was taken from an Office of Revenue Sharing data tape for the third entitlement period.

TABLE 1

CITIES AND VILLAGES IN DETROIT METROPOLITAN AREA

City/Village	County	Population	Per Capita Income (Dollars)
1. Bloomfield Hills	Oakland	3,672	20,496
2. Gross Pointe Shores Vil.	Wayne/Macomb	3,042	12,769
3. Bingham Farms Vil.	Oakland	566	9,394
4. Gross Pointe Farms	Wayne	11,701	9,011
5. Franklin Vil.	Oakland	3,311	9,005
6. Gross Pointe	Wayne	6,637	7,521
7. Beverly Hills Vil.	Oakland	13,598	7,294
8. City of Lathrup Vil.	Oakland	4,676	7,196
9. Orchard Lake Vil.	Oakland	1,487	6,847
10. Huntington Woods	Oakland	8,536	6,834
11. Gross Pointe Park	Wayne	15,641	6,686
12. Lake Angelus Vil.	Oakland	573	6,566
13. Quakertown Vil.	Oakland	837	6,321
14. Birmingham	Oakland	26,170	6,149
15. Gross Pointe Woods	Wayne	21,878	6,092
16. Southfield	Oakland	69,287	5,949
17. Wood Creek Farm Vil.	Oakland	1,090	5,933
18. Pleasant Ridge	Oakland	3,989	5,419
19. Farmington	Oakland	10,329	5,043
20. Sylvan Lake	Oakland	2,219	4,927
21. Troy	Oakland	39,419	4,757
22. Oak Park	Oakland	36,762	4,697
23. Clarkston Vil.	Oakland	1,034	4,521
24. Dearborn	Wayne	104,199	4,388
25. Harperwoods	Wayne	20,186	4,369
26. Northville	Wayne/Oakland	5,400	4,282
27. Royal Oak	Oakland	86,238	4,474
28. Rochester	Oakland	7,054	4,246
29. Allen Park	Wayne	40,747	4,188
30. Plymouth	Wayne	11,758	4,154
31. Belleville	Wayne	2,406	4,125
32. Trenton	Wayne	24,127	3,978
33. Livonia	Wayne	11,109	3,966
34. Dearborn Heights	Wayne	80,069	3,923
35. Berkley	Oakland	21,879	3,848
36. Novi	Oakland	9,668	3,792
37. Ferndale	Oakland	30,850	3,778
38. St. Claire Shores	Macomb	88,093	3,769
39. Utica	Macomb	3,504	3,750
40. Sterling Heights	Macomb	61,365	3,716
41. New Baltimore	Macomb	4,132	3,701
42. Flat Rock	Wayne	5,643	3,676
43. Woodhaven	Wayne	3,566	3,662
44. Warren	Macomb	179,260	3,657
45. Center Line	Macomb	10,379	3,655

TABLE 1--Continued

City/Village	County	Population	Per Capita Income (Dollars)
46. Riverview	Wayne	11,342	3,653
47. East Detroit	Macomb	45,920	3,652
48. Lincoln Park	Wayne	52,984	3,645
49. Southgate	Wayne	33,909	3,626
50. Melvindale	Wayne	13,862	3,583
51. Keego Harbor	Oakland	3,092	3,571
52. Mount Clemens	Macomb	20,476	3,548
53. Gibraltar	Wayne	3,842	3,548
54. Madison Heights	Oakland	38,599	3,536
55. New Baltimore	Macomb	4,132	3,526
56. Lake Orion Vil.	Oakland	2,921	3,506
57. Fraser	Macomb	11,868	3,495
58. Wolverine Lake Vil.	Oakland	4,301	3,489
59. Wayne	Wayne	21,054	3,477
60. Clawson	Oakland	17,617	3,467
61. Milford Vil.	Oakland	4,699	3,446
62. Rockwood	Wayne	3,225	3,432
63. Wyandotte	Wayne	41,061	3,430
64. Westland	Wayne	86,749	3,396
65. Walled Lake	Oakland	3,759	3,380
66. South Lyon	Oakland	2,675	3,279
67. Hazel Park	Oakland	23,784	3,278
68. Roseville	Macomb	60,529	3,267
69. Hamtramck	Wayne	26,783	3,232
70. Romeo Vil.	Macomb	4,012	3,224
71. Garden City	Wayne	41,864	3,221
72. Taylor	Wayne	70,020	3,214
73. Detroit	Wayne	1,514,063	3,200
74. Armada Vil.	Macomb	10,379	3,179
75. Wixom	Oakland	2,010	3,160
76. Romulus	Wayne	22,879	3,126
77. Inkster	Wayne	38,595	3,054
78. Holly Vil.	Oakland	4,355	3,022
79. Highland Park	Wayne	35,444	3,011
80. Leonard Vil.	Oakland	378	2,998
81. Oxford Vil.	Oakland	2,536	2,977
82. River Rouge	Wayne	15,947	2,912
83. Ortonville	Oakland	983	2,848
84. Pontiac	Oakland	85,279	2,843
85. Ecorse	Wayne	17,515	2,830
86. New Haven Vil.	Macomb	1,855	2,821
87. Richmond Vil.	Macomb	3,234	2,784
88. Memphis	Macomb	1,121	2,589

TABLE 2

METROPOLITAN DETROIT SUBURBS OVER 50,000

City	County	Population	Per Capita Income	Per Capita Intergovernmental Transfers	Per Capita Adjusted Tax	Revenue Sharing Allotment (Third Entitlement Period)
Southfield	Oakland	69,287	$5949	$35.85	$ 89.11	$ 155,100
Dearborn	Wayne	104,199	4388	33.38	176.89	925,590
Royal Oak	Oakland	86,238	4274	27.63	60.87	255,470
Livonia	Wayne	110,109	3966	39.78	70.52	477,330
Dearborn Heights	Wayne	80,069	3923	29.02	33.83	170,160
St. Claire Shores	Macomb	88,093	3769	28.77	50.47	378,110
Sterling Heights	Macomb	61,365	3716	29.60	62.60	335,950
Warren	Macomb	179,260	3657	41.90	75.84	1,228,100
Lincoln Park	Wayne	52,284	3645	44.09	54.98	211,990
Westland	Wayne	86,749	3396	28.46	34.20	248,740
Roseville	Macomb	60,529	3267	29.94	66.31	454,280
Taylor	Wayne	70,020	3214	25.67	48.20	315,900
Pontiac	Oakland	85,279	2843	36.21	125.91	1,170,300

TABLE 3

CITIES SELECTED FOR INVESTIGATION

City	County	Population	Per Capita Income	Per Capita Intergovernmental Transfers	Per Capita Adjusted Tax	Revenue Sharing Allotment (Third Entitlement Period)
Southfield	Oakland	69,287	$5949	$35.85	$ 89.11	$ 155,100
Dearborn	Wayne	104,199	4388	33.38	176.89	925,590
Royal Oak	Oakland	86,238	4274	27.63	60.87	255,470
Warren	Macomb	179,260	3657	41.90	75.84	1,228,100
Westland	Wayne	86,749	3396	28.46	34.20	248,740
Pontiac	Oakland	85,279	2843	36.21	125.91	1,170,300

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