Federalism and Intergovernmental Relations: 
Traumas, Tensions and Trends
By Deil S. Wright

The American federal system has been shaken by the impact of recent traumatic events, especially the threats to homeland security and the states’ fiscal crises. These developments have produced deep seated tensions across a wide range of intergovernmental relationships. Recent trends toward coercive relations may be ameliorated by strategies fostering contingent collaboration.

It is both appropriate and imperative to position this discussion in historical context. Volume I of *The Book of the States* (1935) asserted, “We must make a careful examination in order to determine which functions can best be performed by the federal government and which by the state governments … Emergencies may justify the states in lending some of their powers to the federal government, but the fact should be faced that indifference or acquiescence in the federal government’s retention of such powers will alter the basic structure of our government.”¹

This message from the distant past can be viewed as a mixture of description, prediction and admonition. It is beyond this essay’s scope and intent to review 70 years of evolving federalism and intergovernmental relations. In the space allotted we cannot adequately describe or analytically predict events, nor can we offer judicious advice to the thousands of public officials (plus private and nonprofit actors) who shape the changing federalism/intergovernmental relations landscape. The above quotation from 1935, however, identifies a prior critical time in state-national relationships. Recent developments demand that those relationships and issues be examined anew. Now is an equally significant juncture — after September 11 and the rise of a compelling concern for homeland security. We pursue this overview under three organizing topics: traumas, tensions and trends.

**Traumas**

The trauma theme begins with the deep and wide wounds suffered by the nation, the political system and the citizenry from terrorist attacks. Without doubt, the events of September 11 (and their aftermath) marked a tectonic shift, an off-the-scale earthquake, that altered and continues to reshape developments in federalism/intergovernmental relations. A separate but associated trauma was induced by the 21-day October “reign of terror” connected with the sniper-attack murders in the Washington metro area. These recent crises of September 2001 and October 2002 represent a severe shock to the national psyche and to the functioning of American federalism.

A second source of trauma to state-national relations is fiscal. A combination of forces conspired to produce the current fiscal catastrophe among the states. The executive director of the National Governors Association, Ray Scheppach, has called this “the worst fiscal situation since the Second World War.”² Fiscal year 2003 produced state budgets with aggregate shortfalls approaching $50 billion. Estimates for FY 2004 are expected to exceed $80 billion. For California alone the likely difference between projected outlays and expected revenues exceeds $30 billion.

What are the roots of this fiscal trauma? Foremost is the bursting of the bubble economy of the 1990s, followed by the cyclical downturn during 2000-2003. Economic growth in the 1990s consistently produced more revenues than forecasted, despite the fact that state tax reductions during the 1990s are lowering annual state revenues by about $40 billion. For example, capital gains tax revenues surged at an average annual rate of 9.1 percent from 1995 through 2000, but in FY 2002 state personal income tax revenues declined by 12 percent. For state sales taxes, the 1995-2000 annual average increase was 5.7 percent, contrasted with a 0.5 percent rise in 2002. The significance of these plummeting percentages can be more fully appreciated when placed in the context of state revenue structures. The income tax normally provides about 40 percent of state tax revenue and sales taxes constitute another one-third.
FEDERALISM

Revenues, of course, are only one side of the state fiscal ledger. On the expenditure side Medicaid, the largest single outlay item in most state budgets, grew about 11 percent in FY 2001 and exceeded budget estimates in 31 states. In FY 2002 the growth was 13 percent and increases exceeded budget estimates in 36 states. A recent General Accounting Office analysis pegged Medicaid spending currently at 20 percent of state spending but projected it will reach 25 percent in five years and exceed 30 percent in 10 years. Nationwide, the scope of fiscal traumas is evident. Budget gaps or shortfalls occurred in 43 states in FY 2002 and similar if not more severe gaps are projected for FY 2003.

The fiscal vise in which the states find themselves has been accentuated by recent coping strategies, which have been largely palliative. Most state-specific “solutions” in fiscal years 2001 and 2002 merely postponed the day(s) of final fiscal reckoning. In sum, the traumas induced by security/terrorist threats and state fiscal crises are likely to persist. No easy solutions are apparent and years of hard choices loom on the horizon.

Tensions

The history of federalism in the United States has been one of shifting patterns and of fluctuating balances between two contrasting themes. On one side of the relationship ledger are patterns of conflict, contentiousness and cleavages. The other side of the balance sheet reflects themes of cooperation, collaboration and coordination. These parallel patterns of tension on one track accompanied by tolerance on the other present a paradox of problems as well as a source of potential strength. The twin traumas of terrorism and fiscal crisis seem likely to elevate the significance of conflict (tension) and suppress the level of cooperation (tolerance) in the foreseeable future.

What is likely to explain such a probable pattern? There are many underlying causes, but the prominence of tension over toleration can be foreseen in two specific policy or program arenas: homeland security and education. One theme permeating these two policy arenas (and many others) is unfunded mandates.

Homeland Security

Passage of the Patriot Act of 2001 (P.L.107-56) constituted the opening chapter of an intense, extensive shift in the role and responsibilities of national government agencies. The primary entity through which domestic-targeted terrorism will be addressed is the new Department of Homeland Security, signed into law on November 25, 2002. As one writer put it, “Homeland security will reshape the homeland.” In proposing the legislation, initially prompted by Congress, the president announced, “I propose the most extensive reorganization of the Federal Government since the 1940s.”

The president and many commentators have compared the Homeland Security reorganization to the 1947 legislation that created the Department of Defense. The parallel, however, is poorly drawn, because the DoD changes contained far fewer implications and consequences for the states and their localities. Creation of the Department of Homeland Security has immense and compelling implications for federalism and intergovernmental relations, both immediately and in the long-term future.

It is impossible to frame, much less detail, specific impacts of the legislation. Its broad scope, however, was concisely captured in the article cited above. “We are being led toward greatly enlarging national control of domestic security and other functions traditionally controlled at the state and local level. This imperative has the potential to significantly tip the federal system — in matters of politics, police functions and the law — toward Washington to an unprecedented degree.” Observers and practitioners of federalism and intergovernmental relations will grapple with the consequences of DHS for the next several decades.

Education: No Child Left Behind

From an historical standpoint, education has been one of the most localized functions in the American political system for the past two centuries. From a financial standpoint, the national government remains the rear-guard funder of elementary and secondary education, underwriting less than 10 percent of all outlays.

This lesser or even minor fiscal role has not forestalled major national involvement by Congress and recent presidents in education policies, programs, performance and mandates. Nowhere is the national role more evident than in the 2002 legislation (P.L.107-110) titled “No Child Left Behind.” The act provides significant funding increases, but it also greatly enlarges the national role in evaluating the performance of students, school districts and states with regard to educational outcomes.

The intergovernmental implications of the new national legislation are enormous. First and foremost are federal mandates for annual reading and math testing for all students in grades three through eight starting in 2005. Building on these test scores is an array of performance requirements, perhaps the most
significant of which is the “adequate yearly progress” standard. Each school must show a demonstrated level of improvement (or reduction in achievement gaps) every two years across six categories of students. The absence of sufficient progress in any school entitles the student (or parents) the freedom of choice to attend any of the better-performing schools in the district.

Criticisms of the legislation and implementing regulations have been broadly based. Two of the more pointed ones have been captured in the arresting phrases, “No Child Left Untested,” and “No Teachers Left.” Reducing or meeting the achievement gap requirements across the six groups of students poses Herculean challenges. In one state, North Carolina, statewide data are available from a long-standing student performance measurement system. Among hundreds of individual schools demonstrating “exemplary growth” under the state program, less than 50 percent would meet the national standards. Student scores in the technology oriented Raleigh metropolitan area reveal even more serious problems. Fully three-fourths of the elementary and secondary schools would fail to meet the national standards for achievement gap reduction.6

Homeland security and education are merely two of many policy arenas in which significant and ongoing tensions are likely to be prominent, if not dominant, on the future intergovernmental scene. Examples and elaborations could be drawn from additional policy areas such as Medicaid, welfare, the environment and public health (especially antiterrorist vaccination programs). Are these arenas representative of prospective national-state relationships in the decade ahead? If so, then it appears probable that tension and conflict will dominate over tolerance and cooperation in intergovernmental trends.

**Trends**

The preceding commentary has posited two alternative patterns or motifs spread across the nationwide canvas or landscape of intergovernmental relations. They have been designated as tension/conflict and tolerance/cooperation. The opening quotation from 1935 contains an unstated premise about the presence and even dominance of tension between the states and the national government. National-state conflict has a long and well-established history in American federalism. There have been, however, periods in which cooperation has come prominently to the forefront of the intergovernmental picture. What will be the hue, color or configuration of the near-term intergovernmental relations landscape? How is tension (conflict) balanced against tolerance (cooperation) during the initial decade of the 21st century?

The general answer to these questions has been partially indicated in the discussion of homeland security and education policy. A color-based metaphor conveys the pattern and dynamics of current trends. Shocking pink and redolent red hues of conflict and tension stand out over the subtle blues and soft greens of cooperation and tolerance. While reddish colors may dominate the intergovernmental picture, the scene will remain one of multiple hues.

**Recent Patterns: The Coercive-Collage Phase**

More than a decade ago, Daniel Elazar, one of the most prolific and insightful scholars of federalism, observed, “The condition of American federalism today is ambiguous but promising.” He arrived at this judgment based on his description of the central trend of the 1980s as “coercive cooperation.”7 With less optimism than Elazar, John Kincaid concluded that, “The erosion of constitutional and political limits on federal regulatory power … has produced a more coercive system of federal preemption of state and local authority and unfunded mandates on state and local governments.”8 Shortly thereafter, Kincaid expressed outright pessimism in the *The Book of the States*, saying “The American federal system continues to move in a centralist direction, with the behavior of the federal government becoming increasingly coercive.”

Elsewhere, I have described the trend during the closing decades of the 20th century as the “coercive-collage” phase of intergovernmental relations.9 The coercive theme accentuated Elazar’s and Kincaid’s points regarding preemption statutes, unfunded mandates, administrative regulations and adverse federal court decisions. The collage feature highlighted the diverse, incompatible and contradictory patterns appearing in chaotic and often confusing clusters. These messy and incongruous configurations seemed to defy consistency across policy areas. They challenged state and local officials’ ability to comprehend the confusion. They also confronted these officials with such complex situations that it was difficult to formulate effective strategies to deal with either coercive or cooperative policies emanating from national actions.

**Current Pattern: The Contingent Collaboration Phase**

The coercive-collage phase of intergovernmental relations has not expired. Indeed, it constitutes a legacy of ongoing significance. It is possible, however, to discern a trend that may offer a ray of hope
justifying Elazar’s cautious optimism over a decade ago. This pattern, phase or trend might be best termed “contingent collaboration.” The various strains, features and elements evident in this phase are too numerous to elaborate here. A few essentials can be briefly identified, which may serve as guides for state policy-makers as they develop strategies to deal with intergovernmental issues based on a contingent collaborative approach.

A generic set of issues confronts federalism/intergovernmental relations during the present decade, two of which, homeland security and education, have been discussed briefly above. A Pandora’s box of other policy areas could be mentioned, but beyond specific policies or programs is a set of crosscutting issues fraught with immense intergovernmental implications. Among these are cultural/ethnic/linguistic diversity; the roles of nonprofit (including faith-based) organizations; the balance among private, nonprofit and public sector entities; and the character and cultivation of social capital (societal infrastructure) among citizens and civic groups.

The demands placed on state and local officials in confronting these issues are daunting. State policymakers must deal with resource restrictions, make decisions under conditions of increased complexity and greater uncertainty, cope creatively with extraordinarily difficult problems, and build reform/reinvention capacities. Addressing and responding to these demands should directly enhance public sector performance and also increase the trust, confidence and assurance with which the citizenry evaluates state officials and state governments. What is called for is 21st century leadership. This is not the traditional “command and control” model of hierarchical direction. Instead, federalism and intergovernmental relations leadership places a premium on the ability to forge consensus amid diversity, to network across organizational and jurisdictional boundaries, and to find creative approaches to resolving intergovernmental conflicts.

The contingent character of contemporary intergovernmental relations is grounded in the uncertain, unsettled or chance nature of actions, events or situations. The sniper attacks in the Washington, D.C. metro area offer one example of contingency. Area law enforcement officers, aided (but sometimes hindered) by citizen reports, were confronted with the need to respond in a prompt, flexible, adaptive, ad hoc fashion. The fortuitous events and clues leading to the suspects’ capture amply illustrate the contingent aspects of intergovernmental relationships.

The collaboration feature of current intergovernmental relations is likewise demonstrated by law enforcement responses to the sniper murders. Joint or concurrent operations among police agencies, local-state-national, were the hallmarks of enforcement efforts. Task forces, partnerships, mutual assistance, cooperative activities and constant communication dominated regional actions to find and arrest the killers.¹¹

Selective statements from a recent analysis of homeland security and the federal system aptly characterize the nature of the contingent collaboration phase of intergovernmental relations:

Homeland security poses a major challenge for the U.S. intergovernmental system. It requires the close integration of many functions and activities yet leaves little room for error. Networks of national, state, and local organizations of various types are being formed and will continue to evolve in response to events and leadership decisions. Various other networks, some interlocking, are being constituted and reconstituted in response to the threats to homeland security. Much organizational learning is taking place, and more will take place in these networks as personnel at all governmental levels build new collaborative relationships. Much managerial craftsmanship is needed on the part of organizational leaders at the federal, state, and local levels to make these networks function effectively.¹²

Contingent collaboration promises to be a distinctive feature of federalism/intergovernmental relations trends. Whether it displaces the dominance of conflicts and tension is an open question. There is one highly probable outcome, however. Progress, effectiveness and achievements of intergovernmental programs are most likely to depend on contingent and collaborative networks that span multiple organizational boundaries. The preservation as well as the promise of our federal system as we have known it may hinge on the character and scope of contingent collaboration.

Notes

⁵ Henninger, 16.

About the Author
Deil S. Wright is the alumni distinguished professor of political science and public administration at The University of North Carolina at Chapel Hill. His five-decade research and teaching career has focused on intergovernmental relations with a special emphasis on the states’ role in the American federal system.