Evolving State-Local Relations

By Joseph F. Zimmerman

This article describes the division of political powers between state and local governments, the emergence of innovative state programs assisting substate governments, state initiatives to improve the coordination and effectiveness of state and local government service-delivery and regulatory programs, and the desirability of broadening the powers of general-purpose local governments to allow them to achieve their goals in the most economical, efficient and effective manner.

The fact that most governmental services in the United States are provided directly to citizens by local governments is testimony to their importance. Nevertheless, these substate units, although they may be termed "home-rule" municipalities, are not autonomous. In all states, local governments are subject to various controls by their respective state governments, including costly state mandates, which are the principal irritant in state-local relations in a significant number of states.

Power Division

An examination of state constitutions and statutes reveals that there are three spheres of power – a sphere generally controlled by local governments, a sphere generally controlled by the state government, and a shared local and state sphere. A brief review of the three methods by which powers are distributed between the state and its local governments will help to identify these spheres, the principal irritants in state-local relations and the need for state constitutional changes to enhance the effectiveness of general-purpose local governments.

Under the English common-law *Ultra Vires* Rule, the state legislature historically possessed complete power over local governments and could grant whatever powers it wished to individual local governments or classes of such governments. This rule became known popularly as Dillon's Rule after Judge John F. Dillon included two of his 1868 decisions based on the *Ultra Vires* Rule in his *Commentaries on the Law of Municipal Corporations*, published in 1911.[1]

The U.S. Constitution offers no protection to local governments against state legislative interference. In 1923, the United States Supreme Court opined, "[a] municipality is merely a department of the State, and the State may withhold, grant, or withdraw powers and privileges as it sees fit. However great or small its sphere of action, it remains the creature of the State exercising and holding powers and privileges subject to the sovereign will."[2]

Political commentators often conclude that local governments in a Dillon's Rule state possess little discretionary authority. They fail, however, to recognize that the state legislature is free to devolve important powers, as illustrated by the Virginia General Assembly granting relatively broad discretionary authority to cities with respect to finance, personnel and functions that can be performed.

Nineteenth-century state legislatures abused their plenary powers by enacting "ripper laws," which generated a movement to amend state constitutions in order to restrict the powers of state legislatures, including prohibiting the enactment of special acts. Forty-one constitutions currently prohibit enactment of a special law, unless the local government concerned requests it. Continuing local government unhappiness with legislative interference resulted in a proposal to establish within states a federal system known as an *Imperium in Imperio*. In 1921, the National Municipal League, now the National Civic League, recommended that each state constitution be amended to grant specified powers to general-purpose local governments. Sixteen state constitutions contain an *Imperium in Imperio* provision, limited typically to governmental structure, property and "local affairs." The Illinois electorate in 1970 ratified a proposed constitution containing a section that declares counties with an elected chief executive and a municipality with a population exceeding 25,000 to be "home-rule" units, which are granted constitutional protection relative to their authority to determine the form of local government and the terms of office for elected officials.[3] "Home rule" is protected by the following stipulation: "[a] home-rule unit by referendum may elect not to be a home-rule unit."[4]

Constitutional *Imperium in Imperio* provisions generally have ensured that covered municipalities have complete discretion to determine their organizational structure and to control their property without legislative intrusion. The "local affairs" grant of power has resulted in clashes with state legislatures and decisions by state courts that typically uphold statutes alleged to encroach on local affairs. Courts tend to follow a 1929 New York Court of Appeals opinion that developed the "state-concern" doctrine. The court specifically held

that the state legislature may enact a special law, provided there is a substantial state concern, even "though intermingled with it are concerns of the locality."[5]

Municipal officers were not completely satisfied with the protection offered by the constitutional *Imperium in Imperio* guarantee. In 1952, the American Municipal Association, now the National League of Cities, engaged Dean Jefferson B. Fordham of the University of Pennsylvania Law School to develop proposals to increase the legal competence of municipalities and to protect them against legislative interference. His 1953 report recommended amending the state constitution to direct the state legislature, upon a municipality adopting a new charter, to devolve to the municipality all powers capable of devolution except two: civil relations, and the definition and punishment of a felony.[6] Several state constitutions have been amended to devolve powers to general-purpose local governments regardless of whether they adopt new charters. In addition, a number of devolution provisions withhold powers from local governments beyond the two powers Fordham recommended.

Surprisingly, the Fordham approach is a legislative supremacy approach, yet it grants the broadest powers to general-purpose local governments and removes the need for courts to delineate the scope of municipal powers. Although the state legislature can enact a general law removing powers from all or classes of local governments, experience reveals it is politically difficult for a state legislature to remove a power.

State-Local Government Irritants

State legislatures have provided financial assistance to local governments for decades in the form of general revenue sharing and/or conditional grants-in-aid. While welcoming such aid, local governments complain about certain attached conditions. A greater irritant is traceable to the 19th century, when state legislatures commenced to mandate that all or specified local governments must initiate a specific action that usually necessitates expenditures. Local government officials often agree with the purpose of a mandate, but resent that there is no reimbursement for mandated costs and may view a mandate as a device to shift expenses from the state government to them. Several so-called state mandates are "pass through" federal mandates contained in congressional minimum standards preemption acts. To obtain regulatory primacy, a state must enact or adopt by regulations standards that meet the federal ones pertaining to matters such as air and water pollution.[7]

States impose 15 types of state mandates, ranging from due process and entitlement ones to tax-base and training ones.[8] Currently, complaints from local governments have resulted in the amendment of 16 state constitutions and enactment of statutes in 19 states to provide mandate relief. From the standpoint of local governments, the most effective provisions are the California and New Hampshire ones that require full funding of mandated costs, and the Maine provision requiring the state to reimburse 90 percent of mandated costs, unless the mandate is approved by a two-thirds vote of the members of each house.[9]

A late 2001 survey of 22 state municipal leagues and associations of counties suggests the constitutional and statutory relief statutes have been effective in defusing state mandates as a major irritant in several states. Only nine surveyed leagues and associations reported state mandates were still a major problem, while 13 leagues and associations viewed mandates as a minor problem. One municipal league reported: "Legislative unfunded mandates are not as much of a problem as in the past. Rules and regulations now appear to be the Trojan horse for state and federal unfunded mandates." A second municipal league is convinced that the "state tends to micromanage local government; for example, rights-of-way management restrictions, mandatory police-discipline procedures, etc." A third league complained, "the state is slowly eroding the authority of cities to control development" by means of land-development standards and procedures.

The 1999 Minnesota Legislature responded to complaints directed at administrative rules and regulations by enacting a statute that allows cities and counties to challenge rules and regulations by demonstrating they no longer are needed, no longer reasonable, or there is a less costly or less intrusive method of achieving the rule's goal. The statute contains a 2006 sunset clause.[10]

The North Carolina Association of County Commissioners included in its 2001-2002 Legislative Goals the following suggested division of responsibilities for financing mandated programs:[11]

- Where the state has mandated county financing in broad terms, permitting county commissioners discretion as to the level of service to be provided, counties should have the primary responsibility for finance.
- In those cases where the General Assembly has deemed that a minimum or basic service should be equally available to all state residents, the state should have the financial responsibility. County financial participation should be limited to sharing the administrative costs of the program.
- The federal government should finance those services initiated by the federal government to provide income maintenance for all citizens.

Six leagues and associations reported that state tax limits were a major problem, five cited them as a minor problem, and the remainder reported that such limits were not a problem. Only two associations listed state debt limits as a major problem. Not surprisingly, 19 associations cited as a major problem the inadequacy of state financial aid and 15 cited inadequate state education aid. Eight associations indicated the lack of home-rule powers was a major problem, and 11 associations reported the lack of home-rule powers was a minor problem. Three associations were satisfied with the grant of home-rule powers. Employment of the initiative process to put a lid on spending was viewed as a major problem by seven associations and a minor problem by three other associations.

State-Sponsored Resource Pools

States have provided indirect financial assistance to local governments by state-authorized mechanisms that permit the aggregation of the resources of local governments. These mechanisms include municipal bond banks and municipal infrastructure, investment, insurance and purchasing pools.

Nine states have established bond banks to facilitate municipal borrowing and to lower premium and transaction costs. Each local governing body determines whether to participate in a bank. Small local governments with low credit ratings find the banks to be particularly valuable. However, a unit can be excluded from benefiting from a bond issue if its participation would lower the issue's credit rating and result in a higher interest rate. Funds obtained from a bond issue are utilized by a bank to purchase the general obligation bonds of participating municipalities, with any surplus invested in U.S. securities. There are no annual trustee, paying agent, or disclosure fees, but there is a low bank fee that includes the cost of bond insurance. The 2000 Minnesota Legislature took a different approach to assisting counties by authorizing a state guarantee of payment of certain county debt obligations, thereby enabling counties to borrow funds at a lower interest rate.[12]

Bond pools are similar to bond banks and have been established for particular purposes, such as financing the construction of wastewater-treatment plants or rehabilitating public-works systems. It should be noted that associations of local government officers have organized similar pools. The Association of County Commissioners of Georgia has a tax anticipation note (TAN) pool, and the Kentucky Municipal League operates a bond pool.

The 1991 Louisiana Legislature created a Local Government Environmental Facilities Authority, now the Local Governmental Environmental Facilities and Community Development Authority, to assist local governments to improve landfills and wastewater systems. The authority was intended to help local governments fund the estimated $1 billion it would take to improve wastewater systems and landfills in order to comply with federal and state standards.[13] A 1997 amendment authorizes special districts to join the pool and general-purpose local governments to finance economic-development projects through the authority.

Twenty-eight state governments have organized investment pools to provide professional management of idle local government funds, generate a higher rate of interest on invested funds, reduce risks through a diversified investment portfolio, improve local government liquidity by allowing daily withdrawal of funds, and reduce the cash management activities of the participants.

The state treasurer is responsible for investing the funds and is assisted by a state investment board authorized to promulgate rules governing the pool, including its investment portfolio and operations. A pool may invest in the same obligations in which individual municipalities legally may invest. Two municipal associations operate similar pools. The League of Minnesota Cities operates such a pool for its members and the Illinois Municipal League has a Local Government Investment Trust, which offers members short-term investment opportunities.

Municipalities in 37 states need to secure insurance coverage because courts have ruled that municipalities no longer have immunity from suit. Twenty-one state legislatures have established municipal insurance pools, and two or more California municipalities are authorized by joint-exercise-of-powers statutes to organize insurance pools. Local governments benefit from group risk protection in terms of premium savings, with each participating unit responsible for a deductible minimum, usually $1,000, with the loss remainder covered by the pool up to a specified amount.

The Texas Municipal League operates a Workmen's Compensation Joint Insurance Fund, and its premium is 25 percent less than the commercial insurance premium for the same coverage. The fund also pays an annual four-percent dividend on premiums. The League of Minnesota similarly has an insurance trust that provides dental, group health, property/casualty and workers' compensation coverage. The Michigan Association of Counties Service Corporation provides health insurance, automobile and homeowners insurance, Ameritech telephone revenue, workers' compensation and inmate health care programs for its members. And the New Hampshire Municipal Association is the sponsor of a Health Insurance Trust, which offers

benefit packages for county, municipal and school district employees.

Some state legislatures have established a central purchasing agency to use its buying power to obtain quantity discounts on products and raw materials. Local governments are authorized to purchase supplies from the state purchasing agency, such as the Minnesota Department of Administration, which passes along its savings to the local governments. The Michigan Association of Counties Service Corporation operates a discount office-supplies and computer-purchasing program for its members. In 2000, the International City/County Management Association and The Council of State Governments created a web site, *http://www.govstoreusa.com*, to improve the purchasing power of smaller governmental jurisdictions and to provide a wider variety of quality products to all governmental bodies.

To avoid the need to obtain the approval of the state bond commission or voters, the Louisiana Municipal Association inaugurated a government tax-exempt equipment-acquisition program, which, in conjunction with banks affiliated with the First Commerce Corporation, provides municipalities with low-cost loans.

Improvement of Coordination

The fact that there are 50 state governments and more than 86,000 local governments presents numerous opportunities for uncoordinated regulatory activities and delivery of services. Where two or more governments have overlapping responsibilities, conflicts may erupt and problem solving may become more difficult and expensive. In consequence, state legislatures have enacted innovative statutes designed to improve coordination of regulatory and service-delivery programs, to ensure a service-delivery strategy is adopted by local governments, and to authorize substate units to enter into intergovernmental service agreements and to transfer responsibility for specified functions.

For example, rapid economic development and population growth have created numerous problems in Florida, where citizens desire to protect the environment. The state's intergovernmental system has been modified during the past quarter century, yet in the mid-1990's, there was general agreement that the system did not ensure adequate home rule, appropriate state oversight, or economical and efficient delivery of services.

In 1995, a Summit on Intergovernmental Challenges in Florida was held in the state capitol to addresses weaknesses in the system. Participants included state officers and local government associations' officers. The summit examined the unfunded state-mandate problem, major functional and structural problems, and the unclear assignment of functional responsibilities. Attendees at the summit agreed that the associations and the Advisory Council on Intergovernmental Relations should prepare strategies to address the identified problems.

Similarly, the 1997 Georgia Legislature enacted the Georgia Service Delivery Act on the premise that service delivery could be improved if all local governments in each county were required to meet at a specified place on a date set by the county to commence preparing a service-delivery strategy.[14]

The mandated strategy must: identify all services provided by the county, cities, and public authorities; assign each unit responsibility for listed services in specified areas of the county; explain the funding of each service; and identify existing and potential intergovernmental service agreements. Each county was required to submit its service-delivery-strategy agreement to the state Department of Community Affairs. A local government not included in a department-verified strategy is ineligible to receive state financial assistance, grants, loans or permits.

The Association of County Commissioners of Georgia concluded that the Georgia Service Delivery Act has been successful in providing municipal tax equity, but in its 2002 County Platform, the group urged the General Assembly to amend the act to ensure equitable treatment for taxpayers, regardless of whether they live in a municipality or an unincorporated area.[15] The association specifically recommended enactment of a statute "which would prevent subsidization of city operations by counties and unincorporated taxpayers through utility franchise fees, through county property-tax exemptions on municipal profit-making enterprise and through 'double-dip' distributions of sales-tax revenues that provide inequitable benefits to municipal residents."

In New Mexico, the Local Government Division of Department of Finance and Administration discovered that 10 cabinet-level agencies administered 25 infrastructure programs, and federal agencies also administered other such programs. The discovery led to the creation of the Intergovernmental Infrastructure Group to assist local governments to overcome obstacles encountered in obtaining state and federal funds. The group established two objectives: streamlining the application and funding procedures, and ensuring public funds are invested in the most efficient and rational manner. One of the group's initial achievements was preparation of a single pre-application form containing information to be shared with potential funding agencies. The group

recommended that councils of governments be funded by state and local governments to allow them to assist local units to apply for funds and ensure the plans are based upon adequate population and tax-revenue projections, economic development goals, etc.

The 1993 North Dakota Legislature enacted a Tool Chest for Local Government Act to encourage coordination of local government activities. The act authorizes new and revised tools that allow substate units to change their functional responsibilities and structure.[16] Local governments may execute a joint-powers agreement, enter into service agreements with private and public partners, share appointive and elective officers with other governmental units, establish a consolidation study commission, and transfer a function to another unit. A city may initiate a multicity home-rule charter process, including adoption of a multicity home-rule charter or consolidation with another city. In addition, a city may disincorporate.

Proposals for State Actions

The solutions to statewide problems require state government leadership. The need for such leadership is particularly acute relative to those local governments with small professional staffs and that lack resources that are essential for eliminating problems. The needed leadership can assume many forms: 1) incentive grants to promote specified types of activities, 2) authorization for new interjurisdictional organizational arrangements, 3) grant of broader local government discretionary authority, 4) recodifiction of state statutes relating to local governments, 5) establishment of a procedure for the transfer of municipal functions to counties or the state government, 6) creation of a default system for the performance of critical functions, and 7) a directive requiring each general-purpose local government to establish a governmental-structure review commission.

The Georgia Greenspace Program is a good example of a state providing incentives to local governments to promote certain activities. Rampant urban development in many metropolitan areas has generated a popular movement to preserve open space, because many local governments, desiring to expand their tax base and to accommodate residential growth, have failed to initiate action to protect green spaces. In 2000, the Georgia Legislature provided leadership in addressing this problem by establishing a Greenspace Program that provides incentives for counties and municipalities to preserve a minimum of 20 percent of their undeveloped land.[17] The enabling statute created a Georgia Greenspace Trust Fund, with a fiscal 2001 appropriation of $30 million, and a Greenspace Commission, which receives each county's application and its greenspace-protection plan. If the plan is approved, the county receives grants to help defray the costs of acquiring real property or conservation easements.

Eligibility criteria for a county to participate in the program include: a population exceeding 60,000, or an average annual population growth of 800 persons between 1990 and the most recent U.S. Census Bureau population estimate. The greenspace funds can be utilized to: 1) acquire new land, land in fee simple and conservation easements; 2) permanently protect local government-owned land; 3) place easements on conservation and recreational lands not permanently protected; 4) create a restrictive covenant in favor of a federal government agency; and 5) initiate any other action to further the goals of the Greenspace Program.

Innovative approaches can be used to solve a variety of local government problems. For example, professional educators in the 19th century were aware that small school districts could not afford to hire a full-time superintendent, and so they promoted the formation of a school superintendency union, under which one superintendent would serve several small districts. This approach has been used to a very limited extent by groups of two small towns in Maine and Vermont, which have hired a common town manager. In addition, several small New Hampshire towns have hired the same consulting firm to provide professional management services.

State legislatures should consider offering incentives to small general-purpose local governments, particularly ones in rural areas, and their respective counties, in order to organize an administrative federation, with a professional county manager also serving as manager of the subcounty units. Policy-making would remain decentralized, with each governing body continuing to make decisions, and policy implementation would be the responsibility of the county manager. This system has operated successfully since 1942 in the Republic of Ireland, where the county manager is the manager of all other local governments in the county, except cities.[18]

Broadening the authority of local governments to contract with private firms for service and infrastructure provision merits consideration by state legislatures. Since 1934, Dallas, Texas has been authorized to accept bids from banks and credit unions that desire to act as city treasurer.[19] The city council appoints the highest bidder as city treasurer, at an annual salary of five dollars for a two-year term, with an option to extend the contract for an additional two years without competitive bidding. This arrangement produces revenue for the city and also avoids the costs of employ-

ing a treasurer and staff, and of furnishing office space, equipment and supplies.

Many local governments lack capital to construct and operate new infrastructure facilities. The solution to this problem is legislative authorization for local governments to enter into lease-purchase contracts with private firms. Under these arrangements, a firm agrees to construct and operate a facility for a stipulated annual fee, with the ownership of the facility to be transferred to the local government at the termination of the contract. This type of authorization also would avoid excessively restrictive constitutional municipal-debt limits in certain states.

In a number of states, all or certain classes of local governments are hindered by statutes that have not been recodified for many decades. These statutes often contain archaic and unnecessary prohibitions and restrictions inhibiting political subdivisions' ability to solve problems and deliver services in the most cost effective and efficient manner. A policy of periodic recodification of pertinent statutes would benefit these state governments, local governments and taxpayers.

Service delivery also could be improved if legislatures passed statutes authorizing subcounty governments to voluntarily transfer functional responsibility to the county. Such provisions exist in 10 states, but the required voter referendum in five of these states often prohibits transfers. In New York, for example, the constitution does not allow a city or town to transfer a function to the county unless city voters as a unit and town voters as a unit approve the proposed transfer.[20] A proposal to transfer a village function to the county requires a triple concurrent vote of approval: city voters, town voters and village voters.

State legislatures also should give consideration to assuming responsibility for a local government function that has not been administered effectively by substate governments or has placed a major financial burden on them. The Rhode Island Legislature, for example, abolished city and town health departments and transferred their functions to the state health department.[21] Similarly, Delaware, Massachusetts and Vermont transferred responsibility for social welfare from local governments to the state, thereby providing substantial financial relief for the local units.[22]

Another approach worthy of consideration by the state legislatures is a default system for local government performance of critical functions. The New York Freshwater Wetlands Act, for example, authorizes each local government to enact a local freshwater-wetlands-protection law or ordinance meeting minimum state standards.[23] If a local government fails to adopt a plan meeting state standards, the local government is deemed to have transferred the function to the county. Should a county fail within a 90-day period to adopt a local freshwater-wetlands-protection law, the county is deemed to have transferred the function to the state Department of Environmental Conservation.

Numerous cities have charters granted by the state legislature in the 19th century that have had piecemeal amendments over the years. An examination of such charters reveals that the prescribed organizational structure is not the ideal one for the 21st century. Similarly, state statutes relating to nonchartered general-purpose local governments also may prescribe an outmoded organizational structure, as illustrated by the New York Town Law that established a parliamentary-like system for towns, with no separation of executive and legislative powers.

Although numerous local governments possess constitutional and or statutory "home-rule" powers that allow them to supersede statutorily prescribed organizational forms, inertia typically results in no organizational structural changes. The state legislature could provide leadership in promoting organizational change by enacting a statute providing incentive grants to local governments to establish organizational study committees and authorizing the state to provide technical assistance.

Conclusions

Innovative state programs described here reveal the desirability of each state establishing a genuine partnership with its political subdivisions, with the state playing a major leadership role. In particular, state paternalism, where it exists, should be abandoned. Instead, state elected officers should welcome new policy suggestions by local government officers and accord a sympathetic hearing to their views on proposed state policy initiatives.

It is critically important for states to grant broad discretionary authority to general-purpose local governments in order to establish harmonious state-local relations. States can and should take actions to facilitate and support the work of political subdivisions, to enable them to fully mobilize public and private resources, to ensure coordination of their activities, and to encourage local governmental organizational changes that promote the most economical and efficient delivery of services.

Notes

[1] John F. Dillon, *Commentaries on the Law of Municipal Corporations* (Boston: Little Brown and Company, 1911).

[2] *City of Trenton v. State of New Jersey*, 262 U.S. 182 at 187.

[3] Ill. Const. art. VII, § 6(a).

[4] Ill. Const. art. VII, § 6.

[5] *Adler v. Deegan*, 251 N.Y. 467 at 473, 167 N.E. 705 at 707 (1929).

[6] Jefferson B. Fordham, *Model Constitutional Provisions for Municipal Home Rule* (Chicago: American Municipal Association, 1953).

[7] Joseph F. Zimmerman, *Federal Preemption: The Silent Revolution* (Ames: Iowa State University Press, 1991).

[8] Joseph F. Zimmerman, *State-Local Relations: A Partnership Approach*, 2nd ed. (Westport, CT: Praeger Publishers, 1995), 87-88.

[9] Zimmerman, *State-Local Relations*, 85-115.

[10] Minn. Stat. § 14.091.

[11] North Carolina Association of County Commissioners, *2001-2002 Legislative Goals*, 18-19.

[12] Minn. Stat. § 375.45.

[13] *Louisiana Act of 1991*, Act 813; *Louisiana Acts of 1997*, Act 1151; and *Louisiana Revised Statutes*, §§ 4518.1-4518.16.

[14] Ga. Code § 36-70-22.

[15] Association of County Commissioners of Georgia, *2002 County Platform*, 5.

[16] N. D. Cen. Code ß 40-01-1.04.

[17] Ga. Code § 36-22-1.

[18] Joseph F. Zimmerman, "The Irish City and County Management System," *Home Rule & Civil Society*, no. 11 (2000): 21-36.

[19] Dallas, Texas, City Charter, chap. 3, § 20.

[20] N.Y. Const. art. IX § 1(h)(1).

[21] R. I. Laws of 1964, ch. 176 and R. I. Gen. Laws §§ 23-1-17 through [23]-1-29.

[22] Del. Code Ann. tit. 29, § 7901; Mass. Gen. Laws, ch. 117-19; and Vt. Stat. Ann. tit. 33, §§ 2501-307.

[23] N. Y. Environmental Conservation Law, art. 24, §§ 24-0101 through 24-1301.

About the Author

Joseph F. Zimmerman is a professor of political science at Rockefeller College of the State University of New York at Albany. He is the author of more than 25 books and articles published in more than three dozen journals and periodicals.

Evolution on the Complete Graph. The Evolving State. Fate of a Finite Society. Constrained Triad Dynamics.Â How do social networks evolve when both friendly and unfriendly relations exist? Here we propose a simple dynamics for social networks in which the sense of a relationship can change so as to eliminate imbalanced triadsâ€”relationship triangles that contains 1 or 3 unfriendly links. In this dynamics, a friendly link changes to unfriendly or vice versa in an imbalanced triad to make the triad balanced.Â In local triad dynamics (LTD), an imbalanced triad is selected at random and the sign of a relationship between two individuals is ipped to restore the triad to balance. This change is made irregardless if other triads become imbalanced as a result. The evolution of Commonwealth-local government relations. Post-war planning: the 1940s. The Whitlam era.Â This paper provides a broad historical overview of Australian local government and its relationship with the Commonwealth, with some discussion of contemporary issues. It shows how the Commonwealth has come to play an important policy role in local government and how that relationship has evolved through time.Â Each state, as well as the Northern Territory (NT), has a system of local government, created by state/territory legislation: the states and the NT may restructure their local government system at any time. This IPPG Briefing Note considers whether this global economic shock will have implications for the way state-business relations (SBRs) operate: in short what institutional implications the crisis will have. Citation. IPPG Briefing Note January 2009, IPPG, Manchester, UK, 2 pp. Links. The Global Financial Crisis and Institutions: The Evolving Role of State Business Relations. Published 1 January 2009. Contents.