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ALTERNATIVE MODELS OF EPA - STATE RELATIONSHIPS:
A LITERATURE SURVEY

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Delegation II Study
Program Evaluation Division
Office of Management Systems
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Literature Survey on Models of Federal-State Relations
Module III of the Delegation II Study*

Introduction

The goal of the Delegation II study is to provide a factual basis for considering optional roles, responsibilities and relationships between EPA and the States once States have assumed responsibility for direct administration of major environmental programs. The study consists of six components, each of which provides information on several factors which have a potential impact on EPA activities after delegation. In addition to this report, the components are: a profile of current EPA activities; an analysis of environmental trends; a presentation of views expressed by persons outside the Agency regarding EPA's performance in carrying out its activities; and a look at how EPA currently conducts oversight as compared to the procedures used by other decentralized organizations.

This report presents the results of an extensive review of the literature on Federal-State relations. The review sought to identify models which prescribed in some detail the activities EPA and the States should perform once delegation has taken place. We did not focus on evaluations of current performance or specific suggestions for improving current work. Rather, we searched for future-oriented analysis which proposed realistic alternatives for defining EPA and State responsibilities. The activities

* Prepared by Kerry Callahan in the Program Evaluation Division.

We sought to find assigned in the models are the same activities developed for the profile of current EPA activities: direct program administration, technical support, State program approval and oversight, research, standard setting and national information collection.

With this goal in mind, we found surprisingly few useful models that addressed which level of government should take the lead role for specific program activities. Instead, the literature discusses the sharing of responsibilities in a much broader sense. There is much debate in the literature regarding the appropriate division of functions between Federal and State governments, but by "functions" the authors mean broad topical areas like education and transportation, not specific activities like standard setting and oversight. Moreover, the Federalism debate has been dominated by discussions of fiscal issues.

One study of a wide range of theories and models recognized the paucity of specific activity models:

There is, in fact, no administrative theory of federalism, in the sense of a coherent model of how a federal system should operate from an administrative perspective (Advisory Commission on Intergovernmental Relations, June 1981).

Whatever the reason, we found only four models that addressed which level of government should take the lead role across a spectrum of program activities. The four activity models cited in this report are derived from proposals by the Congressional Budget Office (CBO), the Advisory Commission on Intergovernmental Relations (ACIR), the Heritage Foundation, and the National Governors' Association (NGA).

An additional three models solely address funding issues. These models are based on the type and level of Federal funding decisions associated with the administrations of Presidents Johnson, Nixon and Reagan. They differ in the amount of State discretion allowed in spending Federal funds.

Methodology

In conducting this review, we consulted four types of sources:

- o academic literature on Federalism, including some legal journals;
- o reports done by evaluators of current Federal-State relations, such as ACIR, the General Accounting Office (GAO), the Congressional Research Service (CRS), in a study done for the Senate Committee on Environment and Public Works (Senate) and the Congressional Budget Office (CBO);
- o works by groups which advocate certain positions on the division of EPA and State responsibilities, such as the Heritage Foundation and the National Governors' Association; and
- o telephone interviews with individual experts in the area of Federal-State relations.

Most of the works examined focused on the broader issue of dividing responsibilities between the Federal and State governments, and were not specifically directed at EPA and the States. The GAO report on the State concerns regarding environmental programs and the CRS study for the Senate Committee addressed EPA's relations with the States, but did not offer proposals for separating responsibilities. Only two of the sources reviewed - a report by NGA and a book by The Heritage Foundation - recommended which activities should

be handled by EPA and which by the States following the delegation of environmental programs. The experts contacted by phone were asked for assistance in finding additional prescriptive models for EPA, but they could not cite such specific literature, and no more models were found.

This report is divided into four sections. Section I describes the basic issues in Federal-State relations in environmental protection, and discusses the national and State concerns underlying the current relationship. Section II provides a brief historical perspective on the theories of Federal-State relations. Section III offers models for EPA-State relations described by activity and by funding. Finally, Section IV introduces five criteria which can be used in assessing the appropriate activities of Federal and State governments, and analyzes each of the models by these criteria.

Section I: The Issue: Federal-State Relations in Environmental Protection

The role of the Federal government in administering environmental programs has greatly expanded since the late 1960s and 1970s. Before 1968 environmental protection was considered a State responsibility, and the Federal government, for the most part, restricted its involvement to research and technical assistance to the States.

At the end of the 1960s, pollution control became a major issue on the national agenda. The Senate report noted two factors which contributed to the Federal government becoming

involved in environmental protection: 1) the need to account for the regional and interstate nature of environmental pollution, and 2) the concern that differing State pollution control efforts threatened economic equity and efficiency. States lacked the authority to regulate pollution sources outside their jurisdictions. In some cases, they also were either unable or unwilling to enforce strict pollution controls on industry within their borders due to economic competition with each other (Senate, 1982).

In 1969, the National Environmental Policy Act set forth the "right to a healthful environment", thus legitimizing Federal involvement in environmental protection. The national concerns which led to this and other legislation, such as the Clean Air Act, being passed, and the State concerns which have resulted from this Federal involvement, are discussed below.

National Concerns

The national government is primarily concerned with:

- o ensuring that the goals of national legislation are carried out by the States;
- o dealing with interstate issues that affect pollution control; and
- o applying consistent national standards to the States.

The interstate nature of environmental problems requires national attention because pollution does not respect State borders and States do not have the authority to abate pollution problems when they come from a source in another State. The Federal government seeks the consistent application of national, uniform standards so that environmental protection is not

compromised by inequities or economic rivalries among the States (Senate, 1982).

State Concerns

Along with these main national concerns, there are a variety of State concerns. It is clear States desire to be equal partners with EPA in protecting the environment. However, according to a GAO report, the States believe they have become "forgotten partners" as a result of having too little input into EPA's decision-making process. Yet these same State officials "must defend the programs and justify the resources and enabling legislation to carry out the programs" (GAO, 1980).

State officials indicated the following concerns in that 1980 report:

- o the need for flexibility in regulations;
- o more confidence by EPA in the ability of the States to carry out programs; and
- o less detailed oversight.

In terms of State concerns regarding flexibility, another study noted that:

States are healthy, responsive and, best of all, innovative. For these reasons, States must be free to adapt national standards to unique local needs and programs. Many of the best national programs started as innovations of individual states (Lyons, 1982).

According to GAO's survey, State officials apparently agree with this assessment. They cite inflexible regulations as the greatest problem in administering environmental programs. They believe that EPA regulations do not allow them to tailor

national standards according to State needs, problems or resources (GAO, 1980).

The desire for more confidence and less oversight from EPA appear intertwined. In the GAO report, some State officials expressed the belief that EPA retains almost total control of environmental programs through regulation, guidelines, grants and paperwork requirements because the Agency distrusts State personnel (GAO, 1980). States seek more confidence by EPA in their abilities, and prefer oversight in the form of an audit which assures consistency with national objectives. States would also rather receive technical assistance instead of the Federal control expressed through daily supervision (Senate, 1982).

Section II: Historical Perspective on Theories of Federalism

As the role of the Federal government in environmental protection has changed over time, so, too, have theories of Federalism. Dual Federalism was the dominant approach to Federal-State relations until the 1930s. It assumed that responsibilities of each level of government for broad functional areas, such as education and national defense, could be easily assigned. The image such division evoked was that of a "layer cake", since Federal and State responsibilities were not thought to overlap in any one functional area. Environmental protection was viewed as a proper State responsibility because it fell within the State police powers to protect the health, welfare and safety of the people. Federal

involvement in this area was limited to technical assistance to the States and research (ACIR, July, 1981).

Cooperative Federalism came into prominence during the 1930s, at the time of the New Deal when the powers of the Federal government greatly expanded. The approach stressed a Federal-State partnership in program implementation. According to this "marble cake" theory, which was dominant until very recently, the responsibilities of Federal and State governments for functions such as transportation were intermingled and, like the swirls in a marble cake, could not be clearly divided (Grodzins, 1966).

In recent years, ACIR has noted a tendency toward a form of federalism which they term "dysfunctional". According to this view, every public issue becomes an matter of inter-governmental concern. The Federal government advances issues historically considered to be State responsibilities, while the States are used primarily to implement policies formulated at the national level. ACIR concludes that intergovernmental relations have become more intrusive, unaccountable and ineffective because of the range of issues which fall under its scope (ACIR, June, 1981).

The New Federalism initiative proposed in 1981 appears to assign functions at either the Federal or State level, thus reducing the number of responsibilities which are shared by Federal and State governments. However, this approach has been viewed not so much as a division, but as an opportunity

for States to decide for themselves whether to assume those functions no longer carried out by the Federal government (Huffman, 1982).

Section III: Models for EPA-State Relations

The blurring of Federal and State responsibilities, indicated both by the national and State concerns which have developed and by the shifting theories of Federalism, demonstrate the need for models which delineate activities to be performed by EPA and the States. As mentioned previously, our literature survey found that these models fall into two types: models by activity and models by funding. The activity models utilize the categories developed for the profile of current EPA activities.* In this report, direct program administration includes enforcement, as well as permitting and the monitoring or clean-up of specific environmental problems.

Models by Activity

There are four models which describe the activities to be performed at the national or State level. None of the models recommends a strong Federal role in direct program administration because they focus on the division of responsibilities after delegation.

Models 1 and 2 are general, referring to a broad division of responsibilities between the Federal government and the States. Models 3 and 4 are specifically directed at EPA's relations with the States.

*A full description of each of the activities is contained in the separate report on EPA activities.

Model 1 is drawn from a paper published by the Congressional Budget Office. It gives the States the lead in devising and enforcing regulations, while the Federal government's primary responsibility is national information collection and dissemination (CBO, 1983).

Model 2 is derived from ACIR recommendations regarding partial pre-emption statutes, many of which are environmental statutes. Under partial preemption statutes, the national government sets minimum national regulatory standards. States retain responsibility for carrying out programs as long as they establish State standards as least as stringent as the national ones. If a State fails to adopt such standards, the Federal agency involved, such as EPA, is authorized to establish national standards within the State (ACIR, 1982).

This model is based on ACIR proposals to improve consultation and coordination between the national government and the States. It therefore emphasizes joint efforts in program review, the formulation of regulations and standard setting. However, when a program requires rigid, uniform national standards, ACIR calls for full Federal pre-emption, with State administration by contract (ACIR, 1982).

Model 3 is derived from proposals for the division of EPA and State activities made by the Heritage Foundation. States take the lead in program administration, except in directing clean-up efforts, and obtain flexibility through national performance rather than design standards. However, EPA has the responsibility for setting environmental baselines for minimum State standards (Sullivan, 1983).

Model 4 is based upon recommendations by the National Governors' Association. States also take the lead in program administration in this model, but EPA reserves the right to plan and implement a program if a State is unable or unwilling to do so. The model also calls for different levels of oversight by EPA depending on the maturity of the program (NGA, 1982).

Table 1 summarizes the specific national and State responsibilities proposed in each model.

Table 1
Models By Activity

Activities	Model 1 (CBO)	Model 2 (ACIR)	Model 3 (Foundation) (Heritage)	Model 4 (NGA)
Direct Program Administration	<u>States:</u> Responsible for administering programs and enforcing regulations	<u>States:</u> Responsible for devising appropriate systems of implementation	<u>States:</u> Program administration <u>Federal:</u> Federal government directs clean-up efforts, e.g. Superfund	<u>States:</u> Plan and implement programs in accordance with Federal and State goals and standards Issue source control requirements and environmental permits Monitor emission sources and conduct enforcement
Technical Support	Not Discussed	Not Discussed	Not Discussed	<u>Federal:</u> EPA plans and implements program when States unable or unwilling to do so <u>Federal:</u> EPA provides technical assistance
State Program Approval and Oversight	<u>Federal:</u> Federal government audits and accredits State regulator/ systems Federal government monitors, compiles and reports results of diverse State policies based on scientific information	<u>Federal:</u> Federal government sets goals <u>Joint:</u> Committee of Federal and State officials to review each program and identify implementation problems and remedies	Not Discussed	<u>Federal:</u> EPA monitors, evaluates and provides assistance to developing programs; it participates in long-term strategy and mid-year review for mature programs

Table 1 (cont.)
Models By Activity

Activities	Model 1 (CBO)	Model 2 (ACIR)	(Heritage) Model 3 (Foundation)	Model 4 (NGA)
Research	Federal: Federal government sponsors research to fill in gaps in existing scientific knowledge	Not Discussed	Federal: EPA conducts research to refine environmental goals EPA seeks new technological solutions to environmental problems	Federal: EPA conducts research
Standard Setting	States: Devise regulations Federal: Federal government establishes regulations when interstate disputes must be resolved	Joint: Joint Standard Setting or State concurrence in developing national program standards Joint regulation formulation Federal: Ultimate authority to issue standards in response to interstate disputes. When rigid, uniform standards necessary, Congress should consider full Federal pre-emption, standard setting and administration and allow for State administration by contract	Federal: EPA establishes environmental baselines to provide minimum standards for States EPA sets performance rather than design standards	Federal: EPA sets standards

Table 1 (cont.)
Models By Activity

National Information Collection	Federal: Federal government collects and disseminates scientific information applicable on nationwide basis Federal government publicizes audit results to inform citizens of all States' program progress States: Collect scientific information applicable only to local conditions	Not Discussed	Federal: EPA collects data	Not discussed
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Models By Funding

Table 2 outlines the main funding models found in the literature. Models 1-4 refer to the same activity models discussed in the previous table. They are included here because two of them do consider which governmental unit should provide funding.

Model 5 gained prominence in the mid-1960s, and is associated with Johnson Administration. It emphasized the use of categorical grants which set detailed conditions on the States' acceptance of Federal financial assistance. Grants were regarded as vehicles for cooperative federalism since they reflected Federal and State input into areas such as environmental protection (Walker, 1981). Project grants having eligibility requirements were created to deal with specific program purposes. States assumed a substantial matching share for program funding instead of being limited to a significant cash contribution. There were also shifts in the areas which received financial assistance, with money being directed at health and social welfare programs (ACIR, July 1981).

Model 6, proposed in the early 1970s during the Nixon Administration, maintained categorical grants, but added block grants and revenue-sharing. The two new forms of federal aid indicated a movement toward less centralization, de-categorization and more state discretion (Walker, 1981).

Table 2
MODELS BY FUNDING

(Heritage
Model 1(CBO) Model 2(ACIR) Model 3 Foundation) Model 4 (NCA) Model 5(1960s) Model (1970s)Model 7(1980s)

NA	NA	Federal government funds only those Federal programs requiring substantial expenditures	Federal government provides financial assistance to States	Federal government funds programs through categorical and project grants	Categorical grants Block grants Revenue-sharing	States assume categorical programs, which have been consolidated into block grants
				States assume substantial matching share instead of significant cash contribution		State agencies provide revenue for programs Cap open-ended matching programs Maximize state discretion in all block grants

Model 7 was proposed by President Reagan in 1981.

This fiscal initiative seeks to maximize State discretion and responsibility for funding decisions. The plan includes a turnback of over 40 domestic programs to the States, and categorical federal programs would be transferred to the States in the form of block grants. It anticipates the Federal government providing the funds for some major programs previously financed by the States so that State funds can be applied to the programs being turned back.

Summary of Models

The general models delineating specific activities for the Federal government and the States indicate a more limited future role for the Federal government. In the Models 1 & 2, States have the lead in direct program administration. They also are responsible for standard setting, either on their own in conjunction with the Federal government. The primary responsibilities of the Federal government in Model 1 are research and national information collection. In terms of State program approval and oversight, government at the national level conducts audits rather than detailed oversight. In the Model 2, the Federal government is given sole responsibility for goal setting; other than that, it jointly carries out activities with the States.

In Models 3 and 4, which specifically refer to EPA, the role of the Federal government varies according to the type of activity. Both give EPA responsibility for standard setting and research. States have the lead in direct program

administration, but EPA can, in Model 4, take over a program if a State is unable or unwilling to do so. Likewise, Model 3 gives EPA responsibility for directing clean-up efforts. However, Model 4 restricts the extent of EPA's involvement in oversight for mature programs. In comparing the four models, the Federal government has a stronger, though more circumscribed, role in the EPA models than in those which refer generally to Federal-State activities.

The funding models also indicate a shift to State responsibility. In Model 5, State discretion was restricted by the Federal government through categorical grants, which set conditions for the States' acceptance of Federal money. But the most recent model reinforces the activity models' tendency to give the States the lead in administering environmental programs. Just as the activity models recommend State flexibility and input into the formulation of regulations, this model provides State discretion in funding.

Section IV: Criteria and Evaluation

The activity and funding models presented in the previous section divide responsibilities between the Federal government and the States. But some criteria are needed in order to see what kinds of implications these models have for the States and EPA if they are put into use. Five criteria have been set forth by ACIR as guidelines in assessing the interdependence within our intergovernmental system, both now and in the

uture. These criteria are: national purpose, equity, economic efficiency, administrative effectiveness and political accountability (ACIR, June, 1981).

National purpose emphasizes the importance of ensuring that national goals specified in national legislation are carried out. If these goals are not being implemented, this criterion also implies that the Federal government may involve itself in direct program administration. In the environmental area, ACIR points out that the national government used this criterion to begin funding more national and fewer State objectives.

Equity can be divided into two components: economic externalities and fiscal equalization. ACIR discusses economic externalities in terms of economics of scale, with responsibilities being assigned to jurisdictions large enough to contain their costs and benefits. Fiscal equalization entails adequate fiscal capacity for States to finance their appropriate roles. Along with these two components, the Senate report suggested that equity may imply nationwide uniformity of standards since lax pollution controls in one State may attract industry away from a State imposing strict controls (Senate, 1982).

However, in weighing this criterion decision makers may also want to consider two studies whose findings dispute the concern that stringent environmental regulations result in industrial relocation. In October 1982, a report by the Conservation Foundation found such regulations were a minor determinant in siting a facility. In choosing a location,

industry ranked such factors as low labor costs and access to markets higher than the latitude permitted in a State's environmental laws (Duerksen, 1982). A summary, released in June 1983, of a report funded by the National Science Foundation confirmed the results of this study (Stafford, 1983). Therefore, uniformity in State environmental regulations may not be necessary to assure equity.

Economic efficiency involves assigning functions to the level of government capable of performing them at the most reasonable cost. States may be more efficient at program administration because they know what human and financial resources can be allocated. On the other hand, it may be more economical for the Federal government to conduct research activities that can be applied on a nationwide basis.

Administrative effectiveness assumes that activities will be performed at a geographic level that facilitates effectiveness. The jurisdictions involved should have adequate management ability to carry out those activities. In some cases, ineffectiveness at the state level has been attributed to vague national goals which complicate implementation. States have been asked to administer inflexible regulations which may not apply to local conditions. Much of the legislation passed at the height of the environmental movement advocated idealistic goals but the methods for translating them into concrete programs were not so clearly set forth.

Political accountability emphasizes a need for citizens

sible for the success or failure of programs. From one perspective, State government responsibilities should be maximized because States are closer to the people than the Federal government. Joint Federal and State actions may have confused responsibilities, and led to a decline in popular control over these issues. National legislators create and mandate policies, while State officials are obliged to implement them. The enlarged federal role has resulted in "authority costs" to State governments, as traditional decision-making power has shifted from the State to the national government. The cost is incurred because national government has abrogated to itself a State responsibility by declaring that an issue is a national problem to be dealt with at that level (Hanus, 1981).

Analysis of Activity Models By Criteria

The models are rated according to the five evaluative criteria set forth by ACIR. The models are rated "high", "medium" or "low" depending on how closely their division of activities comes to meeting the definition of the criteria. For example, since political accountability is defined as knowing whether to hold the Federal or State government responsible for the outcome of a program, then ACIR's model is rated "low" because it emphasizes joint responsibilities, which confuses accountability. The ratings are not based on any scientific analysis. Rather, they are strictly "judgment calls" offered in order to provide some perspective on the strengths and weaknesses of the models in meeting the criteria.

As Table 3 indicates, no model scores high on all of the criteria. Instead, the criteria often conflict with one another, both between themselves and among the models. In determining which model to employ, decision-makers will have to make choices from among the various criteria, and recognize, for example, that if equity is desired it may sometimes be obtained at the price of national purpose.

Table 3
Analysis of Activity Models By Criteria

Criteria	(Heritage)			
	Model 1 (CBO)	Model 2 (ACIR)	Model 3 (Foundation)	Model 4 (NGA)
National Purpose	<u>Low</u> States responsible for direct program administration and standard setting	<u>Medium</u> National government set goals and conducts joint activities with States, but States responsible for direct program administration	<u>Medium</u> States administer programs but EPA sets environmental baselines and directs clean-up efforts	<u>High</u> EPA steps in when States unwilling or unable to plan or implement program
Equity	<u>Low</u> States devise and enforce regulations except in cases of interstate disputes	<u>Medium</u> Joint standard setting may prevent wide range of State standards	<u>Medium</u> National environmental baselines provide some check on interstate competition	<u>High</u> EPA given sole responsibility for standard setting, and for administering programs if states do not
Economic Efficiency	<u>High</u> Program administration done by States; research and national information collection done by national government	<u>Medium</u> States administer programs, but both levels of government perform program review and other activities	<u>High</u> States conduct direct program administration; EPA provides research and national information collection	<u>Medium</u> States and EPA both given authority to plan and implement programs
Administrative Effectiveness	<u>High</u> States solely responsible for direct program administration and enforcing regulations	<u>Low</u> Emphasizes joint activities	<u>High</u> States have responsibility for program administration and flexibility in following performance rather than design standards	<u>High</u> States plan and implement programs; EPA conducts close oversight of developing programs but not of mature ones
Political Accountability	<u>High</u> Citizens know to hold State officials responsible for operation of State programs	<u>Low</u> Citizens not sure who to hold accountable because Federal and State governments carrying out many of the same activities	<u>Medium</u> Citizens hold States responsible for program administration but EPA sets environmental baselines for program standards	<u>Medium</u> States administer programs, but EPA reserves right to implement them

In looking at Table 3, Model 4 stands out because it receives high ratings for three criteria: national purpose, equity and administrative effectiveness. While it does give States responsibility for direct program administration, it receives only a medium rating for political accountability because the model reserves the right for EPA to step in and implement a program if the States are unable or unwilling to do so.

Model 3 rates high in the criteria of economic efficiency and administrative effectiveness. It is weaker in the criteria of national purpose, equity and political accountability because although EPA is authorized to set environmental baselines, the level of stringency beyond these minimum standards may differ from State to State. The model does not describe an oversight role for EPA, nor does it consider circumstances where Agency intervention in direct program administration is warranted.

Model 2 does not achieve high ratings in any of the criteria because of its emphasis on the joint working relationship between the national government and the States. In stressing the sharing of responsibilities, without identifying lead roles for any of them, the model receives low ratings in administrative effectiveness and political accountability because, except for direct program administration, neither level of government is singled out as better able to perform certain activities, such as standard setting. As a result, citizens are not sure who to hold accountable for the

operation of programs. ACIR prefers joint activities performed by the Federal and State governments. However, it does recommend full Federal pre-emption for programs which require uniform national standards. States would administer these programs through a contract with the Federal government. In these special cases, political accountability would be strengthened because citizens would know to hold the Federal government responsible for the design of the program, and States for administration.

Model 1 exhibits a range in criteria ratings. Its strengths lie in economic efficiency, administrative effectiveness and political accountability because only the States are given the responsibility to administer programs and devise regulations. But these same responsibilities lead to low ratings in national purpose and equity since individual States may create individual standards.

Analysis of Funding Models By Criteria

Table 4 analyzes four of the funding models by criteria. A fifth model, Model 4, is not analyzed because the author did not specify the kind or level of financial assistance provided by EPA. As in Table 3, Table 4 indicates that criteria must be weighed against one another in the funding models.

None of the other models achieves consistently high ratings across all the five criteria. Model 3 receives the best ratings of the four. Its main strength is economic efficiency because it offers the rationale that the Federal government

Table 4
Analysis of Funding Models By Criteria

Criteria	Model 1(CBO)	Model 2(ACIR)	Model 3(Foundation) (Heritage)	Model 4(NCA)	Model 5(1960s)	Model 6(1970s)	Model 7(1980s)
National Purpose			Medium Federal government funds only expensive federal programs	Medium Federal government provides financial assistance, but form of assistance not specific enough to analyze by remaining criteria	High States must accept Federal grant conditions to receive funding	Medium Retained categorical grants although allowed state discretion through block grants	Low Maximizes State discretion and objectives
Equity			Low States must come up with own funding		Medium States with higher per capita income can receive more Federal funds than poorer states	Medium Funds not necessarily distributed to poorest jurisdiction	Low States must provide own funding, which may vary from State to State
Economic Efficiency			High States pay for state programs; Federal government pays for expensive Federal programs		Low Federal government funds programs operated at State level	Medium States and Federal government share funding	Medium States may accept programs best financed at national level

Table 4 (cont)
Analysis of Funding Models By Criteria

Criteria	Model 1 (CBO)	Model 2 (ACTR)	(Heritage), Model 3 (Foundation)	Model 4 (NGA)	Model 5 (1960s)	Model 6 (1970s)	Model 7 (1980s)
Administrative Effectiveness			Medium States responsible for funding their own programs, but Federal government finances programs requiring substantial expenditures		Low State officials must accept Federal program objectives	Medium State discretion promoted, but funds still come from Federal government	Medium State may not have the resources to properly administer formerly Federal programs
Political Accountability			Medium Citizens may be confused over State and Federal funding		Low States administer programs, but funds come from Federal government	Low Citizens hold States responsible for program administration and Federal government for funds	Medium Citizens know to hold states accountable for funding, but may blame Federal Government if State funds not adequate to maintain programs

assumes the cost of expensive Federal programs because it is in a better position to pay for them than the States. Its greatest weakness is in equity because the rest of the funds are to come from the States, which may vary in financial capacity.

Model 6's lowest point is in political accountability since the national government continues to fund programs even though the states have more discretion in determining priority programs. Citizens may not be sure who to hold responsible for poor program performance: the States, which may have given priority to another program, or the national government, which may have provided inadequate funds. The mixture of State discretion with Federal funds leads to medium ratings for the other criteria.

Model 7 emphasizes State discretion and State financing of programs. This approach undercuts national purpose and equity. It scores only slightly better in economic efficiency, administrative effectiveness and political accountability because while States have more control over funding, State budgets may not be adequate in meeting these new responsibilities. Citizens may blame the Federal government for surrendering essential programs at a time of State budget cutbacks.

Model 5 is the weakest of the models in terms of meeting most of the criteria. National purpose is the strength of this model since the national government sets conditions for State acceptance of Federal funds. But these same conditions

hamper administrative effectiveness and political accountability because States must follow Federal guidelines.

Conclusions

A desire for more State autonomy in program administration, expressed in the concerns voiced by the States, is reflected in the activity and funding models, as well as in the New Federalism initiative. Federal involvement in administering programs, including those in the environmental area, is reined in by the most recent models. The activity models, especially Models 1 and 2, instead prescribe a Federal role similar to the kind before environmental protection became a prominent national issue. Most of the activity models view research and national information collection as the main activities of the Federal government. Participation by EPA in direct program administration is confined to instances of interstate conflict.

The notable exception to the shift to a reduced Federal role is in the area of standard setting. States had responsibility for this activity before environmental protection was placed on the national agenda. The Federal government then assumed this responsibility, and EPA-specific models recommend retaining this activity at the Federal level.

The general shift toward State control over environmental programs does advance the flexibility the States seek. It also promotes the capabilities of the States to administer

programs and results in less detailed Federal oversight.

However, the alleviation of State concerns may come at the risk of national concerns, which was revealed when the activity and funding models were analyzed by criteria. Decision-makers may have to decide whether they will implement a model that solely advances State autonomy, or one that strikes a balance between national and State concerns.

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GROUP III

ENVIRONMENTAL PRODUCTION TARGETS

Until now, EPA's role in the Construction Grants program has dealt almost exclusively with ensuring financial integrity, planning, and process management. For a variety of reasons, both technological and pragmatic, the Agency has emphasized accountability for the quality of each major step in the process of planning, design, and construction. But EPA has not set explicit, accountable production standards for bringing projects on line within a certain period. We have monitored production, even issued report cards to our Regions to emphasize the need for efficiency, but we have not moved to require the achievement of a set amount of new treatment capacity as an annual target.

One means to address this situation becomes more available as one actor, EPA, removes itself from the review (and delay) chain. EPA might set certain performance standards for State programs, negotiating with the State a given amount of treatment capacity to be brought on line within a given fiscal year. Top priority projects could be weighted to provide an extra measure of success to a State program as they are completed, and States could be "scored" each year against annual performance targets. States could then be rated on the basis of their performance, matching their actual score versus their target, and funds for subsequent years could be apportioned, at least in part, on this basis. States failing to meet their target by a substantial margin would be subject to a diagnosis of their administrative process, with technical assistance provided to improve their capability, and to allow restoration of full funding for future years.

This proposal suggests a way of emphasizing production, rather than processing, as the basic means of determining State program success, and suggests a simple but direct reward/sanction system to reinforce the objective of completing projects in order to realize their environmental benefits.

EPA REGULATOR - MUNICIPALITY PERMIT COMPLIANCE

The Agency posture on discharge permit standards would be to vigorously enforce against violators. When violations are detected, the State (or, if necessary, EPA) would notify the violator and request that the violator inform the State (or EPA) of the cause of the violation. If the violator is reluctant to provide the information we would request a court order directing that the information be provided.