



Highlights of [GAO-03-365SP](#)

Why GAO Convened This Symposium

Responding to many of the nation's critical challenges—such as meeting the health care needs of the poor or countering terrorist threats—has been the joint responsibility of all levels of government. The effectiveness of federal programs has increasingly become dependent on state and local management and resources, as well as constructive interactions between federal, state, and local actors, including private and non-profit actors who are joining with government officials to carry out national policies and programs.

This increased interdependence among levels of government presents many challenges. While many policy areas have been nationalized and federally funded, greater responsibility has been devolved to state and local governments for implementing programs to achieve national goals. The intergovernmental system is facing the complexity of managing programs involving numerous actors, and the flexibility and capacity of the federal system to respond to unique local needs is challenged by long-term national and international trends.

On November 20, 2002, GAO convened a symposium to identify and discuss the key policy and fiscal issues facing the intergovernmental system. The invited participants represented federal, state, and local governments, national associations, public interest groups, and research and academic institutions.

www.gao.gov/cgi-bin/getrpt?GAO-03-365SP.

To view the full report click on the link above. For more information, contact Paul Posner at (202) 512-9573 or posnerp@gao.gov.

HIGHLIGHTS OF A GAO SYMPOSIUM

Addressing Key Challenges in an Intergovernmental Setting

What Participants Said

Participants discussed key intergovernmental challenges facing all levels of government and identified the following four as the most significant:

- 1. Mismatch between current revenues and spending demands.** Increased spending demands and revenue shortfalls during economic downturns affect states' ability to fund their share of key programs. Participants discussed the causes of the spending and revenue mismatch, federal and state options for addressing it, and their respective advantages and disadvantages. Beyond current shortfalls, participants focused on long-term structural fiscal pressures that will continue to test the capacity of the intergovernmental system. Certain structural forces, such as changes in the global economy and the aging of the population, will continue to prompt stress on both the revenue and spending sides of the budget at all levels of government.
- 2. Intergovernmental financing of health care, particularly long-term care for the elderly and disabled.** Participants agreed that funding health care costs for a growing aging population is the most significant intergovernmental fiscal challenge. Medicaid costs will likely continue to grow at a high rate due to such factors as increasingly high health care costs and the aging of the population. The discussion focused on the need to restructure health care financing for the disabled and aged and to develop a sustainable intergovernmental solution.
- 3. Current tax structures at all levels of government and inter-relationships between them.** Participants agreed on the need to review the tax structures of all levels of government collectively and for policy makers to better consider the relationships between them. The national economy is becoming increasingly interconnected and global as business is conducted across state and national boundaries—potentially undermining the capacity of current tax systems to reach transactions in such an economy.
- 4. Consider reassessing the assignment of responsibilities.** In recent years, the federal government has continued to mandate new responsibilities for achieving national goals on state and local governments, by law or regulation. Participants agreed that the fiscal and administrative resources of state and local governments vary and may not be sufficient to fulfill this increased responsibility for national priorities. One model involves sorting out intergovernmental functions with the federal government assuming responsibility for functions that are redistributive in nature, and delegating other responsibilities to states and localities.