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# Improving Federal Grants Management

THE INTERGOVERNMENTAL GRANT SYSTEM:  
AN ASSESSMENT AND PROPOSED POLICIES



**ADVISORY  
COMMISSION  
ON  
INTERGOVERNMENTAL  
RELATIONS**

Washington, D.C. 20575  
February 1977

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# Preface

Pursuant to its statutory responsibilities authorized in Section 2 of Public Law 380, passed during the first session of the 86th Congress and approved by President Eisenhower on September 24, 1959, the Commission singles out particular problems impeding the effectiveness of the federal system for study and recommendation.

The current intergovernmental grant system was identified as such a problem by the Commission in the spring of 1974. The staff was directed to probe four features of this system: categorical grants, the range of reform efforts that stop short of consolidation, block grants, and the changing state servicing and aid roles. This report is the third in the series that resulted from this basic Commission decision. It deals with the various organizational and procedural efforts to improve Federal management of the grant system, including both categorical and block grants. The report was approved at a meeting of the Commission on May 20, 1976.

**Robert E. Merriam**  
**Chairman**



# Acknowledgment

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**Wayne F. Anderson**  
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# Managing the Assistance System: Categorical Aids and Strategies for Reform

## "MIDDLE RANGE" GRANT REFORMS

An explosion in the number (and dollar amounts) of Federal categorical grants in the mid 1960s was followed closely by a comparable explosion of political demands for improvements in the management of these inter-governmental programs.<sup>1</sup> The operation of an extensive system of categorical aids created administrative difficulties for the national government and especially the recipient states and localities. These required remedy, and led to a host of administrative efforts aimed at this objective.

Wits have termed this the "circular explosion," a reference to the outpouring of Bureau of the Budget grant management procedures (called "circulars") after 1966. Other instruments of the reform undertaken in this general period included three "target grant" programs, each having a strong managerial orientation; changes in the organization of the Federal Executive Branch; and new procedures for interlevel communication and grant standardization, simplification, and coordination.

All these efforts fit into what may be termed the "middle range" of assistance reform, which is the subject of this volume. These are measures of an organizational or procedural nature which, while intended to remedy some of the defects in the operation of an extensive system of categorical grants, still preserve its basic structure. They attempt to improve the *management* of

the categorical assistance system within the Executive Branch — to in fact, “systematize” the extensive array of isolated grants. However, all are predicated upon the continued use of categorical grant programs as a basic instrument of intergovernmental activity and national domestic policy. The measures thus stop short of the wholesale transformation of Federal aid, and must be contrasted with the more far-reaching alterations which also emerged in the past decade involving grant consolidations or block grants and general revenue sharing. These latter were aimed, not at the improvement of the system of categorical assistance, but at providing alternatives or supplements to it.

There is no necessary conflict between these two approaches to grant reform. Both coexist in contemporary practice. However, they remain analytically distinct, and have often been viewed as alternative, rather than complementary, courses of action.

From one perspective, the middle range reform measures may seem a “first step” toward the more far-reaching block grant and revenue sharing approaches. There is merit in this interpretation, especially in the manpower and community development fields, in which the recently enacted block grants followed extensive earlier experiments at improved interprogram management. However, this interpretation also masks the longer-run historical and political dynamics of the middle range reforms. At least in concept, broad support grants have a lengthy history. “Block grants” as currently understood may be traced to the recommendations of the first Hoover Commission in 1949, while revenue sharing legislation first was placed before the Congress by then Representative Melvin Laird as early as 1958.<sup>2</sup> The actual development of many of the middle range reforms in the Congress and Executive Branch during the mid 1960s coincided with the consideration of revenue sharing and block grant legislation. At that time, grant consolidation was frequently proposed as an alternative to grant simplification legislation, while revenue sharing was suggested by some as a substitute for categorical aids.<sup>3</sup> From this second perspective, then, the grants management measures can be viewed as compromise or “half step” reforms.

The middle range grants management efforts also can be recognized as important administrative adaptations in their own right. Categorical grants are widely accepted as a necessary and inevitable feature of a balanced program of Federal aid. The experience of recent years indicates that, despite revenue sharing and the new consolidated block grants, the number of categorical programs has remained high and has actually continued to grow. Whatever the correct historical interpretation, then, the

continuing relevance of middle range reforms into the foreseeable future should be stressed.

This introductory chapter traces the continuing chorus of criticism directed against the categorical grants. It provides the background for the chapters which follow. While the currents for reform began flowing long ago, they reached flood stage only in the middle 1960s. Developments in this later period, then, are given special attention. In the years since, a variety of techniques for improved grants management have been utilized; these also are described briefly. Experience with them, however, is assessed in the following chapters.

## THE NEED FOR ASSISTANCE REFORM

Study upon study has indicated the need for thoroughgoing reform in the fiscal instruments of intergovernmental relations. The call has been nearly continuous since 1949, the year in which the first Hoover Commission issued its report, which included a section on Federal-state relations. However, this need was asserted with increasing intensity and frequency in the mid 1960s and has continued, largely unabated, to the present.

The periodic assessments of grant program operations seem surprisingly similar. Very little has changed over the years. Even the extensive reforms initiated in the past decade have not altered greatly the nature of the complaints. Many of the same fundamental difficulties continue.

Most of the administrative problems associated with categorical aid arise from the large number of narrow, distinct programs of assistance — what critics often call the “fragmentation” of Federal aid. Aid programs, of whatever worth singly, become objectionable as they proliferate. There are a variety of complaints: “red tape,” “inflexibility,” and others. “Poor coordination” is probably the most common charge. This term, however, embraces a multiplicity of meanings. Specific criticisms include:

- widespread inconsistencies among grant program procedures and requirements;
- wasteful duplication of effort, with a number of Federal agencies providing assistance for similar or identical purposes;
- conflicting or inconsistent program objectives (or effects);
- inadequate dissemination of information

concerning grant programs and requirements;

- the bypassing of general purpose local governments and/or elected state and local officials;
- the tendency to distort the priorities of and weaken overall long-range planning in recipient jurisdictions;
- the common failure of Federal agencies to cooperate in support of a single project or objective; and
- conflicts between Federal regulations and state and local laws, procedures and capabilities.

More generally, it is asserted that the assistance system is *not* a "system." Federal aid has developed piecemeal, with little consideration for the overall needs of, or the overall impact on, state and local government. At the very least, recipients are forced to devote inordinate energies to "grantmanship" — securing and then administering Federal funds. The complexity also discourages full participation in Federal programs or makes it impossible for some communities, especially the smaller ones which lack the necessary experienced staff. Everywhere, grant programs tend to operate in isolation, often failing to receive close scrutiny from elected officials, the citizenry, or even any single national agency. The Federal interest also is harmed, since inefficiency and ineffectiveness result.

There are two sides to the debate, of course. The case for the defense has remained as constant as that for reform. Categorical programs, because they are more precisely defined, seem to provide the most certain guarantee that Federal funds will be utilized to advance a specific purpose. They appear to offer the most efficient, direct administrative means for securing any national objective. Differences in procedure among programs, it is argued, reflect variations in the administrative necessities in each program area. While after 1965, the validity of the complaints about fragmentation and poor coordination was widely recognized, many still found some of the proposed reforms unacceptable, unattractive, or unworkable. In a recent article, Representative John Conyers, Jr., of Michigan, acknowledges the red tape and confusion which characterized intergovernmental fiscal relations in the 1960s. He concludes, however, that

on balance . . . the inherent advantages of the categorical grants-in-aid program, then as now, far outweighed the defects evident in

their allocation and administration. Although the red tape surrounding the grants was indeed thick and sometimes tangled, it did serve the purpose of insuring that the money got to the people and the communities for which it was intended.<sup>4</sup>

The terms of this argument are clearly revealed in some of the earliest assessments of grant administration. These historic studies, then, are of continuing relevance.

### The Hoover and Kestnbaum Commissions

Official interest in the subject of grant reform dates at least from 1949, the year in which the Commission on the Organization of the Executive Branch — the first Hoover Commission — issued its comprehensive report on administrative organization. Though the section of its report on the subject of Federal-state relations was very brief, it was a landmark in the field, premonitory of judgments to be made later.

The work of the commission in intergovernmental relations was not entirely without precedent. An earlier study was completed in 1928, utilizing a survey of state officials conducted by a committee of the National Municipal League.<sup>5</sup> In the late 1930s, the director of the Bureau of the Budget organized the Council on Intergovernmental Relations, which executed several "pilot" investigations. The Department of the Treasury formed a committee to study intergovernmental fiscal relations in 1941 and produced a 600-page report.<sup>6</sup>

The major issues which would be raised in later analyses were suggested in a 1937 report by V. O. Key, Jr., for the Public Administration Service.<sup>7</sup> Key noted the tension between two competing managerial objectives. The administration of grant programs required the balancing of the Federal interest in accountability and adequate performance against the need of the states for some flexibility and autonomy. However, the latter concern, while inherent in the grant device, "had not become of much moment" at that time, in Key's view.<sup>8</sup> Of far greater significance, Key believed, were the obstacles to good management in the administrative practices and "localism" of many of the states. On the whole, the conditions and regulations which had accompanied Federal assistance programs then appeared both necessary and beneficial; the national government, in fact, seemed to be a leader in spawning state managerial improvements. In the foreword to Key's study, Joseph P. Harris wrote that

. . . the evidence is clear that the influence of

the Federal agencies has almost always been on the side of improving administrative standards. That the administration [by the states] of Federally aided activities is generally better than that of non-aided activities can hardly be disputed.<sup>9</sup>

~~The Hoover Commission, ten years later, took a sharply contrasting position. It found much to criticize in Federal-state relations. The commission's work in general exemplified the public administrator's concern with a unified, hierarchical administrative system. Embracing administrative doctrines developed previously, the commission urged a strengthening of the President's administrative authority and the reorganization of governmental departments and agencies by major purpose.<sup>10</sup> It decried the waste from "overlap" and "duplication" which marked existing executive organization.<sup>11</sup> This line of argument, quite consistently, was extended into the grants management field.~~

The Hoover Commission's report included a brief assessment of Federal-state relations and listed both the "assets" and "liabilities" of the grant-in-aid device. Grants were credited with having increased the quality of many services, with decreasing servicing inequalities among the states, and improving the administration of such state activities as highways and welfare.<sup>12</sup> Among the liabilities cited, however, were the following:

Grant programs are unrelated; they are uncoordinated; and they have developed in a haphazard manner without any one agency — Federal or state — concerned with the overall impact and the overall effects of grants-in-aid upon the general operations of government.

Grants-in-aid have altered state service patterns and total state programs. Available Federal funds for matching purposes stimulate or "persuade" the states in many instances to expend large sums for an aided program while, of necessity, other needed services are neglected. The public assistance program as contrasted with the general relief program is one among many examples.

The grant-in-aid method has removed large areas of discretionary power from the hands of state officials and has transferred a measurable degree of policy making and

ultimate responsibility and control for public services to the National government.<sup>13</sup>

The commission found that the existing assistance effort was, in its words, marked by "excessive fragmentation." It noted with concern that

there are now at least three separate and distinct grants in the realm of education, at least three in public assistance, and ten in public health.<sup>14</sup>

It recommended that the grant system be clarified and systematized, using the "block grant" concept: "A system of grants should be established, based upon broad categories — such as highways, education, public assistance and public health..."<sup>15</sup> The commission also urged that grant funds be budgeted and administered at the Federal and state levels as are other Federal and state funds. It proposed that a "continuing agency on Federal-state relations" be given responsibility for study, information, and guidance in the field.

The case made by the Hoover Commission was to have little practical impact. Block grant legislation introduced following its recommendations met with little success.<sup>16</sup> Its critical judgments and proposals for reform were, in fact, significantly modified in the second major evaluation of Federal assistance, that of the Commission on Intergovernmental Relations (Kestnbaum Commission) in 1955.

The Kestnbaum Commission was fully aware of the administrative criticisms of categorical assistance, and considered the case for broader grants in various functional fields as well as general Federal subsidies — what now would be called block grants and revenue sharing.

To avoid the defects of highly specialized grants, the use of more general grants has often been urged. According to the usual proposal, funds would be given for such broad objectives as public health or welfare, for example. Each state would determine what emphasis to give within each broad field. The tasks of supervising, recordkeeping, and reporting would be greatly simplified.<sup>17</sup>

The Kestnbaum Commission specifically rejected this approach. It viewed the administrative difficulties posed by categorical programs as usually minor.

The commission is cognizant of the inconveniences caused by highly specialized grants. But to get rid of specialized grants merely because they involve administrative inconvenience may not be the best solution of the problem. The matter to be settled first in each case is whether the degree of specification is worthy of what it will cost.<sup>18</sup>

In most instances, the report concluded, there are "strong reasons" for confining grants to small segments of broad activities.

A grant, in the commission's view, was "first of all an instrument used by the National government to reach its own objectives."<sup>19</sup> Categorical aid provided the greatest assurance that funds would be used to promote these primary interests. Such grants represented "a basically sound technique, despite their piecemeal development and hodgepodge appearance."<sup>20</sup>

This official commission position must be juxtaposed against the far more serious criticisms made in some of its field studies. These found that categorical aid had seriously weakened — or at least failed to strengthen — the organs of central administration in recipient states. Two volumes of case studies prepared for the commission were concerned specifically with the impact of grants on state administrative practice.<sup>21</sup> Some of these profiles, especially those included in the first, shorter volume, indicated that considerable harm has been worked on overall state administration. For example, in South Carolina, aid programs were reported to have "actually fractured whatever semblance of administrative unity" had previously existed in the state.<sup>22</sup> In Michigan, aid had emphasized "divisive" functional relationships, and failed to build stronger overall political leadership.<sup>23</sup> In the State of Washington, control over aided functions had shifted from the governor to program professionals and national political and professional groups.<sup>24</sup>

A general overview of the case studies included in the second volume took exception to these criticisms and the recommendations flowing from them. The summary of the studies, written by Roger H. Wells, argued that, in most cases, aid requirements "do not impose any particular difficulties on a state which desires to unify its administrative organization under the governor."<sup>25</sup> Overall, Wells argued, Federal grants had had "little adverse impact" in the majority of states studied; "in other words, he concluded, "the political complaints on this score have been exaggerated."<sup>26</sup>

The commission membership was apparently per-

sued by these arguments. It eschewed recommendations for major change, but did propose a number of "middle range" reform measures. It noted the difficulties caused by poor timing, insufficient flexibility, and needlessly rigid conditions in grant administration and proposed improvements.<sup>27</sup> Interagency coordination posed a special problem:

When related grant programs are administered by different National agencies, there is a danger that the interrelationships of the programs will be overlooked. Unless there is careful administrative coordination at the National level, the programs may produce confusion at the service level. They may fail to provide mutual support, or, in extreme cases, may work at cross purposes so that one partially nullifies the effect of the other. There is some evidence that these results have occurred in the past because of inadequate coordination among grant-administering agencies of the National government.<sup>28</sup>

The necessary coordination, the commission suggested, could be improved by organizational change. It recommended the creation of a Presidential staff agency on intergovernmental relations and the development of other machinery as needed in particular fields. An Advisory Board on Intergovernmental Relations would provide for improved interlevel communication, while the Bureau of the Budget was urged to intensify its concern with the intergovernmental field. The commission also proposed that the Congress maintain active subcommittees on intergovernmental relations in its Committees on Government Operations.<sup>29</sup>

Many of these actions in fact were taken. By 1965, responsible observers could suggest that "adequate machinery" for the conduct of intergovernmental relations was then available.<sup>30</sup> Yet, this verdict proved premature. The demand for further reform was already rising.

### The Mid 1960s: "Management Muddle"

While some observers had perceived the growing problems in grant management in the 1940s and 1950s, these were widely recognized only upon the expansion of Federal efforts in the mid 1960s. After 1965, the "management muddle" created by the grant programs was especially clear to leaders of both political parties.<sup>31</sup> Indeed, the subject moved from the restricted

province of official research commissions to become an important topic of Presidential comment.

President Lyndon Johnson, who had led the effort to broaden Federal responsibilities through the grant device, became well aware of the administrative difficulties the growing system posed. His March 1967, message on the quality of government tallied some of these:

There are today a very large number of individual grant-in-aid programs, each with its own set of special requirements, separate authorizations and appropriations, cost-sharing ratios, allocation formulas, administrative arrangements, and financial procedures. This proliferation increases red tape and causes delay. It places extra burdens on state and local officials. It hinders their comprehensive planning. It diffuses the channels through which Federal assistance to state and local governments can flow.<sup>32</sup>

A variety of attempts to improve the management of intergovernmental assistance were initiated or supported by the Johnson Administration. These included three "target grant" programs adopted in 1964-66; an Executive Order requiring consultation with state and local officials on grant program regulations; the designation of official intergovernmental liaison offices; the first use of the consolidated block grant concept in the Partnership for Health Program of 1966 and its consideration for other areas; experimental use of "pilot" Federal Regional Councils; and the comprehensive reforms initiated under the Intergovernmental Cooperation Act of 1968.<sup>33</sup>

New Federalism. An even more sharply critical assessment of intergovernmental fiscal relations was made by the next national Administration. In 1969, President Nixon stressed the administrative complexity of the categorical approach, a subject which was to be a major theme throughout his years in office:

As grant-in-aid programs have proliferated, the problems of delivery have grown more acute. States, cities, and other recipients find themselves increasingly faced with a welter of overlapping programs, often involving multiple agencies and diverse criteria. This results in confusion at the local level, in the waste of time, energy, and resources, and often in the frustration of the intent of

Congress. . . . Under our present fragmented system, each one of a group of closely related categorical grants is encumbered with its own individual array of administrative and technical requirements. This unnecessarily complicates the planning process; it discourages comprehensive planning; it requires multiple applications, and multiple bookkeeping both by the Federal agencies and by state and local governments.<sup>34</sup>

President Nixon argued that the solution of most governmental problems lay in improved administration and refined technique.<sup>35</sup> Managerial issues — questions of means — received priority attention. In this respect, the contrast with the Kennedy-Johnson period is sharp. The central thrust of the "New Frontier" and "Great Society" had been toward the assumption of new Federal roles and responsibilities. Management, though a greater concern after 1966, had initially been secondary. Richard Nixon's "New Federalism," however, brought issues of administration to the very forefront of public attention. For the first time in the century, one analyst suggests, policy was to be based upon a "power premise" — a vision of the proper ordering of the intergovernmental administrative system — rather than a "service premise."<sup>36</sup> Categorical assistance was condemned because it posed serious managerial problems. In the President's view, it had also pushed Federal involvement in fields which were properly the sphere of state and local government and broadened the scope of public activity. Consequently, considerable attention was devoted to identifying functions which might be "devolved" on subnational units. Certain other functions were to be centralized.

Nixon's "managerial" approach to the resolution of national problems was revealed clearly in his first year as President. His first Executive Order created the Council for Urban Affairs and charged it with formulating and implementing a coordinated national urban policy. Other actions created the Office of Intergovernmental Relations under the Vice President, established common regional boundaries for Federal administration, and reorganized the Manpower Administration and Office of Economic Opportunity. In his first months in office, the President initiated the three-year Federal Assistance Review (FAR) program, a comprehensive strategy intended to decentralize and simplify grant administration. He also requested the authority to consolidate categorical grant programs, subject to Congressional review. This procedure had been recommended by the ACIR in 1967. Other, later Administration proposals included general

revenue sharing, six grant consolidations termed "special revenue sharing," and a complementary consolidation of Federal departments which would have reduced the total from 12 to eight.

**The Political Dimension.** The rising concern over categorical grants had an important political dimension. More than principles of good management were involved. The criticism of categorical aids reflected emerging coalitions of interest and conflicts which were sometimes intense. The term "competitive" has been used to describe intergovernmental relations in the period from 1965 to the present. Quoting Senator Edmund Muskie, one writer highlights the conflict which has been characteristic of this period:

The picture . . . is one of too much tension and conflict rather than coordination and cooperation all along the line of administration — from top Federal policymakers to the state and local professional administrators and elected officials . . . [The] unwarranted degree of disagreement, tension, and rivalry among and between officials prompt the use of "competitive" for this phase of [intergovernmental relations].<sup>37</sup>

This political cleavage was in part partisan. The Republican Congressional leadership, concerned about the number and size of Federal programs, pressed in 1966-68 for the use of formula block grants to the states rather than direct national-local programs. Democrats with ties to the large cities and a suspicion of "rural-oriented" state legislatures, often defended direct links to cities through the categorical project-grant approach.<sup>38</sup> The Republican Administration which came to power in 1969 had, of course, the normal partisan motivation to criticize the domestic programs and strategies of its predecessor, and to develop alternatives. It also adhered to a more limited view regarding the use of national resources and power. A number of categorical grant programs were ultimately attacked as "ineffective."<sup>39</sup> Some major initiatives of the Great Society were altered or dismantled. The conflict of political philosophies appeared strong, and the rhetoric of the period strengthened rather than diminished the partisan contrast.

Yet party lines were not in fact firmly drawn. No single intergovernmental creed bound the loyalties of Democrats or Republicans in all branches, levels and sectors of the Federal system. First, there were notable elements of continuity between the actions of the

Johnson and Nixon Administrations. Many of the grant management initiatives which President Nixon stressed had been developed under the previous Administration, or even before.<sup>40</sup> The Democratic Vice Presidential candidate in 1968, Senator Edmund Muskie, had been among the first members of Congress to catalog the ills of the intergovernmental system, and was closely identified with the movement for reform. President Johnson had pointed the way toward grant consolidations in 1967. General revenue sharing, the central instrument of the "New Federalism," was endorsed in principle by both Presidential candidates in 1968, and its leading advocates came from both political parties.<sup>41</sup> By the end of the 1960s, then, it was apparent that many Democrats as well as Republicans recognized the weaknesses of existing arrangements for intergovernmental aid.

Certainly as important as the partisan division was a policy cleavage between program "specialists" and the "generalists," especially elected chief executives with broad policy-making responsibilities. The former — particularly as viewed by the latter — had developed a new "theory" of federalism, which departed in key aspects from the more traditional views. This new theory, as described in a 1965 Senate study, reflected four themes: (1) functionalism, a preoccupation with particular grant programs; (2) professionalism, including a distrust of "dilettante generalists," among them elected officials; (3) standpattism, the rigid defense of traditional practices; and (4) indifference, the cavalier dismissal of serious intergovernmental coordination questions.<sup>42</sup> This new approach to aid issues both identified and created tension points in intergovernmental relations. The report indicated six specific areas of conflict:

- 1 • professional program administrators versus elected policymakers at all levels;
- 2 • administrators of individual aid programs versus intergovernmental reformers;
- 3 • specialized middle management versus generalized top management;
- 4 • conservative bureau heads versus innovators seeking to strengthen other components of the federal system — the states, our metropolitan communities, and the decision-making process at all levels;
- 5 • professional administrators of one aid program versus the professional administrators of others; and
- 6 • professionalism at the higher level versus a lesser degree of professionalism at the other levels.<sup>43</sup>

The nation's governors and mayors, allied in some degree as "generalists," became increasingly vocal and united throughout the 1960s. These chief executives, as represented through the "public interest groups" (PIGs), acquired new stature and strength, and were able to raise and press demands for assistance reform. For example, by 1969, the National League of Cities and U.S. Conference of Mayors had merged operations. A few years earlier the National Governors' Conference had established a Washington office. The National Association of Counties had been reorganized and strengthened. All of the groups enlarged their staffs and expanded their research and lobbying capabilities. They came to play a key role in the new intergovernmental politics.<sup>44</sup>

The public interest groups sometimes found allies within the "generalist" components of the Executive Branch. These included top staff in the Bureau of the Budget and, in some cases, the secretaries of major domestic departments. These Federal officials shared some common interests with the state and local chief executives. For example, the BOB — traditionally an "economizer" — had a commitment to increasing the efficiency and effectiveness of Federal aid programs. It made a conscious effort to seek to strengthen central executives at the state and local level as a means of achieving its intergovernmental management objectives.<sup>45</sup>

Other allies could be found in the Congress. Former mayors and governors sometimes were particularly responsive to the concerns of the PIGs. One former governor, Senator Edmund Muskie, the chairman of the Subcommittee on Intergovernmental Relations, compiled an outstanding record of Congressional leadership in the intergovernmental field.<sup>46</sup>

These new alliances of generalists sometimes cut across party lines. On certain issues, at least, state and local chief executives of both parties could make common cause. This was clearest during the Nixon years. The New Federalism of his Administration had state and local chief executives as its intended beneficiaries.<sup>47</sup> For a period in the early 1970s, the Republican President did win substantial support among even Democratic mayors.<sup>48</sup> Other issues divided the two parties internally. For example, the Community Action Program initiated by President Johnson largely bypassed both the state and municipal governments, and had in some cities spurred political opposition to incumbent officials. Since most large city mayors — and, in 1965, two-thirds of the governors — were Democrats, some degree of controversy within that party resulted. Similarly, Democratic state executives — led by then Governor Harold Hughes of Iowa — brought their grievances concerning domestic

program operations to the White House in late 1966 in a highly publicized "governors' revolt."<sup>49</sup>

Political scientist Samuel H. Beer argues that, during the late 1960s and into the present decade, there was a trend toward the "decomposition" of the political parties both within the electorate and the Congress. At the same time, professional governmental bureaucrats at all levels were increasingly the source of new policy initiatives. The passage of the *State and Local Fiscal Assistance Act of 1972* (general revenue sharing), in his view, was the culmination of this emerging political alignment.<sup>50</sup> It was also revealed in the development of many of the "middle range" reforms.

Opponents, the "specialists," were those whose professions or futures were tied to the fate of particular governmental activities, whether in health, transportation, public housing, or other areas. The administrators of these programs usually had more in common with their counterparts at another level of government than with each other, since they shared similar programmatic concerns and perspectives. They were also linked to non-governmental organizations of allied professionals or program clientele, and found support in the Congressional subcommittees which authorized, appropriated for, and had oversight responsibilities concerning their activities.

Frequently, it appeared that the alliances of functional specialists were able to dominate most policy decisions. Chief executives and the broader public interest they represented lost more battles than they won. ACIR's *Tenth Annual Report*, issued in 1969, noted the continuing "hardening of the categories." Progress toward the reform of grant programs seemed "painfully slow:"

The complex of interests — middle management program administrators at all levels, Congressional subcommittees, and pressure groups — that coalesce around the individual grants carried the day far more times than the top policymakers. Thus, more often than not, efforts to achieve a simplified, more flexible federalism were thwarted.<sup>51</sup>

A new image of intergovernmental politics highlighted this state of affairs. The relations of the various governmental levels had once been compared to a layer cake, with the public functions of each level separated and clearly defined. The growth of assistance in the '60s and the sharing of responsibility made a different analog, the marble cake, seem far more appropriate, and it was forcefully argued that such sharing had always been

characteristic of the American system.<sup>52</sup> In the newest version, however, the lines were vertical rather than horizontal. A "picket fence" analogy was suggested by Governor Terry Sanford in his book, *Storm Over the States*. In his words:

There are vocational specialists, housing specialists of several varieties, social-work specialists, rehabilitation specialists, employment specialists, and the ubiquitous bureaucrats who control these programs. The communication is carried on up and down the line. There is little communication between line programs. . . . The lines of authority, the concerns and interests, the flow of the money, and the direction of programs run straight down like a number of pickets stuck in the ground.<sup>53</sup>

This vision, illustrated in *Figure 1*, dramatized the fragmentation of programs and political relationships some earlier observers had noted. In 1937, V. O. Key, Jr., had warned of the danger that the professional associations which had arisen in connection with nearly every aided activity — "guilds," as he termed them — would subordinate the public interest to their own.<sup>54</sup> Similarly, members of the Kestnbaum Commission had used the term "vertical functional autocracies" in discussing the close relationship among specialists at all governmental levels.<sup>55</sup> The 1965 Senate survey study had suggested a similar analogy.<sup>56</sup>

This new conception of intergovernmental politics corresponded closely to an image of the realities of power in American politics. Political scientist J. Lieper Freeman (who had served as a staff assistant to the first Hoover Commission) had described in 1955 the semi-autonomous "subsystems" which set policy in most fields. Participants included the leaders of Congressional committees, interest groups, and Executive bureaus.<sup>57</sup> In 1964, reporter Douglass Cater offered a similar, but more popular, treatment of the same subject.<sup>58</sup> Power, he suggested, is held by three-sided "subgovernments," of which the "military-industrial complex" is simply the largest and most widely recognized. Other writers used the phrase "triple alliance" or "iron triangle" to describe these interlocking sets of interests.

The categorical grant programs, clearly, were the domain and chosen instrument of many such "subgovernments." Interests coalesced around existing programs and also generated new ones.<sup>59</sup> The grants provided a direct means of securing their specific objectives, many of unquestioned worth. Yet, in their

semiautonomous operation, they posed purely technical managerial difficulties, and sometimes operated in a fashion which neglected other public interests of at least equal importance.

## STUDIES AND REPORTS

Literally dozens of reports on the problems of intergovernmental relations have been compiled in the years since 1965. Many of these were prepared under the auspices of some official Federal body. Others were the products of the public interest groups, private research organizations, and individual scholars. A number of those reports which seem to have had a particularly significant impact on the perceptions of problems of intergovernmental relations are summarized below. All involved original investigations utilizing field study or survey techniques.

The first of these is a survey report prepared in 1966 by the Council of State Governments. The difficulties it describes pertain chiefly to the traditional mode of intergovernmental assistance — Federal formula grants to the states. Following is a summary of the results of several field studies conducted by the Bureau of the Budget, also in 1966. Two case studies which highlight difficulties in the rapidly growing direct Federal-local project grant sector are also included. Both examine the overall impact of Federal assistance in a single community. The final report summarized was prepared by the General Accounting Office in 1975; it offers a current perspective on grants management problems.

### 1966 CSG Survey

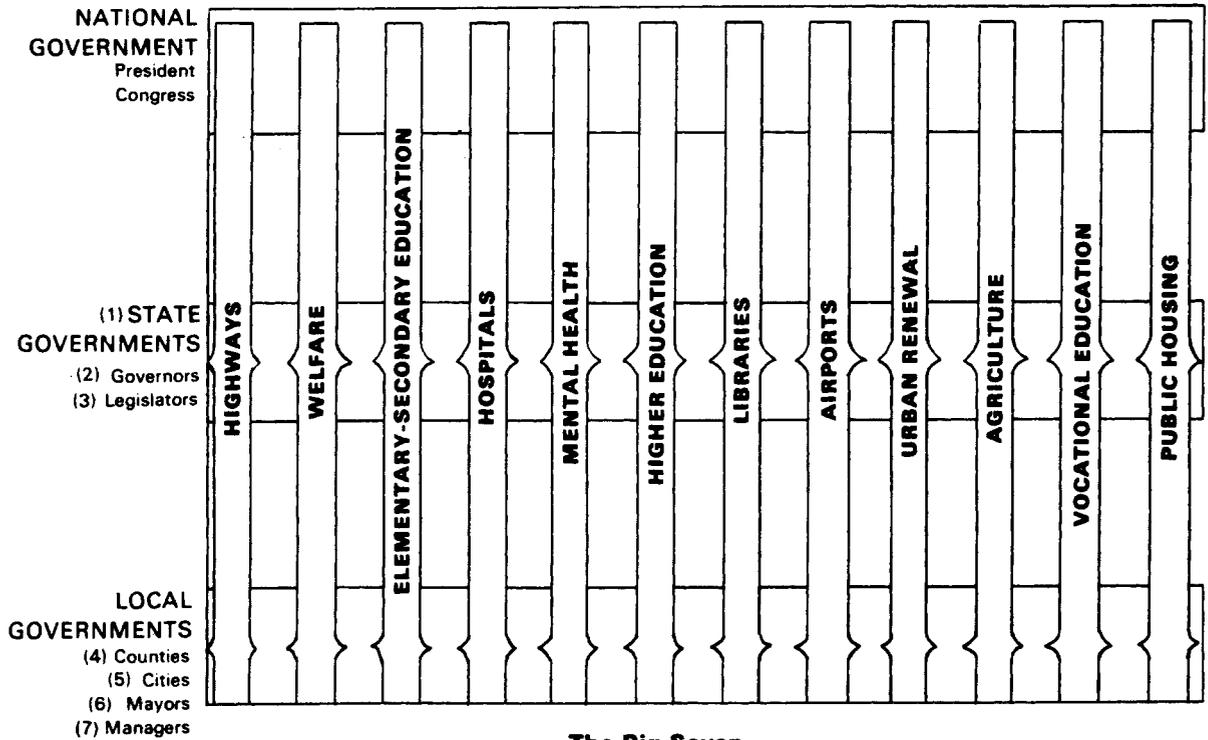
One of the most persuasive documentations of the administrative problems which the categorical grant system posed for states was a 1966 study prepared by the Council of State Governments. Its brief report, *Federal Grant-in-Aid Requirements Impeding State Administration*, was based upon a survey of state budget officers.<sup>60</sup> Some Federal BOB officials provided assistance to the project.

Thirteen major classes of "impediments" were identified by the respondents. Most numerous were complaints under the heading "inflexibility in rules, regulations, and administration." The report provided many examples of the specific problems some states had encountered.

Vermont. The population criteria for community mental health centers effectively prevent a rural population over a widely

Figure 1

### PICKET FENCE FEDERALISM: A SCHEMATIC REPRESENTATION



#### The Big Seven

- (1) Council of State Governments
- (2) National Governors' Conference
- (3) National Legislative Conference
- (4) National Association of County Officials
- (5) National League of Cities
- (6) U.S. Conference of Mayors
- (7) International City Management Association

SOURCE: Deil S. Wright, "Intergovernmental Relations: An Analytical Overview," *The Annals of the American Academy of Political and Social Science*, November 1974, p. 15.

scattered area from receiving greatly needed mental health facilities.

**Washington.** The *Library Construction Law* has been interpreted to permit use as matching funds the cost of remodeling a building already owned, but not the cost of acquiring a building.

**Mississippi.** HEW requires establishment of staff positions or assignments of responsibility for specific functions without regard to the state agency's program needs.

The difficulties posed by such inflexibility were more severe when, as happened frequently, the Federal regulations were counter to a provision of state constitutional or statutory law.

**New York.** For Federal aid highways, the Bureau of Public Roads requires the state to pay, or make available to property owners whose property has been acquired for rights of way, 75 percent or more of the fair market value without prejudice to his claim for a higher total amount. The New York State law provides for an advance payment of 60 percent of the fair market value of all property taken for any purpose.

Respondents also charged that the excessive categorization of programs had hindered overall policy development.

**Florida.** A public health nurse, financed from the special heart fund, is not supposed to render aid to cancer and tuberculosis patients even when they are in a household she is visiting.

**Vermont.** Health grants to be spent in specific categories do not allow the flexibility to spend funds in the areas of greatest need.

Too often, the programs were found to be poorly coordinated.

**North Dakota.** The state Department of Public Construction must deal with too many agencies of the Federal government. This makes coordination difficult.

**California.** When administering construction grants, one Federal agency asks simply if the state owns the land on which the project is to be built. Others require various degrees of legal statements stating that the land is owned in fee simple. The Office of Education requires a lengthy statement.

The report concluded by noting that, despite these difficulties, there was a considerable degree of satisfaction with aid programs. It warned, however, that some problems could become even more acute in the future. The report called for closer liaison between state budget offices and the Federal Bureau of the Budget.

## **BOB Field Surveys**

In fact, the BOB was already alerted to many of the administrative difficulties posed by Federal assistance. During the summer of 1966, survey teams led by the Bureau of the Budget staff had assessed the weaknesses of grant administration through a series of field studies.<sup>61</sup> The new roles thrust upon the state and local chief executives by Great Society programs had brought cries of "outrage and dismay" to the White House, according to Harold Seidman, then BOB assistant director for management and organization. The survey teams were dispatched to determine the sources of dissatisfaction.<sup>62</sup> These investigations are credited with convincing the bureau that it had to play a more vigorous role in the intergovernmental field than it had to that time.<sup>63</sup>

Five states — Washington, Tennessee, South Carolina, Pennsylvania, and Colorado — were visited by the teams, each for about a week. Interviews were conducted with governors, mayors, academicians, and other knowledgeable persons. The survey teams themselves included members of the BOB staff, representatives of grant-giving agencies, and the associations of state and local governments.

The investigators found that most individual programs were functioning reasonably well. However, where coordination between programs was necessary, problems existed<sup>64</sup> "Fragmentation" marked the development and administration of assistance by the Federal government and the responses of state and local governments. The central difficulty was simply the multiplicity of Federal agencies and increasingly narrow categorical programs.

The complexity and fragmentation of Federal grant programs in and of itself

creates major problems of administration for both the Federal government and local governments and inhibits the development of a unified approach to the solution of community problems.<sup>65</sup>

The grant system lacked balance, moreover. Too much money was available for some purposes and not enough for others. There was no rational pattern underlying differences in the required level of matching contributions. Consequently, recipients often pursued the "easy money," regardless of their real needs.<sup>66</sup>

Ten specific weaknesses at the Federal level were highlighted. These included the complexity and inconsistency of planning requirements and the difficulty of obtaining up-to-date information regarding the programs themselves. Such problems were especially severe in smaller communities. Obstacles to coordination in the Federal field structure were cited. Late appropriations and delays in project approvals made recipient planning and budgeting more difficult. The administrative implications of proposed Federal programs for grantees were not always recognized, and Federal actions were often taken without regard for state and local laws, government structure, capabilities, and programs. The report also noted the serious obstacles to interprogram coordination produced by the jurisdictional fragmentation and administrative weakness of chief executives at the state and local level.

### Oakland Study

Some other reports focused directly on the administration of programs within urban areas. Among the first and most extensive of these was the study, *An Analysis of Federal Decision-Making and Impact: the Federal Government in Oakland*.<sup>67</sup> This report attempted to identify the obstacles to developing a coordinated response and common strategy among the several Federal departments.<sup>68</sup> Issued in 1968, the study was the product of a year-long investigation by a task force created by the Critical Urban Problems Committee of the San Francisco Federal Executive Board. Representatives of eight Federal agencies participated, assisted by a consultant.

A major component of the study was an attempt to inventory and evaluate the impact of all Federal aid activities within the city. The report reached a generally pessimistic conclusion.

Despite Federal expenditures in recent years totalling many millions of dollars, the visible

results of Federal involvement in Oakland are few, and local enthusiasm for the way in which Federal aid is given to the city is often muted. Public officials and residents (particularly those in the ghetto) tend to feel that Federal programs often fail to meet their needs. City officials in particular indicate that categorical aid programs sometimes skew city priorities: they are not developed to meet specific needs expressed by the city, they frustrate central administrative control over local functions, and they impede comprehensive planning and budgeting.<sup>69</sup>

It proved impossible to complete the planned inventory of aid programs. While 38 Federal agencies responded to the request for information, their records were inadequate. Differences in reporting methods were revealed. Programs administered through the states often lacked detailed information on expenditures below the state level. Programs in which final approvals were made in Washington often did not generate full records at the regional level.

The inability to produce comprehensive records in Oakland suggested that similar difficulties would probably be encountered elsewhere. This "information gap" made it impossible for either the cities or the Federal government to judge the overall effectiveness of the intergovernmental effort. It also indicated the many obstacles to the development of better coordination among regional offices.<sup>70</sup>

A second component of the study attempted to develop a statement of the city's priority needs. Both the Federal agency task force and a counterpart local task force (aided by the consultant) prepared problem statements and statements of priorities.

The local officials' problem statement presented a typical profile of urban problems. Even though there were common perceptions of problems, there was little agreement on specific priorities. It was the nearly unanimous opinion of the participants that the city lacked a mechanism for setting priorities and objectives and relating these to fund allocations. Many expressed the opinion that it would be impossible to develop such a system, for the following reasons:

- inadequate funds were available for undertaking new or expanded activities;
- each department and commission of the city and county had its own priorities; and
- serious needs in such areas as housing and

employment could not be weighed against each other.

The city council, it was felt, could not be committed to a long-term plan of coordinated action. Most participants also suggested that the Federal government itself had set priorities for the city by the structure and funding of its programs.<sup>71</sup>

Similarly, interviews with senior regional staff administrators in six Federal departments found little consensus on Oakland's problems and priorities. Often, differences of opinion existed among respondents in the same department. However, with few exceptions, officials saw Oakland's most important needs as being directly related to their own program area, with the Labor Department citing jobs, Housing and Urban Development naming low-income housing, and so forth. Most showed little clear understanding of the community's needs outside their particular province. Other comments revealed inconsistencies in agency missions, and cited obstacles to intragency as well as interagency coordination.<sup>72</sup>

The report also disclosed many other obstacles to the development of a high degree of coordination among Federal agencies and a strong working relationship with the city. Many regional offices lacked the authority to "sign off" or commit their agencies to a course of action. Regional boundaries and office locations varied widely.<sup>73</sup> Inconsistencies among the objectives, eligibility requirements, funding patterns and processing procedures, and other features of supposedly complementary programs also inhibited joint action.<sup>74</sup> The report concluded with a number of organizational and procedural recommendations for better coordinated grants management.

### Richmond Study

The Oakland study was later replicated in other cities. One of these was the research effort undertaken in 1970 by the Richmond Study Task Force under the auspices of the Region III Federal Regional Council (Philadelphia) and the Office of Management and Budget.<sup>75</sup> The study attempted to trace, on a cash flow basis, all Federal intergovernmental funds received and expended in Richmond, Virginia, during fiscal 1970.

As in the Oakland case, the task of compilation proved difficult. The report noted:

There is no single official or agency in the City of Richmond which has available accurate figures for each city agency: (1) the

number of Federal programs; (2) total expenditures incurred for each Federal program; (3) the amount of Federal funds which an agency can spend; (4) the amount of matching funds required; (5) the total net receipt of Federal funds, and (6) the amount of administrative overhead necessary to participate in these programs.<sup>76</sup>

The problem was not that such information was unobtainable, however; it simply had not been compiled in a suitable form.<sup>77</sup> The task force was able to gather data for all those agencies within the jurisdiction of the city government, and included in its report partial information for a variety of non-governmental agencies.<sup>78</sup> Both direct Federal-local grants and funds administered by the state were included.

The analysis indicated that the Federal government, acting through eight separate agencies and some 78 distinct programs, had provided a total of \$30,675,060 in assistance during 1970. Various city agencies had received the bulk — approximately 60 percent — of these funds, with the balance going to 14 "non-governmental organizations." Examples of the latter included the local community action agency, housing authority, a boys club, nursery, and university.<sup>79</sup> Most of the money received by the city (90.4%) was obtained indirectly, *via* the state. However, most of the financing for non-governmental organizations (93.3%) was received through direct Federal-local programs.

The Department of Health, Education and Welfare was by far the largest source of financial support, accounting for 60.5 percent of the total. The three functions of welfare (36.5%), housing and urban development (28.4%), and education (20.0%) were the objects of the largest expenditures. Lesser amounts supported the functions of economic opportunity, health, culture and recreation, transportation, natural resources, public safety, and other services.<sup>80</sup>

The most complex pattern of intergovernmental relationships appeared in the field of education. City schools were aided through 20 distinct programs, with funds originating in four Federal departments — HEW, DOT, USDA, and DOL.<sup>81</sup>

The study cited the "information gap" pertaining to Federal assistance as the greatest problem of the grant system. State and local budgeting and accounting systems typically failed to reflect the full extent of Federal financing, while the Federal government itself generally did not know how many programs were operating in a specific locality, whom they were administered by, or the dollar amount of expenditures

involved. These factors, in turn, inhibited comprehensive planning, encouraged fragmented service delivery, and precluded complete evaluations of effort.<sup>82</sup>

**1975 GAO Study**

The most recent comprehensive investigation of Federal assistance was that prepared by the Comptroller General in 1975, based in part upon field work in seven states.<sup>83</sup> The report of course recognized the many attempts at improving the management of intergovernmental aid. Yet, it indicated that "despite the actions

taken to improve the Federal delivery system, fundamental problems continue."<sup>84</sup>

In the opinion of the General Accounting Office, the problems observed were "directly attributable to the proliferation of Federal assistance programs and the fragmentation of responsibility among different Federal departments and agencies."<sup>85</sup> Four specific problems were cited:

- the lack of an adequate means for disseminating grant-in-aid information needed by state and local governments;

*Table 1*  
**Federal Funding for Richmond, by Federal Agency**  
 (Fiscal Year 1970)

Federal Agency	City Agencies		Non-Government Organizations		Total City and Non-Government Agencies	
	Amount	Percent	Amount	Percent	Amount	Percent
Department of Health, Education and Welfare	\$16,922,590	92.0	\$ 1,633,027	13.3	\$18,555,617	60.5
Department of Transportation	108,056	0.6	—		108,056	0.4
Department of Housing and Urban Development	421,339	2.3	8,502,301	69.2	8,923,640	29.1
Department of Labor	18,995	0.1	292,410	2.4	311,405	1.0
Office of Economic Opportunity	—		1,837,918	15.0	1,837,918	5.9
Department of Agriculture	748,823	4.1	16,992	0.1	765,815	2.5
Office of Emergency Preparedness	170,033	0.9	—		170,033	0.6
Department of Justice	2,576	*	—		2,576	*
<b>Totals</b>	<b>\$18,392,412</b>	<b>100.0</b>	<b>\$12,282,648</b>	<b>100.0</b>	<b>\$30,675,060</b>	<b>100.0</b>

\*Less than 0.1 percent.

Source: Richmond Study Task Force, *The Impact of Federal Grants-in-Aid in Richmond, Virginia and a Proposed Community Strategy Process* (Philadelphia: Federal Regional Council; and Washington, D.C.: Office of Management and Budget, 1971), p.19.

- the high degree of funding uncertainty due to late Congressional authorizations and appropriations and executive impoundment of appropriate funds;
- the complex and varying application and administrative processes;
- the fragmentation produced by similar programs being administered by different Federal agencies and with programs too restrictive to meet state and local needs.<sup>86</sup>

Both individually and collectively, the report noted, these problems significantly impede the planning and implementation of state and local projects. The need for further consolidation of categorical grant programs was stressed. A number of administrative improvements also were recommended.<sup>87</sup>

### CONTINUITY AND CHANGE: AN INTERPRETATION

Criticisms of Federal aid programs can be traced for over two and one-half decades from the Hoover Commission through the recent GAO study. Considerable continuity in the complaints about the aid system is apparent. The same term, "fragmentation," is used in many of the reports to describe the underlying weakness of the grant system. Despite remedial efforts, several current problems are comparable or identical to those cited many times in the past, almost to the point where they appear to be chronic characteristics of the aid system.<sup>88</sup>

Yet, there also have been certain elements of change. As was previously noted, criticism became far more widespread and was more urgently expressed during the mid 1960s. In addition, somewhat different concerns became the focus of attention. Both of these conditions reflected certain basic changes in the grant system itself.

First in significance, certainly, was the rapid increase in the number of assistance programs, documented in detail in other volumes of this report and elsewhere. The explosion of new legislative initiatives in the years 1964-66 was especially crucial. The 89th Congress alone (1965-66) is credited with passing some 136 major domestic bills.<sup>89</sup> The number of grant programs grew apace. The ACIR's 1967 study found that, as of January of that year, there was a total of 379 separate authorizations for grants-in-aid to state and local governments. This figure was more than double the 181 which had existed in 1963.<sup>90</sup>

The growth in programs, of course, multiplied the administrative difficulties associated with them. In 1949, the Hoover Commission had indicated with concern that there were ten separate grants for public health and three for education. By 1966, HEW's Public Health Service and Office of Education offered a far more extensive array of grants-in-aid, with over 75 and 85 authorizations respectively.<sup>91</sup> "Fragmentation" had taken a quantum leap in the intervening decades.

The larger number of programs was chiefly responsible for the growing "information gap," the inability to keep track of the Federal assistance programs. This problem was largely new. It was stressed in ACIR's 1967 study, which termed it the "number one complaint" of state and local governments;<sup>92</sup> the Oakland Task Force's 1968 study; and in others which have followed them, but received little attention in most earlier reports.

The increase in numbers alone did not account fully for the sharp escalation in concern over intergovernmental aid. Also important were the significant changes in the nature and type of grant programs.<sup>93</sup> Most particularly, "project" grants became far more widespread than previously. Of the 198 new grant programs authorized from 1964 to 1966, 160 were of the project type.<sup>94</sup> Simultaneously, the eligible recipients of grants were diversified. More funds were directed to urban and metropolitan areas. Programs of Federal-local "direct federalism," in which the states played little or no role, became increasingly common, as did programs of "private federalism," which offered assistance to non-profit groups, specialized public agencies, and individuals.<sup>95</sup>

The increasing use of these new-style grants exacerbated several of the problems of Federal assistance. They made the "information gap" much more serious. Project grants, which lacked the continuing year-to-year relationships of formula grants, were far more difficult for recipients to identify. Moreover, the growing number of potential recipients included many who had little or no experience with intergovernmental programs, and sometimes were poorly prepared to deal with them. Management resources were devoted to "grantsmanship," a necessary local response to the new project grant programs. But the expanded effort sometimes brought resentment — especially when it was fruitless — and the resulting grant distribution processes often appeared inequitable. The competitively awarded project grant programs also created far more uncertainty about the prospective availability of funds, frustrating recipient planning and budgeting.

The changes in grant type frequently reflected differences in program purpose. Most of the traditional

Federal-state formula grant programs sought to assist in the performance of functions which were among the established responsibilities of state governments and their localities. The Federal administrative role in these fields could usually be limited to securing efficient program management and the proper expenditure of funds. Consequently, many of these programs were operated on a cooperative, "partnership" basis. The newer project grant programs, however, were frequently intended to induce local or state governments to assume *new* functions and responsibilities, in support of a nationally determined policy objective. Recipients were supervised far more closely to protect the Federal interest.<sup>96</sup> This higher level "intrusiveness" became a source of considerable complaint.

~~In the mid 1960s grant programs also were confronted by a "revolution of rising expectations;" this was equally or even more important than the other considerations.~~ Far more was expected in governmental performance. Many of the new programs set very ambitious objectives. Some sought widespread social change, especially the amelioration of poverty and the "urban crisis," a new addition to the national agenda. Moreover, *results* were demanded. "Effectiveness" became as important an administrative standard as the older twins, "efficiency and economy."<sup>97</sup>

~~In this atmosphere, the goal of "coordination" acquired a new significance.~~ To an earlier generation of theorists, the central concern had been reducing waste in duplicative and overlapping programs. In the new view, however, poor coordination was held to be a key obstacle to greater achievement. There was widespread agreement with the opinion expressed by a HUD official that "one of the greatest barriers to successful action at the local level has been the fragmentation, overlapping, and needless complexity of urban aid programs."<sup>98</sup> Urban and rural areas, recipient jurisdictions, and social programs were described in "systems" terms in which every component was seen as interrelated with the others. This basically was a new approach, reflecting a shift from the earlier, essentially unifunctional thrust of program management. Previously, the chief concern had been simply strengthening, unifying in a single agency, and professionalizing the operation of each individual program. The focus of effort had been the creation of a narrow and hierarchical "chain of command" from Washington through the states, embodying the virtues of professionalism, accountability, and administrative insularity.

The new ideal of close coordination led in two directions simultaneously. These differed from, though they did not fully replace, the earlier orientation. There

were, on the one hand, attempts to build the integration of programs *within* the Federal government. Here, the traditional doctrines of public administration provided some possible strategies: consolidate agencies into broader departments, strengthen the staffing of the Presidency, and increase the capacity for joint action in the field. A "rational" and complex budgetary system (PPBS) was also developed. Other innovations were a part of the "War on Poverty" and its target grant programs. On the other hand, there were actions often based upon a similar body of theory but applied to state and local governments. Coordination was to be obtained at the *recipient* as well as the national level. "Capacity building" became a watchword: the model cities-planned variations experiment, which attempted to increase the power of the mayor as chief executive in at least intergovernmental programs, typifies this approach. A variety of other initiatives was undertaken to improve overall planning at all levels of government. Forty-seven aid programs including some sort of planning requirement were enacted in the years 1964-66. Many of these were intended to improve areawide planning for metropolitan regions.<sup>99</sup>

It was this new coordinative ideal which led the Oakland and Richmond Task Forces to seek to determine the impact of *all* Federal programs in one community. The questions which were raised were almost wholly new. Given the historical context in which the programs had developed and been administered, their critical findings were not surprising.

Administratively, the new approach and new programs were far more demanding. Most city governments had traditionally been responsible for only urban "housekeeping" functions involving public safety, sanitation, and other basic services. Their administrative organization — a series of separate departments, boards, and authorities often but loosely connected by a "weak" chief executive — reflected their essentially autonomous operation. The new Federal programs sought to involve the cities in the resolution of the "urban crisis," and required that they "coordinate," "plan," "analyze," and "innovate" in the development of new services. This was a different and difficult task. This quest for managerial reform, it should be noted, had been set chiefly at the Federal level. Typically, it was not a response to the felt needs of the state and local governments themselves.

~~In much the same way, the administrative demands on Federal departments also increased.~~ Agencies were expected to work together more closely as well as to cajole local units (over which they lacked direct authority) to act in partnership with them. To Stephen K. Bailey, the most important common features of the

legislative enactments of the early Johnson administration were that

- their implementation cuts across existing departmental and agency lines;
- they demand almost heroic responses from state and local governments in order to succeed; and
- they require a combination of technical and administrative skills that are critically scarce in society at large.<sup>100</sup>

In fact, these characteristics describe only a few of the new programs. Bailey's chief example was the community action program. Yet, it must be recognized that these few programs were at the center of the government's new social strategy, and were responsible for a disproportionate amount of the concern about grant programs expressed by their recipients. A 1970 survey found that most cities experienced considerable difficulty in coordinating, on an interdepartmental basis, grants in the anti-poverty field. Fifty-nine percent of the municipalities responding reported that coordination in this area was "difficult" or "very difficult." In no other field was coordination deemed difficult by a majority of the respondents.<sup>101</sup>

### Summary

In the mid 1960s, a variety of forces combined to create the widespread perception of a new "crisis" in the management of intergovernmental grant programs. This was a compound of the increase in programs, changes in the type of programs, and new and more demanding social objectives and service strategies. In contrast to years past, the focus of concern was the relatively new but burgeoning Federal-local project grant sector. Though these programs accounted for only slightly over ten percent of all intergovernmental expenditures in 1965 and 1966, they were the source of many of the problems perceived by study groups and public officials at all levels, and the object of many of the reforms proposed.<sup>102</sup>

The growing problem of coordination of Federal assistance to urban areas had been recognized by some for several years. In 1961, the Advisory Commission on Intergovernmental Relations had stressed the need for better coordination of Federal programs impacting upon metropolitan areas, and concurred with the finding of the Federal Ad Hoc Interagency Committee on Metropolitan Area Problems that

large-scale urban development programs are a recent phenomenon. . . . The coordination problems created by these programs are only now becoming recognized and understood.<sup>103</sup>

A 1964 ACIR report had examined the impact of more than 40 urban development programs on local government organization and planning, and particularly stressed the need for close coordination among these programs.<sup>104</sup> Yet, not until 1965-69 was the full meaning of the changing intergovernmental system more generally apparent.

As these new intergovernmental concerns took center stage, other items high on past agendas were neglected. Debate over the appropriate role of the Federal government, states, and localities was (at least temporarily) abated. The definition of "national objectives" and the question of whether grants were (or ought to be) "stimulative" or "supportive" were generally forgotten. The primary issues became the more pragmatic ones of assistance management. The quest was for techniques which, in the phrase of one writer, would bring advances in "making federalism work."<sup>105</sup>

The transformation of the Federal system seems to have been accepted, but the mechanisms which will make it work have yet to be perfected. How can the resources of state and local communities be mobilized for national purposes, and how can the tangle of relationships between a multitude of Federal agencies and thousands of state and community bodies be rationalized and simplified? . . . If and when a new "Hoover commission" is created, these are the questions that need attention.<sup>106</sup>

### **IMPROVING ASSISTANCE MANAGEMENT: AN OVERVIEW OF TECHNIQUES**

Previous studies of the Federal assistance system, including those summarized above, have recommended a variety of techniques for reducing the problems of "inflexibility," "red tape," and "coordination" which, in its many aspects, plague the categorical grant system. Some, of course, also suggested increasing reliance upon broader block grants or revenue sharing. However, many reforms of the "middle range" variety were proposed.

One of the most complete agendas for action was that included in the recommendations of the Advisory Commission on Intergovernmental Relations' 1967

study, *Fiscal Balance in the American Federal System*.<sup>107</sup> The report recommended a broadened mix of Federal aids, utilizing general support grants (or revenue sharing), block grants, and categorical grants. It proposed that the number of separate grant authorizations be drastically reduced. A variety of other recommendations was intended to improve Federal coordination and management of assistance programs, simplify administrative controls, and strengthen state and local government organization and planning.

A number of these or similar proposals have since been implemented by Congressional, Presidential, or, in some cases, departmental action. The three-year Federal Assistance Review (FAR) effort, which began in 1969, worked toward a comprehensive reform of grants management procedures and the associated regional administrative structure. Key elements of this nine-point program included the decentralization of grant administration to a nationwide system of Federal regional councils and the administration of interrelated grant programs on an integrated or jointly funded basis.

The key legislative achievement in the grants management area was the passage of the *Intergovernmental Cooperation Act of 1968* (ICA).<sup>108</sup> This comprehensive legislation was intended to increase coordination among programs and the levels of government and improve the administration of grant programs. Its major provisions were implemented through four grants management circulars originated by the Office of Management and Budget. Though supported by President Johnson, who signed the bill into law, the ICA also became a primary tool of the Nixon Administration's New Federalism.<sup>109</sup>

Provisions considered as components of the ICA in 1968, but failing adoption, would have authorized the joint funding of projects and permitted Presidentially initiated grant consolidations. The joint funding concept has since been embodied in the *Joint Funding Simplification Act of 1974*. The grant consolidation proposal was supported by President Nixon and, along with other ICA amendments, was reconsidered several times by the Congress. Thus far, it has failed adoption, though it did pass the Senate by a unanimous vote in 1972.

The diverse set of middle range reform proposals may be classified only with some difficulty. Those actually implemented, however, do appear to fit roughly into a limited number of strategic "types." These involve:

- reorganization of the Federal government (in Washington and the field);
- the standardization and simplification of administrative procedures;
- the improvement of communications and

the flow of information between the governmental levels;

- the strengthening of state and local discretion and management of grant-related activities.

This four-fold classification provides the basis for the discussion below and in the chapters which follow, where each is examined in greater detail.

## Reorganization

Organizational strategies have involved attempts at unifying and strengthening the processes of Federal policy development and administrative implementation. Some efforts have been Washington-based; other organizational consolidations have taken place at the regional level. Interdepartmental and interagency bodies, in which the major departments participate, have been utilized frequently. Other organizational reforms have thrust a coordinative role on one department, or sought to strengthen the oversight capabilities of the Executive Office of the President. New, more comprehensive grant-awarding departments and agencies have been created partly in an effort to achieve closer integration of functionally related programs.

One of the earliest attempts to attain coordinated action among a broad range of Federal departments was initiated under the War on Poverty in the mid 1960s. The Office of Economic Opportunity, located within the Executive Office of the President, had a broad mandate for overall planning and coordination, in concert with its Economic Opportunity Council (EOC). Most domestic departments were represented on the EOC. The Urban Affairs Council, created in 1969, in many ways superseded the EOC, though its functions were defined in terms of "urban" rather than "anti-poverty" policy. It, in turn, was replaced in 1970 by the Domestic Council, which includes the President and Vice President, the secretaries of nine departments, and other high-ranking officials. The council is responsible for formulating and coordinating domestic policy proposals for the President.

Simultaneously with the creation of the Domestic Council, the Bureau of the Budget was redesignated as the Office of Management and Budget, a name change intended to reflect its growing management role in intergovernmental relations and other areas. In fact, the BOB had been increasingly concerned with intergovernmental issues since the mid 1960s. One of its major operating responsibilities included the implementation of the series of management circulars. However, several

of these were later transferred by Executive Order to the General Services Administration and one to the Department of Treasury. OMB retained control of one of the most important, the A-95 Federal aid review and comment process (though the actual administration has been largely decentralized to the FRC's) as well as the A-85 intergovernmental consultation procedure, both of which are described below. The GSA's grant management activities were ended in early 1976, and its functions were returned to OMB.

Every President since Eisenhower has designated a top official, including the Vice President, as their personal liaison with the states and local governments. President Nixon formalized such arrangements by creating an Office of Intergovernmental Relations under the direction of Vice President Agnew. In 1972, these responsibilities were transferred to the Domestic Council.

The Nixon Administration placed particular stress on the decentralization of Federal domestic activities. To this end, the Federal field structure was reorganized beginning in 1969. Departments and agencies have moved toward conformance with a set of ten standard regions and common headquarters cities. Federal Regional Councils (FRCs), composed of representatives of 11 agencies, exist in each. An Undersecretaries Group for Regional Operations and the OMB provide policy guidance from Washington for the FRC system.

A wide variety of other interagency organizations and coordinative procedures has been developed for more limited purposes. The "lead agency" and "convener" designations provide an alternative to standing committees in some domestic policy fields.

### **Standardization and Simplification**

Three *Federal Management Circulars* (FMC) provide greater uniformity in or otherwise simplify the processes of grant administration. All were initiated by OMB, but were transferred to the GSA in early 1973, and have since been transferred back to OMB. FMC 74-7 (previously A-102) established uniform procedures for all Federal agencies in their grant relationships with state and local governments. Requirements governing procedures for payment, determination of matching grants, budget revisions, and grant close-out are all to be coordinated according to this circular. FMC 74-4 (previously A-87) established procedures for fixing the rate of reimbursement to State and local governments providing central support services to grantee agencies, among other provisions. FMC 73-2 (A-73) seeks to promote

improved audit practices and encourages acceptance by Federal agencies of non-Federal audits of grantees.

Proposed legislation based upon the 1972 recommendations of the Commission on Government Procurement would go even further in the attempt to simplify and clarify the various kinds of assistance relationships. It would make a sharp distinction among programs by characterizing them as grants, contracts, or cooperative agreements.

### **Communications**

A number of attempts have been made to strengthen interlevel communications in both directions – from Washington, D.C., to the states and localities, and *vice versa*. Fundamental to this interchange was the development of the *Catalog of Federal Domestic Assistance*, an annual listing and description of grant programs initiated by the Office of Economic Opportunity in 1965 and now the responsibility of the Office of Management and Budget.

Another early initiative was OMB (then BOB) *Circular A-85*, issued in 1967, which provides for advance consultation with the heads of state and local governments on proposed Federal rules and regulations having an intergovernmental impact. The circular is administered by OMB with the assistance of the Advisory Commission on Intergovernmental Relations.

Other procedures have aimed at improving the flow of information to the states on grants actually awarded. *Treasury Circular 1082*, which superseded *OMB Circular A-98*, requires notification of the governors and state legislatures of grants made to a state or its subdivisions. OMB has experimented with an automated regional grant information system, REGIS, which was intended to "track" a grant from application through actual award. Operated by the Federal Regional Councils, REGIS was intended to serve their administrative needs as well as those of the applicants.

Of course, many of the organizational innovations of the past decade have also been intended to strengthen intergovernmental interchanges. The Federal Regional Councils play a role in this area, as have the various Presidential liaison offices. The A-95 process, discussed below, also has an important informational aspect, since it alerts state and local governments to many grant applications.

### **Strengthening Recipient Management**

A number of Federal activities have been intended to strengthen overall state and local management and

planning of grant-related activities. Such initiatives now are often labeled "capacity building," a phrase which originated in the Nixon era.

Chief executives at the state and local level commonly possess limited control over the various administrative departments and agencies. This "weak executive" system is rooted in provisions of state constitutional and statutory law as well as custom and politics. However, the authority of the chief executives has often been undermined further by Federal assistance policies. At the local level, responsibilities are typically fragmented among a variety of separate, but overlapping, governmental jurisdictions, as well as a variety of regional planning bodies. Federal assistance has often encouraged this jurisdictional complexity. These features inhibit executive management and planning.

The model cities program, in particular, attempted to develop a strong, executive-centered local planning and management process. Other approaches to comprehensive program development and planning were components of the community action and Appalachian programs.

*OMB Circular A-95* became an important instrument of the capacity-building effort. Its four parts attempt to strengthen comprehensive planning at the state, area-wide, and local levels. The circular provides for the review by the state and local governments of applications for Federal assistance, direct Federal development activities, and the state functional plans required in connection with grant programs. These notification and review procedures are operated by state and areawide clearinghouses. A fourth part encourages the Federal government to utilize common substate planning regions, and permits governors to comment on proposed planning region boundaries. Common and consistent data bases and the coordination of work programs are required where two or more planning agencies serve the same region. The circular also requires that Federal agencies give preference to general purpose governments (as opposed to special districts) as grant recipients.

A related process for Chief Executive Review and Comment (CERC) was included in the experimental Model Cities' "planned variations" program. CERC was specifically intended to permit the chief executive of a general purpose local government to comment on all

applications for Federal assistance affecting his community.

*The Joint Funding Simplification Act*, signed into law in 1974, is aimed at permitting recipients to plan, in a more coherent and comprehensive fashion, activities which bear a close relation to each other.<sup>110</sup> It greatly simplifies the assistance process by authorizing Federal agencies to use a single application and audit, and a single Federal contact, for programs administered by several different agencies. The act provides a firm legal basis for the expansion of the joint funding concept first demonstrated under the Integrated Grant Administration program.

Somewhat similar were the annual arrangements procedures developed by the Department of Housing and Urban Development. The arrangements system was intended to improve coordination among grant programs and increase the ability of recipient cities to set their own priorities. Procedurally, it involved annual meetings between representatives of the city government and a HUD team in which grant funding was negotiated. On an experimental basis, the system was expanded to embrace an even wider range of programs.

## Conclusion

These four strategies for middle range reform, and the specific devices mentioned, are examined in more detail in the following chapters. Three target grant programs — model cities, community action, and Appalachian regional development — are considered in *Chapter II*. These early efforts at grant reform and "targeting" — all initiated between 1964 and 1966 — are examined first because of their historical priority. Each utilized a wide variety of approaches to improved grant coordination and management; in a number of instances, they were the seeds from which later reforms grew. *Chapter III* focuses on efforts to standardize and simplify the grant system and improve interlevel communications. *Chapter IV* considers the organization of the Federal government for grants management and intergovernmental relations. *Chapter V* examines several Federally initiated attempts to improve comprehensive planning and strengthen executive management at the recipient level. Issues and the Commission's recommendations are discussed in the final chapter.

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## FOOTNOTES

<sup>1</sup> "Categorical" grants are those awarded by the Federal for specific, often very narrow, kinds of activities.

<sup>2</sup> Richard E. Thompson, *Revenue Sharing: A New Era in*

*Federalism?* (Washington, D.C.: Revenue Sharing Advisory Service, 1973), p. 55.

<sup>3</sup> See Selma J. Mushkin and John F. Cotton, *Sharing Federal Funds for State and Local Needs: Grants-in-Aid and PPB Systems* (New York: Praeger Publishers, 1969), pp. 111, 135-36, 149. The Congressional Republicans who introduced

- most of the revenue sharing bills sought them as a substitute for categorical grants, although Walter Heller's initial proposal had been for an "add-on." See Paul R. Dommel, *The Politics of Revenue Sharing* (Bloomington: Indiana University Press, 1974) pp. 43-67 and especially p. 65.
- <sup>4</sup> John Conyers, Jr., "The Politics of Revenue Sharing," *Journal of Urban Law*, 52 (August 1974), p. 78. The author is concerned specifically with general revenue sharing, not the middle range reforms, although he does criticize planned variations, CERC, and annual arrangements.
- <sup>5</sup> *Report of the Committee on Federal Aid to the States of the National Municipal League, Supplement to the National Municipal Review*, 17 (October 1928).
- <sup>6</sup> William G. Colman, "The Role of the Federal Government in the Design and Administration of Intergovernmental Programs," *Annals of the American Academy of Political and Social Science*, 359 (May 1965), pp. 24-25.
- <sup>7</sup> V.O. Key, Jr., *The Administration of Federal Grants to States* (Chicago: Public Administration Service, 1937).
- <sup>8</sup> *Ibid.*, p. 368.
- <sup>9</sup> *Ibid.*, p. xiv.
- <sup>10</sup> The Commission on the Organization of the Executive Branch of the Government, *Concluding Report, A Report to the Congress* (May 1949), pp. 5, 41.
- <sup>11</sup> *Ibid.*, p. 27.
- <sup>12</sup> The Commission on the Organization of the Executive Branch of the Government, *Federal-State Relations, A Report to the Congress* (March 1949), p. 30.
- <sup>13</sup> *Ibid.*, p. 31. These criticisms reflected the findings of the commission's Committee on Federal-State Relations and a report prepared for the commission by the Council of State Governments. These were the source of considerable disagreement within the commission. The committee report, according to W. Brooke Graves, was "practically suppressed," and the CSG study was not published. W. Brooke Graves, *American Intergovernmental Relations* (New York: Charles Scribner's Sons, 1964), p. 889. However, both have appeared as Senate documents. See Report of the Commission on Organization of the Executive Branch of the Government, *Federal-State Relations by the Council of State Governments*, Senate, 81st Cong., 1st Sess. (March 25, legislative day, March 18), 1949.
- <sup>14</sup> *Ibid.*, p. 36.
- <sup>15</sup> *Ibid.*
- <sup>16</sup> Selma J. Mushkin, "Barriers to a System of Federal Grants-in-Aid," *National Tax Journal*, 13 (September 1960), pp. 193-218.
- <sup>17</sup> *Message from the President of the United States, The Commission on Intergovernmental Relations, House of Representatives, 84th Cong., 1st Sess. (June 28, 1955), p. 132.*
- <sup>18</sup> *Ibid.*
- <sup>19</sup> *Ibid.*, p. 130. Emphasis added.
- <sup>20</sup> *Ibid.*, p. 120.
- <sup>21</sup> The two are Commission on Intergovernmental Relations, *Summaries of Survey Reports on The Administrative and Fiscal Impact of Federal Grants-in-Aid* (Washington, D.C.: U.S. Government Printing Office, June 1955) and Commission on Intergovernmental Relations, *A Survey Report on the Impact of Federal Grants-in-Aid on the Structure and Functions of State and Local Governments* (Washington, D.C.: U.S. Government Printing Office, June 1955).
- <sup>22</sup> Commission on Intergovernmental Relations, *Summaries of Survey Reports*, p. 65.
- <sup>23</sup> *Ibid.*, p. 38.
- <sup>24</sup> *Ibid.*, pp. 88-9.
- <sup>25</sup> Roger H. Wells, "General Analysis," *A Survey Report, Commission on Intergovernmental Relations*, p. 19.
- <sup>26</sup> *Ibid.*, p. 18.
- <sup>27</sup> *The Commission on Intergovernmental Relations*, pp. 128-38.
- <sup>28</sup> *Ibid.*, p. 139.
- <sup>29</sup> *Ibid.*, pp. 139, 87-8.
- <sup>30</sup> Colman, "Design and Administration of Intergovernmental Programs," p. 27.
- <sup>31</sup> Richard H. Leach, *American Federalism* (New York: W.W. Norton & Company, Inc., 1970), pp. 168-9.
- <sup>32</sup> "Special Message to the Congress: The Quality of American Government, March 17, 1967," *Public Papers of the Presidents, Lyndon B. Johnson, 1967* (Washington: U.S. Government Printing Office, 1968), p. 366.
- <sup>33</sup> The block grant created in 1968 by the *Safe Streets Act* was the result of Congressional action, though the administration had proposed the original legislation.
- <sup>34</sup> "Special Message to the Congress on the Consolidation of Federal Assistance Programs, April 30, 1969," *Public Papers of the Presidents, Richard M. Nixon, 1969* (Washington, D.C.: U.S. Government Printing Office, 1970), pp. 342-3.
- <sup>35</sup> See "Special Message to the Congress on Executive Branch Reorganization, March 25, 1971," *Public Papers of the Presidents, Richard M. Nixon, 1971* (Washington, D.C.: U.S. Government Printing Office, 1972), p. 473.
- <sup>36</sup> Leigh E. Grosenick, "Creative and New Federalism Dialogue on Philosophy, Organization and Process," a paper presented at the 1975 Conference of the American Society for Public Administration, April 3, 1975.
- <sup>37</sup> Deil S. Wright, "Intergovernmental Relations: An Analytical Overview," *Annals of the American Academy of Political and Social Science*, 416 (November 1974), p. 14.
- <sup>38</sup> *Congress and the Nation*, Vol. II (Washington, D.C.: Congressional Quarterly Service, 1969), pp. 164-5.
- <sup>39</sup> Richard Nixon, "Budget Message of the President," *The Budget of the United States Government, Fiscal Year 1975* (Washington, D.C.: U.S. Government Printing Office, 1974), p. 15.
- <sup>40</sup> The outline of the Federal Assistance Review, for example, had been formulated within BOB before the 1968 election. See the article by Dwight A. Ink, "A Management Crisis for the New President: People Programs," *Public Administration Review*, 23 (November-December 1968), pp. 546-552, which was written before the election.
- <sup>41</sup> Thompson, *Revenue Sharing*, p. 59. Still, most Congressional sponsors of revenue sharing bills were Republicans. Dommel, *Politics of Revenue Sharing*, p. 65.
- <sup>42</sup> A study prepared by the Subcommittee on Intergovernmental Relations of the Committee on Government Operations, *The Federal System as Seen by Federal Aid Officials, Senate, 89th Cong., 1st Sess. (December 15, 1965), pp. 93-94.*
- <sup>43</sup> *Ibid.*, pp. 100-101.
- <sup>44</sup> Donald H Haider, *When Government Comes to Washington: Governors, Mayors, and Intergovernmental Lobbying* (New York: The Free Press, 1974), p. 284. This volume provides an extensive treatment of the activities of the public interest groups in intergovernmental policy making.
- <sup>45</sup> Gary Bombardier, "The Managerial Function of OMB: Intergovernmental Relations as a Test Case," *Public Policy*, 23 (Summer 1975), pp. 327-8.

- <sup>44</sup> Haider, *When Governments Come to Washington*, pp. 216-7, 237.
- <sup>45</sup> *Ibid.*, p. 261.
- <sup>46</sup> William Lilley III, "Nixon Inroads among Democratic Mayors Weaken Party's Old Coalition," *National Journal* (July 15, 1972), pp. 1143-1150.
- <sup>47</sup> Haider, *When Governments Come to Washington*, p. 121.
- <sup>48</sup> Samuel H. Beer, "The Adoption of General Revenue Sharing: A Case Study in Public Sector Politics," paper prepared for delivery at the 1975 annual meeting of the American Political Science Association, San Francisco, California, September 2-5, 1975.
- <sup>49</sup> Advisory Commission on Intergovernmental Relations, *Tenth Annual Report* (Washington, D.C.: U.S. Government Printing Office, January 31, 1969), p. 8.
- <sup>50</sup> This analogy was apparently first suggested by Joseph E. McLean, *Politics is What You Make It* (Public Affairs Pamphlet, #181, 1952), p. 5. It was developed by Morton Grodzins and Daniel J. Elazar.
- <sup>51</sup> Terry Sanford, *Storm Over the States* (New York: McGraw-Hill Book Company, 1967), p. 80.
- <sup>52</sup> Key, *Administration of Federal Grants*, p. 205.
- <sup>53</sup> George C.S. Benson, "Trends in Intergovernmental Relations," *Annals of the American Academy of Political and Social Science*, 359 (May 1965), p. 6.
- <sup>54</sup> *The Federal System as Seen by Federal Aid Officials*, p. 99. The confection selected was a brick of harlequin ice cream.
- <sup>55</sup> J. Leiper Freeman, *The Political Process: Executive Bureau-Legislative Committee Relations* (rev. ed.; New York: Random House, 1965).
- <sup>56</sup> Douglass Cater, *Power in Washington: A Critical Look at the Struggle to Govern in the Nation's Capital* (New York: Vintage Books, 1965).
- <sup>57</sup> For an early political analysis of grant programs, see Phillip Monypenny, "Federal Grants-in-Aid to State Governments: A Political Analysis," *National Tax Journal*, 13 (March 1960), pp. 1-16.
- <sup>58</sup> *Federal Grant-in-Aid Requirements Impeding State Administration* (Chicago: Council of State Governments, November 1966).
- <sup>59</sup> U.S. Executive Office of the President, Bureau of the Budget, "Creative Federalism: Report on Field Surveys of Problems in Administering Intergovernmental Programs," *The Bureau of the Budget during the Administration of President Lyndon B. Johnson*, Vol. II (November 14, 1968). The same volume also contains a summary of the full report under the title "Creative Federalism: Summary of Major Problems in Administering Intergovernmental Programs Encountered in Field Surveys."
- <sup>60</sup> Harold Seidman, *Politics, Position, and Power: The Dynamics of Federal Organization* (New York: Oxford University Press, 1970), p. 155.
- <sup>61</sup> Bombardier, "The Managerial Function of OMB," p. 324.
- <sup>62</sup> "Creative Federalism: Report on Field Surveys," p. 2.
- <sup>63</sup> *Ibid.*, p. 6.
- <sup>64</sup> *Ibid.*, p. 7.
- <sup>65</sup> *An Analysis of Federal Decision-Making and Impact: The Federal Government in Oakland* (San Francisco: Oakland Task Force, San Francisco Federal Executive Board, August 1968).
- <sup>66</sup> *Ibid.*, p. 5.
- <sup>67</sup> *Ibid.*, pp. 207-9.
- <sup>68</sup> *Ibid.*, pp. 51-56.
- <sup>69</sup> *Ibid.*, pp. 47-8.
- <sup>70</sup> *Ibid.*, pp. 111-116.
- <sup>71</sup> *Ibid.*, pp. 61-65.
- <sup>72</sup> *Ibid.*, p. 93.
- <sup>73</sup> Richmond Study Task Force, *The Impact of Federal Grant-in-Aids in Richmond, Virginia and a Proposed Community Strategy Process* (Philadelphia, Pa.: Federal Regional Council; Washington, D.C.: Office of Management and Budget, December 13, 1971).
- <sup>74</sup> *Ibid.*, p. 14.
- <sup>75</sup> *Ibid.*, p. 15.
- <sup>76</sup> *Ibid.*, p. 16.
- <sup>77</sup> Owing to the unique system of "independent" city government in Virginia, generalizations from these data must be made with caution. In that state, the functions of counties are performed by municipalities in many urban areas, which also provide education services.
- <sup>78</sup> *Ibid.*, p. 18.
- <sup>79</sup> *Ibid.*, p. 21.
- <sup>80</sup> *Ibid.*, pp. 6-9.
- <sup>81</sup> Comptroller General of the United States, *Fundamental Changes are Needed in Federal Assistance to State and Local Governments*, August 19, 1975, p. 22.
- <sup>82</sup> *Ibid.*, p. 22.
- <sup>83</sup> *Ibid.*
- <sup>84</sup> *Ibid.*, p. 44.
- <sup>85</sup> *Ibid.*, pp. 44-48.
- <sup>86</sup> Survey results indicating current criticisms of the grant system are included in *Volume VII* of this study.
- <sup>87</sup> Leach, *American Federalism*, p. 168.
- <sup>88</sup> Advisory Commission on Intergovernmental Relations, *Fiscal Balance in the American Federal System*, Vol. 1 (Washington, D.C.: U.S. Government Printing Office, October 1967), p. 151.
- <sup>89</sup> *Ibid.*, data from figure on p. 152.
- <sup>90</sup> *Ibid.*, p. 260.
- <sup>91</sup> *Ibid.*, pp. 150-184.
- <sup>92</sup> *Ibid.*, p. 151.
- <sup>93</sup> *Ibid.*, pp. 164-5.
- <sup>94</sup> James L. Sundquist with David W. Davis, *Making Federalism Work: A Study of Program Coordination at the Community Level* (Washington, D.C.: The Brookings Institution, 1969), pp. 3-5. See also Earl M. Baker et al., *Federal Grants, The National and State Response: A Review of Theory and Research* (Philadelphia: Center for the Study of Federalism, Temple University, March 1974), pp. 10-12.
- <sup>95</sup> Bernard J. Frieden and Marshall Kaplan, *The Politics of Neglect: Urban Aid from Model Cities to Revenue Sharing* (Cambridge, Mass.: The MIT Press, 1975), p. 15.
- <sup>96</sup> H. Ralph Taylor, "Greatest Opportunity - Making Model Cities Work," *Public Management*, 50 (February 1968), p. 46.
- <sup>97</sup> ACIR, *Fiscal Balance*, pp. 175-81.
- <sup>98</sup> Stephan K. Bailey, "Coordinating the Great Society," *The Reporter*, March 24, 1966, p. 39.
- <sup>99</sup> Urban Data Service, *Local Intergovernmental Coordinators* (Washington, D.C.: International City Management Association, August 1970, Vol. 2, No. 8) p. 21.
- <sup>100</sup> The 10 percent figure does not include grants to non-governmental local bodies.
- <sup>101</sup> Advisory Commission on Intergovernmental Relations, *Government Structure, Organization and Planning in Metro-*

*politan Areas* (Washington, D.C.: U.S. Government Printing Office, July 1961), p. 53.

<sup>104</sup> Advisory Commission on Intergovernmental Relations, *Impact of Federal Urban Development Programs on Local Government Organization and Planning* (Washington, D.C.: U.S. Government Printing Office, January 1964), p. 7.

<sup>105</sup> Sundquist, *Making Federalism Work*.

<sup>106</sup> James L. Sundquist, *Politics and Policy: the Eisenhower,*

*Kennedy, and Johnson Years* (Washington, D.C.: The Brookings Institution, 1968), p. 536.

<sup>107</sup> ACIR, *Fiscal Balance*.

<sup>108</sup> PL90-577, October 16, 1968.

<sup>109</sup> "Coming Together": *The Intergovernmental Cooperation Act of 1968: A Survey of State Implementation* (Lexington, Ky.: The Council of State Governments, July 1971), p.1.

<sup>110</sup> PL 93-510, December 5, 1974.



# The “Target Grant” Experience: Appalachia, Community Action, and Model Cities

## INTRODUCTION

Of the many new Federal grant programs adopted during the period 1964-66, three must be singled out for special attention. These three, all of which are examined in this chapter, are the regional development program of the Appalachian Regional Commission, community action, and model cities. In recognition of one of the key characteristics of these programs, they are termed “target grants.”

These programs reflected both a growing concern with the plight of the economically disadvantaged and a critique of existing Federal attempts at remediation. The post-war economic boom, which had made “a home in the suburbs” an attainable ideal for most, had not included everyone. Those left out, the poor — the “other America” in Michael Harrington’s dramatic phrase — captured national attention.<sup>1</sup> They were found to be located, quite disproportionately, among specific population groups (the aged, the black) and concentrated in certain geographic areas: the slums of large cities, underdeveloped rural regions, and specific neighborhoods in communities across the nation.

Though the problem of poverty first gained some attention early in the decade, the development of major legislative initiatives awaited the Johnson Administration and the formulation of its “war on poverty.” The years 1964-66, in particular, saw the enactment of a large number of programs intended to promote new “national objectives” in social welfare.<sup>2</sup> Characteristically, the instrument of aid employed was the direct Federal-local categorical grant, with minimal state involvement.<sup>3</sup>

Yet, as the number of such grants, existing and contemplated, rose, the concern also grew that they were poorly coordinated, as indicated in the previous chapter. Programs operated autonomously, with little consideration shown for their interrelations. This fact was believed to lessen their practical effectiveness.

A response to these concerns was the creation of an important new kind of instrument of Federal assistance and grants management – the “target grant.” These programs were intended to focus and concentrate available grant resources, as well as to provide special supplementary assistance to particular deprived populations. They pursued these aims through the creation of new processes for comprehensive planning and special organizational devices for interagency communication and cooperation. The beneficiaries of the programs included the residents of a large, underdeveloped geographic region – Appalachia – as well as those living in the slum neighborhoods of urban centers and the “pockets of poverty” remaining in other communities, urban and rural, across the nation. The programs provided one of the most striking and characteristic innovations of their political era.

While each of these three programs had distinctive features, they also possessed important similarities. The correspondence of the community action program and model cities was particularly close, as both developed new coordinative processes for anti-poverty efforts at the local level. The Appalachian program is different in that it involves participation by governors in a multistate regional commission. However, as Melvin R. Levin suggested, the ARC can also be interpreted as the opposite side of the developmental coin from model cities, with a strong conceptual link.<sup>4</sup>

## Definition

In its 1967 report, *Fiscal Balance in the American Federal System*, the ACIR noted the development of what were described as “multifunctional grant programs.”<sup>5</sup> These were contrasted with the typical categorical grants-in-aid, which were directed toward quite specific, narrow objectives. The newer form of assistance adopted a “systems” approach, in that it aimed at problems *in their totality*, rather than in separate components. Such programs entailed the “packaging” of assistance for a specific clientele group or geographic area. Three major examples listed included the Appalachian Regional Development program, the community action program, and the model cities program.<sup>6</sup>

Selma Mushkin and Joseph Cotton later applied the term “target grant” to such aid programs. Given the

“multifunctionality” of current block grant programs, this latter term seems more descriptive. The adjective “target” was used because such grants permitted “the use of funds for possibly wide-ranging public services that are all to be focused upon a complex problem in a specific target population or geographic area.”<sup>7</sup> In pure form, the authors note, the target grant is a form of general support aid (like general revenue sharing) “but with many strings or conditions attached. Programs are reviewed in detail to assure the carrying out of the pinpointed objective. . . .”<sup>8</sup> The best example of such a form of assistance, they suggest, is the model cities program.

In similar language, a 1969 study prepared for the Subcommittee on Intergovernmental Relations of the Senate Committee on Government Operations described the model cities program and OEO’s community action grants as “target area” grants, aimed at designated geographic or political areas.<sup>9</sup>

“Targeting.” A key feature of these assistance programs was that benefits were to be restricted (or “targeted” upon) particular areas. A focused concentration of effort was sought for several reasons. First, the groups which were the beneficiaries of the programs were deemed especially needy and worthy of aid. Such an approach also seemed to offer the best means of using rather limited resources to best advantage. The focusing of assistance on particular needy places would, it was hoped, get “more bang for the buck.” One commentator has noted that the cost-effectiveness considerations widely employed in the Defense Department left a mark on many of the “Great Society” domestic programs as well. The target grant seemed to offer the prospect of considerable impact without excessive expenditure.<sup>10</sup>

Similarly, the “systems” techniques of analysis – again, a concept first widely applied in defense programs – stressed the complex interrelations among social problems. Many analysts believed that past and existing programs had failed to solve the problems of poverty because they were concerned with only one of its manifestations. A single service – for improving education, health, or housing – had, it was argued, little impact in the absence of support for the others which were linked to it. A more comprehensive attack, hopefully, would have a synergistic effect, and lead to a much higher level of accomplishment than a set of isolated programs.

All three of the programs to be examined possess this characteristic of targeting to some degree. The Appalachia program offered assistance to a clearly delineated multistate region. Within that region, expenditures

were to be further concentrated in "growth areas." Model cities offered aid only to the residents of deprived neighborhoods, and was also (as a "demonstration" program) restricted to a limited number of selected localities. Community action possessed fewer targeting features, in that the program operated throughout much of the nation, and since local community action agencies were typically coterminous with a city or county, or were multicounty or even statewide in some cases. However, the program guidelines provided for (but did not require) the delineation of target areas possessing a high concentration of poverty, and mandated participation by representatives of each neighborhood in which an action program was to be concentrated. Given the patterns of segregation by income and race which characterize American communities, the program in practice had a considerable "neighborhood" orientation.

**The Coordinative Thrust.** An equally important feature of these programs was that they attempted to target Federal fiscal aid provided by other departments and agencies. In this respect, they were far more than simply additional grant programs. All three, which may be described to a considerable degree as model cities, were characterized by Charles M. Haar as "an effort to reform and improve the system of Federal . . . assistance."<sup>1</sup> They were concerned with redirecting the entire panoply of Federal aid in particular needy areas. Their own programs of aid were only supplements to this other, more extensive assistance.

Consistent with this, the target grant programs attempted to foster planning processes. Comprehensive plans offered one technique for drawing together the "pots" of money available through the separate categorical programs, in order to make use of them in a coordinated and coherent fashion. They also spawned new, integrative policy making and managerial processes aimed at the same objective.

These goals also are apparent in all three programs. As in the case study which follows shows, the objective of local planning in community action was honored more in the breach than the practice. However, the program had a strong coordinative thrust through organizational reforms at both the local and national level, and even included the first attempt at national anti-poverty planning. Both the model cities and Appalachian program placed considerable stress on the improvement of overall comprehensive development planning by recipient jurisdictions.

Each of the programs simultaneously followed a "bottom up" and a "top down" coordinative strategy. The former element was dominant, with the stress on

planning, program discretion, and coordination at the recipient level. However, all three programs also attempted to institute new coordinative processes among Federal agencies, and national program priorities injected themselves into all three. These were most strongly developed in the instance of community action and the OEO.

**Relation to Block Grants.** Programs of this kind (especially when identified by the term "multifunctional grant programs") might seem difficult to distinguish from block grants or "special revenue sharing." The two types do have considerable kinship; in the case of model cities, an attempt was made to utilize the program (under the "planned variations" demonstration) as a pilot implementation of the special revenue sharing concept.

Still, there are points of contrast. One is stressed by Mushkin and Cotton. Block grants are offered as entitlements, often with planning requirements, but comparatively few national administrative "strings." The amount of grant awards is determined by formula. In the case of the three target grants, the award processes had elements of competition and discretion, and the Federal government retained greater authority over the specific projects undertaken. In this respect, they offered a balance between the competing claims of local initiative and centralized control.

Another difference is in the matter of functional breadth. While, in comparison with categorical grants, both the target grants and block grants seem quite broad and permissive, the block grants are in fact limited to a single general purpose — law enforcement, health services, community development, and manpower training. The target grants are actually much more flexible. They offered the possibility of funding almost any sort of project of activity relating to the special needs of the clientele, with limited exceptions. In this respect, the comparison which Mushkin and Cotton suggest — with broad support grants like general revenue sharing — is quite apt.

A third contrast is the matter of interprogram coordination. Block grants, at least in theory, eliminate this difficulty in the most direct manner: by abolishing the special categories, typically by grant consolidations. The target grants, however, had a strong managerial dimension, and were premised upon the continued dominance of the categorical mode of assistance.

**Sources.** The three case studies included here rely heavily upon available research reports, most prepared

by independent scholars and research institutions. In the case of the Appalachian and community action programs, the case studies review and update previous investigations undertaken by the Advisory Commission on Intergovernmental Relations. Of course, in only a few instances were other analysts concerned specifically with all the issues which are most central to this study. As a consequence, the quality and appropriateness of available information are somewhat uneven. However, the case studies do attempt to bring together and highlight findings most directly related to the general issues of grant coordination and management.

Because of its very recent consideration by the ACIR, the Appalachian program is treated first and most briefly. The community action and model cities programs, which bear important conceptual similarities, are discussed in the following sections.

## THE APPALACHIAN REGIONAL COMMISSION

The Appalachian Regional Commission (ARC) is a unique institution in the American Federal system. It is (perhaps excepting the TVA) the most important multi-state regional planning and development body. For this reason, it can be interpreted and examined as a major experiment in the application of the regional planning philosophy in the United States.

More to the point here, however, is the fact that the ARC must also be viewed as a unique mechanism for the delivery and coordination of Federal assistance to a distressed region. The ARC provides fiscal aid of its own, and, also, is mandated to improve coordination among the programs of other Federal agencies. Its activities, then, are complex and multifaceted.

The features of the commission's approach, distinctive at least in their combination, are several, including the following:

- the responsibility to both plan and execute a comprehensive program for regional development;
- coequal participation by the states and Federal government in a "partnership" system of grant administration;
- considerable autonomy within the Federal administrative structure;
- the authority to fund certain state and local activities directly, as well as to supplement other Federal grants;
- a flexible administrative arrangement which

permits a considerable degree of discretion in the expenditure of funds.

This section briefly describes the organization of the ARC and evaluates the operation of its programs of assistance and its planning and coordination activities from the perspective of grants management.<sup>12</sup> The account here draws heavily upon an earlier, much more extensive analysis of the ARC published by the ACIR in 1972, as well as other published evaluations and selected interviews.<sup>13</sup> Because it was written in early 1975, many of the important changes made in the Appalachian program by the amendments signed into law on December 31, 1975, are not reflected in the text. Some of the most significant of these amendments are indicated in footnotes.<sup>14</sup>

## Organization and Functions

### PARC and the ARDA

In general terms, the Appalachian Regional Commission is a manifestation of the heightened concern with poverty in an affluent nation which emerged in the early 1960s. More specifically, it is the product of a series of research findings and legislative recommendations contained in a report prepared by the President's Appalachian Regional Commission (PARC), a body formed at the request of the Conference of Appalachian Governors by President John F. Kennedy. The PARC report, issued on April 9, 1964, described the deprivation marking Appalachia and urged a comprehensive solution to the problem through the formation of a multistate regional planning and development organization.<sup>15</sup> Its recommendations, though somewhat modified, provided the basis for the creation of the Appalachian Regional Commission under the *Appalachian Regional Development Act of 1965*, signed into law on March 7, 1965.<sup>16</sup> The legislation has since been extended and amended four times — 1967, 1969, 1971, and 1975. In the later year, the ARC's continuance was authorized through September 30, 1979.<sup>17</sup>

The *Appalachian Regional Development Act of 1965* was greeted as a major and dramatic governmental innovation. Reporters saluted the "end of the pork barrel," noting that the Appalachian program called for the investment of funds according to "cost benefit" criteria. The program was thought remarkable in that both Congress and the bureaucracies were willing to relinquish some of their authority over the grant process, and in the new potential for cooperation among the several states involved.<sup>18</sup>

The ARDA was stimulated, commentators indicate, by a dissatisfaction with the operation of existing Federal categorical assistance and economic development programs in the Appalachian states. To some degree, this dissatisfaction was simply financial; Appalachia was not participating in, and benefiting from, existing grant programs to a degree sufficient to enable it to make progress toward a better way of life for its citizens. The PARC report noted that, in 1963, Appalachia held 8.5 percent of the nation's population, but received only 4.9 percent of total Federal expenditures.<sup>19</sup> The ARDA program was, then, a means of providing additional economic development assistance to a specific needy area and population.

To some degree, however, the ARDA program proposals had an administrative dimension. They were based upon a criticism of the operation of the other grant programs, not simply their financial insufficiency. A recent commission statement indicates that the Appalachian program

... was a response to the general problems caused by the fragmentation of Federal grant programs and, specifically, to the inadequacies of earlier economic development acts. The basic problem with previous Federal programs was that, although there was not enough money to go around, there was no assurance that available money would be spent most effectively to assume the greatest possible return on the dollar. Functional program isolation and the lack of a continuing overall strategic or policy input at either the Federal or state levels tended to result in economic and community development investments which consisted of a number of projects that might or might not have been related to one another<sup>20</sup>

PARC envisioned a more successful economic development program through the close interrelation of investments in highways and hospitals, schools, and other community facilities.<sup>21</sup>

The commentaries of the ARC's leadership continue to stress this coordinative aim. In his 1975 testimony before the House of Representatives, the current Federal co-chairman made these observations:

The cost of overcoming the remaining gaps in facilities and services throughout Appalachia far exceeds the existing resources and capacity of all levels of government. This makes

imperative the coordination of investment decisions at every level of government. . . . Perhaps the most important contribution of the Appalachian Regional Development Program is its mechanism for coordinating Federal, state, and local policy and investment decisions in order to make the wisest use of scarce public funds.<sup>22</sup>

## Organization

The Appalachian region served by the commission currently embraces 402 counties in 13 states.<sup>23</sup> This area has increased over the years; the original PARC recommendations called for a planning and development effort concentrated in 340 counties in only ten states. It should be noted that, with the exception of West Virginia, the region, as currently defined, embraces only a portion of its member states.

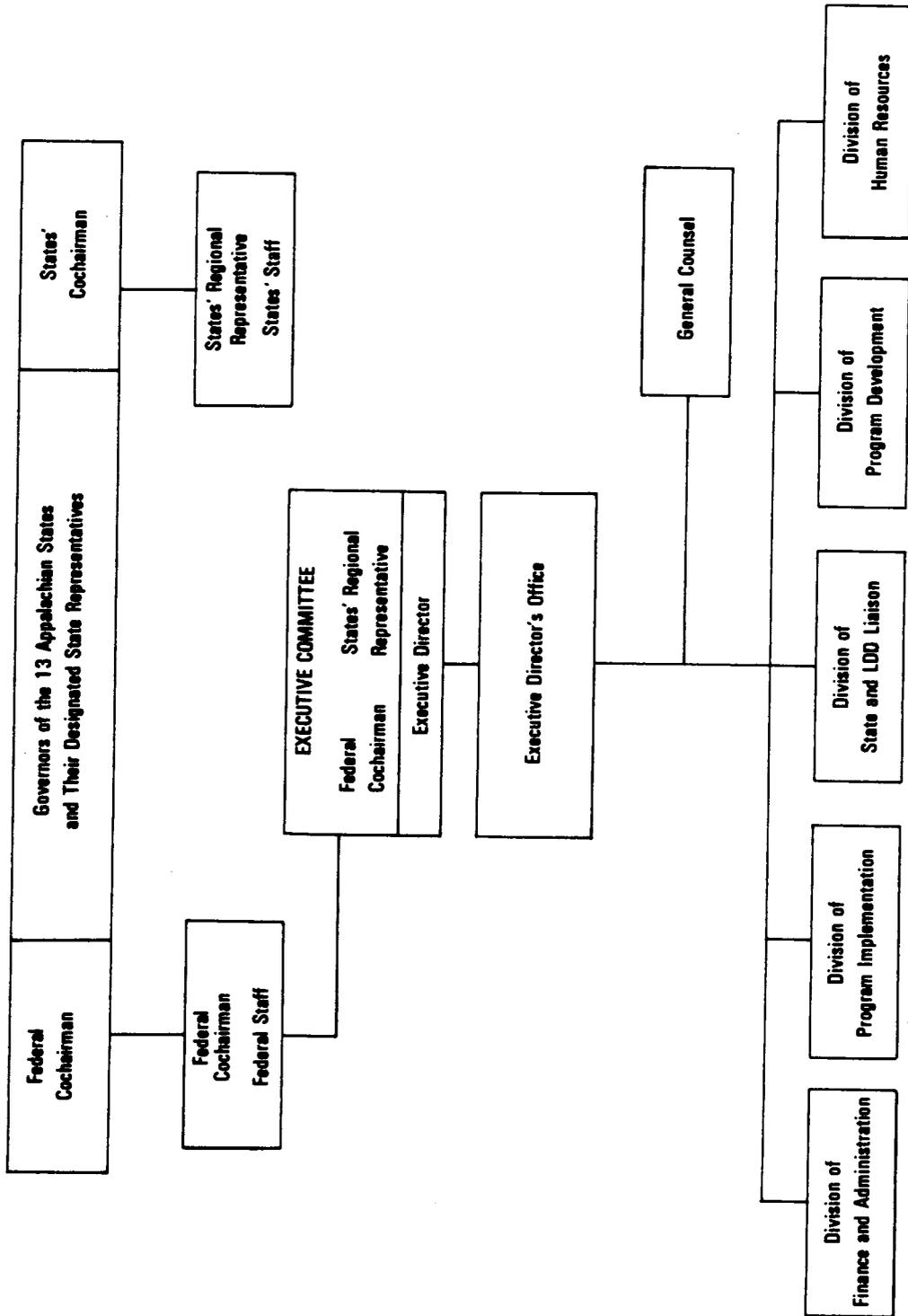
The most prominent organizational feature of the Appalachian Regional Commission is a system which provides for essentially co-equal participation by the states and Federal government. The 13 states are represented by their governors or their designees.<sup>24</sup> Additionally, the states elect from among their membership a states' co-chairman; this position has been held by the governors on a rotating basis. The Federal government is represented by a Federal co-chairman, appointed by the President with Senatorial concurrence. By law, projects must be proposed by the state members, while approval requires the majority vote of the state delegates as well as the positive vote of the Federal co-chairman; the latter, in effect, holds the veto power.

The states have also created a full-time officer to act as their representative between the monthly commission meetings. This states' regional representative, a position not mandated under the ARDA, was established by action of the states at the first commission meeting. It was intended as a counterbalance to the full-time Federal co-chairman. Together, these two officers constitute the voting membership of an executive committee.

Immediate direction of the commission's staff (which has numbered slightly over 100 in recent years) is the responsibility of an executive director, who also is a non-voting member of the executive committee. This staff is financed jointly by the states and the national government. In addition, both the Federal co-chairman and the states' regional representative maintain small personal staffs, paid for out of Federal and state funds respectively.

Commission spokesmen have stressed the opportunity this organizational structure and procedure offers to the

**Figure 1**  
**Organization of the**  
**Appalachian Regional Commission**



SOURCE: 1974 Annual Report of the Appalachian Regional Commission (Washington, D.C.: Appalachian Regional Commission, 1974), p. 6.

states, and particularly to the governors of the states, to participate in what is, in large part, a program of Federal assistance to local areas. In his 1967 Senate testimony, then Federal co-chairman John L. Sweeney highlighted the governors' central role:

The Appalachian program does vest the responsibility for whatever decisions are made at the state level with the governor. It is he who makes the primary determination on whether funds should be spent, what priorities should be given to the expenditures of those funds, and he is responsible for bringing projects to the Appalachian Commission and hence any Federal agency.

He is responsible for developing an investment plan for Appalachian funds. In the process he is called upon to relate the Appalachian investments to those undertaken with other resources — Federal, state, and local. It is the governor who states the priority of investment to accomplish the development plans. It is the governor who determines which projects submitted from the local level best meet those priorities. No project comes before the Appalachian Commission, and hence any Federal agency, absent gubernatorial support and sponsorship. And, there is no opportunity for the Federal government to unilaterally make an investment of Appalachian funds without full cooperation and support of the governor.<sup>25</sup>

## Appalachian Planning

Section 102 of the *Appalachian Regional Development Act* grants to the commission the authority and responsibility to

... develop, on a continuing basis, comprehensive and coordinated plans and programs and establish priorities thereunder, giving due consideration to other Federal, state, and local planning in the region.<sup>26</sup>

Despite this mandate, however, the ARC made an early decision not to produce a regionwide "comprehensive plan" for use as a guide for the area's unified economic development. Rather than engage in plan preparation on its own, the commission devolved the planning function upon its constituent states and attempted to encourage

and strengthen their own planning efforts. The commission has provided some policy direction for this state planning as well as technical staff assistance.<sup>27</sup>

At the heart of these planning policies are the statutory requirements of the ARDA for the adoption of a "growth area" strategy. Section 2 indicates that

... the public investments made in the region under this act shall be concentrated in areas where there is a significant potential for future growth, and where the expected return on public dollars invested will be the greatest.<sup>28</sup>

In other words, the "economic efficiency" of proposed expenditures — the likelihood that they will prompt additional investment by the private sector — must be weighted in allocating funds. The intention is that governmental investments be concentrated in the specific jurisdictions exhibiting this potential, rather than being spread evenly throughout the region or allocated to the poorest communities on a "worst first" basis.

The commission's policies and pronouncements have generally adhered to this goal. An exception is made in the human resource area. These activities are guided by a policy statement which stresses the somewhat contradictory need to provide the region's population with the health and skills necessary to participate in productive economic activity "wherever they choose to live."<sup>29</sup> The growth area concept has received somewhat less emphasis in recent years.<sup>30</sup> The areawide action program approach adopted in 1975 will modify further this traditional investment strategy.

## Coordinative Role

The PARC report called for the creation of an organization which would "perform the vital function of coordinating the many programs that are not conducted in the region by Federal, state and local agencies."<sup>31</sup> It did not, however, suggest that the organization should be given any special sanctions to enable it to fulfill this role, specifically indicating that none would be needed.<sup>32</sup> The membership apparently felt that, if a "clearinghouse" for information could be provided, enhanced cooperation would be automatic.

The provisions of the ARDA indicate that the commission is to perform this coordinative function, helping to integrate the programs of the various Federal agencies involved in the region as well as the related activities of state and local governments and private groups. The stated purpose of the act is "to provide

public works and economic development programs and the *planning and coordination* needed to assist in the development of the Appalachian region."<sup>33</sup> Section 102 states that the commission shall "serve as a *focal point and coordinating unit* for Appalachian programs."<sup>34</sup> However, the ARDA does not vest in the commission or its Federal co-chairman extensive coordinative powers, or grant it any authority over the actions of other Federal departments. It does authorize the commission to make, from time to time, recommendations regarding the expenditure of funds by Federal, state, and local agencies relating to the development of the region.<sup>35</sup>

A series of Federal interagency committees has been created pursuant to the coordinative objectives of the act. The Federal Development Planning Committee for Appalachia was authorized by *Executive Order 11186* on October 25, 1964, after the completion of the PARC report but before passage of the ARDA. It was intended to promote the coordination of Federal development planning and continue the dialogue between the states and Federal government. All Federal departments involved in economic development or anti-poverty activities were represented in the membership. Following enactment, the body was reconstituted as the Federal Development Committee for Appalachia, with identical functions and with the Federal co-chairman sitting as *ex officio* chairman.<sup>36</sup>

This organization was replaced on December 29, 1967, by the new Federal Advisory Council on Regional Economic Development, created by *Executive Order 11386*. Among that body's functions are the review of plans and development of policies and priorities with respect to *all* Federal regional development programs. The broad based membership includes representatives of the ARC, the Title V development commissions, and ten departments and agencies, with the Secretary of Commerce as chairman.

### Local Development Districts

Planning and coordination at the substate level is a function of the local development districts (LDDs) specified in the PARC report and encouraged by the ARC. Since 1973, every county in the Appalachian region has been served by a certified LDD.<sup>37</sup> These 70 multicounty agencies, typically organized as councils of governments, regional planning agencies, or not-for-profit corporations, offer a means for providing needed technical assistance at the community level.

While the LDDs receive about half their operating funds from the ARC, they are not the exclusive instruments of the Appalachian program. Most have

other state or Federal functions. Eleven of the 13 Appalachian states have established a statewide system of regional planning organizations.<sup>38</sup> The LDD designation has been placed on these units in almost every instance.<sup>39</sup> Nearly all the LDDs receive funds from other Federal agencies and possess A-95 clearinghouse authority. In every case in which a designation has been made, the LDDs are recognized as an Economic Development District (EDD) by the Economic Development Administration.<sup>40</sup>

Most of the provisions specifying the functions of the LDDs are found in the ARC code, rather than in statutory law.<sup>41</sup> The code requires that the LDDs have a competent, full-time staff, meeting standards approved by the commission. LDDs also are charged with coordinating Appalachian program activities with those of the Economic Development Administration and Appalachian planning with any other planning underway.

While no single LDD may be taken as representative, the activities and organization of the Economic Development Council of Northeastern Pennsylvania (EDCNP) suggest one pattern.<sup>42</sup> The EDCNP serves a seven-county region which contains the urban centers of Scranton and Wilkes-Barre as well as a sparsely populated section of the Pocono Mountains. The public-private body has a very large governing board which includes all county commissioners in the area and representatives of the banking, utility, real estate, and industrial communities. It is funded by the ARC and EDA, the State Department of Community Development and Office of State Planning and Development, and also receives contributions from the private sector. EDCNP has been designated as the regional clearinghouse under *OMB Circular A-95* and as a Regional Personnel Service Center by the Pennsylvania Department of Community Affairs. It operates with a 25-member staff.

The EDCNP has undertaken a wide-ranging program of planning activities. A study of industrial diversification potential was prepared by a national consulting firm. Another report examined the potential of new community development in the area. The EDCNP has investigated tourism, flood damage problems, housing shortages, and the fiscal problems of area local governments. It, also, regularly aids local institutions in securing Federal assistance funds from the ARC and other agencies.<sup>43</sup>

### The Economic Development Assistance Program

The ARDA authorized three distinct kinds of expend-

Table 1

**A Summary of Appalachian  
Projects Approved  
(as of 1-1-75)**

<b>APPALACHIAN DEVELOPMENT HIGHWAYS:</b>	<i>Miles</i>		<b>PUBLIC FACILITIES ASSISTED:</b>	<i>Number</i>	<i>Amount (in millions)</i>
Construction Completed	1,038.2		Health Facilities	343	\$ 79.5
Under Construction	306.8		Higher Education Facilities	178	48.5
Engineering and Right-of-Way in Progress	729.1		Vocational Education Facilities	743	247.3
			Libraries	114	10.8
			Water Pollution Control	376	78.4
			Airports	137	17.8
			NDEA Grants to School System	65	6.9
<b>DEMONSTRATION HEALTH PROGRAM</b>	<i>Number</i>	<i>Amount (in millions)</i>	Other	201	30.7
Planning Grants	13	\$ 11.4			
Operating Health Projects	471	112.1	<b>HOUSING LOAN ASSISTANCE</b>	99	4.0
Health Construction Projects	113	62.9	Housing Units Planned	11,430	
Child Development	276	72.8	Technical Assistance to State Agencies	18	1.5
<b>LAND TREATMENT AND EROSION CONTROL CONTRACTS</b>	16,637	\$ 17.6	<b>MINE AREA RECLAMATION PROJECTS</b>	83	55.2

SOURCE: *Appalachia*, December 1974/January 1975, p. 38.

Table 2

**Appalachian Regional Commission  
Authorizations and Appropriations through 1974  
(in thousands of dollars)**

Section	1965-67		1968-69					
	Authorizations	Appropriations	Appropriations	Total	Authorizations	Appropriations	Total	
		1965-66	1967		1968	1969		
202 Health	\$ 69,000	\$ 21,000	\$ 2,500	\$ 23,500	\$ 50,000	\$ 1,400	\$ 20,000	\$ 21,400
203 Land Stabil.	17,000	7,000	3,000	10,000	19,000	3,300	2,815	6,115
204 Timber Devel. <sup>4</sup>	5,000	600	—	600	2,000	0	0	0
205 Mine Area <sup>4</sup>	36,500							
Bureau of Mines		15,600	7,000	22,600	30,000	0	335	335
Fish & Wildlife		1,350	100	1,450	0	0	0	0
206 Water Res. Survey	5,000	1,500	1,500	3,000	2,000	2,000	0	2,000
207 Housing Fund	0	0	0	0	5,000	1,000	1,000	2,000
211 Voc. Ed.	16,000	8,000	8,000	16,000	26,000	12,000	14,000	26,000
212 Sewage Treatment	6,000	3,000	3,000	6,000	6,000	1,400	0	1,400
214 Suppl. Grants	90,000	45,000	30,000	75,000	97,000	34,000	32,450	66,450
302 Research & LDD	5,500	2,500	2,750	5,250	11,000	1,600	3,000	4,600
Less Limitation	—	—	—	—	-78,000	—	—	—
Total Non-highway	250,000	105,550	57,850	163,400	170,000	56,700	73,600	130,300
201 Highway	840,000	200,000	100,000	300,000	715,000	70,000	100,000	170,000
208 Airport Safety	—	—	—	—	—	—	—	—
Total Program	1,090,000	305,550	157,850	463,400	885,000	126,700	173,600	300,300
105 Admin. Expenses	2,400	1,290	1,100	2,390	1,700	746	850	1,596
Grand Total	\$1,092,400	\$306,840	\$158,950	\$465,790	\$886,700	\$127,446	\$174,450	\$301,896

<sup>1</sup>1968-69, 1970-71, and 1972-73 authorizations are new authorizations. Authorizations not appropriated lapsed in 1967, 1969, and 1971.

<sup>2</sup>Includes \$8.5 million supplemental appropriation for airport projects under Section 214.

<sup>3</sup>1972-73 authorizations for other than Section 201 highways and Section 208 airport safety were made as lump sum in P.L. 92-65. Committee reports indicated the following general distribution: health and education, \$155,000; environment, \$15,000; housing, \$4,000; supplemental grants, \$90,000; research and demonstrations, \$18,000.

<sup>4</sup>Includes \$16 million supplemental for tropical storm "Agnes," as follows: Sec. 205—\$11,000; Sec. 207—\$1,500; Sec. 302—\$3,500.

itures. First, the act established a system of "development highways," which initially included up to 2,350 miles of highway and an additional 1,000 miles of local access roads. Upgrading of transportation was seen as a key to the region's greater economic development: the 1965 act authorized development highway expenditures of \$840 million over a six-year period with only \$252.4 million over a two-year period for the commission's other activities and programs.

Secondly, the ARDA established a series of special assistance programs for other activities, including vocational education, sewage treatment facilities, health facilities, land conservation, timber development, mine

area restoration, low-cost housing, and research, demonstrations, and local development district support.<sup>44</sup> Thirdly, the act provided supplemental funds to be used in support of state and local participation in various other Federal grant-in-aid programs. Accomplishments and expenditures under these programs are tabulated in *Table 1* and *Table 2*.

Most of the assistance programs took the form of special categorical grants. They authorized the expenditures of funds by an appropriate departmental secretary for some specific purpose. However, funds could be obligated only for projects approved by the commission. Many of these programs were essentially modifications

1970-71 Authori- zations <sup>1</sup>	1970-71 Appropriations			1972-73 Authori- zations <sup>3</sup>	1972-73 Appropriations			1974-75 Authori- zations <sup>5</sup>	Appro- priations 1974
	1970	1971 <sup>2</sup>	Total		1972	1973 <sup>4</sup>	Total		
\$ 90,000	\$ 34,000	\$ 42,000	\$ 76,000	—	\$ 46,000	\$ 48,000	\$ 94,000	—	\$ 43,000
15,000	3,000	0	3,000	—	—	—	—	—	—
0	0	0	0	—	—	—	—	—	—
15,000	5,000	4,000	9,000	—	2,000	13,000	15,000	—	4,000
0	0	0	0	—	—	—	—	—	—
0	0	0	0	—	—	—	—	—	—
3,000	1,000	1,000	2,000	—	500	3,500	4,000	—	1,500
50,000	25,000	24,000	49,000	—	28,000	25,500	53,500	—	25,000
0	0	0	0	—	—	—	—	—	—
82,500	34,000	48,500 <sup>2</sup>	82,500	—	38,500	37,000	75,500	—	34,000
13,000	5,500	7,500	13,000	—	7,000	11,000	18,000	—	7,500
—	—	—	—	—	—	—	—	—	—
268,500	107,500	127,000	234,500	282,000	122,000	138,000	260,000	294,000	115,000
350,000	175,000	175,000	350,000	355,000	175,000	205,000	380,000	365,000 <sup>7</sup>	155,000
—	—	—	—	40,000 <sup>8</sup>	—	—	—	—	—
618,500	282,500	302,000	584,500	677,000	297,000	343,000	640,000	659,000	270,000
1,900	932 <sup>9</sup>	968	1,890	2,700	1,113	1,217	2,293	3,300	1,492
<b>\$620,400</b>	<b>\$283,432</b>	<b>\$302,968</b>	<b>\$586,390</b>	<b>\$679,700</b>	<b>\$298,113</b>	<b>\$344,217</b>	<b>\$642,293</b>	<b>\$662,300</b>	<b>\$271,492</b>

<sup>5</sup> 1974-75 non-highway authorizations were made in lump sum in P.L. 92-65. Committee reports indicated distribution as: health and education, \$170,000; environment, \$15,000; housing, \$6,000; supplemental grants, \$90,000; research and demonstrations, \$13,000.

<sup>6</sup> Appropriations are adjusted to account for reappropriations to other accounts—for 204 and 205 programs of \$1.2 million.

<sup>7</sup> Highway authorization excludes the amount of \$915 million available, 1976-1978.

<sup>8</sup> Contract authority to be available through 1975.

<sup>9</sup> Included transfer of \$42,000 to this account from 204 timber development.

SOURCE: 1973 Annual Report (Washington, D.C.: Appalachian Regional Commission, 1973), p. 17.

or extensions of existing legislation, applied specifically to Appalachia, and reference is often made to the program standards embodied in other Federal laws.<sup>45</sup> Still, these Appalachian authorizations are distinct from funds available through these existing grant programs; they are "new money." Specific provisions prohibit the secretaries from taking these moneys into account in "the computation of allotments among the states pursuant to any other provision of the law."

Section 214 of the ARDA provided a system of supplemental grants as an aid to communities in meeting the required local matching share of other Federal grants. These funds may be applied to any of the

non-highway programs authorized under the ARDA, and to other non-highway programs involving the acquisition of land or construction or purchase of physical facilities and equipment. Though the program was modified in 1971, until that year, the 214 funds could be used to supplement other Federal grants to increase the combined Federal contribution to a maximum of 80 percent of total project costs. The intent of this supplementation system was to make it possible for even the poorest communities to participate fully in the Federal categorical programs. This additional aid was needed, it was argued, if such places were to be able to meet matching requirements.

An important increase in commission powers came with the receipt of "first dollar" authority, the authority to provide the *entire* Federal share of projects eligible under section 214. The 1971 amendments authorized this use of ARC revenues in instances in which there are insufficient funds available through other departments to meet pressing regional needs. However, these amendments did not place all of the responsibility for the awarding of such grants upon the commission. Projects still must be accepted and certified to be in accord with program standards by the department which would normally provide funds.

### The Funding Process

The commission's funding process requires two sorts of determinations – first, an allocation of funds by sector or program; and, secondly, an allocation of funds for specific projects among the states. The first kind of decision has been handled somewhat differently as time has passed; the trend has been toward greater flexibility. Decisions of the second kind have generally been made by recourse to predetermined formula allocations for each state, coupled with a review by the commission of specific project applications.

The commission meets monthly to develop policy regarding various programs and the allocation of funds for these programs, as well as to consider the specific projects submitted by the individual states through their governors. These policy and funding decisions are the extent of the commission's involvement in most of the grant programs. Since responsibility is shared with the regular "line" Federal departments, these agencies conduct a technical review of project applications and also monitor the actual expenditure of funds.<sup>46</sup>

Since the initial financial authorizations contained in the ARDA were for six years in the development highway program, but only two years in the other areas, the two types have been handled somewhat differently, with more changes occurring in the non-highway sector. Allocations of funds for the development highway system have been based largely upon the original highway plan specified by the President's Appalachian Commission. That plan identified the corridors in which construction was contemplated. The actual amount of funds allocated annually by the ARC to each state has depended upon the amount of construction it has been prepared to undertake and its ability to provide the necessary matching funds.

During the commission's first years of operation, budget requests for the other programs were also based largely upon recommendations contained in the PARC

report. In this period, appropriation requests were submitted by the individual departments, and appropriations were made directly to the department themselves. Of course, Congress altered these budget requests to some degree, imposing its own priorities.

These arrangements did not prove fully satisfactory, at least from the commission's standpoint.<sup>47</sup> Budget submissions were made in a piecemeal fashion, from independent departments to different appropriations subcommittees. The Appalachian program was not examined as a single unit. A consequence, the ARC believed, was that departments faced with budgetary restrictions often preferred to sacrifice the Appalachian programs rather than others of "their own." Moreover, project expenditures were subjected to a dual review, first in the commission and then in the administering agency.

Beginning in 1967, these procedures were altered. The amendments which provided new authorizations for the non-highway sector stipulated that funds would be appropriated to the President, rather than the major departments. He, in turn, transfers them to the Federal co-chairman for release to the departments upon the recommendation of the Appalachian Commission. One effect of these changes was that greater responsibility was placed upon the ARC for the development and defense of a budget as a unified package. The amendments also increased the commission's control over the expenditure of funds, since the ARC review of project criteria was made final.

Acting under the new system of unified budgetary review, the Congress in 1968 made appropriations for all non-highway sectors as a single lump sum; in 1969, and thereafter, this single total also included the highway program. Beginning in 1972, there was also but a single authorization for all of the non-highway programs.

Some have suggested that these changes rather markedly increased the decision-making role of the commission, since the appropriations to it had some of the characteristics of a "block grant."<sup>48</sup> However, some of this freedom was illusory. Congressional appropriations subcommittees desired and were given quite specific information concerning how program funds would be used.<sup>49</sup> Decisions concerning allocations among programs were largely made during the process of developing and defending the budget, rather than following the appropriation of funds.

**Interstate Allocations.** This was not the case as regards allocations among the states, however. The commission has had real decision-making authority in this regard, unimpeded by legislative restrictions. The distribution of

funds among the states in each program other than highways is chiefly by formula. These formula distributions provide fund reservations or a "drawing account," a guarantee of the availability of funding for projects approved by the commission up to a certain maximum amount. The allocational formulas, adopted by early commission meetings and continued to date unchanged, differ from program to program. Most distribute some portion of the funds equally among the states and also reflect a state's Appalachian population, land area, per capita income, and some program-specific measure of need.<sup>50</sup>

Since such formula allocations proved too rigid, greater flexibility has been permitted through the development of a system of financial trading.<sup>51</sup> States which do not wish to, or fail to obligate all of the funds received in one program area can request that these be reallocated by the commission to another state which is prepared to make use of them. Such bilateral trades may be made by the executive committee upon the request of any two states. Similarly, the commission routinely reallocates unobligated funds from one state to other

states which can absorb them, while the state losing funds is repaid during subsequent years.

Supplemental funds, like the other ARC grants, are allocated among the states on the basis of a formula, with per capita income the most important factor. As *Table 2* indicates, appropriations for supplemental grants have been substantial. It is, in fact, the second largest ARDA program, surpassed only by highways.

The commission has left it largely to the states to determine which programs receive supplemental funds, though some kinds of activities are excluded by commission policy.<sup>52</sup> While there are important differences among the states, most supplemental funds have been applied to the health and education areas, as *Table 3* indicates. It should also be noted that priorities have shifted over time. For example, in fiscal year 1973, water and sewer programs were stressed.

It should be added that, after a cautious start, the ARC has made extensive use of its new "first dollar" authority. In 1973, about 19 percent of all supplemental funds was used for such grants. In 1974, this was increased to better than 40 percent.<sup>53</sup>

*Table 3*

**Supplemental Grant Projects  
Net Approvals by Type of Program<sup>1</sup>**

	Cumulative through 1974		FY 1974 Program	
	Number of Projects	Dollar Amount (in thousands)	Number of Projects	Dollar Amount (in thousands)
Airports	106	\$ 10,968	8	\$ 503
Educational Television	24	5,860	2	919
Health Facilities	389	77,962	27	5,011
Higher Education	221	52,870	8	2,409
Libraries	113	10,460	4	966
National Defense Education Act	62	6,625	5	315
Vocational Education	462	68,409	61	8,822
Water, and Water and Sewer Combined	170	32,990	45	10,972
Sewage Treatment Facilities	257	48,127	17	5,370
Other	117	11,664	13	1,344
<b>Total</b>	<b>1,921</b>	<b>\$325,935</b>	<b>190</b>	<b>\$36,631</b>

<sup>1</sup> Overruns, underruns, and revisions are excluded from project count but included in dollar amounts.

SOURCE: 1974 Annual Report of the Appalachian Regional Commission (Washington, D.C.: Appalachian Regional Commission, 1974), p. 42.

**New Allocation Procedures.** A new allocation procedure was utilized by the ARC for the first time in FY 1975. It has increased the flow of funds to the central Appalachian states and given the commission (and the member states) even greater funding flexibility. It, also, eliminated the need for the special "trading" procedures described above.<sup>54</sup>

Data presented to the Congress during the 1974 budgetary review indicated that areas of central Appalachia were lagging behind the rest of the region on several indices of development. This prompted the creation of an altered funding system. The four major non-highway programs – Section 202 health and child development, Section 211 vocational education, Section 205 mine area restoration, and Section 214 supplemental grants – were combined into a single allocation. Allotments among the states now are made according to two formulas. One distributes approximately two-thirds of the money among the states in a manner proportionate to that received under past operating formulas. This may be used at a state's discretion, subject to the commission's approval of specific projects. The remaining one-third is allocated among three subregions – northern, central, and southern Appalachia – in a manner heavily weighted by an index of poverty. The result is that more of these funds are granted to the central region. These allocations are to be utilized according to a subregional strategy developed in concert by the affected states.

For fiscal 1975, the states received a two-part allocation. The first was the "base amount," set at 80 percent of their fiscal 1974 program level. The second portion was the "subregional amount." In addition, \$2 million was reserved for recreation and conservation projects in a newly defined "highlands" area. No changes were made in the procedures for allocating highway funds or those for research, demonstration projects, and local development districts.

These new procedures, coupled with the "first dollar" authority authorized by the 1971 amendments, have greatly enhanced the flexibility of the Appalachian program, and brought it closer to the prototype of the target grant – revenue sharing *with* controls.

### Evaluations

The Appalachian program has been evaluated by a number of agencies and individuals. The most thorough report is the ARC's own multivolumed study, completed in 1971.<sup>55</sup> That investigation also provided basic source material for most of the other reviews. These include the commentaries of several individual researchers, many of whom have been associated with the ARC.<sup>56</sup> Three

reports dealing with certain aspects of the commission's operation have been prepared by the General Accounting Office.<sup>57</sup> The most recent study was prepared by Martha Derthick for the Brookings Institution, and was published in 1974.<sup>58</sup> Substantial literature has also examined specific aspects of the ARC's program; in particular, the development highway system has attracted the attention of scholars.<sup>59</sup>

The following paragraphs highlight some of the most important findings of these investigations. They are based chiefly upon the ACIR's earlier review, but have been modified and updated to reflect additional experience gained by the ARC during the past three years as well as other, more recent, assessments.

- The Appalachian Regional Commission has exerted little direct influence over the activities of other Federal agencies operating in Appalachia, and does not function as a coordinator of assistance to the region. To date, efforts by the ARC and its Federal co-chairman to assert such a role have produced few successes. Washington-level interagency coordinating committees have had little impact, and the various Federal departments remain free to pursue their own, often conflicting, investment and development strategies.<sup>60</sup>
- Appalachian planning, in a number of the member states, is poorly integrated into the general policy, planning, and administrative processes, and the plans themselves are of mixed quality. Planning requirements are often regarded as a necessary step for the receipt of funds, rather than as a useful management tool. In these respects, planning in the Appalachian states differs little from overall state planning in much of the rest of the nation.
- Over the history of the commission's operation, there have been marked improvements in the procedures followed in ARC development plan preparation and in the organization of the planning function in some of the states. Few continue to rely on consultants for Appalachian planning purposes, and some have integrated Appalachian planning into general statewide development plans.
- The local development districts have brought additional professional expertise to much of the region, and are playing an increasingly respon-

sible role in providing inputs into the state development plans. However, their staffs often spend more time developing and reviewing grant applications than in actual planning and research. The quality of such planning, and the strength of the multicounty planning process, differs greatly from state to state and area to area.

- Very few commission activities have been carried out on an interstate basis, despite the existence of problems which could be attacked effectively through such a cooperative approach. The major exception was in the planning of the development highway system.
- Although the ARDA mandated an investment policy requiring the concentration of expenditures in areas possessing significant growth potential, the states are permitted by commission policy to identify such areas themselves. The techniques and criteria applied by the states have varied greatly. Moreover, it appears that this policy has resulted in the designation of an excessive number of communities as growth areas, many of which seem to possess limited growth potential.
- The states differ greatly in the extent to which they have targeted Appalachian funds into the growth areas they have designated. Analyses performed by the ARC staff have shown some substantial concentration of expenditures, which suggests that the commission has had some success in coordinating these investments funded through its own resources.
- Most governors have shown a limited interest in the affairs of the commission and in the operation of the Appalachian program in their states, even though the ARC philosophy stresses extensive executive involvement and strong, centralized management.<sup>61</sup> However, the degree of gubernatorial participation differs markedly from state to state, as well as from issue to issue. Two of the influences appear to be the size of the Appalachian region in each state, and the magnitude of ARC expenditures in relation to the total state budget. The fact that the program involves only a part of each state (with the exception of West Virginia) and accounts for a small proportion of state ex-

penditures<sup>62</sup> lessens gubernatorial interest. Because of state constitutional restrictions on gubernatorial succession and other factors, the continuity of leadership has been limited.<sup>63</sup>

- Commission actions reflect an attempt to make decisions on a conciliatory and cooperative basis. For example, proposed state development plans have not been rejected in practice, though they are often revised on the basis of staff and executive committee comments. The veto power given the Federal co-chairman has never been used, although the possibility of a veto has sometimes moderated a state's position.
- The states' regional representative and the Federal co-chairman have exerted a great deal of influence over commission actions. Many of the commission's responsibilities are delegated to its executive committee, which consists of these two officials and the executive director, who is a non-voting member. For example, this group, aided by the staff, reviews and approves the state development plans and annual project packages according to the policies and regulations contained in the ARC code.<sup>64</sup> Executive committee actions on specific projects are normally final. Still, there is considerable participation by the state representatives in some commission policy matters.
- The commission has been successful in achieving a balance among the interests of its member states, despite their divergent needs and governmental traditions. It has also maintained some representation of the Federal interest and has provided for the input of professional expertise. Thus, it demonstrates the feasibility of a Federal-state regional "partnership" approach to grant administration. The overall results offer the states a considerable degree of flexibility in the use of Appalachian funds. The ARC has thus earned strong political support among Congressmen of both parties, as well as the Appalachian governors.

### Assessments

The ARC has not become a "focal point" for the coordination of the activities of various Federal departments within the region, as indicated by the first of the foregoing paragraphs. The existence of a Federal "policy vacuum" regarding regional development was highlighted

by the first executive director of the ARC, Ralph Widner, in recent Congressional testimony. There has been no overall development policy, he asserts, other than that provided, from time to time, by interagency committees, none of which have been particularly effective. "As a result," Widner states,

... it was perfectly possible for other Federal agencies to ignore the plans and strategies drawn up for Appalachia through the Federal-state partnership of the Appalachian Regional Commission, and to actually subvert them, intentionally or unintentionally. The greatest irony in the 1960s was that the actions most at variance with each other in the region were those taken under the Office of Economic Opportunity, the Economic Development Administration, and the Appalachian Commission — all acting under statutes enacted in the same year, 1965, and all addressed to many of the same problems of poverty and underdevelopment.<sup>65</sup>

Widner also indicates that the commission's Federal co-chairman requires support "by the full authority of the Federal executive" if he is to meet his coordinative responsibilities, but lacked it during all but the commission's earliest years. Widner proposed that the ARDA be strengthened by clearly requiring Federal agencies to take into account Appalachian goals and objectives.<sup>66</sup>

A report prepared by the General Accounting Office in 1972 also concluded that the coordination of various Federal activities within Appalachia appeared inadequate, and recommended that the ARC take a more active role in program planning and coordination.<sup>67</sup> However, the commission's Federal co-chairman and states' regional representative argued in reply that the commission lacks clear statutory authority in this area, while other Federal departments have conflicting statutory goals and strategies.<sup>68</sup> The GAO disagreed, indicating that the ARC's legislative authority was ample to permit it to take a more aggressive approach to coordination without asserting authority over other Federal assistance programs.<sup>69</sup>

In general, assessments of the overall effectiveness of the commission's operations are quite contradictory. These differences reflect the application of somewhat different evaluative standards, or conflicting expectations. As a consequence, recommendations regarding the future of the ARC have varied, ranging from calls for its abolition, at one extreme, to urging that the commission

device be adopted throughout the rest of the nation at the other.

One of the basic points of controversy has to do with the role of the states under the Appalachian program. Critics often feel that the commission should have subordinated state actions to the needs and priorities of the region as a whole. On the other hand, the commission's defenders believe that one of the strongest points of its operation is that it has increased the role of the states in planning for, and responding to, the needs of their citizens and communities.

The strength of the state role in the ARC shows itself in a number of ways. Basic was the commission's early decision to assemble the plans made by the participating states, rather than to prepare a comprehensive regional plan of its own.<sup>70</sup> This policy was justified on pragmatic grounds. In an article describing the political implementation of regional theory in Appalachia, the former executive director noted that "the past performance of the master plan approach in the United States and elsewhere indicated that it was unlikely to succeed in Appalachia."<sup>71</sup> The need to permit the states to identify growth areas according to their own criteria was underscored by the first Federal co-chairman, John L. Sweeney. In a letter to a consultant, he noted his personal belief that "the development of a strategy of public investment is only partly scientific; the remainder of the input is primarily political and must be made by those who exercise political responsibility."<sup>72</sup>

Some evaluators are dissatisfied with the failure to impose regionwide priorities, believing that this shows the political limitations of the commission system. Derthick observes that "what was briefly an effort to transcend the states turned very quickly into an organizational device that rationalized a larger role for them."<sup>73</sup> The ARC acknowledges this, indicating that "anyone who expected the Appalachian Regional Commission to develop and execute a regional solution to the area's problems will doubtless be disappointed."<sup>74</sup>

The General Accounting Office indicates the commission was unwise in permitting the states to determine which sections of the development highway system were to be built or improved. The commission did not set priorities to guide the ongoing construction effort. The result was a piecemeal pattern of improvements, the GAO found, with states sometimes preferring to construct those highway segments that would ease local traffic congestion, rather than improve regional access and promote economic development.<sup>75</sup> Rothblatt has noted that the commission's fund allocation formulas are heavily weighted by such "fair share" considerations as equality among the states, land area, population, and

income, rather than program specific measures of the need for services.<sup>76</sup> This apparent consequence of direct state participation can be viewed as a serious indictment of a program which many believed would allocate funds on a "cost effectiveness" basis among the region's growth centers. Moreover, according to this criticism, the degree to which a state assumed a role of leadership in establishing the Appalachian program, and perhaps various other political considerations, may have influenced the magnitude of a state's non-highway allocations.<sup>77</sup>

The ARC's defense rests in part on the stronger role it provides the states, and especially their governors, in the operation of its assistance programs. The value of this approach is a basic premise. The commission's self-evaluation noted that "it is nearly impossible to convince anyone of the worth of regional commissions who does not grant that states and their governors should have a policy voice in the management of the federal system."<sup>78</sup> Defenders also argue that the Federal co-chairman, the multistate membership of the commission itself, and its strong professional staff inject the national purpose into the ARC's actions and provide sufficient protection against any possible excesses in state autonomy.

A somewhat different standard for judgement stresses the comparison, not between regionalist aspirations for the commission and its state-oriented performance, but between the operation of the commission's programs and that of other kinds of aid. Many of the commission's supporters believe that the ARC has proven to be a superior approach to the major alternative forms of Federal assistance – categorical grants and revenue sharing. It offers a "middle ground," in that it is far more flexible than the categorical grants, but provides a greater Federal presence – and better protection of national interests – than general revenue sharing. It also offers technical assistance to the states and, through the LDDs, to local governments. Newman argues that the commission device, while certainly not a panacea, may be the least flawed of all the available assistance alternatives.<sup>79</sup> Similarly, Rothblatt believes that the joint Federal-state nature of the ARC, and its planning procedures, have resulted in a better program than would have been possible through other administrative techniques:

It appears that the commission has created benefits which would not have occurred under an alternative form of administering the Appalachian program (such as a Federal agency). The major tool used by the ARC in

creating these benefits was the planning process it was able to induce among Appalachian states. The commission was able to induce this planning mostly because the ARC policies were made largely by the states themselves – a co-opting mechanism most Federal agencies do not have.<sup>80</sup>

Others are less confident, however. Derthick states:

It is not possible to infer that state investment decisions are "better" than they would be, or even very different than they would be, if the spending guidelines were prepared by a Federal grant-in-aid agency. There is no way of telling how the states would have spent the funds if there had been no guidelines at all but only a Federal statement of purpose ("economic development"); nor is it possible to say how they would have spent the funds if a Federal executive agency had been in charge of administration.<sup>81</sup>

Ralph Widner has expressed an intermediate view. He believes that the ARC program has achieved a higher degree of investment concentration than other U.S. development programs, but feels that the level of success probably has been insufficient to greatly influence the settlement pattern of the region. In part, he notes, this may be traced to the inability of the commission to guide non-ARC activities. Consequently, the Federal government itself has been a party to some of the additional "scatteration."<sup>82</sup>

**Proposals for Expansion.** At their most favorable, evaluations suggest that the ARC provides an alternative model of federalism, a new way of relating the activities of all three levels of government to national policies and local needs. From this perspective, the commission is seen not simply as a pragmatic adaptation to the conditions of a specific region and historical period, but a new means for structuring public intervention in some kinds of economic and social problems, especially those relating to national development. This view usually leads to the suggestion that a strong system of regional agencies, encompassing all of the United States, should be developed, either as a supplement to, or an alternative for, existing assistance programs.

The development of a system of similar regional agencies nationwide was proposed in an internal report prepared in 1969 by the office of the states' regional

representative. The report outlined some of the key elements of a nationwide system:

1. The states, with Federal participation, should group themselves into a set of multistate regions covering the continental United States. Ideally, few states would be split into more than one region.
2. Each region would have a commission made up of representatives of the governors of the states involved . . . .
3. The regions should have comprehensive planning responsibility involving state, regional, and Federal development efforts. They will also need to have at their disposal funds for demonstration projects, technical assistance, and supplemental funds.
4. Once the initial regional plan has been approved, both Federal and state resource investments ought to be geared to the plans. This does not mean that the regions would have an iron-clad and mechanical veto power over all Federal grants. But the regional plans should be submitted to the Federal agencies for review and comment. Once the region has adopted a plan, Federal agencies should submit project grants to the regional commission just prior to approval so that the commission can offer its advice on whether the grant is in conformity with the regional plan. If either the Federal agency or the regional commission were greatly aggrieved, it would signal a matter for the governors or the Executive Office of the President to resolve.
5. The present economic development programs should be replaced by a flexible fund, like the OEO special impact program. Basically, this fund should be able to fill the special needs or supplement other Federal program money, but the regional and district programs should abandon their narrow functional orientations. They should not be more concerned with sewage facilities than they are with health and education.<sup>83</sup>

The development of a system of multicounty planning districts and the earmarking of some funds for program evaluation efforts were also proposed.

The *Public Works Development Act of 1972*, S. 3381, introduced into the 92nd Congress by Senator Montoya and cosponsored by Senators Randolph and Cooper, embodied some similar concepts.<sup>84</sup> It called for the establishment of a system of development commissions, based upon Federal-state-local participation, which would embrace every state. The commissions were to be charged with developing a public works planning process which would receive input from all levels of government. A structure much like that of the ARC was provided. There was to be a Federal co-chairman, appointed by the President. States would participate through their governors or their designees, and elect a state co-chairman. A system of development districts was also authorized. The commissions were to be empowered to provide direct and supplemental development grants, demonstration grants, and operating grants.

Hearings were held on the bill before the Senate Public Works Subcommittee on Economic Development. Several of those testifying supported the basic concept of a system of regional development commissions, while opponents suggested that a better alternative was the strengthening of general purpose units of state and local government through such devices as revenue sharing.<sup>85</sup>

Although the 1972 bill never reached the Senate floor, interest in a more inclusive system of regional development commissions has continued. The National Governors' Conference (NGC) Task Force on National Regional Development formulated a draft *National Regional and Area Development Act* in 1973 which contemplated a nationwide system of regional development commissions and local development districts. The act would create an Agency for Regional and Area Development within the Executive Office of the President and authorize a National Development Fund to be apportioned among the new commissions on a formula basis. The commissions would award grants from the NDF moneys to states for projects developed in accordance with their development plans. The proposal, developed under the leadership of Wisconsin's Governor Patrick Lucey, was endorsed by the governors of 32 states and by the NGC Executive Committee.

A nationwide system of development commissions was a feature of four other bills introduced in the Congress in 1974. The commission approach, for example, was one component of S. 3050, the *Balanced National Growth and Development Act of 1974*, introduced by Senator Hubert Humphrey, and aimed at establishing a national growth policy. The commission

device emerges as a basic element in various efforts to develop a national growth strategy. The Urban Growth Policy Study Group has found that the Appalachian program is the only American experiment with the kind of integrated national-regional-local planning system which has become a basic component of development policies in many European nations.<sup>86</sup> One published article reflecting growth policy concerns has called for a system of commissions aligned with the standard Federal administrative regions currently served by the Federal Regional Councils (FRCs).<sup>87</sup> The argument here was based upon a perceived need to link policies which deal with the large urban centers and the depressed rural areas.

A somewhat similar strategy was outlined in the *1974 Report on National Growth and Development* issued by the Domestic Council. It indicates that the existing multistate commissions should not be regarded as a "permanent fourth level of government."<sup>88</sup> It added, however, that

...in order to avoid the uncoordinated proliferation of such multistate organizations, serious consideration should be given to the alternative of expanding the role of the FRCs and establishing mechanisms to work with the states within each Federal region.<sup>89</sup>

The FRCs might assist the states in establishing interstate growth-related goals and policies, develop strategies which could guide private investment as well as the distribution of Federal aid, offer recommendations concerning the types and levels of Federal assistance required, and consider alternative ways of utilizing discretionary grant funds to meet unique development needs.

While comprehensive proposals to establish a "wall-to-wall" system of commissions have made limited progress to date, there has been a gradual movement toward the inclusion of additional states within development commissions. Passage of the 1965 ARDA was premised upon a commitment by the Administration that it would support legislation providing similar benefits to other disadvantaged areas. The *Public Works and Economic Development Act of 1965*, adopted later that year, provided, in Title V, for the designation of economic development regions and the formation within them of multistate regional action planning commissions similar in some degree to the ARC. Five such commissions initially serving a total of 571 counties in 20 states, were established in 1966-67. Two additional commis-

sions were created in 1972. Altogether, the seven Title V commissions now embrace all or parts of 31 states.<sup>90</sup>

**Proposals for Abolition.** An argument for abolishing the Appalachian Commission was offered by the President's Advisory Council on Executive Organization, the "Ash Council" chaired by Roy L. Ash. In memoranda prepared in 1970, the Ash Council leveled three charges against the Appalachian and Title V commissions:

- the commissions have not produced a regional approach to economic development;
- the commissions are an unnecessary additional administrative layer; and
- the commissions tend to further fragment Federal program responsibility.<sup>91</sup>

These objections were raised largely on the basis of organizational considerations, not on evaluations of program effectiveness. The commissions were called "an unnecessary administrative layer in the Federal grant process" which had further fragmented national program responsibility.<sup>92</sup> The only advantage to the commission approach, the council found, was that it did provide some greater authority to the governor in the management of Federal assistance.

In support of its charges, the Ash Council noted that ARC's plans are simply an aggregation of separate state plans. None of the commissions had fostered a truly interstate, regional approach to development problems. Moreover, though charged with the responsibility of coordinating economic development programs, the commissions lacked the review and approval authority and other powers that would sustain them in role. Other Federal agencies had, the council indicated, rarely been influenced by them. Finally, the commissions were viewed as duplicating the mission assigned to the Economic Development Administration, thus adding to the complexities of Federal budgeting and administration.<sup>93</sup>

While recognizing the desire of some to create additional commissions, the council recommended termination of the commission programs and the transfer of their economic development functions to the Economic Development Administration. This, it was suggested, could be made more palatable to the participating states if certain additional economic development funds were earmarked for their use or, alternatively, if a special block grant could be appropriated in an amount equivalent to current program benefits. Provision for a strong gubernatorial role, one of the recognized benefits of the commission program, was to be made through a

strengthening of the states' role in the A-95 review process. A system of "Executive Management Grants" was also proposed.<sup>94</sup> These grants were to enhance the planning and management capabilities of chief executives at the state and local levels. They would be administered by the Office of Management and Budget, and funded with moneys obtained, in part, by a consolidation of other planning grant programs.<sup>95</sup>

President Nixon's 1971 proposal for rural community development "special revenue sharing" contemplated the abolition of the ARC as well as many other economic development programs. These were to be consolidated into a single block grant. The proposal brought sharp opposition from the Appalachian governors and Congressional leaders. Governor Arch Moore, Jr., of West Virginia, then the states' co-chairman, issued a statement on behalf of the governors urging retention of the commission. "We believe," he said,

... that the Appalachian mechanism which provides a local-state partnership structure allows a "decision-sharing" mechanism which provides benefits in the shared management of many programs in a way not provided by revenue sharing alone.<sup>96</sup>

A number of governors were quoted as particularly valuing the gubernatorial control over Appalachian funds, noting that the revenue sharing approach would require securing state legislative approval for the expenditure of funds.<sup>97</sup> In 1975, the administration's stance had altered. President Ford endorsed a four-year extension of the ARDA.

### Conclusion

The Appalachian Regional Commission was created to direct a series of programs of special assistance for "a region apart" — an area which has been marked by comparative economic and social disadvantage.<sup>98</sup> Its authorizing legislation and subsequent amendments and commission policies have produced two especially noteworthy innovations: a system of joint Federal-state decision making regarding assistance to the region, and a requirement that investments be concentrated in areas with growth potential.

Over its history, the program has evolved in ways that have led to greater degrees of flexibility and discretion for the commission and its participating states, while providing some protection for Federal interests. Changes made in legislative authorizations and appropriations, and in the administrative authority and budgetary procedures of the commission, have altered what was

initially a system of distinct categorical programs into what is, for many purposes, a broad, multifunctional grant.

The commission has proven to be a political success. It has enjoyed considerable bipartisan support, especially in the Senate, and is popular with, and has been defended by, the governors of the participating states.

Despite this, the ARC is assessed very differently by different observers. Some have hailed it as a new model of federalism, suitable for widespread duplication and for receipt of yet more authority and responsibility. Others believe that it is simply an unnecessary complication, a useless additional level of government. These varying conceptions — each of which has some factual basis — in part reflect the conflicting values and differing expectations of the observers themselves.

It is clear that the commission has not functioned as an overall coordinator and planner of Federal assistance to the region it serves. It lacks authority over the programs of other departments, and it has had little success in influencing their efforts. It has been somewhat more effective in coordinating and targeting activities funded through its own programs of special aid, though differences exist from state to state and program to program. The ARC has aided in developing the state and local planning processes of its members and, despite weaknesses, continued progress in this regard may be noted over the period of the commission's operation. The ARC has created "partnership" approach to Federal grant administration and has fostered a "spirit of regionalism" among its members.

### COMMUNITY ACTION AND THE OFFICE OF ECONOMIC OPPORTUNITY

The *Economic Opportunity Act of 1964* (EOA) launched a national "war" on poverty. It attempted to mobilize and coordinate the full range of Federal resources with those of the states, localities, and the private sector in an attack on economic deprivation. The EOA thus marked the first comprehensive effort to alter and focus the delivery of categorical assistance throughout the nation. This purpose required the development of new mechanisms and procedures for assistance management and coordination at both the national level and in local communities, and was enhanced by the creation of a flexible program of special aid, as well as several other new assistance programs.

"Coordination" of this kind clearly was not the only mission of the EOA and its major instruments, the Office of Economic Opportunity and the community action program. Various interests sought to stamp it

with their own priorities, some of which were in conflict – the provision of special services, social agitation, and the building or rebuilding of political coalitions.<sup>99</sup> But an attempt to realize greater efficiency in governmental services through the coordination of the large number of Federal assistance programs figured importantly among these objectives, especially among supporters in the Bureau of the Budget. As James L. Sundquist has stated, “at the beginning, the war on poverty was not a battery of governmental programs but a *coordinating concept*.”<sup>100</sup> It is from this perspective that its complex initiatives are considered here.

Three elements of the EOA experience provide an instructive record concerning the management of the Federal aid system. First, the Office of Economic Opportunity was itself an attempt to develop an institutional mechanism for the coordination of assistance at the highest level of the national government, within the Executive Office of the President. Second, the community action program was administered by new local organizations, community action agencies (CAAs), which were charged with planning for, and coordinating all poverty-related activities in the localities they served. Finally, community action itself was an experiment with a broad, discretionary, financial assistance program. It was aimed at developing flexible, locally planned responses to the problems of poverty as they were revealed in each community.

This section attempts to describe these innovations, evaluate their impact, and chronicle major changes in the operation of the program. It is based chiefly upon the large number of published studies concerned with various aspects of OEO's activities, including the Advisory Commission's own earlier review.<sup>101</sup>

**Developmental Stages.** The Office of Economic Opportunity (OEO) and many of the EOA programs were subjects of political debate throughout their history. Community action was especially controversial. Though it always had strong supporters, there was continuing opposition voiced against it in the Congress as well as from some outside groups; in the early years, those state and local officials who felt bypassed or even threatened by local CAAs were particularly vocal. Drama centering on the administration of the program made regular headlines for several years. Thus, because of the complex, emotional, and critical issues which were provoked, the original 1964 legislation was re-examined frequently. New authorizations often contained important amendments of procedure or funding. Similarly, there were frequent changes in administrative practice as both the CAAs and the OEO itself developed. The election in

1968 of a new President, adhering to altered program priorities and strategies, also left a major mark.

This complex history may be divided into four general periods.<sup>102</sup> The first, 1964 through 1966, was the period of early implementation. Hopes started high – but the first operating and political problems also emerged. Participation by the poor became a major issue, as did problems of coordination. By the end of the period, it was already clear that the poverty program would not fulfill every aspect of its mandate, and other efforts gained the spotlight. The best witness was the passage of the “model cities” legislation in 1966 – a competitive program with a somewhat similar purpose.

Opposition to the poverty program in the Congress was so strong in 1967 that it seemed likely that it would be killed. However, major amendments intended to strengthen and redirect the program eliminated some of the most controversial features and helped secure its renewal. Still, the period was a difficult one, partly because of the nation's preoccupation with international problems. It ended with the election of a President with a different domestic strategy and with the publication of several important reports and books (some by former OEO staff) offering criticisms and suggesting alternatives. Directions for the future seemed unclear.

To the surprise of many, the newly elected President Nixon did not seek the immediate abolition of the OEO and its programs. Instead, in 1969, he proposed the act's renewal for two years, without major amendment. Important administrative alterations were sought, and stress was placed on OEO as an initiator of programs, with mature operating programs being “spun off” or delegated to the major Federal departments. This policy paralleled a position advocated for some years by various Congressional critics. Controls over the community action program were tightened. These actions created intense opposition among some adherents in the Congress, who disapproved of the changes in the agency's role.

Actual disbandment, marking a fourth stage, was proposed in the President's departmental reorganization plan announced March 25, 1971. Many of the OEO programs, including community action, were to be relocated in the proposed Departments of Community Development and Human Resources. OEO itself was to be continued only as a research, demonstration, and evaluation agency. Local CAAs would continue their operations and be eligible for special revenue sharing funds.<sup>103</sup>

Congressional opposition to, and inaction on, the reorganization plan led to the development of a new Presidential strategy. While the EOA was renewed, as a

temporary expedient, in 1972 after its veto in 1971, the budget for fiscal 1974 requested no funding for the OEO, despite Congressional authorizations extending through that year. It proposed the shifting of many of OEO's programs to other agencies. Community action agencies were to be allocated funds remaining from the previous year, but would receive no new moneys.<sup>104</sup> It was suggested that localities which wished to maintain the agencies could do so with revenue sharing or private funds. A new acting director was appointed with a specific mandate to put OEO "out of business" by July 1, 1973.<sup>105</sup> These actions were challenged in court and enjoined; meanwhile, Congress again extended the life of the agency.

The tensions which marked Congressional-Presidential relations over the future of OEO were finally compromised with the signing into law of the *Headstart, Economic Opportunity, and Community Partnership Act of 1974* on January 4, 1975.<sup>106</sup> The *Community Services Act* abolished the Office of Economic Opportunity and transferred community action to a new, independent Community Services Administration located outside the Executive Office of the President. The act also authorized the President to propose to the Congress a reorganization plan which would place the new agency within the Department of Health, Education and Welfare, subject to a Congressional "veto" by joint resolution. While funds were authorized for the support of community action over a three-year period, the level of support was to be reduced gradually. States and local governments were encouraged to provide additional fiscal assistance to the CAAs.

### **The 1964 Economic Opportunity Act**

The operation of the community action program and Office of Economic Opportunity during the years 1964-1969 is of the greatest significance to this report. It was in this period that the unique organizational arrangements created under the act acquired their greatest autonomy and strength. Hence, the focus of attention here is on these early years. Events during later periods, which served to alter the War on Poverty from its original course, are examined subsequently and more briefly.

#### **Origins**

While the community action philosophy can be traced historically to certain early social welfare movements, its immediate antecedents were the experimental "gray

areas" program funded by the Ford Foundation during the late 1950s and early 1960s and the work of the President's Committee on Juvenile Delinquency, created in 1961.<sup>107</sup> Both of these programs, which reflected the work of some contemporary sociologists, viewed poverty and its too-often attendant manifestations in delinquent behavior as an intricate, multidimensional problem stemming from a host of interrelated, interacting "causes." The basic theoretical construct was the idea of the "cycle of poverty:"

Persistent unemployment and underemployment contribute to the debilitation of an individual both economically and psychologically, and when added to the system of rewards offered by the welfare system, tend to lead to the disintegration of stable family life. This in turn contributes to low educational achievement in the young that, when combined with inadequate community services such as housing and medical care, adds to the difficulties of finding a job. Without a job and without the ability to train oneself for a job, the poor man becomes a drifter at best or a delinquent at worst, and the poor woman produces more children to grow up in an ever-worsening environment.<sup>108</sup>

The complex, multifaceted nature of the poverty problem suggested the need for a complex, multifaceted, carefully coordinated and planned attack upon it. Success, it was thought, would be dependent upon securing the cooperation of a wide range of community organizations, public and private, in a mutual effort.

Techniques for undertaking such programs were a component of both the gray areas and juvenile delinquency programs. The Ford-sponsored experiment worked through private organizations which were charged with the development of comprehensive programs in the light of specific local needs in slum neighborhoods. Similarly, the Committee on Juvenile Delinquency had aided several communities in developing plans for a joint effort by social service agencies, police, educational institutions, and potential employers in an attempt to turn youths away from delinquent activities.

These two experimental programs caught the attention of members of a joint Council of Economic Advisors-Bureau of the Budget task force which had been attempting, under the administrations of Presidents Kennedy and Johnson, to formulate a major attack on the problems of the poor. They seemed to offer a

politically attractive means of dealing with the poverty problem, and held out the possibility of making a real impact without exorbitant expenditure, largely by mobilizing available resources and coordinating existing efforts. This program, which came to be called "community action," became President Johnson's central proposal. Other programs suggested by various Federal departments were added, partly out of a desire to attack poverty on the broadest possible scale, but also in order to initiate activities in those fields in which more rapid impact could be expected. Community action thus became the second title in a much more comprehensive piece of legislation.<sup>109</sup> It was, however, by far the most original and innovative component. The bill, the *Economic Opportunity Act of 1964*, was signed into law by President Johnson on August 20, 1964.<sup>110</sup>

### **Goals: Coordination and Innovation**

In his message to the Congress on poverty, President Johnson described community action as a system for drawing upon all resources – Federal and state, local and private, human and material – to confront the specific manifestations of poverty in each American community according to locally established plans.<sup>111</sup> The hallmarks of the program were coordination and innovation. Coordination was to be achieved by "mobilizing the resources" available in all segments of society through the new community action agencies. Innovation would be permitted by the flexible nature of the community action organization and program grants. These goals were stated clearly in the Office of Economic Opportunity's 1965 Congressional presentation:

What do the CAP programs do after they are funded?

They are designed to coordinate the fight against illiteracy, unemployment, poor health, and poor housing. They aid the migrant farm workers and Indians on reservations. Those already approved are focusing on early childhood development, remedial education, literacy courses, job development and training, day care, homemakers services, community organization, legal aid to the poor, and health services.

The door is always open for new programs with new approaches. Since community needs and resources vary, considerable lati-

tude is allowed in the development and conduct of a CAP.<sup>112</sup>

The more limited, segregated services provided under previous approaches were contrasted with those developed through community action:

In the past, uncoordinated programs have left gaps in community efforts to fight poverty. CAP is designed to find and fill the gaps by coordinating all community talent, leadership, and resources.<sup>113</sup>

Similarly, the community action program guide described the need for integrating the efforts of existing service systems – those relating to education, employment, family welfare, health services, housing, economic development, consumer information and credit, and legal services – in a common attempt at breaking the poverty cycle.<sup>114</sup> It explained:

Each of these service systems deals with only part of the complex and interrelated causes of poverty. The separate service systems need to be linked in a total network in order to mount an effective attack on poverty. Each applicant agency must demonstrate its ability and intention to mobilize community resources against poverty through the establishment of linkages among, and within, services systems and through other means.<sup>115</sup>

### **A Restructured Federalism**

The most striking organizational and procedural features of the original anti-poverty legislation were the extent to which it sought to bypass, alter, and restructure existing governmental arrangements. State and local governments, as well as the major Federal departments, were given limited responsibilities for the guidance of the War on Poverty. This was a reflection of the view, held by the planners of the program, that existing efforts and institutions had left major gaps in the anti-poverty effort. Responsibility was instead to be placed in a new Federal agency which would establish direct links with other newly created local organizations. These institutions and procedures were intended to be more comprehensive, more innovative, and more responsive to the needs of the poor.

### **Local Government Role**

The 1964 EOA did not specify the kinds of organizations which could become local community action

agencies. Instead, either public or private non-profit bodies were made eligible.<sup>116</sup> However, the OEO encouraged the use of the non-profit organization approach, and the great majority of CAAs were non-governmental bodies.<sup>117</sup> The ACIR's report in 1966 indicated that about three-quarters of the agencies at that time were of this character.<sup>118</sup> Data compiled in mid-1967 found that about 80 percent of the 1,050 CAAs were private groups,<sup>119</sup> and, even in 1974, fewer than 100 of the 900 CAAs still in operation were public agencies.

Despite their predominantly private character, most CAAs were geographically coterminous with a public jurisdiction, as was recommended in the *CAP Guide*.<sup>120</sup> Urban CAAs tended to follow the boundaries of a city or county, while those in rural areas were usually based upon a county or group of counties.<sup>121</sup> A considerable number of metropolitan areas – particularly those embracing more than one county – had more than one CAA.<sup>122</sup>

The use of private bodies as implementing agencies, while not wholly unprecedented, was a striking feature in a program of such magnitude and national importance.<sup>123</sup> The legislative provision and the practice which followed it were defended in several ways. A private, non-profit corporation permitted greater participation, it was argued, not only by the officials of the unit of general purpose government, but also by business and labor leaders, private social welfare agencies, and representatives of the poor. It could embrace a multiplicity of units of local government, including school districts, housing authorities, and so forth. It was easier to establish without regard to political boundaries and could ignore local civil service and other regulations. Many contended that it also could help prevent the program from becoming a tool of the "local establishment."

Local governmental responsibility for the community action program was limited further by the EOA's emphasis on "maximum feasible participation" by the poor in program design and operation. At first, the OEO permitted local flexibility in interpretations of this requirement, which sometimes resulted in CAA boards dominated by mayoral appointees. Soon, however, increasingly militant civil rights organizations seized upon the participation clause and made the composition of the boards a national issue. Gradually, the OEO moved to the position that one-fourth or one-third of the membership of the CAA governing bodies must be representatives of the poor. This practice was given legislative recognition in 1966. An amendment required that at least one-third of each board's membership be

representatives of the poor residing in the area they represented and selected by the poor themselves.<sup>124</sup> By 1967, the poor in fact did hold one-third or more of the seats in nearly every community, and, in some, constituted the majority.<sup>125</sup>

**Political Links.** It is necessary, here, to distinguish between formal, legal relationships and those links forged by politics. Roger H. Davidson suggests that most CAAs enjoyed at least tacit support from local governmental officials, and in urban areas were commonly a product of the activities of a mayoral task force.<sup>126</sup> Community action agencies seemed to have differed greatly in the extent to which they were under the informal control of elected political leaders. Greenstone and Peterson, in a study of CAAs in five large cities, noted and attempted to explain these differences. In cities marked by a "machine" style of politics, the CAAs tended to have little autonomy. In contrast, the CAAs in two "reform" cities were far more independent of the elected governmental officials. The authors noted that the mayors of such cities had fewer incentives to gain control over the program, and, at any rate, lacked the patronage and strong political organization which might make it possible to obtain dominance.<sup>127</sup> While these observations were based on research in only five cities, they might be indicative of patterns in other communities.

## The State Role

If local governments played a limited role in the first years of the EOA programs, it still was more significant than that offered by the states. These were minimally involved in community action and most other anti-poverty programs during the EOA's early years. This, too, was fully in accord with the intentions of the program's designers. While the President's message transmitting the act indicated that the execution of community action plans would require the full participation of the states as well as the Federal government and private groups, the Administration's draft legislation, in fact, offered little involvement.<sup>128</sup> Instead, a direct Federal-local relationship was contemplated. This was an important innovation as, since the New Deal, most of the Federal government's social welfare funds had been channeled through state governments.

This approach reflected the political and intellectual dissatisfaction with state performance – in particular, their poor response to the needs of urban areas. There also was a belief that some Southern governors might not permit full participation of blacks in the benefits of

the program if they were given authority over it. Continuous opposition by big-city mayors to a substantial state role was another important consideration.

The draft bill did authorize the states to provide technical assistance to localities in the development of community action programs; this activity was to be supported by OEO grants. This provision was ultimately incorporated into the 1964 act.<sup>129</sup> Under this authority, all of the states did create or designate organizational units charged with this function.<sup>130</sup> Most of these were placed in the office of the governor, and were headed by a gubernatorial appointee.<sup>131</sup>

More important than the technical assistance role was another state function specified by the Congress during its consideration of the legislation. Section 209(c) of the final act provided governors with a veto over community action projects; the draft legislation had proposed only the right to comment. However, even this instrument for state involvement was subsequently circumscribed. The veto by Alabama Governor George Wallace of the CAA application of a biracial organization in Birmingham aroused intense controversy, and helped generate a 1965 amendment which gave the OEO director the authority to reverse such gubernatorial action, for cause, within 30 days.<sup>132</sup>

## Anti-Poverty Administration

The special administrative problems posed by the anti-poverty war were to be solved by a number of organizational and procedural innovations. At the local level, the broadly based composition of the CAAs was the basic coordinative device. These were to make possible the "mobilization" of resources possessed by all relevant agencies. At the national level, similarly, the proposed solution was the basic structure of the OEO itself. The fragmentation of poverty-related services among many departments and agencies was to be overcome by a new, supervisory organization. In addition, a number of procedural adaptations were developed, including systems of preference procedures, administrative delegation, interagency agreements, and checkpoint procedures.

The EOA established an Office of Economic Opportunity in the Executive Office of the President, rather than in any of the existing departments. This lofty position was intended to give special status and power to the organization and its director, and, for that reason, had been opposed by the departments themselves.<sup>133</sup> The OEO's director was given administrative responsibility for several EOA programs, but was also granted a broad

coordinative mandate. Section 611 authorized the director to assist the President in coordinating the anti-poverty efforts of all Federal agencies. To further this activity, there was created the Economic Opportunity Council, chaired by the director, and composed of the secretaries and administrators of relevant Federal departments and agencies. This body was charged with aiding the director in the execution of his coordinative and other functions.<sup>134</sup> At its first meeting, the President indicated a hope that the body would become a "domestic national security council" for anti-poverty activities.

**Preference Procedures.** It was expected that the OEO director would use his personal influence and position to gain the cooperation of other Federal executives, aided by the Economic Opportunity Council. The 1964 act also provided additional legal tools in the form of preference requirements contained in Sections 211 and 612. The former stated that

In determining whether to extend assistance under this act, the director shall, to the extent feasible, give preference to programs and projects which are components of a community action program approved pursuant to this part.

Section 612 was intended to have a far wider impact, since it embraced non-OEO programs.

To the extent feasible and consistent with the provisions of law governing any Federal program and with the purposes of this act, the head of each Federal agency administering any Federal program is directed to give preference to any application for assistance or benefits which is made pursuant to, or in connection with, a community action program approved pursuant to Title II of this act.

The process was to be implemented by asking the local CAAs to indicate those projects for which preference was sought; a special form was provided in the *CAP Guide* for this purpose.<sup>135</sup> It was not required that the CAA be directly involved in the administration or funding of such projects. Inclusion in an approved action program was all that was necessary. Upon receipt of an application, the OEO was to issue a statement urging that preference be granted by whatever Federal department was actually disbursing funds.

**Program Delegations.** Coordination also was the aim of a widely applied system of shared administrative responsibility. Of the ten major programs created under the 1964 EOA, only four – community action, Job Corps, VISTA, and migrant workers (the latter managed as a CAP component) – were actually administered by the OEO. Responsibility for six others was shared with other departments under delegation agreements approved in October 1964. Thus, administration to the College Work-Study Program,<sup>136</sup> Adult Basic Education, and the Work Experience Program was delegated to HEW. The Rural Loan Program was assigned to the Department of Agriculture, Small Business Incentive Loans to the Small Business Administration, and the Work Training Program (Neighborhood Youth Corps) to the Department of Labor.

These delegations were not required by the EOA, but had been anticipated. They were made by the director with the concurrence of the President under the authority provided in Section 602(d). Appropriations for such programs were to the OEO, but the funds were then “delegated” to the agency actually operating the program.<sup>137</sup> Regulations, rules, and guidelines for program operation were promulgated on a joint basis, with the OEO retaining responsibility for the general conduct of the program.<sup>138</sup> In its 1966 Congressional presentation, the OEO described these arrangements as presenting “one of the best and most comprehensive examples of anti-poverty coordination.”<sup>139</sup>

**Interagency Agreements.** The OEO also entered into a very large number of interagency agreements – about 150 – with other agencies providing similar or complementary services.<sup>140</sup> An Office of Interagency Relations, located in the Office of the Director, was responsible for initiating such bilateral agreements, formal and informal. These were intended as a major coordination effort. Examples included an “umbrella” agreement with HEW, which among other things, placed poverty coordinators paid for by the OEO in HEW’s regional offices. It also led to the provision of services for women with dependent children wishing to enroll in the Job Corps and prompted a training program for the Bureau of Federal Credit Unions. Agreements with the Department of Labor provided for such cooperative ventures as the screening of Job Corps applicants by state employment service agencies. Other bilateral arrangements were contracted with the Department of Justice, Department of Housing and Urban Development, the Bureau of Indian Affairs, and other agencies.

**Checkpoint Procedures.** At the local level, another specific tool developed was the “checkpoint procedure,”

a system of review and comment. Applicants for community action project grants were required to notify the chief executive official of their local jurisdiction of the nature of the project contemplated and to obtain his assessment and reactions.<sup>141</sup> In some instances, notification of such other officials as the superintendent of schools, urban renewal director, and local director of the state employment service was required, depending upon the kind of project involved. The procedure was intended to determine the relation of the proposed project to other programs, whether funded under provisions of the EOA or from any other source. Negative comments by any reviewer did not constitute a veto; rather, the process assumed that coordination was a mutually desired goal, and was intended to simply provide a convenient vehicle for communication.<sup>142</sup>

OEO also negotiated what were called “reverse checkpoint procedures,” designed to permit CAAs to comment upon the applications for assistance of other local agencies.<sup>143</sup> By provision of law, applications to HUD for neighborhood facilities grants required the inclusion of a statement showing the relationship of the planned project to the community action program. Similarly, applications for assistance under Title I of the *Elementary and Secondary Education Act of 1965* had to indicate the position of the local CAA on the contemplated project.

## The Community Action Grant Program

Community action offered a second approach to the problems of interprogram coordination. Like the “block grants” which have followed it, community action sought to promote flexibility. It permitted communities to identify, for themselves, the nature of activities and projects to be undertaken to alleviate the problems of poverty in each community, in the light of local needs, priorities, and demands. A wide variety of activities could be funded with community action funds, but individual CAP component projects were subject to OEO review and approval.

This flexibility was apparent in the broad-gauge legislative descriptions of the community action concept. Under the terms of Section 202 of the 1964 act, a community action program was defined as a program which “mobilizes and utilizes resources, public and private” to attack poverty. The nature of the services to be provided was not specified, except that these were to be

... of sufficient scope and size to give promise of progress toward elimination of

poverty or a cause or causes of poverty through developing employment opportunities, improving human performance, motivation, and productivity, or bettering the conditions under which people live, learn, and work.

Section 205(a) authorized the director to make grants for carrying out these community action programs, indicating that such programs might include

... employment, job training and counseling, health, vocational rehabilitation, housing, home management, welfare, and special remedial and other non-vocational educational assistance for the benefit of low-income individuals and families.

The most important restriction prohibited the use of funds for general aid to elementary and secondary schools.<sup>144</sup>

The first *Community Action Program Guide* retained this flexibility. It included an extensive listing of examples of the kinds of activities that might be undertaken at local initiative. These were noted under 12 general headings.<sup>145</sup>

Given the breadth of this definition, community action was what one writer has called a "catch-all of projects to aid the poor":

Practically any effort aimed at reducing poverty may be funded through it, provided the poor or their spokesmen participate in planning and execution, and provided racial discrimination is barred. Approved projects have included preschool and remedial education, employment and job training, birth control, consumer education, legal aid to challenge existing welfare institutions, new systems of delivering health services to the poor, recreation, and neighborhood centers aimed at providing "one stop" services. The list is not exhaustive but indicates the broad scope of CAP activities.<sup>146</sup>

Local CAAs could provide services themselves or contract for their provision with other agencies. In practice, the system of delegated services was heavily utilized.<sup>147</sup>

The administration of such a flexible program seemed to require some innovative procedures and practices. John Wofford, a former deputy director of community action in OEO, indicated that stress was placed upon the

principle of simplicity of Federal procedures.<sup>148</sup> This objective was approached through two related initiatives: generalist (rather than specialist) evaluation of applications for assistance, and program decentralization. An effort was made to lodge the application review and "sign off" responsibility with field representatives, rather than with a Washington-based panel of experts or in-house, full-time staff. A generalist staff with a wide variety of experiences, inside and outside the government, was recruited for these field positions. Program decentralization was to be further supported by the creation of a system of regional OEO offices throughout the nation.<sup>149</sup>

## Evaluations

Reviews of the coordination efforts undertaken by the OEO and community action agencies highlighted many weaknesses. Whatever the successes of these organizations and their programs in other respects, they failed to achieve the goal of integrating the broad range of Federal assistance programs and other public and private efforts. Indeed, over the course of the program, the goal of "coordination" was itself gradually displaced. Other objectives expressed in the act gained priority. The OEO increasingly saw itself as an anti-poverty advocate and program operator. Most CAAs adopted a similar view. Yet these roles generated continuing tension with other operating agencies, Federal and local. As Harold Seidman has described it,

The Bureau of the Budget's vehicle for "institutional cooperation" was transformed by the Office of Economic Opportunity into an instrument to promote "institutional change." Some went so far as to interpret community action "as a mandate for Federal assistance in the effort to create political organizations for the poor." Emphasis was shifted from coordination and collaboration with established Federal, state, and local agencies to competition.<sup>150</sup>

The performance of the Office of Economic Opportunity and CAAs as coordinators prior to 1969 has been examined by a number of individuals and research groups. The ACIR completed its own study in 1966, during the first years of the anti-poverty effort, and made recommendations for improvement. The General Accounting Office published a comprehensive assessment in 1969. Two reports have been prepared by the Brookings Institution, one of which was specifically

concerned with the coordination issue. Other evaluations have been made by individuals, some of whom were closely associated with OEO operations. All of these tend to reach similar judgments on the coordinative issue.

### National Level Coordination

Despite its location at the pinnacle of the Federal Executive Branch, the Economic Opportunity Office was not able to sway the activities of other departments and agencies into a common, coordinated anti-poverty strategy. This weakness was noted in commentaries on the OEO and its five major grant coordination instruments – the Economic Opportunity Council, anti-poverty plans, preference procedures, program delegation arrangements, and interagency agreements.

**The OEO and EOC.** The OEO never became the anti-poverty coordinator which had been envisioned in 1964. While it did produce a *Catalog of Federal Programs for Individual and Community Development* listing more than 250 poverty-related aid programs administered by some 17 departments and agencies, its influence over the operation of these programs was minimal.<sup>151</sup> Levine writes that “one task that the OEO has not carried out well – practically not carried out at all – is coordination of anti-poverty programs.”<sup>152</sup> Levitan said, “If OEO is viewed as a coordinating agency, a ‘command post for the war on poverty,’ its record must be viewed with scepticism.”<sup>153</sup> The GAO noted the “general agreement” that the EOA’s coordination, evaluation, and planning provisions had not been adequately executed.<sup>154</sup>

The weaknesses of coordination efforts were partly a consequence of the OEO’s increasing preoccupation with the operation of programs for which it was directly accountable. Coordination and program operations proved to be conflicting mandates.<sup>155</sup> Levine wrote that “one lesson that has been learned by all concerned is that a single agency cannot be both a coordinator above the battle and an operator within the thick of it.”<sup>156</sup> This consideration led the General Accounting Office to recommend the separation of the two functions. Its 1969 report suggested the transfer of coordination, planning, and evaluation activities to a new “Office of Community Resources” – one possible title – located within the Executive Office of the President.<sup>157</sup> It was argued that the President needed such a central staff agency to assist him in the performance of these functions; an interdepartmental council like the Economic Opportunity Council and the later Urban Affairs

Council were not viewed as proper substitutes. Under the GAO’s plan, the OEO was to be continued as an independent agency, but outside the Executive Office. It would retain operating responsibilities for community action and research and development, but most ongoing programs were recommended for transfer.

The Economic Opportunity Council was also judged to be “ineffective,” “of very limited usefulness.”<sup>158</sup> The GAO report indicated that “as an instrument of coordination, the Economic Opportunity Council has not fulfilled the need.”<sup>159</sup> Council meetings were infrequent – it met only four times in the first year of operation – and did little more than provide for an exchange of information.<sup>160</sup> Top officials, seeing it as unimportant, and as a creature of the OEO, attended rarely, sending lower ranking substitutes.

The EOC’s weaknesses were attributed chiefly to its composition. Its chairman, the OEO director, was outranked by most of the members, who were cabinet officials. Moreover, the director lacked the ability to make and enforce governmentwide policy decisions. The National Security Council analogy was inappropriately applied, since that body was chaired by an authoritative figure, the President himself.<sup>161</sup> Moreover, as the GAO noted, the act “placed responsibility in a body of peers who could not be expected to voluntarily relinquish decision-making control over planning for, or operation of, programs.”<sup>162</sup>

**Anti-Poverty Planning.** The OEO prepared five-year national anti-poverty plans beginning as early as 1965; these were updated annually. The plans suggested that poverty could be eliminated by 1976 and adopted that specific goal.<sup>163</sup> However, evaluators agree that this planning effort, in fact, had little or no impact on actual policy making, and hence was wholly ineffective as an instrument of coordination. The GAO’s study reported that the plans had had “little discernible influence:”

Representatives of the several executive departments and agencies paid little heed to the preparation of this plan and accepted no obligation to be bound by the provisions of the plan. BOB was guided in its actions by the plan only in occasional instances. There is no available evidence that the President implemented the plan in decisions relating to legislation or appropriations recommended for education, health, manpower training, social security, housing, urban development, or veterans’ benefits.<sup>164</sup>

Other evaluators shared the GAO's assessments. Joseph Kershaw, who held the position of director of research, plans, programs and evaluation within the OEO, offered a critical evaluation in his Brookings Institution study. The five-year, anti-poverty plans had "little or no impact," in his judgment.<sup>165</sup> He notes that the plans included levels of recommended expenditure ranging from "adequate" to "minimal." In fact, the actual budgets approved by the President and Congress provided funds at a level that was but a small fraction of even the minimal plan level. The growth of Vietnam commitments undoubtedly was a contributing factor in this.<sup>166</sup>

**Preference Procedures.** The ACIR's 1966 examination found that implementation of the preference procedures contained in the 1964 EOA had been inadequate.<sup>167</sup> It also recognized the difficulties inherent in obtaining more than limited preference under the Section 612 provisions. However, in the light of the importance of the Economic Opportunity program, the Commission urged that the director of the OEO make additional efforts to secure more effective cooperation.

In fact, the procedures were not strengthened, and were actually dropped during the 1967 amendment process, at OEO's request. In explaining its action, OEO noted that the procedure had never been much utilized. It noted, first, that the CAAs were not preparing overall community action programs which could include such activities to be given preference, as was suggested in the *Community Action Program Guide*. Still more troublesome, it felt, was the interpretation of the term "preference:"

The statutory method of providing encouragement leading to the combining of Federally assisted programs – a preference in the handling of applications – is much too uncertain and narrow to provide any very practical inducement to the combinations it is designed to further. This is true, at least, if "preference" is given any of the normal meanings which the term suggests."<sup>168</sup>

For example, the OEO reasoned that "preference" could not mean the speedier handling of applications, for all grant applications were always handled as rapidly as possible. Allocating funds to community action-related projects before making grants of other kinds would ignore relative community needs which would often conflict with the substantive provisions and policies of the other programs.

**Interagency Agreements.** The GAO report also found that the OEO had been unable to utilize its many interagency agreements to promote coordination, chiefly because of the voluntary nature of each party's commitment to their success.<sup>169</sup> Neither the OEO nor other agencies adhered consistently to the terms of these agreements. For example, despite a memorandum of understanding with the Department of Agriculture concerning the coordination of efforts to combat rural poverty, the OEO unilaterally funded research and development projects without appropriate consultation. The participating agencies other than the OEO gave but token support to the pilot Neighborhood Centers Program, which was intended to integrate the services OEO, HEW, HUD, and DOL offered to residents of poor neighborhoods.<sup>170</sup>

**Delegated Programs.** Neither did the program delegation arrangements fully prove themselves as a coordination device. However, the OEO's own assessment of performance in this regard was more positive than that of some other observers. The OEO claimed itself to be "the first agency at the Federal level to develop, set up, and live by a system of interagency delegation agreements."<sup>171</sup> This was in response to GAO criticism: "The OEO, as presently constituted, has not been in an effective position to exercise oversight and direction for programs which have been delegated to other agencies."<sup>172</sup> The GAO recommended the transfer of such programs.

Other evaluators also note that the delegated programs provided a point of difficulty and conflict. Kershaw indicates that each delegate agency had its own constituency to remember and protect, while the OEO was concerned with assuring that the programs fit into its overall anti-poverty effort. Thus, the Office of Education hesitated to require even minimal reports from the states concerning the operation of Adult Basic Education, fearing that to do so would alienate the states and damage their continuing relations. The department of Labor sought to maximize enrollment in the Neighborhood Youth Corps, since the program was popular in Congress, and wanted to devote little money to the conflicting OEO concern for "enrichment" – education and counseling.<sup>173</sup> Such differences were not easily resolved. Moreover, during the course of the program, the departments charged with delegated programs also sought greater and greater autonomy. Levine has commented:

The difficulties of CAP and, for that matter, of OEO coordination, were brought out by

the increased assertion of independence by the Department of Labor and other managers of delegated programs. The Department of Labor continued to refuse to let OEO interfere with "its" business. And over a period of a year, Labor fought within the bureaucracy to be given complete control over all manpower programs both at the national and local levels. It took direct pressure from the Budget Bureau for Labor to agree to give OEO (and for that matter HEW) some responsibilities for the manpower coordinating teams which were beginning to be set up in major cities. These teams were tripartite, but Labor was clearly more equal than the others.

Indeed, as the OEO bill ran into trouble on the Hill, the Labor Department lobbyists made no bones about lobbying for their portion of the bill only (NYC and other manpower programs) at the expense of OEO-managed programs and OEO coordination.<sup>174</sup>

Despite such continuing difficulties, however, the delegation procedure may have had some counterbalancing merits. Responsibility for operating the delegated programs sometimes did impact upon the agency involved in a manner which made it more aware of, and responsive to, the needs of the poor. Changes in organization and procedure could result. Levine indicates that the delegation system had "shaken up the old way of doing things" in several departments, and permitted the OEO to be a "watchdog with some teeth" while limiting the scale of its direct operations.<sup>175</sup> Thus, he believed delegation had proven itself to be a powerful and flexible management tool. Kershaw seems to share this assessment.<sup>176</sup>

### Coordination by the CAAs

The assessments of the coordinative activities of the community action agencies, operating at the local level, were equally critical. Like their counterpart in Washington, most of the CAAs found that the problem was more than they could deal with successfully, and turned their efforts into other directions. The focus of community action in most places was the provision of services to individuals. In a much smaller number of communities, the goal of giving power to the poor, of deliberate confrontation, was central.<sup>177</sup> However, many communities did supplement services with a strategy which,

seeing the source of poverty in the failure of social institutions, was aimed at institutional change.<sup>178</sup>

James L. Sundquist conducted a comprehensive review of the community action program for the Brookings Institution as a part of a report published in 1969.<sup>179</sup> That study is of particular relevance here, for it focused directly upon the problem of coordination in the provision of Federal assistance, and was specifically concerned with the coordinative role of the local CAAs.

Sundquist's evaluation of community action as a coordinator was critical and severe. "Rarely," he wrote,

... has an institution departed so quickly and so drastically from the doctrine of its founders. In the communities we visited in 1967, not a single community action agency could be described as succeeding in the President's declared purpose of "bringing together these separate programs -- Federal, state, and local ... to achieve a unified ... approach." None, indeed, was even attempting anything so difficult.<sup>180</sup>

The CAAs simply dropped their prescribed role as coordinator, evolving in directions not anticipated by their creators.<sup>181</sup> In theoretical terms, the conflict between organizational survival needs and formal objectives led to a process of "goal displacement."<sup>182</sup> Where most respected, Sundquist found, the CAAs had achieved a measure of political strength based upon the mobilization of the poor. Yet, this status led them to confront, not coordinate, the established service agencies. Others were "innocuous" or "outcasts," providing limited services which added to, but did not redirect those already available.<sup>183</sup>

Hallman, whose field research suggested somewhat more favorable conclusions, indicated that about half of the CAAs studied made some attempt to "orchestrate" the total community anti-poverty effort. This met with some success in rural areas, where the CAA was often the only planning agency. In cities, there were many competitors, and CAAs were able to make significant headway only in these few cases where they had strong support from city officials. Those CAAs with the strongest commitment to resident participation were precluded from playing any coordinative role.<sup>184</sup> Even where local agencies were able to agree on a joint course of action, they were not guaranteed Federal cooperation and funding: "Over and over again, the consultants came across instances where local initiative was blocked and local responsibility was curtailed by action of Federal agencies."<sup>185</sup>

The GAO report also examined the specific issue of program coordination at the local level by the CAAs. While it pointed to some positive accomplishments, the overall assessment indicated a failure to meet expectations:

... the totality of evidence ... suggests that the CAAs have had difficulty in maintaining substantial and continuing coordination of the local activities of Federal agencies and of the activities of local public and private agencies with Federally supported activities in a CAA.<sup>186</sup>

The report indicated that the energies of most CAAs were consumed by operational responsibilities for Headstart and other programs. Moreover, local government authorities had often resisted the action agencies' coordinative efforts.<sup>187</sup> Levine adds that community action may have actually *reduced* the overall level of coordination, as many CAA programs duplicated those of existing agencies.<sup>188</sup>

**Limits on Coordination.** Community action agencies lacked the resources, legal or financial, which might have permitted them to more effectively coordinate the ongoing operations of other organizations. Moreover, they were unsuccessful in securing cooperation, and commonly were isolated from the major centers of power. Sundquist writes that, for a CAA to serve as an effective mobilizer and coordinator, it had to have either power or acceptance:

either power to assert its will upon other institutions or sufficient standing in the community to prevail upon the competing institutions to accept coordination voluntarily. But the Federal government could not, and did not, confer any significant coordinating *power* upon the CAAs. And they failed, because of their "tarnished image," to gain *acceptance*.<sup>189</sup>

He notes two specific reasons for this negative image. First, the attempt to innovate, to question, to challenge the *status quo* naturally led to conflict. Second, especially in the early months of their organization, many of the CAAs gave poor impressions regarding their leadership and competence.<sup>190</sup>

Sundquist notes that the CAAs were faced with four legislative and administrative handicaps which restricted their coordinative capacity. These included the focus upon participation by the poor and the severe restrictions on the funds appropriated by Congress.<sup>191</sup> Also important was the de-emphasis on planning, a primary coordinative tool, in the legislation and by the OEO, and the initiation of new national emphasis programs, which limited the opportunity of the CAAs to develop new initiatives. These latter two points – the weaknesses of community action's planning requirements and the development of national emphasis programs – both bear directly on the subject of concern here and require elaboration. The first is examined below; the second is discussed in the following section.

**Lack of Planning.** The ACIR's 1966 study stressed the absence of a planning requirement in the original EOA, and adopted a recommendation urging that the preparation of a local comprehensive anti-poverty plan be a condition of funding.<sup>192</sup> In fact, the failure to mandate a strict planning process might seem a remarkable oversight, since plans provide one of the basic coordinative tools for complex, long-range activities.

The matter is more complex. In fact, planning had been an essential component of the philosophy of community action as developed in its early manifestations under the Ford Foundation's "gray areas" projects and in the work of the President's Committee on Juvenile Delinquency and Youth Crime. Moreover, it was the prospect of a carefully planned, coordinated, governmental effort which attracted many to the community action concept.<sup>193</sup> President Johnson's Message on Poverty stressed that the program would call upon citizens to "prepare long-range plans" for the elimination of poverty in their communities, and, indeed, the draft EOA legislation contained comprehensive planning provisions, including a preliminary one-year planning and organizational period.<sup>194</sup>

Yet, while planning had been central in the original concept, interest in it faded both among the administration's anti-poverty strategists and the Congress.<sup>195</sup> The House of Representatives' committee report indicated that it did not intend "that the development of ... a comprehensive communitywide plan be a prerequisite to the extension of financial assistance. ..."<sup>196</sup> Speed was the concern. There was fear that a lengthy planning period would result in unnecessary delays in launching the program. Given the pressing needs of the poor, and the political desire for a more dramatic program initiative, rapid action was necessary. For this reason, the

OEO opted for what it termed the "building block approach," which permitted the execution of specific projects without awaiting the completion of a fully developed "conceptual framework."<sup>197</sup> Thus, as Levine notes, the kind of planning anticipated by community action's initiators was not demanded by the Federal government and never took place:

True, a "plan" was required in local applications for Federal grants, but what was presented as a plan was seldom much more than a list of widely disparate projects, ranging from manpower training to household sewing, each with a separate rationale. Such lists were readily accepted by the Federal officials if the individual projects seemed to meet the requirements. The lists were seldom based on anything that a planner would call a plan. Occasionally, there were surveys, studies, and so forth, but even when these were present, their relationships to the grant application process were obscure.<sup>198</sup>

Hallman also indicates that such planning as was undertaken focused on meeting OEO's limited requirements, and typically simply strung together the favored projects of members of its sponsoring coalition. The few exceptions occurred in communities in which CAP had been originated by planning organizations.<sup>199</sup>

### The Reassertion of Control

The weaknesses of coordination under the 1964 act, coupled with political reactions to the turmoil which had accompanied the War on Poverty in some communities, created counterpressures which, from the first, resulted in important modifications of procedure and power. Initially, these strengthened the authority of the national OEO (and the Congress) over community action. The hallmark was the establishment of "national emphasis" programs, supported by fiscal earmarking. These were apparently intended to protect the program. Yet, a consequence was that the original focus on comprehensiveness, coordination, and local initiative was lost. The broad, flexible conception of community action was greatly altered as the programs it spawned became separate entities, simply additional grant programs which might, arguably, be administered through other means. The authority and autonomy of the distinctive institutions created under the EOA gave way, while those of local governments, the states, and the major departments of the national Executive Branch were reasserted. No longer could the OEO and CAAs be

viewed as the central organizations in the administration of American social policy for the disadvantaged.

Sundquist argues that much of this transformation had taken place before 1967. By that time, the President regarded model cities as the primary instrument of anti-poverty coordination, while

... the Office of Economic Opportunity (OEO) had clearly taken its place as one more operating agency of the government, and its community action agencies had found their place as one more in the array of limited purpose institutions.<sup>200</sup>

However, if the President had lost faith, there were others who continued to support the original conception. These conflicting views showed themselves especially in the amendments adopted in 1967. Yet, the events under the new administration elected in 1968 clearly relegated the poverty program to a much diminished role.

### The National Emphasis Programs

Despite its innovative aims, the community action program was, in practice, subject to the same administrative and political pressures which had shaped the categorical assistance programs. Indeed, these were intensified by the great interest and controversy which surrounded the program. The consequence was that much of community action was transformed into a system of specialized, separately administered, essentially categorical, grants.

These changes were manifested in the creation of new "national emphasis" programs, designed in Washington and urged upon local CAAs by the OEO. The development of these special programs has been described by Joseph Kershaw.<sup>201</sup> The first in the series was the Headstart pre-school education program, devised in early 1965. OEO requested \$179 million specifically for this program; allotting to it more than a quarter of its total \$630 million community action budget. This figure was based upon OEO's own preferences and assessment of national needs; it was not a reflection of local agency plans. The amount available to support local initiatives was reduced correspondingly. Since the funds to support this program were restricted by the terms of the appropriation, they could not be used for any other purpose. Communities which decided not to have a Headstart program simply lost the money; on the other hand, it was "free" to those which accepted it, since their allocation of other community action funds suf-

*Table 4*  
**Estimated Obligations for Community Action Programs, 1965-68**  
 (in millions of dollars)

	1965	1966	1967	1968
<b>National Emphasis Programs</b>				
Headstart	\$ 96.4	\$198.9	\$349.2	\$316.2
Upward Bound	<sup>1</sup>	24.9	28.2	31.6
Legal Services	<sup>1</sup>	24.8	25.2	35.9
Comprehensive Health Services	—	<sup>1</sup>	50.8	33.2
Family Planning	—	<sup>1</sup>	4.1	9.0
Emergency Food and Medical Services	<sup>2</sup>	<sup>2</sup>	<sup>2</sup>	12.8
Senior Opportunity Services	<sup>2</sup>	<sup>2</sup>	<sup>2</sup>	2.5
Headstart Followthrough	—	—	—	14.6
<i>Total National Emphasis</i>	\$ 96.4	\$248.6	\$457.5	\$455.8
<b>Local Initiative Programs</b>				
CAA Administration, Planning, Evaluation	7.4	20.0	56.4	75.0
Neighborhood Service Systems	24.3	77.0	99.5	132.4
Manpower Programs	13.0	33.0	20.0	22.7
Education Programs	18.1	39.0	21.9	13.1
Health Programs	5.0	19.0	18.5	7.0
Housing	—	3.0	3.0	9.8
Other Local Initiative	47.4	83.6	52.1	63.3
<i>Total Local Initiative</i>	\$115.2	\$274.6	\$271.4	\$323.3
<b>CAP Support</b>	25.0	104.8	75.4	85.2
<b>CAP Deobligations<sup>3</sup></b>	-15.3	-.9	-1.6	—
<b>TOTAL, CAP</b>	\$221.3	\$627.1	\$802.7	\$864.3
<b>Local Initiative as Percent of CAP Total</b>	52.1%	43.8%	33.8%	37.4%

<sup>1</sup> Included in CAP as a research and pilot program.

<sup>2</sup> Included in local initiative programs.

<sup>3</sup> Agency could not list deobligations by program without a detailed analysis of the accounts.

SOURCE: Comptroller General of the United States, *Review of Economic Opportunity Programs* (Washington, D.C.: U.S. Government Printing Office, March 1969), p. 26.

ferred no reduction. Not surprisingly, the program was widely implemented. This same pattern was followed in OEO requests for other national emphasis programs, including Upward Bound and Legal Services.

These first special program reservations were specifically sought by the OEO. However, in 1966, Congress instituted additional earmarking at its own initiative. Amendments to the community action program specified that OEO must carry out a range of programs, and provided separate authorizations for each. The trend toward specificity was continued in 1967. The total of

enumerated special emphasis programs was brought to eight Headstart, Follow Through, Legal Services, Comprehensive Health Services, Upward Bound, emergency food and medical services, family planning, and senior opportunities and services. While fiscal earmarking was dropped in the two-year authorization, the amendments did place further restrictions on the flexible community action concept.<sup>202</sup>

The data in *Table 4* indicate the fiscal impact of the development of the national emphasis programs through the years 1965-68. While total community action funds

grew throughout this period, most of the increase was in the national emphasis programs, which became more numerous and more generously funded. Resources devoted to flexible local initiative funding were reduced from 52.1 percent of the CAP total in fiscal 1965 to 37.4 percent in 1968. It should be noted that, in 1967, the Headstart program was alone receiving considerably more funds than all the locally initiated programs. Earmarkings of this magnitude imposed severe restrictions on community action operations. As of July 1, 1967, there was not enough unrestricted community action money to even re-fund existing projects.<sup>203</sup>

The national emphasis programs, also, had important administration ramifications. Many of the programs developed a "life of their own," separate from community action, quite distinct within OEO. The National Advisory Council on Economic Opportunity, in its 1968 annual report, noted that the national emphasis programs acquired a high degree of administrative independence. Moreover, each acquired its own political constituency:

Separate project offices came into being, with chiefs who reported directly to the director of the community action programs. Headstart, Legal Services, and Upward Bound developed substantial bureaucracies within, but separate from, the regular staff of the community action programs office. Parallel outside constituencies arose—non-governmental agencies that received grants and operated national emphasis programs: church councils, universities, and others—the American Bar Association and the American Bar Foundation, which were influential in developing basic policies for legal services programs; universities, which were active in Upward Bound. Exerting pressures in favor of their vested interests, they became, in effect, lobbies for shares of the funds appropriated for community action programs.<sup>204</sup>

There were a number of political motivations for the development of the national emphasis programs and subsequent earmarking or categorization of funds. Wofford reflects the feeling held at OEO that many communities made poor use of the flexibility and discretion provided by the broad language and loose administrative procedures of community action in its first year. The national emphasis programs provided a means for prioritizing actions in the absence of effective

local planning.<sup>205</sup> Levitan stresses the need to get a quicker response from the CAAs, to be able to demonstrate rapid progress. Moreover, the national emphasis programs proved acceptable and even popular to important political constituencies; some of the locally initiated programs were too controversial.<sup>206</sup> OEO Director Sargent Shriver's own strategy for agency continuation and growth reportedly stressed the CAP national emphasis programs, which had far better "images" than the other CAP activities.<sup>207</sup>

Kershaw indicates that the Congressional earmarking was proposed by several liberal Democrats who hoped to lessen opposition to community action, and thus prevent still more basic legislative chances.<sup>208</sup> However, Levine has noted that many of these Congressmen, however "liberal," were from constituencies in large cities where the community action program's participation and advocacy efforts had been most controversial, and had created dissatisfaction among mayors and other local governmental officials.<sup>209</sup> The motive, then, may not have been solely protective.

Assessments of these changes were mixed. The national emphasis programs represented a clear departure from the original community action philosophy. This does not necessarily mean, however, that their creation was unwarranted or unwise. Some commentators took the opposite view. For example, the GAO believes that the national emphasis programs "helped more than they have hurt the CAAs."<sup>210</sup> Levitan argues, moreover, that the effect of these fund reservations was often greatly exaggerated; attacks upon them, he says, were "in too many cases" simply a "substitute and an excuse for avoiding the hard work needed to implement programs at the local level."<sup>211</sup> Yet others, adhering to the arguments in support of local innovation, were highly critical. Kershaw, for one, deplored the reduction in local flexibility produced by the earmarking.<sup>212</sup> Sundquist quotes a number of CAA officials who were demoralized by excessive Federal controls. Citizen interest waned because locally developed programs could not be funded, while special community needs were neglected under the nationally imposed programs.<sup>213</sup> Hallman found, in 1967, that the fiscal earmarking undercut local coordination and planning at a crucial time, at the very moment when many CAAs were developing strengthened capacities:

By last fall, a number of the abler community action agencies were getting into a position where they could initiate long-range planning in order to more fully mobilize resources and achieve a more comprehensive approach to

the elimination of poverty. . . . But then Congress chose to earmark all but a small portion of these funds, and OEO established nationwide priorities for the spending of the balance. Out the window went local planning efforts.<sup>214</sup>

## The 1967 Amendments

Other important changes in the poverty program were made as a part of the 1967 legislative amendments. These led in two directions. On the one hand, they attempted to strengthen – in the end, unsuccessfully – the coordination and planning functions of the OEO and the CAAs. In this respect, the original intent of the act was reaffirmed. At the same time, however, the authority of state and local governments over the program was increased, a basic modification of original procedures. In retrospect, it was this latter trend which was the more important, and was more effectively implemented. Both, however, deserve recognition.

**Coordination and Planning.** The extensive changes in the poverty program made in 1967 re-emphasized the coordination and planning functions which had been an integral part of the original community action concept. Participation by the poor – the issue which had in fact dominated the actual implementation of the program in its first years – was subordinated to these goals. The Statement of purpose for community action, as amended, specified the aim of

. . . the strengthening of community capabilities for planning and coordinating Federal, state, and other assistance relating to the elimination of poverty, so that the assistance through the efforts of local officials, organizations, and interested and affected citizens, can be made much more responsive to local needs and conditions.<sup>215</sup>

This purpose was implemented, at the local level, by the addition of a much more stringent planning requirement. Under Section 221(d), every CAA was required, as a condition of funding, to adopt a “systematic approach” to the achievement of anti-poverty goals, including

. . . a planning and implementation process which seeks to identify the problems and causes of poverty in the community, seeks to mobilize and coordinate relevant public

and private resources, establishes program priorities, links program components with one another and with other relevant programs, and provides for evaluation.

Analogous directives were included in provisions affecting national OEO operations. Section 632 required the OEO director to study and initiate actions to overcome coordination problems, as well as to prepare five-year national poverty action plans. An attempt was also made to remedy the weaknesses of the Economic Opportunity Council. Section 631 specified that it was the responsibility of the EOC to provide for the coordination of Federal anti-poverty programs, to develop policies and set priorities for such programs, and to resolve conflicts arising between agencies. Other provisions altered the organization and operations of the body. Its chairman was to be a member designated by the President; no longer was the OEO director to automatically hold this position. An executive secretary not directly associated with OEO was also to be appointed by the President. This position, it was hoped, would ultimately become the full equivalent of a cabinet post, with the council itself assuming real power and authority.<sup>216</sup>

These amendments brought the community action concept “full circle,” in Sundquist’s term. Original objectives were repeated.<sup>217</sup> Yet, there is little evidence that this reaffirmation of earlier goals proved effective. Two years later, in 1969, the GAO found that most CAAs still were not performing comprehensive program planning.<sup>218</sup> The Economic Opportunity Council, despite legislative specification of a stronger role, was not convened by the President after January 1, 1968, and thus exerted no influence at all.<sup>219</sup>

**The Green Amendment.** Of greater impact were the 1967 provisions aimed at increasing the responsibility of state and local officials for the community action program. These, known as the “Green amendments” for their sponsor, Representative Edith Green of Oregon, required that all CAAs be “designated” by elected state and local officials and “recognized” by the OEO. The amendment offered the possibility that a political jurisdiction would designate itself, rather than an existing private body, as the CAA. In the absence of local action, the OEO had the authority to make its own designation. The amendments also specified the composition of the governing body in a manner intended to strengthen the hand of local officials and established community leaders. One-third of the total membership (which was limited to a maximum of 51 seats) was to be composed of public officials, providing that many were

willing to serve. At least one-third of the membership was, as in the 1966 amendments, to be representatives of the poor, with the balance of seats to be held by business, labor, religious, and other community representatives.<sup>220</sup> Other 1967 provisions increased required non-Federal matching funds from 10 percent to 20 percent, and tightened CAA audit and personnel procedures.<sup>221</sup>

These actions were taken in a difficult political atmosphere. Some observers felt that the poverty program itself was in danger of being killed, and the House had indicated its hostility early in the year by attempting to eliminate pay raises for OEO personnel.<sup>222</sup> Riots during the course of the summer of 1967 in city after city had brought unfavorable publicity, including renewed charges that anti-poverty workers were actively involved in fomenting disorder.<sup>223</sup> Pressure on the Congress from voters "back home" was severe.<sup>224</sup> The Green amendment, called the "bosses and boll weevil" amendment by some — in a reference to its support by big city representatives and Southerners — was judged a necessary concession if the program were to be saved.<sup>225</sup>

The long-run effect of these amendments was to promote an accommodation of interests between the CAAs and local governments in those communities where it had been lacking. Yet, the short-run changes were less extreme than many had anticipated. Existing organizations were redesignated in the great majority of cases. A 1969 evaluation found that this was the case in 43 of 53 communities studied. In only three instances did public agencies themselves assume community action functions.<sup>226</sup> Substantial changes in board composition were more frequent, occurring in 23 of 36 redesignated private agencies. These greatly enhanced the influence of local public officials, primarily at the expense of private sector representation. CAA leaders and representatives of the poor retained an independent voice.<sup>227</sup>

The high degree of continuity in community action operations was explained by the fact that, in the great majority of communities studied, local officials had struck a political alliance with the action agencies, or had a supportive, or at least neutral attitude. Interagency relations were marked by political friction in less than a quarter of the cases.<sup>228</sup> These few communities accounted for most of the changes in designation, and were most apt to experience substantial board reorganizations.<sup>229</sup>

Some observers believe that the lack of changes also reflected a growing indifference to the anti-poverty program. Patrick Healy suggests that, by 1967, it was "too late."<sup>230</sup> Mayors who had once sought control

over anti-poverty funds no longer desired close association with the controversial program. They looked to the newer model cities initiative as a more effective, more useful, tool. Thus, though the National League of Cities had advocated municipal responsibility for the poverty war in 1964, three years later, most mayors and councilmen "couldn't have cared less."<sup>231</sup> Other observers note that the development of earmarking at the national level made the issue of local control moot. Most local CAAs were then firmly locked into programs set by Federal OEO officials.<sup>232</sup>

## 1969-1971

The processes of change in evidence during the Johnson Administration were continued during the early Nixon years. The new President never sought to utilize the OEO or community action as the dominant instrument of national policy coordination or anti-poverty activity. Instead, his "New Federalism" proposals, announced throughout 1969, showed a commitment to an "income strategy" for social welfare through a Family Assistance Plan and the returning of power and discretion to general purpose state and local governments by revenue sharing and manpower reform. These approaches suggested a need for a modification and downgrading of the poverty program.

Thus, while President Nixon sought the extension of the OEO in 1969, he suggested an altered role for it. The agency's greatest value, he believed, was "as an initiating agency — devising new programs for the poor, and serving as an 'incubator' for programs during their initial, experimental phases."<sup>233</sup> He looked to the OEO to serve as an "R and D" agency on poverty-related matters, a source of innovative ideas and programs. Proven operating programs were to be "spun off" to existing departments. In support of this new role, a major reorganization of the OEO was undertaken.<sup>234</sup> The President also entrusted responsibility for the policy coordination of domestic anti-poverty programs to a new Council for Urban Affairs, on which the OEO initially lacked even membership.

These new approaches were supported and implemented by Donald Rumsfeld, the newly appointed OEO director. Rumsfeld believed that community action had suffered from the conflicting demands placed upon it. He called for a sharpening of objectives, with the stress upon the mobilization of government and private resources; innovation, and effective participation by the poor. CAAs were to recognize that their role was a limited one, simply a part of a broader effort. In

particular, the local agencies were not to be the dominant anti-poverty planner:

Experience has shown that it is difficult for many CAAs to try to be *the* master planner and coordinator of all anti-poverty programs in the community. But to perform its other role effectively the CAA must work closely *with* other agencies that have planning and coordinating responsibilities.<sup>235</sup>

Similarly, Rumsfeld did not view the delivery of services as a part of community action's basic mission.<sup>236</sup>

With the President's approval, but in opposition to some Republican Congressional leaders, Rumsfeld launched a personal effort to secure the survival of his agency.<sup>237</sup> He worked against a House amendment – in the end, successfully – which would have placed, by law, most of the responsibility for community action in the hands of the states. Yet, while fighting the amendment, Rumsfeld was circulating guidelines to greatly

Table 5

TRANSFERS OF OEO PROGRAMS, 1965-74

Program	Transfer Date	Recipient Agency
Work Study	1965	HEW
Adult Basic Education	1966	HEW
Small Business Loans	1966	Small Business Administration
Neighborhood Youth Corps	1968	Labor
Foster Grandparents	1969	HEW
Headstart	1969	HEW
Upward Bound	1969	HEW
Job Corps	1969	Labor
VISTA	1971	ACTION
Rural Loans	1971	(discontinued)
Comprehensive Health Care	1973	HEW
Migrant Labor Aid	1973	HEW
Alcoholism and Drugs	1973	HEW
Aid to Indians	1973	HEW
Legal Services	1974 <sup>1</sup>	Legal Services Corporation
Community Economic Development	1974 <sup>2</sup>	Community Services Administration
Community Action	1974 <sup>3</sup>	Commerce

<sup>1</sup> The Legal Services Corporation was not formally constituted until July 9, 1975, though its creation was authorized by the *Legal Services Corporation Act of 1974* (P.L. 93-355).

<sup>2</sup> As indicated previously, the *Headstart, Economic Opportunity, and Community Partnership Act of 1974* was not signed into law until January 4, 1975.

<sup>3</sup> While a transfer of the community economic development program to Commerce is permitted under the *Community Services Act*, the program is now administered by the Community Services Administration.

SOURCE: James E. Anderson, "Administrative Politics and the War on Poverty," *Analyzing Poverty Policy*, ed., Dorothy Buckton James, (Lexington, Mass.: D.C. Heath and Company, 1975), p. 87. Used by permission.

NOTE: REQUESTED

increase the states' role in the administration of the program. These were put into effect in April 1970, and provided for state involvement throughout the community action funding process. They required that OEO's regional offices give "serious consideration and response" to state comments before approving or disapproving grants.<sup>238</sup> This involvement was facilitated by the creation of a Division of State and Local Government within the new Office of Operations, which had been made responsible for community action.<sup>239</sup> The administration also tightened controls over the local CAAs. A number of agencies were "defunded" in 1970. Flexible, "local initiative" money was reduced, while agencies were prodded to seek additional financial support from local governments.<sup>240</sup>

Consistent with the view that the OEO should be divested of major operating responsibilities, the President, in 1969, also proposed the shifting of a number of its programs to other executive departments. Headstart, the most important national emphasis program, was delegated to the Department of Health, Education, and Welfare, an action which did not require Congressional approval. Two EOA programs administered through the CAAs were also relocated: the Job Corps was assigned to the Labor Department by Presidential action, while the Foster Grandparents program was transferred by law to HEW under the *Older Americans Act*. Another national emphasis program, comprehensive health centers, was proposed for transfer in the President's February message, but this decision was later altered.<sup>241</sup> The President's manpower reorganization proposals, also announced in 1969, would have transferred all operating functions in the field to the DOL, while placing the main responsibility for local programming upon elected officials.<sup>242</sup>

These were not, of course, the first administrative delegations, or the first proposals for the transfer of programs, as *Table 5* indicates. However, previous transfer attempts had been resisted by the OEO leadership. Under the Nixon Administration, the spinning off of programs became accepted organizational policy. The manpower bill had actually been proposed by the OEO. Such reductions in the agency's scope, not surprisingly, met with opposition among many of its staff.<sup>243</sup>

Proposals for other transfers followed. In 1971, the administration sought to transfer the Legal Services program, originated by community action, to a new, independent public corporation.<sup>244</sup> Similarly, VISTA was to be moved from the OEO, joining other volunteer programs in the new ACTION agency.<sup>245</sup> Still more far reaching were the changes contemplated under the President's departmental reorganization plan. While the

President did recommend a two-year extension of the OEO in 1971, his long-range proposals would have split its functions among a new Department of Human Resources and Department of Community Development.

Congressional opposition to the gradual disbandment of the OEO was made plain in both 1969 and 1971. Key Congressmen sought to maintain the agency's operational responsibilities and to guarantee its existence as an advocate for the poor.<sup>246</sup> The earmarking device was utilized to thwart the President's program alterations. In 1971, the Congressional bill also included a prohibition against further transfers or delegations without prior Congressional approval. The Administration strongly opposed these efforts to limit its discretion; the provisions were among those responsible for the President's veto of the 1971 legislation. The bill ultimately adopted in 1972 dropped the objectionable features. Yet, given Congressional-Presidential tensions, and the Administration's unilateral attempt to implement its reorganization plan, the mission of the agency remained unclear. These issues were ultimately resolved only upon the signing of the community services legislation in early 1975.

## Conclusion

The experience of community action highlights the strength of the political and administrative forces which shaped and directed the categorical grant system throughout the 1960s. This key anti-poverty effort was able to exert little influence in coordinating, targeting, or otherwise altering ongoing programs of Federal assistance. Moreover, the flexible program of special aid offered by community action was itself quickly compromised and ultimately transformed, becoming in the process largely a system of new categorical grant programs.

The motives for the latter change are among those which made the categorical grant the favored instrument of financial aid. There was Federal dissatisfaction with, and distrust of, the results of local political processes, which in this instance were registered through unique organizations created at the behest of the Federal government itself. The impatient desire to show results, which precluded the development of long-range local planning, also, made it simpler to press a set of nationally designed programs upon the local CAAs. The national emphasis programs, in turn, prepared the way for proposals that the operation of these programs be transferred away from the OEO, out of the Executive Office, and into the major Federal line agencies holding similar responsibilities. Community action, failing to be

the coordinator, became a set of programs which themselves required improved "coordination."

Equally, the record of community action highlights the limitations of essentially voluntary coordination. The local CAAs were "concensus structures," a phrase which is also descriptive of the OEO's Economic Opportunity Council.<sup>247</sup> They were dependent for their success upon a high degree of mutual agreement among participating organizations; they offered only a forum in which information on contemplated activities might be aired and shared. Yet, the presence of this forum did little to alter ongoing patterns of agency behavior. The weakness of the OEO and its EOC, the CAAs, national anti-poverty planning, preference procedures, inter-agency agreements, and program delegations was that they depended for success upon essentially voluntary compliance among co-equals. Indeed, the Economic Opportunity Council was hampered by the fact that its chairman, the OEO director, had a somewhat lower status than that of its cabinet-official members.

Most observers, also, agree that the attempt to place coordination and program administration in a single agency was fraught with difficulty. Program operations had more pressing problems and offered the potential for a more immediate payoff. These concerns limited the commitment to overall planning.

The CAAs, working at the local level, suffered from their weak links to any major center of community power. There were several contributing causes. Because the program bypassed responsible governmental jurisdictions; because of the participation procedures and the resulting political discord; because of the limited influence of the poverty program over other national grant resources, and because of the basic fragmentation of local organization for the provision of human services, the action agencies failed to build a sustaining, official, local constituency. The constituency available to them, found among the more vocal leaders of the poor, provided an inappropriate base for the coordination and planning of the actions of other organizations. Thus, the focus of their activities was necessarily altered.

## THE MODEL CITIES PROGRAM

Model cities was the second comprehensive initiative intended to aid the nation's urban poor to be offered by the Johnson Administration. Created in 1966 by the *Demonstration Cities and Metropolitan Development Act*, model cities called for locally planned, comprehensive attacks on the problems of poor communities. The program sought to develop and strengthen the capacity of city governments to carry out an extensive,

well integrated, anti-poverty and urban development program in demonstration neighborhoods, and to enhance the capability of the Federal government to respond to local initiatives and requirements.

Though originally conceived as a "demonstration" program confined to a limited number of localities, model cities grew to include participation by most of the larger municipalities and a considerable number of smaller ones. Thus, it became to a considerable degree the focal point of the nation's "urban policy," a role some advocated making explicit. However, the altered philosophy and new legislative initiatives formulated under the Nixon Administration, along with Congressional reassessments, led to its supersession by the block grant created under the *Housing and Community Development Act of 1974*. That act terminated the program as of January 1, 1975, and provided for a phasing out of model cities funding and activities.

## The Coordinative Goal

Many commentators have noted the stress placed upon coordination in the model cities concept. Patrick Healy of the National League of Cities-U.S. Conference of Mayors has written that "the watchword for the model cities program was coordination."<sup>248</sup> Another description of the program put the matter similarly:

Coordination is at the heart of the model cities program. At the city level, it seeks to coordinate the many efforts of overlapping and independent agencies, offices, and institutions offering services and assistance to the community . . . . On the national level, it attempts to marshal all the individual Federal aid programs . . . and to coordinate their resources in a unified attack on the community's problems rather than continue the random, unrelated catch-as-catch-can game of obtaining Federal grants from each agency separately.<sup>249</sup>

In a commentary published in 1966, an assistant secretary of HUD stressed three coordinative problems associated with existing categorical aids which model cities was intended to overcome: (1) the isolated impact of individual programs; (2) their operation through separate administrative channels, ignoring interrelations; and (3) the gaps left in program coverage.<sup>250</sup>

Yet, like the community action program before it, the model cities effort was directed at several additional objectives. These included citizen participation, the

revitalization of poor neighborhoods through the mobilization and concentration of resources, innovation, administrative decentralization, and institutional change. To some degree, these aims were difficult to reconcile with each other and with the program's coordinative thrust, leading some observers to claim that the model cities program was "loaded with built-in conflicts" which made it "an administrative nightmare."<sup>251</sup>

**Phases.** The tensions among these conflicting objectives were resolved differently at different points in the model cities experience. Thus, they provide a basis for identifying distinct phases or periods in the program's history. Three such phases may be noted, roughly embracing the years 1966-68, 1969-70, and 1971-74.<sup>252</sup> The first of these periods was marked chiefly by difficulties in resolving issues surrounding citizen participation and the relations of the program to mayors and line agencies.<sup>253</sup> The concern with citizen participation, which had not been anticipated, reflected the strength of the social movement for community control which had been unleashed by community action, and was abetted by many of the Model Cities Administration staff members who had come from OEO backgrounds.<sup>254</sup> The program was embroiled in controversy throughout this period, with the administration's requests for appropriations being substantially cut by the Congress. Indeed, in 1967, opposition in the House came close to killing it altogether.<sup>255</sup>

The incoming Nixon Administration, taking power immediately after the announcement of the first nine action grants, reassessed the program and suggested new directions, which were proclaimed throughout 1969 and 1970. Federal coordination was to be improved, state participation enhanced, and the ultimate responsibility of local governments for the program was restated.<sup>256</sup> These thrusts were intended to strengthen the role of the local chief executive and to limit, but not eliminate, citizen involvement.<sup>257</sup> The goals were pushed by HUD Secretary George W. Romney and other top departmental officials and represented an effort to bring the program into line with prevailing Republican doctrine. Consequently, some of the objectives which had been stressed by the previous Administration were de-emphasized, including:

- model cities as the ultimate Federal tool for the eradication of urban poverty;
- the concentration of Federal resources in the most impoverished "target" neighborhoods; and
- extensive citizen participation.

Instead, prime attention was given to "the revitalization and strengthening of locally elected, general purpose government," particularly the office of the mayor.<sup>258</sup>

Yet, the future of the program during the early Nixon years was uncertain. The President's personal commitment to model cities was slight, despite favorable reviews by two Administration-sponsored study groups.<sup>259</sup> In early 1970, it was reported that White House staff was considering the possibility of diverting funds from model cities for use in upgrading education in black schools and advancing school desegregation, a proposal which brought heated opposition from many mayors.<sup>260</sup> Apparently HUD's innovations had greater success in attracting the cities to the altered program than top White House leadership.<sup>261</sup>

The program was continued, however. In late 1970 and 1971, a series of "planned variations" experiments was announced with 20 cities participating. These further enhanced the power and discretion of local officials and placed greater emphasis upon the model cities process as a planning and managerial tool. One commentator observed that these alterations transformed model cities from an "operating program" to a "coordinating mechanism in the mayor's office."<sup>262</sup> Yet, coordination had been an important goal since the program's inception; this was an element of continuity. What is true is that the other competing objectives had assumed lesser importance as the program developed over time.

The planned variations experience, which may be viewed as a third phase, constituted an "experiment within an experiment." It was intended as a prelude to and "pilot run" of the special revenue sharing approach, which was the President's preferred alternative. The budget for fiscal 1972 proposed the elimination of model cities and its replacement by a new community development revenue sharing program. However, initial Congressional skepticism over this approach delayed enactment (in a much modified form) until 1974.<sup>263</sup>

**Sources.** The Advisory Commission on Intergovernmental Relations has never previously assessed the model cities program, as it has the two previously described target grants. The description and evaluation which follow are based chiefly upon several studies prepared by other organizations and individuals. The basic sources were three original field investigations: one prepared by James L. Sundquist (with David W. Davis) for the Brookings Institution; the multivolumed set of studies (together with certain supplementary reports) prepared by Marshall Kaplan, Gans, and Kahn (MKGK) for the Department of Housing and Urban Development, and a

volume of eight case studies and a comparative analysis by George J. Washnis for the Center for Governmental Studies.<sup>264</sup>

## The Model Cities Process

### Origins

The model cities program originated with a Presidential Task Force on Urban Problems, chaired by Robert C. Wood, an MIT political scientist, and later the first undersecretary of the Department of Housing and Urban Development. The task force had been formed by President Lyndon Johnson to perform a review of existing urban programs, with an eye toward the development of new, innovative initiatives. The basic concept itself was developed in communications between the President and the UAW's Walter Reuther, who sought an experimental effort to "weld the programs" of Federal assistance together.<sup>265</sup> The original Reuther proposal was for a concentrated "demonstration" effort in Detroit and one other city.<sup>266</sup>

The emerging proposal was shaped partly in light of growing dissatisfaction with existing Federal urban programs. The community action program was embroiled in controversy and seemed less than fully effective. It had failed to make adequate provision for local program planning, and relied upon a local organizational system which had sometimes produced disunity and confrontation, rather than effective central control. Urban renewal, the other major instrument of Federal intervention in urban affairs, was marked by an excessive concern with physical as opposed to social development.<sup>267</sup> Moreover, there was the continuing problem of fragmentation in Federal categorical assistance for urban areas.

The resulting Presidential proposal, presented in a message to the Congress on January 26, 1966, called for a six-year demonstration program and held out to qualifying local units "the promise of a new life for their residents." An effort more extensive than any before would "eliminate blight" throughout urban demonstration areas. The program would:

- concentrate . . . available resources — in planning tools, in housing construction, in job training, in health facilities, in recreation, in welfare programs, in education — to improve the conditions of life in urban areas;
- join together all available talent and skills in a coordinated effort; and

- mobilize local leadership and private initiative, so that local citizens will determine the shape of their new city — freed from the constraints that have handicapped their past efforts and inflated their costs.<sup>268</sup>

Participants would be able to draw on the complete array of existing Federal grants, in addition to receiving special supplementary assistance. At the local level, the program would be managed by a "single authority with adequate powers to carry out and coordinate all phases of the program;" widespread citizen participation would also be encouraged.

The proposal was received with skepticism by the Congress. The difficult battle for approval was led by Wright Patman and William Barrett in the House and Edmund Muskie in the Senate, and was aided by intensive Administration lobbying.<sup>269</sup> To secure passage, the scale of the program was reduced, participation was opened to a great many more (and smaller) cities, and a provision was added which prohibited the requirement of school busing as a condition of assistance. With these alterations, however, most of the basic concepts contained in the draft legislation — with the exception of the "Federal coordinator," discussed below — were approved.<sup>270</sup> The *Demonstration Cities and Metropolitan Development Act* was signed into law by President Johnson on November 3, 1966.<sup>271</sup>

### The Demonstration Cities Act

The model cities program was authorized by the first title of the *Demonstration Cities Act*; the nomenclature change reflected a desire to avoid association with the then-frequent "demonstrations" of urban protest. Section 101 declared that "improving the quality of urban life" had been found to be the most critical domestic problem facing the nation. The act noted that cities lacked resources adequate to their needs, and indicated that it was the purpose of the title to provide additional financial assistance to cities for planning and carrying out comprehensive city demonstration programs. These would be aimed at a number of quality of life and human development objectives, and be accomplished "through the most effective and economical concentration and coordination of Federal, state, and local public and private efforts." While it was expected that demonstration programs would rely chiefly upon existing categorical grants, additional financial aid was authorized for local planning and administra-

tion and, most importantly, for the supplementation of other resources.

Notably absent from the act were the sort of innovative organizational provisions which had marked the Economic Opportunity Program. Responsibility for model cities was placed squarely within the Department of Housing and Urban Development. However, Section 103(b)(2) instructed the secretary to

... insure, in conjunction with other appropriate Federal departments and agencies and at the direction of the President, *maximum coordination* of Federal assistance provided in connection with this title, prompt response to local initiative, and maximum flexibility in programming, consistent with the requirements of law and sound administrative practice.<sup>272</sup>

This concern with assistance management was also revealed in some of the act's other titles. Section 202 authorized the Secretary of HUD to assist the President in coordinating the metropolitan development efforts of all Federal agencies and called upon the departments for interagency cooperation. Section 204 established a procedure for the coordination of Federal aids in metropolitan areas, the forerunner of the A-95 process. The provisions of Section 203 authorized HUD to appoint "metropolitan expeditors," upon the request of local officials, to provide various informational and technical services relating to development activities. This particular provision was an alternative to the more powerful "Federal coordinator" envisioned in the Administration's original bill. Under that proposal, each model city would have had an "Office of the Federal Coordinator" designated by HUD and charged with "helping to achieve the maximum effective coordination of Federal grant-in-aid programs" undertaken as a part of demonstration programs.<sup>273</sup> This position, feared by some as creating a new Federal assistance "czar" or "commissar," had been dropped during legislative consideration.<sup>274</sup>

## Organization and Planning

The heart of the model cities process was the preparation of comprehensive demonstration plan (CDP), a document outlining the program's overall direction and specific proposals. Responsibility for the preparation of such a plan was placed in local city demonstration agencies (CDAs). These, in sharp contrast to the community action agencies, were to be a city or

county or any local public agency established or designated for the purpose by the responsible city or county.

The key word for describing the model cities planning process is "comprehensive." The program guide, *Improving the Quality of Urban Life*, indicated the broad purposes of the act, embracing both the physical and social environment. While a city was to tailor its program to its specific needs, its plan might include components dealing with the public facilities, housing, transportation, education, manpower and economic development, recreation and culture, crime reduction, health, and social services and public assistance.<sup>275</sup> These components were not simply to be packaged together; they were to be

... developed into interrelated systems. Each component should be comprehensive so that projects and activities within each component reinforce each other, and interrelationships between components should be developed so that projects and activities in one can provide reinforcement and support to those in others.<sup>276</sup>

Programs were to be of sufficient scope and magnitude to "make a substantial impact on the physical, economic and social problems in the model neighborhood area;" "to remove or arrest blight and decay in the selected area;" to "contribute to the sound development of the entire city," and "make marked progress in reducing social and educational disadvantaged, ill health, underemployment, and social services necessary to serve the poor and disadvantaged of the area."<sup>277</sup>

The application for a planning grant itself constituted a short "plan," and was to be the basis for more refined efforts during the initial one-year planning period. One highly regarded proposal was 350 pages long.<sup>278</sup> Applications were to include a description of the city and the designated model neighborhood, to indicate an "in-depth understanding" of its problems and potential solutions, and to describe basic program components in accord with a systematic outline: needs, present effort, goals, program approach, and work program. The administrative machinery developed for planning and carrying out the program also was to be described. The application itself was to be supported by a resolution, in prescribed form, by the governing body.

Requirements for the CDAs reflected the organizational need to develop and implement such a comprehensive plan. Specific standards were embodied in the program guide:

- [A CDA] should be closely related to the governmental decision-making process in a way that permits the exercise of leadership by responsible elected officials in the establishment of the policies, plans, and activities of the local program.
- It should have sufficient powers, authority, and stature to achieve the coordinated administration of all aspects of the program.
- It should have the skill and objectivity to assure that the expenditure of funds is strategically directed to meeting the social, physical, and economic needs of the model neighborhood area. To the maximum feasible extent, it should have the authority to reconcile conflicting plans, goals, programs, priorities, and time schedules; to eliminate overlaps; and to link operating programs among contributing agencies. In addition, it should have the capacity and authority to evaluate the execution of the local program against program goals, and analyze alternative methods of achieving such goals.
- It should provide a meaningful role in policy making to area residents and to the major agencies expected to contribute projects and activities to the program.<sup>279</sup>

The program guide indicated that these standards required, where a city or county itself assumed direct responsibility for the program, that a single administrative unit capable of drawing upon the powers of the chief executive be charged with model cities functions. Any other sort of organizational arrangement had to provide for clear accountability to the locally elected officials. A CDA was *not* to be a special purpose agency with an independent governing board.<sup>280</sup>

The organizational structures established under the model cities took both "bicameral" and "unicameral" forms. Where neighborhood groups were strong, they were typically represented in an independent council which shared responsibility with city agencies for developing and reviewing proposals. In some cases, these resident organizations had their own "advocate" planning staff. Where the poor were less well organized, they commonly were represented along with public agencies within a single council.<sup>281</sup> HUD's policies varied, at times favoring each of these two forms.

## Financial Assistance

The model cities program offered three forms of special financial assistance. First, grants were available from HUD to cover up to 80 percent of the cost of planning the demonstration programs.<sup>282</sup> Similarly, grants were available for up to 80 percent of the cost of administering those components of the program not assisted by other Federal aid.<sup>283</sup> Action moneys for the five-year execution period were of two kinds. Local plans were expected to be based heavily and primarily on available categorical assistance. The program guide listed some 45 grant programs which might be included in a CDP. Only ten of these were other HUD programs; the remainder were offerings of HEW, Interior, Agriculture, Commerce, Labor, OEO, and Justice.<sup>284</sup> The act itself specifically authorized additional urban renewal grants to cities participating in the program.<sup>285</sup> However, the most innovative and ultimately most important source of support was the supplemental funds made available under Section 105(c). The Secretary of HUD was authorized to make grants to city demonstration agencies not to exceed 80 percent of the non-Federal contribution required for programs included in a CDP. These supplemental grants were to be used to support "new and additional" CDP projects not assisted under a categorical grant program or, if not needed for this purpose, to reduce local matching expenditures.<sup>286</sup> They were the "glue" intended to "plug gaps" and tie together a comprehensive demonstration program.

**Awards.** Planning grant awards to some 150 communities — a total including nine counties and one Indian reservation — were announced in two "rounds." The first awards, made in November 1967, were to 63 of 193 original applicants; this number was later increased to 75, as 12 cities not included were encouraged to reapply. A year later, in September through November of 1968, an additional 75 "second round" cities were selected. However, four of this total had discontinued participation by the end of 1970.<sup>287</sup> Planning grant recipients included most large cities (better than 3/4ths of those over 250,000) and a substantial number of middle-sized and smaller places — some 21 under 25,000, including one community of less than 5,000.

Some commentators indicate that political considerations — the need to build support for the program — played a part in these awards. Communities in the districts of important Congressional allies were "generously treated" in first-round awards, while the second round was added to expand the program's political base. The effect of this increased number of participants, however necessary politically, was to

Table 6

Obligations for Model Cities Grants  
(in thousands of dollars)

	1968	1969	1970	1971	1972	1973	1974	Estimated 1975	Estimated 1976
Planning Grants	1,630	9,284	9,099	2,086	89	10	—	—	—
Supplementary Grants	—	—	66,640	308,418	491,355	586,128	466,349	279,000	229,194

SOURCE: Compiled from *The Budget of the United States, Appendix, 1970-1976*.

further stretch available funds.<sup>288</sup> Yet politics was by no means the sole consideration, and applications were subjected to a complex technical review.<sup>289</sup>

The first nine action grants were approved in December 1968, at the end of the Johnson Administration. These were suspended by the incoming Republicans, pending their review of the program. But by the start of 1970, more than a third of the participating cities were receiving implementation funds.<sup>290</sup>

### Evaluations

Evaluations of the model cities program generally indicate that it had considerable success in producing a broadly based, comprehensive response to community problems at the local level. For this reason, many of the published assessments are quite positive. However, this praise should not mask the fact that model cities largely failed to bring about the coordinated use of Federal assistance programs which had been intended initially. Most of the participating communities did not draw heavily upon the categorical aid programs, and the governmentwide Federal response was very poor. Support for model cities outside HUD was limited, pointing up the failure to bring about the desired degree of cooperation in Washington.

### Brookings Study

One of the earliest and still most complete evaluations of coordination by the local CDAs was included in the study by James L. Sundquist reported in *Making*

*Federalism Work*, a volume published by the Brookings Institution. That report was based upon a field investigation of model cities operations in 16 communities over the period 1967-1969.<sup>291</sup> Findings were, on the whole, quite supportive. Sundquist contends that the plans which had emerged by the end of 1968 "represented a remarkable achievement in coordination," impressive in scope and in the range of participation they engendered.<sup>292</sup> They embraced a full range of functional activities, and brought into the planning process — often by the prospect of obtaining supplemental funding — a range of local public and private organizations. At least where the process worked best, the CDA director was

... at the hub of an intricate coordinating network that was itself "as broad as the life of the city." First, he had to look to the neighborhood, to mobilize and coordinate the participation of the residents. Second, he had to look laterally to the panoply of public and private agencies in the community, to enlist their resources and coordinate their proposals. And, all the while, he had to reflect the views of the city's governing authorities and keep in touch with the various Federal agencies to assure that his proposals would satisfy their requirements for funding. To maintain liaison with all these groups and cope with the conflicts within and among them, he had only a hastily built organization operating without benefit of experience and established status. At the end of the year, however, the whole

process could be said to have worked – and to have worked in the manner that was intended. The goal of coordinated planning, comprehensive in scope, with widespread citizen and official participation was not fully achieved in all its aspects in the initial year, to be sure, but it was assuredly served.<sup>293</sup>

However, Sundquist indicated that this favorable description did not apply to those few communities in which residents effectively controlled the CDAs.<sup>294</sup>

The author concluded that the model cities process had worked well enough in a sufficient number of communities to prove its potential. He argued that the program should become the focal mechanism of the Federal government's "urban" policy. Specifically, Sundquist recommended

... that the Federal government as a whole – and state and local government as well – accept the model cities structure as the basic scheme for coordinating program planning and execution in urban slum areas.<sup>295</sup>

He also found that the model cities supplemental grants were a superior instrument for the provision of Federal assistance to the normal categorical aid approach. Categorical aid was subject to the charge of distortion of priorities: funds made available by the President and Congress might have little relation to the actual needs of local communities. For this reason, the *Brookings study* recommended

... that a basic decision be made by the President and the Congress to channel largely through the model cities supplemental appropriation the additional moneys made available to help cities with the problems of slum areas.<sup>296</sup>

Sundquist also proposed that these additional funds be used to expand the program into other neighborhoods and cities, arguing that the logic of the model cities concept called for its use in all slum areas or even on a citywide basis. Ultimately, funds could be provided through a unified block grant for use in accordance with a single, integrated development plan. This goal was to be approached gradually, however; as a first step, he recommended establishing procedures which would offer the CDAs the right to review and comment upon all

Federal grants made to agencies operating within the model neighborhood.<sup>297</sup> He also urged that the Federal government adopt a "policy of deference" in regard to local decisions.<sup>298</sup> These recommendations, in fact, presage the planned variations (and community development block grant) policies.

The study was widely read in government circles and became quite influential. Reportedly, its recommendations were the basis for the conclusions of a task force headed by Richard P. Nathan, convened during the transition to the Nixon Administration.<sup>299</sup>

## Other Research

The favorable, even enthusiastic, *Brookings study* was undertaken early in the model cities experience. Later studies and commentaries have tempered, but not fully reversed, its judgment. Most published assessments of the model cities program have also been quite positive in several respects. For example, the 1970 Report of the President's Task Force on Model Cities (called the "Banfield Report" after its chairman, Professor Edward C. Banfield) termed model cities in basic conception "a long step in the right direction." While it recommended that most Federal aid be distributed through revenue sharing and that the number of categorical grants be reduced through consolidation, it suggested that the model cities program itself be strengthened, simplified, and continued.<sup>300</sup> Another commentator, political scientist Judson L. James, has argued that "model cities has made substantial improvements in the quality and coordination of community development planning."<sup>301</sup> More recently, a report prepared by George J. Washnis for the *Center for Governmental Studies* concluded that

... the model cities program has been the single most effective instrument for providing local officials with the means and motivation to give the broadest range of services to disadvantaged areas and to improve local government operations.<sup>302</sup>

The author added that the program's "most notable achievements have been in improving the processes of local government, including management, coordination, citizen involvement, and planning techniques."<sup>303</sup> Another investigation, while stressing the limitations upon the program's achievements, concluded that the favorable judgment Sundquist had offered in 1969 still described model cities in 1974.<sup>304</sup>

These and other commentaries have also identified important weaknesses in model cities performance,

however. Differences in model cities operations among cities, and in the quality of performance, have been given considerable attention. The Federal response to model cities implementation has been especially soundly criticized. These points are examined below.

**Planning Inadequacies.** Initial model cities plans were, quite commonly, "little more than laundry lists or back inventories of desirable projects, often put together by outside consultants," James has indicated. HUD's planning requirements and timetable "greatly overestimated" the "planning capacity" of the participating cities.<sup>305</sup> Plans typically took longer than the single planning year to prepare in that cities were hampered by the complexity of objectives and their inexperience with the process.

The initial planning requirements imposed by HUD were, in fact, quite demanding, utilizing a highly rationalized, quantified "systems" approach. The process entailed three steps and required the production of three written documents at specified intervals: first, a description, analysis, and ranking of problems and their causes, together with a determination of local objectives, strategies, and program approaches; second, a five-year statement of objectives and associated costs; and third, a detailed statement of First Action Year program plans and costs.<sup>306</sup> The needed analytical capabilities surpassed the capacities of most participants. Thus, while the first three communities studied by the MKGK team produced "credible" documents, they had difficulty in following through on HUD's "rational planning approach."<sup>307</sup> Most of the ten second-round cities examined had difficulty analyzing the causes of problems, in quantifying objectives and linking them to the problem analysis, and in defining a problem-solving strategy distinct from statements of goals and objectives.<sup>308</sup> Moreover, there were process deficiencies: participation by local agencies was more limited and less harmonious than HUD had desired, with most contributing to the planning effort only when it touched directly on their concerns.<sup>309</sup> An overview volume concluded:

Clearly, most cities had trouble responding to model cities planning and action year requirements. Most were clearly not able to follow HUD-defined criteria relative to the sequential ordering of the planning process. Many were unable to incorporate all but the most marginal types of planning analysis. Only relatively few were able to directly and easily relate their planning efforts to their program implementation activities and in the process meet "reasonable man" standards

concerning coordination, innovation, mobilization of resources, citizen participation, and institutional change.<sup>310</sup>

Thus, the model cities planning process departed from the prescribed system, and from typical "ideal" forms which stress a high degree of centralized decision making and control. In practice, model cities planning was a form of negotiation:

In most cities, the central model cities staff were arbiters, adjusters, seeking a way to remain viable by keeping as many of the competing parties as satisfied as possible — while keeping HUD satisfied as well. This process afforded a measure of "coordination," more through the competitive interplay of opposing interests than through any controlled process of allocational coordination.<sup>311</sup>

To some, the resulting "entrepreneurial" planning style seemed more realistic and effective than HUD's "systems" approach.<sup>312</sup> Steven A. and Judith L. Waldhorn described some successful CDA directors who were able to use the model cities program tactically, as a power resource:

The CDA directors who utilize this approach use part of the model cities' planning vocabulary to influence bureaucrats intimidated by jargon, supply information and specific demands to citizens groups for them to use against vulnerable local agency heads, use the rhetoric of Federal program standards to require performance from state and local agencies, and use flexible supplemental money to "buy into" the planning and delivery of other municipal services. Strategies are chosen for either programmatic or political reasons when they can provide a rationale for institutional change.<sup>313</sup>

Yet, even in more conventional terms, the model cities effort helped strengthen planning capabilities, however weak the first steps. Particularly important was the development of new linkages between physical and social planning activities and the emergence of a greater commitment to the resolution of social problems by members of the planning profession and other local government officials. James notes that model cities "broke the ground" for better future planning.<sup>314</sup>

Washnis found evidence of planning progress over the course of the program in several of the eight cities he studied:

Cities like Dayton and Seattle have come a long way in five years, progress which would unlikely have taken place without the model cities and planned variations programs. Even Newark, in spite of its unusual problems, has made significant strides in bringing all planning elements together and developing an overall city policy in human and physical development. Chicago has developed a city-wide social planning division, has combined the resources and planning capacities of the model cities and community action programs, and, for the first time, has given serious consideration to the integration of human and physical planning in most city programs.<sup>315</sup>

While not all the cities studied showed as much improvement, these signs were encouraging.

**Use of Supplemental Funds.** In a second respect, the model cities program functioned rather differently from the expectations of its authors. This pertained to the use of supplemental funds. These were initially intended to be used to finance only "new," "additional," and "innovative" activities for which Federal categorical assistance was not available. In fact, it was expected that categorical aid would provide the bulk of support for model cities programming, with supplemental funds — as the name suggests — simply supplementing these expenditures. These intentions were not realized in most communities, and the supplemental funding became the heart of the model cities program.

As originally conceived, supplemental grants would have supplied up to 80 percent of the non-Federal financial contribution made in connection with *new* projects funded by the categorical grant program and obtained as a part of model cities activity. This procedure, of course, would have provided the participants with a very strong incentive for obtaining additional categorical aid.<sup>316</sup> In fact, fiscal restrictions on the availability of categorical funding (attributed to the escalation of the Viet Nam conflict) and the increased number of participating cities prevented these intentions from being carried out. Instead, cities were permitted to include existing categorical programs, including categorical welfare grants, in the "base" which determined eligibility for supplemental aid.<sup>317</sup> Available supple-

mental funds were then allocated on the basis of a four-factor fund reservation formula, which weighed needs by reference to four level-of-poverty indicators.<sup>318</sup> As a consequence, the primary incentive for seeking additional categorical funding was lost.

This apparently had a substantial effect. The MKGK study of 11 first round cities found that their CDPs included from 11 to 72 specific projects. Supplemental funds were to provide as much as 90 percent of the dollar cost of these programs, depending upon the community; the average proportion was 55 percent.<sup>319</sup> The ten second-round communities examined proposed a similar number of projects, ranging from ten to 66. However, on the average, only slightly better than half of these projects were to receive any Federal categorical or local matching funds. Again, the proportion varied, ranging from 12 percent of the projects to 100 percent in one community.<sup>320</sup> On the basis of this evidence, the MKGK study team concluded that few of the cities had even seriously entertained attempting to meet HUD's criteria relating to the mobilization of resources.<sup>321</sup>

The absence of incentives was a primary reason that communities failed to make extensive use of categorical grants. There were also several other obstacles to their employment. The MKGK study reports that the use of categorical funds was not perceived by the CDAs as being a high priority within HUD; the planning process was, instead, the top concern. In most cases, the CDA was not itself an eligible applicant for program funds, and, in any case, HUD guidelines prohibited the CDAs from assuming operating responsibilities. However, the legally eligible recipients — local health, education, and renewal agencies, for example — were reluctant to "share" their access to categorical programs with the CDA, an attitude often reinforced by Federal agency officials. The CDAs, for their part, often hesitated to work with, and through, these more "establishment" oriented organizations. Finally, many of the CDAs lacked staff with the "grantsmanship" skills required to "chase down" categorical funds.<sup>322</sup>

All of these considerations were aggravated by the real (or sometimes, perhaps, assumed) lack of availability of grant funds. There were, in fact, a number of unsuccessful attempts made by model cities to obtain categorical grants; in nearly half of these, the chief obstacle reported was a lack of funds.<sup>323</sup> There seemed to be a genuine limitation on the availability of new money for model cities-related activities in a number of the grant programs. However, Federal program managers were sometimes reluctant to offer what resources were available. Resistance was increased by the fact that the model cities planning cycles were "out of phase" with

the categorical programs, and many of the projects proposed seemed of marginal quality.<sup>324</sup>

The MKGK study also reports that many of the projects supported by the supplemental grants were not of a particularly "innovative" or unusual nature. Some 65 percent of the projects in ten cities whose proposals were examined in detail could, theoretically, have been supported by existing categorical programs. However, many of these projects would *not* have met the "quality" standards imposed by Federal administrators. There were, also, other complicating considerations. For example, many of the projects would have required funding by more than one categorical grant if funded categorically.<sup>325</sup>

**Determinants of Performance.** The MKGK evaluations placed considerable stress on the differences in the ability of various model cities to meet the objectives set by HUD. Planning processes, they found, generally could be classified as fitting one of five basic patterns, termed "staff dominance," "staff influence," "staff-resident parity," "resident influence," and "resident dominance."<sup>326</sup> These categories reflected the continuity and strength of interest in the program expressed by the local chief executive, and the "cohesiveness" (or unity) and "integration" (or experience) of the participating resident groups.<sup>327</sup> Generally, cities following a "parity" pattern — characterized by strong chief executive leadership and a coherent, integrated citizen base — were more successful in meeting important model cities objectives than other communities:

Cities in the parity system, apparently, were able to translate better than others, Federal mandates pertaining to coordination and resource mobilization/concentration. They were, for example, able to involve a greater number of agencies, for more than limited periods of time, in efforts to develop common strategies concerning planning processes and products. Subsequently, they were also able to project greater reliance on categorical programs as a proportion of their total budget.<sup>328</sup>

These observations were confirmed by other MKGK case studies and were supported by a subsequent quantitative analysis. This correlation study specifically suggested that the commitment of the chief executive to the program was a crucial determinant of its probability of success. The report argued:

Given the experience of the model cities program, criteria governing Federal aid should lay greater stress upon identifying the degree of chief executive commitment, and should consider developing means to build, encourage, and reward strong chief executive commitment.<sup>329</sup>

## The Federal Response

Evaluations subsequent to the Sundquist study also stressed the limited, poorly coordinated nature of the response made by the Federal government to the model cities program. In part, this criticism reflected the view that the funds provided were inadequate.<sup>330</sup> More important, however, was HUD's inability to secure full cooperation from other Federal departments, especially in "earmarking" of program funds for use in support of local model cities activities. The Banfield report, one of the first to take up this theme, noted that "the Federal government did not live up to its promises:"

The cities were led to expect that once the projects they proposed for their model cities neighborhoods had been agreed upon, all Federal programs would give those projects as much assistance as the law allowed. In fact, most of the Federal agencies have until recently given nothing more than lip service to the model cities idea.<sup>331</sup>

The report recommended that each "urban" Federal agency be directed to retain at least 25 percent of its discretionary grant funds for model cities use, and that model cities plans be accepted as the actual application for categorical funding.<sup>332</sup>

Later assessments make the same criticism. The GAO's 1972 study noted that the success of the model cities program depended upon the full commitment and continuous support of each participating Federal agency. However, its review showed that "the lack of adequate Federal coordination had plagued the program from the start."<sup>333</sup> The MKGK studies describe the Federal response to the program as "at best a modest one," while Washnis indicates that a meaningful Federal commitment was "never there."<sup>334</sup>

HUD, relying upon the coordinative authority conferred by Section 103(b)(2) of the *Demonstration Cities Act*, had sought some indication of the availability of categorical funds in other departments for model cities purposes as early as 1967.<sup>335</sup> These efforts brought no direct response, but did lead to the signing of an

interagency agreement establishing new coordinative machinery – a Washington Interagency Coordinating Committee and a network of Regional Interagency Coordinating Committees. Participants included representatives of HUD, HEW, DOL, OEO, Agriculture, Justice, and Commerce, the agencies most directly involved in related activities.<sup>336</sup> After failing to obtain full voluntary cooperation from these other agencies, HUD turned to the White House for leadership and support. The active intervention of a special assistant to the President led to the development of a fund reservation system.<sup>337</sup> In early 1969, the President also established the Council on Urban Affairs, which was specifically charged with assisting the President in the development of a coordinated national urban policy. This body, which was superseded by the Domestic Council in July 1970, was also made responsible for the interdepartmental policies affecting model cities.<sup>338</sup> Yet, despite these new mechanisms and the expression of Presidential concern, earmarkings of funds for model cities were limited. HEW made the most substantial commitment – about \$65 million in fiscal 1969, the first action year for many communities.<sup>339</sup> It, also, created a new organizational unit, the Center for Community Planning, to build closer links with urban areas, and developed a system of “CDA sign-offs” providing for the certification of model cities-relatedness by CDA directors for its project grant applications. Yet, critics suggest that the amounts provided, less than 1/2 of one percent of the department’s non-trust appropriation, were comparatively small.<sup>340</sup>

The GAO report examined the obstacles to cooperation in the three major grant-giving departments, Labor, OEO, and HEW. DOL, it noted, took the position that earmarking was unnecessary, since the funds available through existing programs were an adequate contribution. OEO did not wish to alter its own priority-setting system and methods of assistance, and, at any rate, lacked necessary funds. While HEW supported the earmarking concept, it believed it had sufficient resources available for only a smaller number of communities.<sup>341</sup>

An MKGK study of HEW’s efforts also identified internal organizational obstacles to the successful implementation of HEW’s earmarking program. It found that model cities operated within HEW

... in the context of a department which was a loose confederation of semi-autonomous units with no functioning centralized authority. . . . The department had theretofore never functioned as a department: each

unit acted on its own, according to its own priorities.<sup>342</sup>

Specific obstacles encountered included:

- 1) the decentralization of program funding decisions among a large network of program managers and directors;<sup>343</sup>
- 2) the geographic centralization of such decisions in Washington, rather than in the regions, which could be in closer contact with the CDAs;<sup>344</sup> and
- 3) the tradition of merit and competition in the awarding of discretionary grants.<sup>345</sup>

Obstacles also confronted the CDA sign-off procedure. Where the process worked well, it did encourage the participation of the CDA in project planning at an early stage; thus, the sign-off itself became perfunctory. However, these successes were achieved chiefly in communities which had already established cooperative working relations. In general, CDA involvement in HEW programs was “too little and too late,” while regional reviews to ascertain that certification requirements had been complied with were normally perfunctory. The report argued that HEW had yet to put its own house in order in regard to the procedure, citing problems of communication and limited commitment.<sup>346</sup>

The GAO study also found weaknesses in the interagency committees established for coordinative purposes. The report noted disagreement about the roles to be played by Federal departments involved in the program, indicating an “apparent lack of coordination” between HUD and the other agencies.<sup>347</sup> The Regional Interagency Coordinating Committees served only as advisory bodies, since none of the participating departments other than HUD had authorized their regional members to make specific project commitments. Commonly, the regional representatives lacked information about the availability of funds within their departments.<sup>348</sup> The inability of regional offices to provide such information was viewed as one of the reasons that local CDAs had commonly relied upon supplemental rather than categorical assistance.<sup>349</sup>

**State Participation.** The access of model cities to the Federal grant system was also restricted by the fact that many programs (in the social welfare fields particularly) provide formula allocations to the states, rather than grants to local jurisdictions directly. Thus, state cooperation was essential, although the need for it had not been recognized when the model cities program was developed.<sup>350</sup> This oversight was recognized only after the program was in operation.

The most important initiative toward greater state

participation, was begun by HUD Secretary Romney in 1969, the first year of the Nixon Administration. More than 30 states were awarded planning assistance grants to provide technical assistance to their CDAs and to coordinate and develop the state response to the program. This state liaison effort did prove valuable, particularly to some of the smaller local participatns.<sup>351</sup>

Lesser success was obtained in gaining state financial support for the program. A consultant's study indicated that the delivery of state-controlled *project* grant funds to model cities was expedited and increased. However, there were no instances in the 20 states studied in which *formula*-based grants were reallocated.<sup>352</sup> The report concluded that, "from the Federal perspective, tangible financial results of state involvement have been quite limited."<sup>353</sup>

The report also indicated that model cities had offered few real incentives to the states for their participation, while there were important political and administrative obstacles to the redirection of state funds.<sup>354</sup> From the states' perspective, the evaluators concluded, more had been given to model cities than had been received.<sup>355</sup>

## Planned Variations

Planned variations was, as the name suggests, simply an "experiment within an experiment," a modification of model cities itself. However, the changes — which implemented some of the recommendations contained in the Sundquist, Banfield, and other reports — were the most important attempt to give the program the stamp of President Nixon's "New Federalism." Some observers called them the "most radical" of its experiments.<sup>356</sup>

There were three variations:

- a procedure for "chief executive review and comment" (CERC);
- the authorization to spend funds city-wide, rather than in limited poverty neighborhoods; and
- provisions for the minimization of Federal administrative review, including the use of a system of waivers.

These procedures were accompanied by grants to increase the planning and management capacity of local chief executives and additional supplemental funds to help support the expanded, city-wide programs. Twenty cities participated in planned variations, which was announced by the President on July 29, 1971, initially as a one-year demonstration. Sixteen "full variation"

communities participated in all three aspects of the program; an additional four utilized the CERC procedure alone.

CERC, perhaps the most significant of the variations from a coordination perspective, offered the local chief executive an opportunity to review and comment upon most applications for Federal assistance made by agencies within his community. This system, entailed an important change in the process of Federal grant administration, and was intended to provide city mayors with a new power of some importance. Because of CERC's similarity to the A-95 review and comment procedure, it is examined in a separate section of Chapter V of this report. The impact of the other variations is discussed below. This account draws primarily upon an evaluation prepared by Marshall Kaplan, Gans, and Kahn after planned variations' first year, as well as a shorter "interim" study issued in mid 1973.

**Reorganization and Planning.** The planned variations demonstration was intended to enhance the capacity of recipient jurisdictions to plan for, and manage their local affairs. It is noteworthy, then, that most communities did take advantage of their additional fiscal resources and new powers to reorganize their planning and management processes. Generally, the cities placed responsibility for planned variations in a staff position close to the mayor or city manager; typically, chief executive control was greater than it had been with model cities.<sup>357</sup> All participants also made some changes in executive branch organization: by the end of the first year, three communities had created a new "Department of Community Development," charged with the coordination of model cities, urban renewal, parks and recreation, and other development activities.<sup>358</sup> At the time of the second evaluation, a total of seven cities had begun such extensive reorganizations of their executive branch.<sup>359</sup> Similarly, most of the cities took actions intended to increase the influence of the chief executive over the budget process, and 12 consolidated their planning and/or budget functions into a central office.<sup>360</sup> The program also made possible increases in the size of the professional management, planning, and budget staffs.<sup>361</sup> However, while the new budgetary procedures did help coordinate local budget requests and the use of Federal and state assistance, they stopped short of providing for a review of the budgets of independent local authorities.<sup>362</sup> A brief GAO examination of three variations cities also introduced a note of pessimism. It suggested that the variations cities had made meager progress in developing new comprehensive plans.<sup>363</sup>

**Citywide Model Cities.** The provision for a "city-wide" program under planned variations was the greatest alteration in the model cities program itself. This change appeared to have a substantial impact. Yet, it fundamentally altered the program's character as a "target grant," moving it closer to the "block grant" model. This was, of course, the intent of the new regulations.

Some commentators have indicated that the targeting features of the original legislation had been counter-productive or ineffectual. As noted above, the Sundquist study recommended extending the program to all slum neighborhoods. The MKGK evaluation reported that few cities seriously attempted to concentrate resources in the model neighborhoods, though they had not actually

Table 7

**Planned Variations Cities and Funding,  
First Year 1972**  
(In Millions of Dollars)

	Regular MC Funding	PV Increase	Total MC Funding
<b>Full Variations Cities</b>			
Butte	\$ 1.7	\$ 1.5	\$ 3.2
Dayton	2.9	5.2	8.1
Des Moines	2.1	3.7	5.8
East St. Louis	2.1	3.8	5.9
Erie	1.6	2.9	4.5
Fresno	2.8	4.9	7.7
Indianapolis	6.2	8.5	14.7
Lansing	1.9	3.3	5.2
Newark	5.7	7.0	12.7
Norfolk	4.5	8.0	12.5
Paterson	2.1	4.1	6.2
Seattle	5.2	5.2	10.4
Tampa	4.1	7.1	11.2
Tucson	3.1	5.5	8.6
Waco	2.6	4.6	7.2
Winston-Salem	1.9	3.3	5.2
<b>CERC-Only Cities</b>			
Houston	13.4	.2	13.6
Rochester	3.0	.2	3.2
San Jose	3.1	.2	3.3
Wilmington	1.7	.2	1.9
<b>Totals</b>	<b>\$71.7</b>	<b>\$79.4</b>	<b>\$151.1</b>

SOURCE: U.S. Department of Housing and Urban Development, *Community Development Evaluation Series No. 7, Planned Variations: First Year Survey* (Washington, D.C.: U.S. Government Printing Office, October 1972), pp. 9-10.

diverted funds to other areas.<sup>364</sup> Washnis argued that, while the targeting provisions had aided the poor, they had limited the ability to coordinate and to gain broad community support for the program. Thus, he believed that the planned variations approach was "more desirable."<sup>365</sup>

According to the MKGK evaluation, 14 of the 16 cities identified new target areas, greatly increasing the geographic scope of the program. These boundaries more than tripled the area included, and nearly tripled the population served by it. As a consequence, about 60 percent of the poorest families were covered by model cities, as compared to only 25 percent prior to the expansion. In addition, nearly all of the cities established a greater number of programs of essentially citywide impact.<sup>366</sup>

With these alterations came changes in the objects of model cities expenditure. Most cities greatly increased the funding for physical, rather than social, development activities. These came to account for an average of 43 percent of program funds, doubling the proportion in model cities.<sup>367</sup> Overall, the communities identified expenditures relating to health — often drug abuse or health centers — as having the highest priority, followed by economic development, capital improvements such as streets or sewers, and housing.<sup>368</sup> One commentator indicated that, in one of two communities he studied, the changes resulted in a reduced allocation of funds to projects of exclusive benefit to low-income groups. In that city, variations grants were used for such traditional but previously locally financed activities as park maintenance, the construction of new sidewalks, and the purchase of street sweeping machines.<sup>369</sup>

**Simplification.** The Banfield report had argued that the model cities program was overregulated, and recommended that the Model Cities Administration impose only certain minimal requirements relating chiefly to the targeting of funds, citizen participation, and plan preparation: "beyond this it should not regulate the model cities."<sup>370</sup> The third variation provided for the minimization of review in model cities itself, as well as in other associated grant programs administered by HUD and other agencies. Regulations and memos were issued freeing the planned variations cities from certain model cities reporting requirements as well as administrative policies not strictly required by statute.<sup>371</sup> Cities were not to be required to submit detailed information on projects to be funded with supplemental grants.<sup>372</sup> Procedures were established for requesting waivers in other HUD programs, and variations cities were also made "targets" for participation in the department's

"annual arrangements."<sup>373</sup> A memo from the assistant to the President for domestic affairs requested the cooperation of HEW, DOT, Labor, and the OEO in planned variations, including the waivers program.<sup>374</sup>

This policy of administrative simplification showed some impact when evaluated after the first year. The action proposals submitted by the variations cities were shorter and were subjected to less questioning than previously.<sup>375</sup> Six of the cities reported that HUD's area and regional offices had reduced controls in other programs, while the same number noted improved responses from other Federal departments.<sup>376</sup> Further gains were noted in the second evaluation.<sup>377</sup>

Despite this, the waiver procedure — the most important effort to reduce red tape — produced slight effect. At the time of the formal evaluation, only HUD had instituted a waiver system; procedures for other departments were still in draft stage.<sup>378</sup> Just four of the 20 cities sought any waivers during the first year; this number had increased to only seven by mid 1973.<sup>379</sup> While the remaining cities were aware of the program, they either felt no need to obtain waivers, were awaiting additional guidance from HUD, or believed that HUD would not, in fact, respond to waiver requests. Of the 69 waivers actually requested by the four cities, some 57 percent had been fully or partially approved. Those denied were reported to have involved statutory requirements or would have had the effect of increasing the size of grants.<sup>380</sup> By far the greatest number of requests for waivers involved just two HUD programs: urban renewal and water and sewer grants.

Overall, planned variations seemed to show some success as a means of building local managerial capacities. The program was linked more closely to the chief executive, and was, in some cases, better integrated with other planning and development activities. The territorial expansion improved opportunities for coordination, and brought services to a greater number of people. However, these effects were accomplished at the expense of some redirection of activity from social to physical development. Benefits to the poor, then, may have been somewhat reduced.

As in model cities generally, a limiting factor was in the response of the Federal government. The waivers program in particular appeared to have slight impact.

## Conclusion

The model cities program, in the judgment of most evaluators, produced certain significant benefits. It broadened the scope of municipal activity and helped develop and link social and physical planning. It, also,

created a coordinative process in local government, bringing together officials, agencies, and citizens who had previously operated independently and autonomously, and targeted some additional resources into poor neighborhoods. There would appear to be widespread agreement among analysts that model cities was an improvement over the narrow, isolated Federal programs which preceded it.

Yet, these positive features, though important from the perspective of local governmental administration, do not relate directly to the issue of grant coordination and assistance management which is the major concern here. The central failure in model cities performance, by this criterion, was the inability to draw together and make full use of the categorical programs of Federal aid, as originally contemplated in the act. Heavy reliance was placed upon the use of supplemental funding for the execution of local projects.

There were, however, major differences in performance among participating communities. A basic determinant of the ability to mobilize resources was the political configuration of local planning processes and, in particular, the degree of support by the local chief executive for the program. In addition, large cities (as well as the smallest ones) encountered greater obstacles to coordinated program planning.

Thus, the model cities experience disclosed but did not resolve the difficulties in coordinating and targeting Federal aid through a planned, coherent program. Its organizational and procedural innovations were insufficient to overcome the tendency of categorical programs and their funding agencies to function autonomously. The previous discussion has indicated several reasons for this policy failure; however, two seem primary. First was the weakness of the incentive offered to CDAs to seek high levels of categorical assistance. Second, and perhaps even more important, was the limited commitment made by other Federal agencies to the success of the program. Major Federal departments showed themselves unwilling or unable to respond to what had been proclaimed to be a new governmentwide redevelopment demonstration policy. To some degree, this may have reflected the absence of strong, continuous Presidential support.<sup>381</sup> Yet, it may be unrealistic to premise a program's success on continuing Presidential intervention, given the many demands placed upon his office. At any rate, it is clear that what was intended as a coordinating mechanism for *all* Federal assistance became, in most respects, simply one more program, though one of exceptional social and political importance.

In practice, then, the model cities program came to

approach closely the concept of a block grant and its variant, special revenue sharing. Many of its strengths were those which are inherent in the block grant rather than target grant concept — functional flexibility, local administrative discretion, and centralized managerial control. Over the course of its development, model cities deemphasized or lost many of the features which had made it, in conception, unusual and distinctive. Its targeting features, seen by some as the most drastic of its innovations, were of steadily decreasing importance, as the size of model neighborhoods was permitted to expand.<sup>382</sup> Similarly, the number of participating cities grew from the handful first anticipated to 150, also reducing the targeting of funds. Planning requirements were simplified or insufficiently executed, while some of the analytical and innovative features of the “demonstrations” were lost in favor of support for more or less commonplace local governmental operations.

This was, of course, the intended result of the planned variations effort in particular, and was consistent with the philosophy of the Nixon Administration. However, it also seems noteworthy that some of these changes were begun before the end of the Johnson Administration or were recommended or supported by analysts with no special ties to the Nixon Presidency. To a degree difficult to determine, then, they may represent the program's natural course of evolution, rather than the imposition of an altered program philosophy.<sup>383</sup> Moreover, a number of commentators, at the time of the bill's passage, viewed the program as essentially a block grant. One even called it an ingenious “means for making block grants to cities without calling them block grants.”<sup>384</sup> To some degree, then, the actual emphasis upon supplemental funding and the weaknesses of grant coordination procedures may have been partially anticipated.

## SUMMARY FINDINGS

The experience with the three target grant programs — community action, model cities, and Appalachia — left a mark on American government at all levels. The programs were among the most significant experiments in public policy of the 1960s, and provide — probably for some time to come — the most important examples of attempts to induce planned, truly comprehensive approaches to the use of Federal assistance in the performance of public anti-poverty and development functions. Hence, they offer some basis for a judgment about the continuing effort to improve coordination among categorical aids. These programs also encouraged new perceptions of the limitations of improved coordi-

nation as an administrative response to basic social problems.

Various features common to the development and administration of the programs are summarized below.

### **Common Features**

The most basic observation regarding all three target grant programs indicates their inability to draw together, meld, and coordinate – in short, to “target” – other Federal assistance programs. None experienced more than limited success in this fundamental purpose. What Charles M. Haar has written of model cities applies to community action and Appalachia as well: these programs disclosed the “obduracy of the categorical grant system,” with the “abiding lesson” from the experience being the “repeated underestimation, during the 1960s, of the difficulties in changing the categorical grant system.”<sup>385</sup> The capacity for complex, fully coordinated administrative action among Federal agencies and the three governmental levels was tested and found to be limited. Consequently, many would now accept the admonition indicated by Frieden and Kaplan, again based upon an assessment of the model cities experience: “If the designers of future urban policies take away any single lesson from model cities, it should be to avoid grand schemes for massive, concerted, Federal action.”<sup>386</sup>

The target grants did not fully conform with the basic conception behind them in a second respect as well. Each of the programs was intended to serve specific, restricted, target areas and populations.

Yet, each was faced with the political need to generate widespread Congressional and popular support. This need brought pressures for expansion which reduced the programs’ targeting effects and, in some cases, badly stretched available funds.

In the instance of model cities, the program grew from the handful of demonstrations originally contemplated to two rounds of awards involving 150 cities. Target neighborhood restrictions at the community level were progressively relaxed. The Appalachian region as initially defined in the PARC report was far larger than the area of most severe distress, and it grew in size during Congressional debate and has grown somewhat since. Moreover, the political coalition building needed to secure passage of the ARDA led to the creation of Title V commissions elsewhere in the nation. Finally, more local “growth areas” have been recognized than purely economic criteria would suggest, and the procedures for investment concentration have not been adhered to fully. The administrators of community

action embarked on a nationwide program, rather than limiting participation to the most needy counties in each state, in part because of the need to maintain Congressional support. Yet, in the absence of large increases in appropriations, available funds were spread too thinly.<sup>387</sup> It should be added that the programs achieved considerably more in other ways. Thus, community action might be viewed as making a lasting contribution through the creation of such innovative programs as Headstart, and in the development of new advocacy and participatory mechanisms. The ARC improved Appalachia’s road network, upgraded other facilities and services, and stimulated new planning processes at the state and substate levels. Similarly, model cities expanded the capacity of urban governments to provide social services and to execute complex, integrated programs. Still, certain significant objectives were not generally achieved.

Other common features in the administration and development of the target grant programs are summarized below. The obstacles to their success as grant management systems are stressed. A following section briefly describes the currents in planning and administrative thought which were prompted in considerable part by the weaknesses in these programs.

**Federal Disunity.** A major limitation of all three programs was their inability to induce cooperation among the various affected Federal departments. While a considerable range of organizational and procedural innovations was utilized, none proved effective. Evaluators have stressed the limited cooperation obtained by OEO and HUD in the administration of the community action and model cities programs. The ARC’s efforts at influencing other Federal agencies also met with little success.

These events highlight the perennial force of the “functional fiefdoms” in the Federal government. They suggest the difficulty – perhaps the impossibility – of achieving concerted action by a wide range of agencies, each of which is limited by its own organizational needs, bureaucratic traditions and procedures, internal administrative weaknesses, and separate legislative authorizations.

Federal disunity, in turn, badly undercut coordinative efforts at the recipient level. Planning organizations could neither guarantee nor prohibit access to the range of funds made available through other Federal agencies. Thus, the most important inducement to cooperative local program planning was lost.

**Inadequate Theory.** Observers report that those in-

involved in the formulation of the target grants – community action most particularly – gave inadequate attention to the means by which coordination could be achieved. No reasoned theory was propounded; coordination was apparently equated with communication and cooperation, and was thought to be attainable through voluntary action. Sundquist notes that the authors of the *Economic Opportunity Act* devoted much attention to how coordination might be achieved in Washington, but not at the community level.<sup>388</sup> Sanford Kravitz, who was a member of the task force which first outlined the community action concept, indicates that the members had some doubts about the capacity of local decision structures based on consensus, but none raised the issue openly.<sup>389</sup> Derthick has described local community action and model cities agencies, as well as the Appalachian Regional Commission, as “catalysts,” organizations with limited resources which accomplish their purposes by affecting others.<sup>390</sup> However, just *how* changes were to be induced has never been worked out realistically.<sup>391</sup>

These weaknesses suggest that a realistic concept of coordination was and is needed. Pressman and Wildavsky argue that the power component must be recognized:

The word “coordination” has a deceptively simple appearance. . . . A should facilitate B in order to achieve C. . . . If we relax the assumption that a common purpose is involved, however, and admit the possibility (indeed, the likelihood) of conflict over goals, then coordination becomes another term for coercion. Since actors A and B disagree with goal C, they can only be “coordinated” by being told what to do and doing it. Coordination thus becomes a form of power.<sup>392</sup>

**Planning Difficulties.** Comprehensive planning proved to be technically much more difficult to perform than had been anticipated. The CAAs made but beginning steps. The Appalachian states did better but, at least in the early years, too often relied upon consultants or followed other procedures not consistent with good planning practice. Model cities’ complex “system” planning requirements clearly overtaxed the analytical capabilities of most of the participating jurisdictions.

The problem arose, in part, because there were no models of the kinds of planning which the programs contemplated. Indeed, whether truly comprehensive planning is technically feasible remains a matter of dispute. In the 1960s, the planning field was just

emerging from the preoccupation with civic design and physical order which had marked its origins. There were few examples of the social (or social and physical) planning desired in community action and model cities, and there was no generally accepted theory of economic development to guide the Appalachian program’s efforts. The highly qualified manpower needed to develop new techniques was in short supply; and the place of planning in participating state and local governments was not always secure or situated close to authoritative decisionmakers.

**Differences in Performance.** Each of the programs showed marked differences in operations and accomplishment from one locale to another. Thus, procedures which worked well in some cases were not satisfactory elsewhere. For example, the commitment of the Appalachian governors to the success of the ARC’s program differed from state to state. CAAs varied in political style, objectives, and in the manner in which they were regarded by other local agencies and officials.

These variations have been analyzed most carefully in relation to model cities. Studies showed that success in grant coordination and mobilization depended to a considerable extent upon the political commitment of the local chief executive. This variable, of course, was not susceptible to direct manipulation from the Federal level. Hence, the achievement of certain national goals depended heavily on the vagaries of local politics. Analysis also suggests the importance of another variable, city size, and indicated that the obstacles to effective coordination in the largest cities were formidable indeed.

**Limited Constituency.** The restriction of the target grant programs to limited areas appeared to reduce the interest of policy officials in their operation. In this respect, the targeting provisions hampered the attainment of coordinative objectives. Gubernatorial involvement in the Appalachian program has been restrained by the fact that the program serves only a portion of the participating states. Mayoral interest in, and community-wide support for, model cities was weakened by its neighborhood focus, while state participation was limited, in part, because the program’s narrow constituency was unimportant in state politics.

**Time Pressures.** Achievements were hampered by the political necessity of attaining positive results in a short period of time. Such pressures were particularly marked in the case of community action. The one-year planning period originally contemplated was not included in the

final legislation, owing to a desire for prompt action. Impatience with local program development led to the imposition of national priorities just at a time (according to one evaluator) when community efforts were becoming productive. Community action itself was largely supplanted by model cities only two years after its initiation. That program included the one-year planning period which had been omitted from community action, but it was apparently insufficient: few CDAs were able to complete their plans within that time. Similar pressures faced the ARC. During its "quick start" period, grants were awarded without regard for "growth center" criteria in order to bring attention to the new program.

The experience of model cities and the ARC indicates that planning and managerial improvements may be brought about by continuing Federal assistance and pressure, but that results are achieved over a period of years, not months. Major social changes, of course, cannot be expected without even longer-term commitments. The rapid succession of complex, new policy initiatives ignored the need to develop recipient managerial capacities and "overloaded the system."<sup>393</sup>

**Realignment of Power.** Community action and the Appalachian program both vested major responsibilities in new, special purpose organizations. These were outside the normal framework of government operations. Yet, over time, both have seen a realignment of power in a manner which has increased the authority of general purpose governmental bodies. The ARC has become an instrument for enhancing rather than subordinating the participating states. No attempt has been made to impose a 13-state regionwide plan, and the states have received increased authority to set their own priorities. The "Green Amendments" to the *Economic Opportunity Act* granted local and state governments the right to designate community action agencies and increased official participation on CAA boards. The state role in community action was considerably enhanced under the Nixon Administration, while many OEO programs were "spun off" to other agencies. Model cities, in many ways community action's successor, had a distinctly pro-municipal orientation from the first. However, this received additional emphasis in later years.

**State-Local Roles.** Close coordination of the full range of Federal assistance requires the involvement of *both* state and local governments. While some aid programs operate on a direct Federal-local basis, most assistance is allocated to state governments or to local governments indirectly through the states. The community action and

model cities programs initially ignored this feature of intergovernmental aid, and, for that reason, had difficulty in securing full state support for their objectives. The Appalachian program provides for direct participation by state governors in program decisions and involves local governments through areawide local development districts. This is one of the most positive features of its unique "partnership" approach. Its success here, however, may, in some degree, reflect the fact that the region it serves contains few major metropolitan areas or large, sophisticated urban governments.<sup>394</sup>

**Interprogram Conflict.** While the target grants were intended to improve coordination among the many categorical programs, each of them actually stimulated a certain amount of additional interprogram conflict. Thus, one of the difficulties encountered in the first years of the ARC was the need to reconcile its programs with those of the Office of Economic Opportunity and the Economic Development Administration.<sup>395</sup> Similarly, the coordination of community action with model cities was a continuing problem in many locales.<sup>396</sup> In Washington, a variety of agencies, conveners, and councils, each with a general coordinative mandate in a broad sphere, pursued contracting strategies.

**Conflicting Purposes.** While coordination was an important objective of all three programs, it was, in no case, the exclusive aim. Other purposes existed and some tended to become more important as time passed. The presence of conflicting responsibilities was among the factors which made coordinative activity difficult. This weakness, in turn, encouraged stress on other areas. Thus, objectives were transformed.

Two such conflicts stand out. First, the strong emphasis on neighborhood participation which emerged in some communities under both community action and model cities lessened capabilities in the grants management area. Even more important was the tension between coordination and program operations. Evaluators of the OEO-community action experience indicate that a concern with program operations precluded attention to coordination. Derthick believes that the ARC's limited coordinative successes encouraged it to concern itself chiefly with the administration of its own programs.<sup>397</sup> Sundquist, in a commentary based upon evaluations of community action and model cities, stressed the need for the separation of coordination from operations at both the national and local levels.<sup>398</sup>

**Changes in Breadth.** A final point, in which the records of the various target grants are different, rather

than similar, pertains to the breadth of the functional responsibilities supported by each. Here, the experience of community action may be contrasted with model cities and Appalachia.

Community action initially stressed funding flexibility to meet the needs of locally initiated projects. However, restrictions were instituted by the OEO and later the Congress which had the effect of "categorizing" much of the available money. The ARC program has developed in the opposite direction with separate grant allocations being merged under the procedures for a single state allocation. Thus, the program now approaches the block grant concept. Model cities retained its broad functional scope throughout the demonstration program.

These changes, of course, have implications for block grant administration. Community action shows that the Congress as well as the responsible administrative agency may "categorize" the use of funds when it finds reason to be dissatisfied with local decision processes. Federal controls in this instance were used to protect the program in the face of political controversy. On the other hand, the ARC and model cities experience indicates that such restrictions are by no means an inevitable stage in the evolution of such programs.

Interpretations of these differences must be, of course, somewhat speculative. However, it would appear that model cities and the Appalachian program were able to build a much stronger protective constituency, which centered on city mayors and state governors respectively. Community action bypassed local as well as state governments — a policy which created much opposition. By stressing citizen participation, it became identified with a "politics of confrontation" which lacked widespread support.

### The Limits of "Coordination"

The weaknesses as well as the positive features in these programs, and other concurrent governmental events, have spawned innovations in administrative theory. Like the New Deal and Second World War, the expansion of governmental activity during the 1960s brought into government men seeking new approaches and fresh ideas. For many, the decade ended with a feeling of disillusion and dissatisfaction. This prompted revisions in traditional perspectives. Much of the recent writing in public administration, planning, and political science has stressed the inherent limits to coordinative strategies. The efficacy and even desirability of planned, centrally coordinated, comprehensive approaches to policy making and the provision of services have been challenged.

No unified reformulation of traditional theory has been developed. Yet, common to most of these contemporary critiques are one or more of the following three propositions:

1. The social theory upon which the demand for coordinated services rested was faulty and suggested benefits through "targeting" which cannot be attained.
2. "Coordination" is an essentially conservative strategy, and, as such, is often an alternative to the development of more far reaching social and institutional reforms.
3. Planning and administrative theories centered in the concept of coordination fail to recognize the extreme pluralism in American government and politics.

Each of these propositions is examined below.

To some, of course, these thoroughgoing reappraisals seem unnecessary. The modest achievements of the target programs, it is argued, simply suggest the limitations of the Federal commitment — financial, and also political — made to them. From this perspective, the Viet Nam conflict—which absorbed many of the resources which could have been directed to these social ends — is viewed as the chief "enemy" of the "Great Society."<sup>399</sup>

James L. Sundquist, whose work was cited repeatedly in the case studies above, has approached this problem from an historical perspective. He compares the critical judgments being offered in early 1970s with those which followed the first "New Deal" experiments. In his view, "pump priming" was not able to show its potential until the really massive expenditures made necessary by the Second World War. The experience of the 1960s was similar.

Now we're in the same position, it seems to me, on social planning. We had a kind of 1933-type crescendo in the 1964 to 1965 period. We launched the War on Poverty and started out on an urban program and went forth with model cities and the whole battery of 400 other categorical programs. Five years later people are saying: it didn't work, planning is a failure, government intervention is a failure. I wonder if it isn't the same kind of situation, where the answer is that we didn't have intervention on a massive enough scale.<sup>400</sup>

The question, then, is whether the cup is half full or half empty – whether the limited achievements of the programs suggest the possibility of greater ones with additional effort or the need for wholly new strategies.<sup>401</sup> This judgment remains, in part, a matter of ideology or faith.<sup>402</sup>

Many analysts offer a more fundamental critique with the charge that the conceptual basis of the programs was inadequate. One goal was to obtain, through a concentration of investments, a greater impact than had been possible through separate programs. That this was not achieved may reflect an inadequate understanding of basic social processes. Liebman summarizes this point:

Some efforts remained beyond the state of the art. For example, the model cities program was based on the premise that while physical slum clearance projects and social service programs were each of some value, combining the two – targeting physical and social improvements on the same individuals – would have benefits beyond the sum of what the separate expenditures normally achieved. This synergistic effect did not occur, and, in retrospect, there seems no reason except hope for having believed that such an effect could be brought about.<sup>403</sup>

Some other commentators agree. Lawrence D. Brown argues that the “area of overlap” among urban services

... is much smaller than an uncritical reading of the literature on interdependence or a naive adherence to the cycle of poverty model would seem to suggest.<sup>404</sup>

In this view, coordination *within* such specific fields as health care is more often important to improving the circumstances of the poor than coordination between, or among, the various fields.

This criticism shades into another and raises the argument that coordinative policies reflect political as well as conceptual inadequacies. Coordination is seen as a conservative strategy in that it preserves existing jurisdictions, organizations, and their services. Thus, the quest for coordination legitimizes the activities of already active agencies, may lead to a reduction in competition among them, and detracts attention from more radical, but politically difficult, redistributions of wealth, authority, and power.<sup>405</sup> Warren writes:

... there is a tendency for “coordination”

to displace other possible strategies for a more effective engagement with the city’s social problems. In the juvenile delinquency field, in the manpower field, in the alcoholism and drug addiction field, in the mental illness field, it is easy to make the illogical jump from noting that ameliorative efforts are ineffective and that they are uncoordinated to the assumption that existing services would constitute an adequate approach to such problems if they were only sufficiently coordinated.<sup>406</sup>

Similarly, James Q. Wilson argued that a central difficulty of model cities in original concept was that it accepted traditional techniques already proven to be inadequate. Thus, the program was

... an effort to improve on old programs, not by changing them or by substituting a wholly new strategy, but by creating a new apparatus to show how, by “coordination” (that is, more administration), the job [could] be done better.<sup>407</sup>

Other writers stress the poor fit between traditional organizational thought and the pluralistic patterns of American politics. Rondinelli notes that from the “traumatic” experience of the decade of the 1960s emerged a “painful lesson” for planners:

... the most widely accepted principles and assumptions of American planning theory proved inadequate to meet the complexities of implementing urban and regional development policy.<sup>408</sup>

Planners were, he believed, misled by the focus of administrative theory on hierarchical organization and centralized coordination.<sup>409</sup> These “principles” did not conform to the complex political and organizational environment in which the “Great Society” programs operated:

Urban and regional development planners found that rational principles did not work in a pluralistic political environment. Problems were multiple and conflicting, goals of regional decision-making organizations amorphous and vague, alternative courses of action uncertain and risky, costs and benefits value-laden and unquantifiable. Urban

and regional development decisions are actually made by numerous public and private organizations – with differing if not conflicting goals – which only consent to be coordinated, despite legislative and executive mandates, when they perceive it to be in their own interests.<sup>410</sup>

A number of commentators suggest that the root causes of the coordination problem lie outside the administrative sphere, and hence are not susceptible to managerial solutions. Responsibility lies in the legislative process and, beyond that, in unreconciled differences of values in society-at-large. More authoritative national policies, rather than procedures for administrative coordination, are demanded. Harold Seidman concludes a discussion of coordination issues by noting that the search for better coordinative machinery distracts attention from the more fundamental need to set priorities:

Layers of coordinating machinery can conceal, but no cure the defects and contradictions in our governmental system. The problems that must be solved by urban America in the 1970s are of such magnitude that we no longer can afford indiscriminately to fritter away our human and material resources in the effort to pacify competing and conflicting group interests. If we want coordination, we must first agree on our national goals and priorities and

commit the resources required for their accomplishment.<sup>411</sup>

Daniel P. Moynihan, who played a major role under President Nixon in the advocacy of the Family Assistance Plan and a national urban policy, attributes much of the dissatisfaction which accompanied the efforts at social improvement in the 1960s to the stress upon individual programs.<sup>412</sup> In the anti-poverty field specifically, he argues that an “extraordinary commitment” was made in “too fragmented” a fashion: “In effect, a collection of programs was put together and it was hoped that these would somehow add up to a policy. I don’t believe they did.”<sup>413</sup>

Similar, but more pessimistic, is the judgment offered by Martha Derthick. She argues that the true source of “coordination” problems

... is the heterogeneity of opinions and interests in American society, and the openness of government to a variety of influences—an openness that is not matched, and never can be, by the capacity of government to rationalize and make consistent either legislative or administrative acts.<sup>414</sup>

From these comments, it is clear that the target grant experience, along with other contemporary events, forced a reconsideration and, for many, a reassessment of traditional management objectives. The ensuing debate has done much to illuminate the complexities of intergovernmental administration and programming.

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## FOOTNOTES

<sup>1</sup> Michael Harrington, *The Other America: Poverty in the United States* (New York: The Macmillan Company, 1964).

<sup>2</sup> For a discussion, see James L. Sundquist with David W. Davis, *Making Federalism Work: A Study of Program Coordination at the Community Level* (Washington, D.C.: The Brookings Institution, 1969), pp. 3-6.

<sup>3</sup> The rise of “direct federalism” along with a tabulation of grants to local governments is considered in Advisory Commission on Intergovernmental Relations, *Fiscal Balance in the American Federal System, Volume 1* (Washington, D.C.: U.S. Government Printing Office, October 1967), pp. 164-8.

<sup>4</sup> Melvin R. Levin, “The Big Regions,” *Journal of the American Institute of Planners* 34 (March 1968), p. 66.

<sup>5</sup> ACIR, *Fiscal Balance*, p. 163.

<sup>6</sup> It was also noted that the *Juvenile Delinquency and Youth Control Act* and the *Older Americans Act of 1965* cut across traditional program lines in an attempt to provide comprehensive assistance to specific populations.

<sup>7</sup> Selma J. Mushkin and John F. Cotton, *Sharing Federal Funds for State and Local Needs: Grants-in-Aid and PPB Systems* (New York: Praeger Publishers, 1969), p. 118.

<sup>8</sup> *Ibid.*

<sup>9</sup> A study prepared by the Legislative Reference Service for the Subcommittee on Intergovernmental Relations, Committee on Government Operations, *Federal Programs of Grants-in-Aid to State and Local Governments: A Study of their Major Characteristics*, United States Senate, 91st Cong., 1st Sess. (September 22, 1969), p. 21.

<sup>10</sup> Max Ways, “‘Creative Federalism’ and the Great Society,” *Fortune* (January 1965), p. 222.

<sup>11</sup> Charles M. Haar, *Between the Idea and the Reality: A Study in the Origin, Fate, and Legacy of the Model Cities Program* (Boston: Little, Brown and Company, 1975), p. 215.

<sup>12</sup> It should be noted that only limited aspects of the Appalachian program are considered. There are a number of other issues which a more comprehensive study also would examine. These include three closely related questions: the extent to which public policy should encourage population mobility or stability; whether aid should be concentrated in

- "growth centers" or distributed to the needy, wherever they reside; and whether Federal resources are better invested in the economic development infrastructure or in "human capital" programs of education, welfare, and public health.
- <sup>13</sup> Advisory Commission on Intergovernmental Relations, *Multistate Regionalism*, pp. 13-52.
- <sup>14</sup> An article summarizing these legislative amendments was scheduled to appear in the April-May 1976 issue of the Commission's magazine, *Appalachia*. Three volumes of hearings have been published: Hearings before the Subcommittee on Economic Development of the Committee on Public Works and Transportation, *To Extend and Amend the Appalachian Regional Development Act of 1965*, House of Representatives, 94th Cong., 1st Sess. (March 18 and 20, 1975); Hearings before the Subcommittee on Economic Development of the Committee on Public Works, *Extension of the Appalachian Regional Development Act*, Senate, 94th Cong., 1st Sess., Part 1 (March 10, 11, 12, and June 3, 1975); Part 2, *Appendix*.
- <sup>15</sup> President's Appalachian Regional Commission, *Appalachia* (Washington, D.C.: U.S. Government Printing Office, 1964).
- <sup>16</sup> Public Law 89-4.
- <sup>17</sup> The authorization for the Commission's highway program was extended through fiscal year 1981.
- <sup>18</sup> Jerald ter Horst, "No More Pork Barrel: The Appalachian Approach," *The Reporter* (March 11, 1965), pp. 27-9.
- <sup>19</sup> President's Appalachian Regional Commission, *Appalachia*, p. 28.
- <sup>20</sup> *A Report Prepared to Support and Explain a Proposed Legislative Program, Adopted in September 1974, for the Appalachian Regional Commission* (Washington, D.C.: Appalachian Regional Commission, March 10, 1975), p. 2-1.
- <sup>21</sup> *Ibid.*, p. 3-1, 3-2.
- <sup>22</sup> Donald W. Whitehead, Federal co-chairman of the Appalachian Regional Commission, in "To Extend and Amend the Appalachian Regional Development Act," House of Representatives, p. 15.
- <sup>23</sup> This figure includes five "independent cities" in Virginia.
- <sup>24</sup> The 1975 ARDA amendments permit only governors to be members of the commission.
- <sup>25</sup> U.S. Congress, Senate, Committee on Public Works, Special Subcommittee on Economic Development, *Appalachian Regional Development Act Amendments of 1967, Hearings*, 90th Congress, 1st Sess. (1967), pp. 46-7.
- <sup>26</sup> Public Law 89-4, Section 102.
- <sup>27</sup> Section 225, added to the ARDA by the 1975 amendments, provides more detailed criteria and procedures for the state development planning process.
- <sup>28</sup> *Ibid.*, Section 2.
- <sup>29</sup> *Response to Questions Asked by the General Accounting Office* (Washington, D.C.: Appalachian Regional Commission, April 16, 1973), p. 1-1.
- <sup>30</sup> See Martha Derthick (with Gary Bombardier), *Between State and Nation: Regional Organizations of the United States* (Washington, D.C.: The Brookings Institution, 1974), p. 207.
- <sup>31</sup> President's Appalachian Regional Commission, *Appalachia*, p. 57.
- <sup>32</sup> *Ibid.*
- <sup>33</sup> Public Law 89-4, Section 2. Emphasis added.
- <sup>34</sup> Emphasis added.
- <sup>35</sup> *Ibid.*, Section 102, (7).
- <sup>36</sup> ACIR, *Multistate Regionalism*, p. 44.
- <sup>37</sup> *1973 Annual Report of the Appalachian Regional Commission* (Washington, D.C.: Appalachian Regional Commission, 1973), p. 9.
- <sup>38</sup> ARC, *Response to Questions*, p. 4-2. ARC staff members indicated that this was still accurate in 1975.
- <sup>39</sup> ARC, *Proposed Legislative Program*, p. 2-7.
- <sup>40</sup> Interview with ARC staff. However, a number of other regional organizations within Appalachia also have been recognized or are supported by Federal agencies for development and planning purposes.
- <sup>41</sup> Under the 1975 amendments, LDDs are encouraged (in Section 225) to prepare and execute "areawide action programs." These are to include an analysis of area problems, an identification of needs, and the presentation of development strategies and priorities together with a multi-year funding schedule. Thus, CAPs are to provide a basis for funding decisions by agencies at all governmental levels.
- <sup>42</sup> Howard J. Grossman, "Regional Development Districts: A Case Study of Northeastern Pennsylvania," *Growth and Change* 4 (October 1973), pp. 4-9.
- <sup>43</sup> For a political interpretation of development planning in northeastern Pennsylvania, see Dennis A. Rondinelli, *Urban and Regional Development Planning: Policy and Administration* (Ithaca: Cornell University Press, 1975), Part III. Rondinelli stresses the pluralism of Federal, state, and local decision making in northeastern Pennsylvania and indicates that Federal expenditures are spread thinly throughout the region. (See p. 138).
- <sup>44</sup> An airport safety program was added in 1971, while several others were broadened, added, or revised in 1975.
- <sup>45</sup> In certain other instances, entirely new programs were created; this was the case with the child development program added by amendment to Section 202 in 1969. For an examination of this program, see the unpublished manuscript by Joy Silver, "The Appalachian Regional Commission and the Grant-in-Aid System: The Case of Child Development" (Washington, D.C.: The Brookings Institution, March 1973.)
- <sup>46</sup> ACIR, *Multistate Regionalism*, p. 40; Derthick, *Between State and Nation*, p. 84. This system of shared responsibility has worked smoothly in most instances.
- <sup>47</sup> Monroe Newman, *The Political Economy of Appalachia: A Case Study in Regional Integration* (Lexington, Mass.: D. C. Heath and Company, 1972), p. 108.
- <sup>48</sup> Donald N. Rothblatt, *Regional Planning: The Appalachian Experience* (Lexington, Mass.: Lexington Books, 1971), p. 81.
- <sup>49</sup> Brinley J. Lewis, "New Subregional Budget Approach Gives States More Flexibility," *Appalachia* (August-September, 1974), p. 7.
- <sup>50</sup> These formulas are reviewed and analyzed in Rothblatt, *Regional Planning*, pp. 94-95.
- <sup>51</sup> *Ibid.*, pp. 121-2.
- <sup>52</sup> *The Appalachian Experiment: 1965-1970* (Washington, D.C.: Appalachian Regional Commission, 1971), p. 74.
- <sup>53</sup> Data provided by the Appalachian Regional Commission. For additional information, see *1974 Annual Report of the Appalachian Regional Commission* (Washington, D.C.: Appalachian Regional Commission, 1974), pp. 40-42.
- <sup>54</sup> This account follows Lewis, "New Subregional Budget Approach."
- <sup>55</sup> The published summary volume is *The Appalachian Experi-*

ment. Other component reports include: Kenneth D. Rainey, Thomas A. Cotton, and Monroe Newman, *Summary Evaluation of the Appalachian Regional Commission*; David A. Danielson, *The First Year of the Appalachian Health Program: An Interim Evaluation*; Ernest H. Manuel, *The Appalachian Development Highway Program in Perspective*; Richard Powers, *The Vocational Education Program in Appalachia from Fiscal 1966 through Fiscal 1969: An Appraisal*; Stephen S. Fuller, *Impact of Appalachian Regional Commission Assisted Public Investment in Selected Growth Centers: A Summary and Case Studies*; John L. Preston, Jr., *An Analysis of the Growth Center Strategy of the Appalachian Regional Commission*; Page L. Ingraham, *Administration of the Appalachian Regional Program in the States*; Page L. Ingraham, Judith Gaines, and James Craine, *The Local Development District Program*; and Thomas A. Cotton, *Coordination of the Commission Program with the Federal Government*.

<sup>56</sup> Reference has been made to published volumes by Rothblatt and Newman. See also Niles M. Hansen, *Rural Poverty and the Urban Crisis* (Bloomington: Indiana University Press, 1970), and *A Review of the Appalachian Regional Commission* (November 1969); Ralph R. Widner, "Political Implementation of Regional Theory in Appalachia," *Growth and Change* (January 1971), pp. 7-8, and "Evaluating the Administration of the Appalachian Regional Development Program," *Growth and Change* (January 1973), pp. 25-29; John B. Mitrison, *A Selective Evaluation of the Appalachian Regional Commission Program* (Washington, D.C.: Congressional Research Service, Library of Congress, March 15, 1973); Robert D. Britt, "Promises and Accomplishments: The Appalachian Regional Development Program," *Growth and Change* (July 1971), pp. 3-13; Donald N. Rothblatt, "Regional Planning Reexamined," *Journal of the American Institute of Planners* (January 1971), pp. 26-37. Though this list may seem long, some aspects of the Appalachian program — especially its operations within the states — have been insufficiently researched.

<sup>57</sup> Comptroller General, *The Effects of Federal Expenditures on the Economy of Johnson County, Kentucky* (Washington, D.C.: U.S. General Accounting Office, February 7, 1972); Comptroller General, *Review of Selected Activities of Regional Commissions* (Washington, D.C.: U.S. General Accounting Office, March 26, 1974); and Comptroller General, *Highway Program Shows Limited Progress Toward Increasing Accessibility To and Through Appalachia* (Washington, D.C.: U.S. General Accounting Office, May 12, 1971).

<sup>58</sup> Derthick, *Between State and Nation*, pp. 76-107.

<sup>59</sup> For recent contributions to this debate, which contain references to many of the previous works, see Ralph R. Widner, "Transport Investment and Appalachian Development," *Public Administration Review* (May/June 1973), pp. 225-235; and Carl W. Hale and Joe Walter, "Appalachian Regional Development and the Distribution of Highway Benefits," *Growth and Change* (January 1974), pp. 3-11.

<sup>60</sup> In an effort to improve interagency coordination of operations, Congress in 1975 adopted the following amendment in Section 225(c):

To the maximum extent practicable, Federal departments, agencies, and instrumentalities

undertaking or providing financial assistance for programs or projects in the region shall (1) take into account the politics, goals, and objectives established by the Commission and its member states pursuant to this act; (2) recognize Appalachian state development programs approved by the Commission as satisfying requirements for overall economic development planning under such programs or projects; and (3) accept the boundaries and organization of any local development district certified under this act which the governor may designate as the areawide agency required under any such program undertaken or assisted by such Federal departments, agencies, and instrumentalities.

<sup>61</sup> The 1975 amendments provide that only the governors may be members of the commission and, while alternates appointed by a governor may participate in commission meetings, most major commission actions require that a quorum of the members be present. These measures were adopted to assure fuller gubernatorial participation.

<sup>62</sup> Less than 1 percent in all states except West Virginia, where it is 5 percent. Howard Bray, "Appalachia: The View From Washington," *To Extend and Amend the Appalachian Regional Development Act*, House of Representatives, pp. 294-5.

<sup>63</sup> During the seven years' tenure of Ralph Widner, the commission's first executive director, there were "well over 30 changes in governors," with new staffs resulting from each change. The result, he indicates, was that state performance went "up and down like a roller coaster." Statement of Ralph R. Widner, *Ibid.*, p. 292.

<sup>64</sup> The amendments adopted in 1975 were intended to return decisions of these kinds to the actual commission membership, greatly reducing the importance of the executive committee.

<sup>65</sup> *Extension of the Appalachian Regional Development Act*, Senate, Part 1, pp. 503-4. Widner suggested that the ARC be designated as an A-95 clearinghouse with the approved major projects as consistent with regional development plans. *Ibid.*

<sup>66</sup> *Ibid.*, pp. 504-5.

<sup>67</sup> GAO, *The Effects of Federal Expenditures*, p. 51.

<sup>68</sup> *Ibid.*, pp. 62-3.

<sup>69</sup> *Ibid.*, pp. 52-3.

<sup>70</sup> The amendments to the ARDA adopted in 1975 appear to anticipate the preparation of a regional development plan, based upon state development plans. See Sections 225(a) and 303, as amended.

<sup>71</sup> Widner, "Political Implementation," p. 7.

<sup>72</sup> Derthick, *Between State and Nation*, p. 92.

<sup>73</sup> *Ibid.*, p. 87.

<sup>74</sup> *Appalachian Experiment*, p. 94.

<sup>75</sup> Comptroller General, *Highway Program Shows Limited Progress*, pp. 9-10.

<sup>76</sup> Rothblatt, *Regional Planning*, p. 94. These procedures were modified by the new subregional allocation procedures used in 1975.

<sup>77</sup> *Ibid.*, pp. 113-7.

<sup>78</sup> *Appalachian Experiment*, p. 94.

<sup>79</sup> Newman, *Political Economy*, p. 172.

<sup>80</sup> Rothblatt, *Regional Planning*, pp. 191-2.

- <sup>81</sup> Derthick, *Between State and Nation*, pp. 97-8.
- <sup>82</sup> Widner, "Transport Investment," p. 231.
- <sup>83</sup> Kenneth D. Rainey and Thomas A. Cotton, *Evaluation of the 1965 Economic Development Legislation* (Washington, D.C.: Appalachian Regional Commission, December 18, 1969).
- <sup>84</sup> *Congressional Record* (March 21, 1972), pp. 9250-3.
- <sup>85</sup> "Public Works Development", *Congressional Quarterly Almanac 1972* (Washington, D.C.: Congressional Quarterly, 1972), p. 132. See Hearings before the Subcommittee on Economic Development of the Committee on Public Works, *Public Works Development Act of 1972*, United States Senate, 92nd Cong., 2d Sess. (April 18, 19, 20, 25, 26, and 27, 1972).
- <sup>86</sup> See the report of the Urban Growth Policy Study Group, "Urban Growth Policies in Six European Countries", in Subcommittee on Housing of the Committee on Banking and Currency, *National Growth Policy, Selected Papers*, House of Representatives, 92nd Congress, 2nd Sess., Part 2 (1972), p. 590.
- <sup>87</sup> Donald N. Rothblatt, "National Development Policy", *Public Administration Review* (July/August 1974), p. 373.
- <sup>88</sup> *Report on National Growth and Development: 1974* (Washington, D.C.: U.S. Government Printing Office, 1974), p. 29.
- <sup>89</sup> *Ibid.*, p. 43.
- <sup>90</sup> For a further description and assessment of the Title V commissions, see ACIR, *Multistate Regionalism*, chapter 3, and Derthick, *Between State and Nation*, chapter 5. Amendments adopted in 1975 encouraged the further growth of the Title V commissions and expanded their activities.
- <sup>91</sup> President's Advisory Council on Executive Organization, *Establishment of a Department of Natural Resources: Organization for Social and Economic Programs* (Washington, D.C.: Executive Office of the President, February 5, 1971), p. 153.
- <sup>92</sup> *Ibid.*, pp. 69, 154.
- <sup>93</sup> *Ibid.*, pp. 153-5.
- <sup>94</sup> *Ibid.*, pp. 156-7.
- <sup>95</sup> *Ibid.*, pp. 147-150.
- <sup>96</sup> Quoted in Jamie Heard, "Rural Report/Powerful Forces Mount Defense of Appalachian Regional Commission," *National Journal* (March 20, 1971), p. 618.
- <sup>97</sup> *Ibid.*
- <sup>98</sup> The phrase is taken from the PARC report.
- <sup>99</sup> For a discussion of these objectives, see Daniel P. Moynihan, "What is 'Community Action'?" *The Public Interest* (Fall 1966), pp. 3-8. See also Richard Blumenthal, "The Bureaucracy: Antipoverty and the Community Action Program," *American Political Institutions and Public Policy: Five Contemporary Studies*, ed., Alan P. Sindler (Boston: Little, Brown, 1969), pp. 128-179.
- <sup>100</sup> James L. Sundquist, "Co-ordinating the War on Poverty," *Annals of the American Academy of Political and Social Science* (September 1969), p. 42. Emphasis added.
- <sup>101</sup> Advisory Commission on Intergovernmental Relations, *Intergovernmental Relations in the Poverty Program* (Washington, D.C.: U.S. Government Printing Office, 1966).
- <sup>102</sup> For a more detailed historical classification of the period through 1968, see Robert A. Levine, *The Poor Ye Need Not Have With You: Lessons from the War on Poverty* (Cambridge: MIT Press, 1970).
- <sup>103</sup> The reorganization proposals as they affected OEO are summarized in the Fourth Annual Report of the National Advisory Council of Economic Opportunity, issued October 1971.
- <sup>104</sup> "Human Resources/Administration Proposes Cuts in Health, Education, Manpower, Antipoverty," *National Journal* (February 3, 1973), p. 151; *The Budget of the United States Government: Fiscal Year 1974* (Washington, D.C.: U.S. Government Printing Office, 1973), p. 122.
- <sup>105</sup> Richard E. Cohen, "Congress Report/Courts Act as Ally to Congress in Battle with President over Spending," *National Journal* (April 21, 1973), p. 571.
- <sup>106</sup> Public Law 93-644.
- <sup>107</sup> Sanford Kravitz, "The Community Action Program in Perspective," *Power, Poverty and Urban Policy*, eds., Warner Bloomberg, Jr. and Henry J. Schmandt (Beverly Hills, Calif.: Sage Publications, 1968), pp. 259-265. See also ACIR, *Poverty Program*, pp. 228-230.
- <sup>108</sup> John G. Wofford, "The Politics of Local Responsibility: Administration of the Community Action Program—1964-1966," *On Fighting Poverty: Perspectives from Experience*, ed., James L. Sundquist (New York: Basic Books, 1969), p. 73.
- <sup>109</sup> Nine major action programs were created under the 1964 EOA, in addition to community action. These included the Job Corps, Work-Training (Neighborhood Youth Corps), College Work-Study, Adult Basic Education, Rural Loans, Migrant Workers, Business Incentive Loans, Work Experience Programs, and Volunteers in Service to America (VISTA). Title II, Part C, also authorized the creation of an information center to encourage the provision of voluntary assistance for needy children. For brief descriptions of these programs, see ACIR, *Poverty Program*, Appendix A; *Future of Social Programs* (Washington, D.C.: Congressional Quarterly, August 1973), p. 46; *The First Step on a Long Journey: Congressional Presentation* (Washington, D.C.: Office of Economic Opportunity, April 1965), or Appendix I of Comptroller General of the United States, *Review of Economic Opportunity Programs* (Washington, D.C.: U.S. Government Printing Office, March 1969), pp. 165-183.
- <sup>110</sup> Public Law 88-452.
- <sup>111</sup> "Special Message to the Congress Proposing a Nationwide War on the Sources of Poverty, March 16, 1964," *Public Papers of the President, Lyndon B. Johnson, 1963-64* (Washington, D.C.: U.S. Government Printing Office, 1965), pp. 375-380.
- <sup>112</sup> *The First Step . . . On a Long Journey: Congressional Presentation*, p. 48.
- <sup>113</sup> *Ibid.*, p. 49.
- <sup>114</sup> *Community Action Program Guide* (Washington, D.C.: Office of Economic Opportunity, February 1965), pp. 15-16.
- <sup>115</sup> *Ibid.*, p. 16.
- <sup>116</sup> Section 202(a), Public Law 88-452.
- <sup>117</sup> National Advisory Council on Economic Opportunity, *Focus on Community Action* (Washington, D.C.: U.S. Government Printing Office, March 1968), p. 16.
- <sup>118</sup> ACIR, *Poverty Program*, pp. 28, 160.
- <sup>119</sup> *Anti-Poverty Programs Under the Economic Opportunity Act* (New York: Tax Foundation, Inc., 1968), pp. 20-21.
- <sup>120</sup> *CAP Guide*, p. 13.
- <sup>121</sup> ACIR, *Poverty Program*, pp. 44-5.
- <sup>122</sup> *Ibid.*, p. 46.
- <sup>123</sup> *Ibid.*, pp. 30-5.

- <sup>124</sup> Section 203, Public Law 89-794.
- <sup>125</sup> See Joseph A. Kershaw, *Government Against Poverty* (Washington, D.C.: The Brookings Institution, 1970), p. 47 and James L. Sundquist, *Making Federalism Work*, pp. 36-8, 62.
- <sup>126</sup> Roger H. Davidson, "The War on Poverty: Experiment in Federalism," *Annals of the American Academy of Political and Social Science* (September 1969), p. 8.
- <sup>127</sup> David Greenstone and Paul E. Peterson, *Race and Authority in Urban Politics: Community Participation and the War on Poverty* (New York: Russell Sage Foundation, 1973), p. 205.
- <sup>128</sup> ACIR, *Poverty Program*, p. 78.
- <sup>129</sup> Section 209(b).
- <sup>130</sup> Michael S. March, "Coordination of the War on Poverty," *Law and Contemporary Problems* 31 (Winter, 1966), p. 137.
- <sup>131</sup> ACIR, *Poverty Program*, p. 96.
- <sup>132</sup> *Ibid.*, pp. 84, 86.
- <sup>133</sup> Blumenthal, "The Bureaucracy," p. 156.
- <sup>134</sup> Section 604.
- <sup>135</sup> *CAP Guide*, pp. 31, 95.
- <sup>136</sup> This program was completely transferred to HEW by the *Higher Education Act of 1965*.
- <sup>137</sup> Kershaw, *Government Against Poverty*, p. 152.
- <sup>138</sup> *Congressional Presentation* (Washington, D.C.: Office of Economic Opportunity, March 1966), p. 100.
- <sup>139</sup> *Ibid.*
- <sup>140</sup> March, "Coordination," pp. 126-128. The 150 figure was included in the GAO report, Comptroller General, *Review of Economic Opportunity Programs*, p. 128.
- <sup>141</sup> *CAP Guide*, pp. 40-1.
- <sup>142</sup> Hearings before the Subcommittee on Intergovernmental Relations of the Committee on Government Operations, *Creative Federalism*, United States Senate, 89th Cong., 2nd. Sess.; Part I (November 16-21, 1966), p. 214.
- <sup>143</sup> For discussions, see March, "Coordination," p. 136; Sundquist, *Making Federalism Work*, p. 44; ACIR, *Poverty Program*, p. 172.
- <sup>144</sup> Section 205(b).
- <sup>145</sup> *CAP Guide*, pp. 23-8.
- <sup>146</sup> Sar Levitan, *The Great Society's Poor Law* (Baltimore: Johns Hopkins Press, 1969), p. 57.
- <sup>147</sup> Howard Hallman found that more than half and perhaps as much as two-thirds of community action funds were channeled to delegate agencies. Howard W. Hallman, "Community Action Program: An Interpretive Analysis of 35 Communities," Subcommittee on Employment, Manpower, and Poverty of the Committee on Labor and Public Welfare, *Examination of the War on Poverty: Staff and Consultants Reports*, United States Senate, 90th Cong., 1st Sess., Volume IV (September 1967), p. 911.
- <sup>148</sup> Wofford, "Politics of Local Responsibility," p. 84.
- <sup>149</sup> *Ibid.*, pp. 88-93.
- <sup>150</sup> Harold Seidman, *Politics, Position and Power: The Dynamics of Federal Organization* (New York: Oxford University Press, 1970), pp. 146-7.
- <sup>151</sup> The authority for the preparation of the Catalog was Sec. 613 of the EOA, which called upon the OEO to serve as an "information center" concerning Federal programs. Its catalog was the forerunner of the Office of Management and Budget's current *Catalog of Federal Domestic Assistance*.
- <sup>152</sup> Levine, *The Poor*, p. 236.
- <sup>153</sup> Levitan, *Poor Law*, p. 57.
- <sup>154</sup> Comptroller General, *Review of Economic Opportunity Programs*, p. 136.
- <sup>155</sup> Kershaw, *Government Against Poverty*, p. 150; Comptroller General, *Review of Economic Opportunity Programs*, p. 136; Levitan, *Poor Law*, p. 57.
- <sup>156</sup> Levine, *The Poor*, p. 150.
- <sup>157</sup> Comptroller General, *Review of Economic Opportunity Programs*, pp. 135-141.
- <sup>158</sup> Kershaw, *Government Against Poverty*, p. 150; Levitan, *Poor Law*, p. 57.
- <sup>159</sup> Comptroller General, *Review of Economic Opportunity Programs*, p. 128.
- <sup>160</sup> Stephen K. Bailey, "Co-ordinating the Great Society," *The Reporter* (March 24, 1966), p. 39.
- <sup>161</sup> Kershaw, *Government Against Poverty*, p. 150; Levitan, *Poor Law*, p. 57.
- <sup>162</sup> Comptroller General, *Review of Economic Opportunity Programs*, p. 126.
- <sup>163</sup> The plans were classified "administratively confidential," and hence not made available to the Congress or public. However, a copy of the plan for the period 1968-1972 was released during the course of Congressional hearings in 1973, and was reprinted in the hearing record. See Hearings before the Subcommittee on Intergovernmental Relations of the Committee on Government Operations, *A New Federalism*, U. S. Senate, 93rd Cong., 1st Sess., Part II, Appendix 2.
- <sup>164</sup> Comptroller General, *Review of Economic Opportunity Programs*, p. 127.
- <sup>165</sup> Kershaw, *Government Against Poverty*, pp. 137, 148.
- <sup>166</sup> *Ibid.*, p. 148.
- <sup>167</sup> ACIR, *Poverty Program*, p. 171.
- <sup>168</sup> Responses of OEO to Questions Submitted by the Subcommittee on Employment, Manpower, and Poverty Re Coordination of the Poverty Program," in Subcommittee on Employment, Manpower and Poverty of the Committee on Labor and Public Welfare, U. S. Senate, *Examination of the War on Poverty*, 90th Cong., 1st Sess. (September 1967), p. 3391.
- <sup>169</sup> Comptroller General of the United States, *Review of Economic Opportunity Programs*, p. 126.
- <sup>170</sup> *Ibid.* pp. 130-1.
- <sup>171</sup> *Ibid.*, p. 17.
- <sup>172</sup> *Ibid.*, p. 140.
- <sup>173</sup> Kershaw, *Government Against Poverty*, pp. 153-4.
- <sup>174</sup> Levine, *The Poor*, p. 66.
- <sup>175</sup> *Ibid.*, pp. 232-3.
- <sup>176</sup> Kershaw, *Government Against Poverty*, pp. 154-9.
- <sup>177</sup> Hallman, "Community Action Program - Interpretive Analysis," p. 899.
- <sup>178</sup> *Ibid.*, pp. 903-4.
- <sup>179</sup> Sundquist, *Making Federalism Work*.
- <sup>180</sup> *Ibid.*, p. 32.
- <sup>181</sup> *Ibid.*, p. 35.
- <sup>182</sup> For a case study, see Harold Wolman, "Organization Theory and Community Action Agencies," *Public Administration Review* 32 (January/February 1972), pp. 33-42.
- <sup>183</sup> Sundquist, *Making Federalism Work*, pp. 46-61.
- <sup>184</sup> Hallman, "Community Action Program - Interpretive Analysis," p. 913.
- <sup>185</sup> *Ibid.*
- <sup>186</sup> Comptroller General, *Review of Economic Opportunity Programs*, p. 131.
- <sup>187</sup> *Ibid.*, p. 132.

- <sup>188</sup> Levine, *The Poor*, p. 160.
- <sup>189</sup> Sundquist, *Making Federalism Work*, p. 47.
- <sup>190</sup> *Ibid.*, p. 46.
- <sup>191</sup> *Ibid.*, pp. 35, 40.
- <sup>192</sup> ACIR, *Poverty Program*, pp. 166-7.
- <sup>193</sup> Daniel P. Moynihan, *Maximum Feasible Misunderstanding: Community Action in the War on Poverty* (New York: The Free Press, 1969), pp. 77-8.
- <sup>194</sup> *Ibid.*, p. 81.
- <sup>195</sup> James L. Sundquist, *Politics and Policy: The Eisenhower, Kennedy, and Johnson Years* (Washington, D.C.: The Brookings Institution, 1968), p. 142.
- <sup>196</sup> Moynihan, *Maximum Feasible Misunderstanding*, p. 93.
- <sup>197</sup> Sanford Kravitz, "The Community Action Program—Past, Present, and Future," *On Fighting Poverty*, ed., James L. Sundquist (New York: Basic Books, 1969), pp. 60-61.
- <sup>198</sup> Robert A. Levine, *Public Planning: Failure and Reduction* (New York: Basic Books, Inc., 1972), p. 97.
- <sup>199</sup> Hallman, "Community Action Program—Interpretive Analysis," p. 912.
- <sup>200</sup> Sundquist, *Making Federalism Work*, p. 80.
- <sup>201</sup> Kershaw, *Government Against Poverty*, pp. 54-56.
- <sup>202</sup> *Ibid.*, pp. 55-6.
- <sup>203</sup> Wofford, "Politics of Local Responsibility," p. 96.
- <sup>204</sup> National Advisory Council on Economic Opportunity, *Focus on Community Action*, pp. 16-17.
- <sup>205</sup> Wofford, "Politics of Local Responsibility," p. 96.
- <sup>206</sup> Levitan, *Poor Law*, pp. 123-4.
- <sup>207</sup> Levine, *The Poor*, p. 73.
- <sup>208</sup> Kershaw, *Government Against Poverty*, p. 56n.
- <sup>209</sup> Levine, *The Poor*, p. 67.
- <sup>210</sup> Comptroller General, *Review of Economic Opportunity Programs*, p. 35.
- <sup>211</sup> Levitan, *Poor Law*, p. 125.
- <sup>212</sup> Kershaw, *Government Against Poverty*, p. 164.
- <sup>213</sup> Sundquist, *Making Federalism Work*, pp. 72-3.
- <sup>214</sup> Hallman, "Community Action Program—An Interpretive Analysis," p. 913.
- <sup>215</sup> Section 201, Public Law 90-222.
- <sup>216</sup> Kershaw, *Government Against Poverty*, p. 151.
- <sup>217</sup> Sundquist, *Making Federalism Work*, p. 40.
- <sup>218</sup> Comptroller General, *Review of Economic Opportunity Programs*, pp. 34-5.
- <sup>219</sup> *Ibid.*, p. 128.
- <sup>220</sup> Section 211B, Public Law 90-222.
- <sup>221</sup> Congressional Quarterly, *Future of Social Programs* (Washington, D.C.: Congressional Quarterly, Inc., 1973), pp. 65-6.
- <sup>222</sup> *Ibid.*, pp. 44-5.
- <sup>223</sup> Sundquist, *Making Federalism Work*, p. 38.
- <sup>224</sup> Kershaw, *Government Against Poverty* p. 53.
- <sup>225</sup> Levine, *The Poor*, p. 76.
- <sup>226</sup> Arthur White, *Study of the Effects of Sections 210 and 211 of the 1967 Amendments to the Economic Opportunity Act as Required under Section 233 (c) of the Amendments, Volume 1, Summary and Conclusions* (New York: Daniel Yankelovich, Inc., February 1969), p. ii.
- <sup>227</sup> *Ibid.*, pp. 18-9, 26.
- <sup>228</sup> *Ibid.*, p. 42.
- <sup>229</sup> *Ibid.*, p. 42.
- <sup>230</sup> Patrick Healy III, *The Nation's Cities: Change and Challenge* (New York: Harper & Row, 1974), p. 160.
- <sup>231</sup> *Ibid.*
- <sup>232</sup> Sanford Kravitz and Ferne K. Kolodner, "Community Action: Where Has It Been? Where Will It Go?" *Annals of the American Academy of Political and Social Sciences* (September 1969), p. 37.
- <sup>233</sup> "Special Message to the Congress on the Nation's Anti-Poverty Programs, February 19, 1969," *Public Papers of the Presidents, Richard M. Nixon, 1969* (Washington, D.C.: U.S. Government Printing Office, 1970), p. 113.
- <sup>234</sup> "Statement on the Office of Economic Opportunity" (August 11, 1969), *Public Papers*, pp. 654-8.
- <sup>235</sup> See the speech by Rumsfeld reprinted in *New Directions for Community Development, Proceedings of a Conference sponsored by the National Association for Community Development* (Washington, D.C.: National Association for Community Development, 1969), p. 5.
- <sup>236</sup> *Ibid.*
- <sup>237</sup> "Rumsfeld Launches Personal Campaign on Hill to Save OEO," *National Journal* (November 15, 1969), p. 132.
- <sup>238</sup> "OEO's New Guidelines for State Resurrect Issue of State Control," *National Journal*, April 11, 1970, p. 765. State involvement went even further in a number of demonstration efforts. Under the "Oklahoma experiment," the state government was empowered to actually process local applications in accordance with a plan made jointly with the OEO, though the OEO retained final approval power. See *National Journal* (March 11, 1970), pp. 765-7. This experiment has been evaluated in a consultant's report. Robert D. Vincent, *An Evaluation of "The Oklahoma Plan,"* (Washington, D.C.: Transcentury Corporation, 1972).
- <sup>239</sup> Robert Holman, "The American Poverty Programme, 1969-71," *Journal of Social Policy* 3 (January 1974), p. 27.
- <sup>240</sup> John K. Iglehart, "Antipoverty Report/OEO Tells Local Agencies 'Turn Over New Leaf and Find Money,'" *National Journal* (November 21, 1970), pp. 2550-4.
- <sup>241</sup> Congressional Quarterly, *Future of Social Programs*, p. 79.
- <sup>242</sup> "Manpower Training," in *Congressional Quarterly Almanac 1969* (Washington, D.C.: Congressional Quarterly, Inc., 1970) p. 832.
- <sup>243</sup> Holman, "American Poverty Programme," p. 26.
- <sup>244</sup> *Congressional Quarterly Almanac 1971* (Washington, D.C.: Congressional Quarterly, Inc., 1972), p. 505.
- <sup>245</sup> *Ibid.*
- <sup>246</sup> Stephen Clapp, "Administration's Plans for OEO Frozen by Congressional Democrats," *National Journal* (March 7, 1970), pp. 503-4; John K. Iglehart, "Poverty Report/Conflict Over Future Role for OEO Leaves Agency Without Clear-Cut Mission," *National Journal* (September 11, 1971), pp. 1869-75.
- <sup>247</sup> Kravitz, "Community Action Program—Past, Present, and Future," p. 61.
- <sup>248</sup> Patrick Healy, *The Nation's Cities*, p. 228.
- <sup>249</sup> Howard S. Rowland, *The New York Times Guide to Federal Aid for Cities and Towns* (New York: Quadrangle Books, Inc., 1971), p. 86.
- <sup>250</sup> H. Ralph Taylor and George A. Williams, "Comments on the Demonstration Cities Program," *Journal of the American Institute of Planners* 32 (November 1966), p. 366.
- <sup>251</sup> Morton J. Schussheim, *The Modest Commitment to Cities* (Lexington, Mass.: D. C. Heath and Company, Lexington Books, 1974), pp. 126-7. See also Judson L. James, "Federalism and the Model Cities Experiment," *Publius* 2 (Spring 1972), pp. 76-89.

- <sup>252</sup> For a slightly different classification, see Subcommittee on the Planning Process and Urban Development of the Advisory Committee to the Department of Housing and Urban Development, *Revenue Sharing and the Planning Process: Shifting the Locus of Responsibility for Domestic Problem Solving* (Washington, D.C.: National Academy of Sciences, 1974), pp. 28-9.
- <sup>253</sup> *Ibid.*, p. 28.
- <sup>254</sup> Roland L. Warren, "Model Cities First Round: Politics, Planning, and Participation," *Journal of the American Institute of Planners* 35 (July 1969), pp. 245-252; James, "Federalism," p. 78. The model cities legislation called for "widespread citizen participation" rather than the "maximum feasible participation" required under the *Economic Opportunity Act*.
- <sup>255</sup> "Model Cities, Rent Supplement Funds Cut Deeply," *CQ Almanac 1967* (Washington, D.C.: Congressional Quarterly Service, 1967), pp. 469-485.
- <sup>256</sup> Study by the Congressional Research Service, Library of Congress for the Subcommittee on Housing and Urban Affairs of the Committee on Banking, Housing and Urban Affairs, *The Central City Problem and Urban Renewal Policy*, United States Senate, 93d Cong., 1st Sess. (Washington, D.C.: U.S. Government Printing Office, 1973), p. 177.
- <sup>257</sup> Subcommittee on the Planning Process and Urban Development, *Revenue Sharing*, p. 29.
- <sup>258</sup> William Lilley, III, "Urban Report/Model Cities Program Faces Uncertain Future Despite Romney Overhaul," *National Journal* (July 11, 1970), pp. 1467-68.
- <sup>259</sup> Daniel P. Moynihan reports that President Nixon continued the model cities program only because he was persuaded that it was a necessary symbol of the Administration's commitment to resolving the "urban crisis." See his *The Politics of a Guaranteed Income* (New York: Random House, 1973), p. 420.
- <sup>260</sup> Congressional Research Service, *The Central City Problem*, p. 178.
- <sup>261</sup> Lilley, "Urban Report," p. 1474.
- <sup>262</sup> Mary K. Nenko, "1972: A Year of Truth for the Future Course of Urban Affairs," *Journal of Housing* 29 (February/March 1972), p. 64.
- <sup>263</sup> The legislative history of the community development block grant is described in detail in a forthcoming volume of this report.
- <sup>264</sup> In the period since this chapter was drafted, two additional and very useful studies of the model cities program have been published. These are: Charles M. Haar, *Between the Idea and the Reality: A Study of the Origin, Fate, and Legacy of the Model Cities Program* (Boston: Little, Brown and Company, 1975), and Bernard J. Frieden and Marshal Kaplan, *The Politics of Neglect: Urban Aid from Model Cities to Revenue Sharing* (Cambridge: MIT Press, 1975).
- <sup>265</sup> James, "Federalism," p. 72.
- <sup>266</sup> Lance Liebman, "Social Intervention in a Democracy" *The Public Interest* 34 (Winter 1974), pp. 19-20.
- <sup>267</sup> James, "Federalism," p. 70.
- <sup>268</sup> "Special Message to the Congress Recommending a Program for Cities and Metropolitan Areas, January 26, 1966," *Public Papers of the Presidents, Lyndon B. Johnson, 1966*, vol. 1 (Washington, D.C.: U.S. Government Printing Office, 1967), pp. 82-91.
- <sup>269</sup> Randall B. Ripley, *The Politics of Economic and Human Resource Development* (Indianapolis: The Bobbs-Merrill Company, Inc., 1972), p. 135.
- <sup>270</sup> Edward C. Banfield, "The Bureaucracy: Making a New Federal Program: Model Cities, 1964-68," ed., Allan P. Sindler, *Policy and Politics in America: Six Case Studies* (Boston: Little, Brown and Company, 1973), pp. 136-140; Sundquist, *Making Federalism Work*, p. 82.
- <sup>271</sup> Public Law 89-754.
- <sup>272</sup> Emphasis added.
- <sup>273</sup> Hearings before the Subcommittee on Housing of the Committee on Banking and Currency, *Demonstration Cities, Housing and Urban Development, and Urban Mass Transit*, U. S. House of Representatives, 89th Cong., 2nd Sess., Part 1 (February 28; March 1, 2, 3, 4, 7, 8, and 9, 1966), p. 4.
- <sup>274</sup> *Ibid.*, p. 99. Sundquist, *Making Federalism Work*, p. 82.
- <sup>275</sup> U.S. Department of Housing and Urban Development, *Improving the Quality of Urban Life: Program Guide: Model Neighborhoods in Demonstration Cities* (Washington, D.C.: U.S. Government Printing Office, December 1966), pp. 8-10.
- <sup>276</sup> U.S. Department of Housing and Urban Development, *Improving the Quality of Urban Life*, p. 11.
- <sup>277</sup> *Ibid.*, pp. 12-13.
- <sup>278</sup> Neil Gilbert and Harry Specht, "'Picking Winners': Federal Discretion and Local Experience as Bases for Planning Grant Allocation," *Public Administration Review* 34 (November/December 1974), p. 566.
- <sup>279</sup> U.S. Department of Housing and Urban Development, *Improving the Quality of Urban Life*, p. 11.
- <sup>280</sup> *Ibid.*
- <sup>281</sup> Sundquist, *Making Federalism Work*, p. 86.
- <sup>282</sup> Section 104.
- <sup>283</sup> Section 105(b).
- <sup>284</sup> HUD, *Improving the Quality of Urban Life*, pp. 19-20.
- <sup>285</sup> Section 113.
- <sup>286</sup> Section 105(d).
- <sup>287</sup> Schusheim, *The Modest Commitment to Cities*, p. 127.
- <sup>288</sup> James, "Federalism," p. 74.
- <sup>289</sup> For a discussion and assessment of this process, see Gilbert and Specht, "'Picking Winners'," especially pp. 566-7.
- <sup>290</sup> Ripley, *The Politics of Economic and Human Resource Development*, p. 133.
- <sup>291</sup> Sundquist, *Making Federalism Work*, pp. 84-85.
- <sup>292</sup> *Ibid.*, p. 102.
- <sup>293</sup> *Ibid.*, p. 103.
- <sup>294</sup> *Ibid.*
- <sup>295</sup> *Ibid.*, p. 118.
- <sup>296</sup> Sundquist, *Making Federalism Work*, p. 124. They also proposed a "model countryside" program for the coordination of development efforts in rural areas, patterned after the model cities experience but based upon multicounty agencies, pp. 215-241, 256-261.
- <sup>297</sup> *Ibid.*, pp. 254-5.
- <sup>298</sup> *Ibid.*, pp. 247-52.
- <sup>299</sup> James, "Federalism," p. 90.
- <sup>300</sup> The Report of the President's Task Force on Model Cities, *Model Cities: A Step Towards the New Federalism* (Washington, D.C.: U.S. Government Printing Office, 1970), pp. 1-2.
- <sup>301</sup> James, "Federalism," p. 94.
- <sup>302</sup> George J. Washnis, *Model Cities Impact on Better Communities* (Washington, D.C.: Center for Governmental Studies, n.d.), p. 1.
- <sup>303</sup> *Ibid.*, p. 4.

- <sup>304</sup> Roland L. Warren, Stephen M. Rose, and Ann F. Bergunder, *The Structure of Urban Reform* (Lexington, Mass.: D.C. Heath and Company, Lexington Books, 1974), p. 177.
- <sup>305</sup> James, "Federalism," p. 82.
- <sup>306</sup> For a brief description, see Department of Housing and Urban Development, *The Model Cities Program: A Comparative Analysis of Participating Cities Process, Product, Performance, and Prediction* (Washington, D.C.: U.S. Government Printing Office, 1973), p. 12. Planning requirements were later simplified when it became clear that the initial expectation could not be met.
- <sup>307</sup> Department of Housing and Urban Development, *The Model Cities Program, A History and Analysis of the Planning Process in Three Cities* (Washington, D.C.: U.S. Government Printing Office, 1973), p. 90.
- <sup>308</sup> Department of Housing and Urban Development, *The Model Cities Program, Ten Model Cities: A Comparative Analysis of Second Round Planning Years* (Washington, D.C.: U.S. Government Printing Office, 1973), pp. 75-7.
- <sup>309</sup> *Ibid.*, p. 84.
- <sup>310</sup> Department of Housing and Urban Development, *The Model Cities Program, A Comparative Analysis of City Response Patterns and Their Relation to Future Urban Policy* (Washington, D.C.: U.S. Government Printing Office, 1973), p. 6.
- <sup>311</sup> Warren, "Model Cities," p. 251.
- <sup>312</sup> Steven Arthur Waldhorn and Judith Lynch Waldhorn, "Model Cities: Liberal Myths and Federal Interventionist Programs," *Urban Law Annual* (St. Louis: Washington University, 1972), p. 48.
- <sup>313</sup> *Ibid.*, pp. 54-5.
- <sup>314</sup> James, "Federalism," p. 84.
- <sup>315</sup> Washnis, *Model Cities Impact*, p. 12.
- <sup>316</sup> U.S. Department of Housing and Urban Development, *Community Development Evaluation Series No. 10, The Federal Grant Process - An Analysis of the Use of Supplemental and Categorical Funds in the Model Cities Program* (Washington, D.C.: U.S. Department of Housing and Urban Development, August 1972), pp. 4-5.
- <sup>317</sup> *Ibid.*, p. 5.
- <sup>318</sup> Lilley, "Urban Report/Model Cities Program," pp. 1469-70.
- <sup>319</sup> U.S. Department of Housing and Urban Development, *The Model Cities Program: A Comparative Analysis of the Planning Process in Eleven Cities* (Washington, D.C.: U.S. Government Printing Office, 1970), pp. 48, 53.
- <sup>320</sup> HUD, *Ten Model Cities*, pp. 78-9.
- <sup>321</sup> *Ibid.*, p. 85.
- <sup>322</sup> HUD, *The Federal Grant Process*, pp. 11-16.
- <sup>323</sup> *Ibid.*, pp. 27-8.
- <sup>324</sup> *Ibid.*, pp. 12-13.
- <sup>325</sup> HUD, *The Federal Grant Process*, p. 33.
- <sup>326</sup> HUD, *Eleven Cities*, p. 11.
- <sup>327</sup> *Ibid.*, pp. 25, 67-8.
- <sup>328</sup> HUD, *Eleven Cities*, pp. 68, 71.
- <sup>329</sup> HUD, *Process, Product, Performance, and Prediction*, p. 8.
- <sup>330</sup> Washnis, *Model Cities Impact*, p. 7.
- <sup>331</sup> President's Task Force on Model Cities, *Model Cities: A Step Towards the New Federalism*, p. 9.
- <sup>332</sup> *Ibid.*, p. 15. The report noted that CDAs were otherwise required to prepare as many as 100 applications for categorical grants.
- <sup>333</sup> Comptroller General, *Improvements Needed in Federal Agency Coordination and Participation in the Model Cities Program* (Washington, D.C.: U.S. General Accounting Office, January 14, 1972), p. 32.
- <sup>334</sup> HUD, *Comparative Analysis of City Response Patterns*, p. 6; Washnis, *Model Cities Impact*, p. 6.
- <sup>335</sup> Marshall Kaplan, Gans, and Kahn, *The Model Cities Earmarking Process in the Department of Health, Education and Welfare* (San Francisco: Marshall Kaplan, Gans, and Kahn, September 1970), p. 7.
- <sup>336</sup> Comptroller General, *Improvements Needed*, p. 8.
- <sup>337</sup> MKGK, *Earmarking Process*, p. 8.
- <sup>338</sup> Comptroller General, *Improvements Needed*, pp. 8-9.
- <sup>339</sup> *Ibid.*, p. 22.
- <sup>340</sup> Waldhorn and Waldhorn, "Model Cities," p. 49.
- <sup>341</sup> Comptroller General, *Improvements Needed*, pp. 20-3.
- <sup>342</sup> Marshall Kaplan, Gans, and Kahn, *The Model Cities Earmarking Process*, p. 2.
- <sup>343</sup> *Ibid.*, p. 11.
- <sup>344</sup> *Ibid.*, p. 12.
- <sup>345</sup> *Ibid.*, p. 13.
- <sup>346</sup> U.S. Department of Housing and Urban Development, *Community Development Evaluation Series No. 9, Use of the CDA Signoff in Model Cities for Planning and Coordinating HEW Programs* (Washington, D.C.: U.S. Government Printing Office, August 1972), pp. 2, 5-8.
- <sup>347</sup> Comptroller General, *Improvements Needed*, p. 25.
- <sup>348</sup> *Ibid.*, p. 27.
- <sup>349</sup> *Ibid.*, p. 31.
- <sup>350</sup> Arthur D. Little, Inc., *The State Role in the Model Cities Program*, report prepared for the Department of Housing and Urban Development (September 1971), p. 2.
- <sup>351</sup> *Ibid.*, p. 24.
- <sup>352</sup> *Ibid.*, p. 19.
- <sup>353</sup> *Ibid.*, p. 24.
- <sup>354</sup> *Ibid.*, pp. 5-7.
- <sup>355</sup> *Ibid.*, p. 24.
- <sup>356</sup> "New Federalism/Planned Variations," *National Journal* (March 3, 1975), p. 55.
- <sup>357</sup> Department of Housing and Urban Development, *Community Development Evaluation Series No. 7, Planned Variations: First Year Survey* (Washington, D.C.: U.S. Government Printing Office, October 1972), pp. 33, 40.
- <sup>358</sup> *Ibid.*, pp. 26-7.
- <sup>359</sup> Evaluation Division, Office of Community Planning and Development, *Planned Variations: An Interim Evaluation Report on the First Two Years* (Washington, D.C.: Department of Housing and Urban Development, July 13, 1973).
- <sup>360</sup> HUD, *Planned Variations: First Year Survey*, pp. 26, 31. Evaluation Division, *Planned Variations: An Interim Evaluation*, p. 5.
- <sup>361</sup> HUD, *Planned Variations: First Year Survey*, pp. 28-9.
- <sup>362</sup> *Ibid.*, p. 32.
- <sup>363</sup> Comptroller General, *Planned Variations Demonstration* (August 27, 1973), p. 4.
- <sup>364</sup> HUD, *Ten Model Cities*, p. 85.
- <sup>365</sup> Washnis, *Model Cities Impact*, p. 1.
- <sup>366</sup> HUD, *Planned Variations: First Year Survey*, p. 35.
- <sup>367</sup> *Ibid.*, p. 11.
- <sup>368</sup> *Ibid.*, p. 36.
- <sup>369</sup> Walter M. Mosila, *The New Federalism and the Cities: The Planned Variation Experience* (Pittsburgh: University of Pittsburgh, unpublished doctoral dissertation, 1973), p. 276.
- <sup>370</sup> President's Task Force, *Model Cities*, p. 2.

- <sup>371</sup> HUD, *Planned Variations: First Year Survey*, Appendix E., esp. pp. 138-9.
- <sup>372</sup> *Ibid.*, pp. 122, 125.
- <sup>373</sup> *Ibid.*, p. 137.
- <sup>374</sup> *Ibid.*, p. 161.
- <sup>375</sup> HUD, *Planned Variations: First Year Survey*, Appendix E., esp. pp. 13, 18.
- <sup>376</sup> *Ibid.*, p. 13.
- <sup>377</sup> HUD, *Planned Variations: Interim Evaluation*, p. 4.
- <sup>378</sup> HUD, *Planned Variations: First Year Survey*, p. 18.
- <sup>379</sup> Hearings before a subcommittee of the Committee on Government Operations, *New Federalism*, House of Representatives, 93rd Cong., 2nd Sess. (January 29, 30, 31; February 5 and 6, 1974); p. 280.
- <sup>380</sup> HUD, *Planned Variations: First Year Survey*, pp. 14-5.
- <sup>381</sup> Judson L. James, "Epitaph for an Experiment: Model Cities and the New Federalism," *Journal of Urban Law* 52 (August 1974), p. 100.
- <sup>382</sup> James, "Epitaph," p. 87.
- <sup>383</sup> This should not suggest that all evaluators and analysts viewed the final transition from model cities to the community development block grant programs with equanimity. This was not the case. Judson James deplored the separation of social and physical planning and funding under the block grant proposals, the loss of target area and citizen participation requirements, and the deemphasis on planning and coordination. (James, "Epitaph," pp. 96-99). Similarly, a study group, after reviewing model cities and other urban policy initiatives, recommended that the community development revenue sharing legislation reaffirm the commitment to ameliorating poverty which had been made by the model cities effort. Its view demonstrated skepticism about the theory of revenue sharing, arguing that it provided insufficient guarantees that the poor would be primary beneficiaries. (Subcommittee on the Planning Process, *Revenue Sharing*, pp. 76-7.)
- <sup>384</sup> William L. C. Wheaton, "Comments on the Demonstration Cities Program," *Journal of the American Institute of Planners* 32 (November 1966), p. 368. See also the observations of Marshall Kaplan (p. 369), who saw model cities as a variation on the "Heller plan" for revenue sharing, and Bernard J. Frieden (p. 374) in the same issue.
- <sup>385</sup> Haar, *Between the Idea and the Reality*, p. 227.
- <sup>386</sup> Frieden and Kaplan, *The Politics of Neglect*, pp. 237-8.
- <sup>387</sup> Wofford, "Politics of Local Responsibility," pp. 85-8.
- <sup>388</sup> Sundquist, *Making Federalism Work*, p. 34.
- <sup>389</sup> Kravitz, "The Community Action Program - Past, Present, and Future," p. 60.
- <sup>390</sup> Derthick, *Between State and Nation*, pp. 8, 120.
- <sup>391</sup> *Ibid.*, p. 191.
- <sup>392</sup> Jeffrey L. Pressman and Aaron B. Wildavsky, *Implementation: How Great Expectations in Washington Are Dashed in Oakland; Or, a Saga of the Economic Development Administration as Told by Two Sympathetic Observers Who Seek to Build Morals on a Foundation of Ruined Hopes* (Berkeley: University of California Press, 1973), pp. 133-4.
- <sup>393</sup> Seidman, *Politics, Position, and Power*, pp. 27-8.
- <sup>394</sup> The conceptual difficulty in accommodating the ARC model to regions with large metropolitan areas is noted by Federal cochairman Donald W. Whitehead in *To Extend and Amend the Appalachian Regional Development Act*, House of Representatives, p. 58.
- <sup>395</sup> ACIR, *Multistate Regionalism*, pp. 42-3.
- <sup>396</sup> Comptroller General, *Review of Economic Opportunity Programs*, pp. 132-3.
- <sup>397</sup> Derthick, *Between State and Nation*, pp. 184, 191.
- <sup>398</sup> Sundquist, *Making Federalism Work*, pp. 120, 245-6.
- <sup>399</sup> Eli Ginzberg and Robert M. Solow, "Some Lessons of the Sixties," *The Public Interest* (Winter 1974), p. 213.
- <sup>400</sup> The quotation is taken from Sundquist's remarks in a roundtable discussion, transcribed in Robert Mayer, Robert Moroney, and Robert Morris, *Centrally Planned Change: A Reexamination of Theory and Practice* (Urbana, Illinois: University of Illinois Press, 1974), p. 189.
- <sup>401</sup> *Ibid.*, p. 200.
- <sup>402</sup> See the discussion in *Ibid.*, pp. 191-193.
- <sup>403</sup> Lance Liebman, "Social Intervention in a Democracy," *The Public Interest* (Winter 1974), p. 18.
- <sup>404</sup> Lawrence D. Brown, "Coordination of Federal Urban Policy: Organizational Politics in Three Model Cities," unpublished doctoral dissertation, Harvard University (September 1973), p. 511.
- <sup>405</sup> Warren, Rose, and Bergunder, *The Structure of Urban Reform*, pp. 179, 181-2.
- <sup>406</sup> *Ibid.*, p. 79.
- <sup>407</sup> James Q. Wilson, "Comments on the Model Cities Program," *Journal of the American Institute of Planners* 32 (November 1966), p. 373.
- <sup>408</sup> Dennis A. Rondinelli, *Urban and Regional Development Planning: Policy and Administration* (Ithaca: Cornell University Press, 1975), p. 15.
- <sup>409</sup> *Ibid.*, p. 16.
- <sup>410</sup> *Ibid.*, p. 17.
- <sup>411</sup> Seidman, *Politics, Position, and Power*, p. 191.
- <sup>412</sup> Daniel P. Moynihan, "Policy vs. Program in the '70's," *The Public Interest* (Summer 1970), pp. 90-91.
- <sup>413</sup> *Ibid.*, p. 98.
- <sup>414</sup> Derthick, *Between State and Nation*, p. 208.



# Federal Efforts To Standardize and Simplify Assistance Administration

By the mid 1960s, the categorical grants system was a prototype of a clumsy and burdensome governmental process. "Red tape" complaints were directed at the growing number of categoricals, each with its own guidelines and administrative requirements. Although state and local grant recipients needed and appreciated the benefits of Federal money, they increasingly resented Federal intrusiveness and onerous administrative demands. As mounting social and fiscal pressures caused state and local governments to turn more and more to Washington for financial assistance, they became increasingly entangled in a web of requirements and procedures. Wary Federal program managers, often responsible for implementing statutes with vaguely specified Congressional intentions, protected themselves by imposing additional administrative requirements designed to assure grantee accountability (*i.e.*, tight strings).

This chapter deals with Federal efforts to streamline grant administrative processes and improve communications with state and local government grant recipients. Historical factors which shaped the development of administrative procedures and the grant management difficulties of the early and mid 1960s are presented as background for the reform efforts of the past ten years. Legislative and executive efforts to rationalize, standardize, and simplify assistance administration are described, and the current status and results of those efforts are evaluated.

## ORIGINS OF ADMINISTRATIVE REQUIREMENTS

While in 1950 Federal grants-in-aid to state and local governments amounted to about \$2.5 billion, by 1969 they had multiplied to over \$20 billion, distributed through a multiplicity of categorical grants and two block grants. Over a five-year period in the mid 1960s, the number of categorical grants more than doubled – from 160 in 1962 to 379 in 1967. Applicants and recipients of these Federal aids frequently faced a maze of different procedures for applications, plans, accounting systems, reports, and audits.

This so-called Federal red tape, while unprecedented in scope and complexity, was not a new phenomenon. Its origins can be traced back to the first grant program in 1785 when Congress (still acting under the Articles of Confederation) passed the *Northwest Ordinance*. This act provided grants of Federal land to every township in the Northwest Territory for use in establishing public schools. The pattern for land grants for higher education was established in 1787 in the Ohio Territory. Three quarters of a century later, the *Morrill Act* was enacted to provide grants of land<sup>1</sup> to each state for the endowment of at least one college. Certain administrative requirements were attached to these early land grants. The governor of each state was to report on the amounts and use of the money raised from the sale of the land. States were also required to report on the progress of any colleges established.

Other early administrative requirements grew out of initial efforts to assist agricultural experimental stations. The first program of this type under the *Hatch Act of 1887* required annual financial reports from the states. Subsequent acts provided for Federal audits. The *Smith-Lever Act of 1914*, which established programs for agricultural extension work, required Federal approval of state plans.

These acts established precedent for the administrative attitude that when the Federal government granted funds to the states, the money was not a gift. The grantor had the right and even the responsibility to exercise some control. During hearings on the Smith-Lever bill, the point was made that supervision of grants by postaudit was inadequate. Consequently, the program required the submission of a detailed plan in advance for Federal approval, introducing an important new dimension into the grantor-grantee relationship.

In 1916, the *Federal Aid Road Act* was passed appropriating \$50 million for the first year and adding \$5 million each year for five years until it totaled \$75 million annually. These funds were to be distributed

among the states for the construction of rural post roads. Provision was made for Federal approval and supervision of the projects, and the regulations called for the creation of a department of highways in each state to administer the program. This requirement set a precedent for Federal influence on state governmental structure. The “single state agency” requirement (under which a state is required to establish or designate a single state agency to administer or supervise the administration of a grant program) was established in a number of later grant programs. The highway grant program was the first Federal aid program to be stringently supervised with an administrative process which included advance examination of projects, detailed progress reports, audit of expenditures, and inspection of the completed project to ascertain that the plans had been followed.

Some of the administrative conditions attached to use of grant funds were statutory, while others were created by agency regulations. Both kinds usually varied from program to program. Consequently, as the number of categorical grants increased, implementation at the state and local levels became increasingly complex. Recipients began more and more to question the necessity and utility of many of the administrative requirements imposed on them.

## PRE-REFORM CONDITIONS

As indicated in *Chapters I, II, and V*, in the mid and late 1960s the Federal grant system came under heavy attack from many quarters. Surveys of five states conducted by management and organization staff of the Bureau of the Budget,<sup>2</sup> ACIR's 1967 study,<sup>3</sup> the “Creative Federalism” hearings of the Senate Subcommittee on Intergovernmental Relations,<sup>4</sup> visits to 40 states by teams of “Flying Feds” under the Office of Intergovernmental Relations in the Vice President's Office and later under OMB,<sup>5</sup> and other investigations revealed a range of intergovernmental frictions arising from the recent proliferation of categorical grants.

The Bureau of the Budget's intensive surveys of five states<sup>6</sup> found that

... major problems were facing all levels of government in trying to administer new grant-in-aid and loan programs. Most of these problems resulted from the proliferation of narrow and complex categorical grant and loan programs, some of which actually overlapped and many of which were interrelated. In mid 1966, it was evident that the existing system was overly complex,

resulting in an excessive number of small grants, making it difficult for applicants to keep track of available aid and put together related pieces, and causing unbalances in state and local programs because of the pressure to go for the “easiest” money. Federal planning requirements, the requisite for many forms of aid, likewise had become over complex, fragmented, and, in some cases, inconsistent. Severe shortages of qualified personnel hurt efforts in many many areas. Federal coordination was also being hampered by the lack of consistency in regional boundaries and office locations, lack of delegations of authority and poor communication. Delays in appropriations contributed to a worsening situation. Further, the fragmentation of authority at the state and local level, the hostility between states and cities, and the general problem of inadequate revenues added other dimensions to the difficulties being faced.

Among the most vexing causes of intergovernmental frictions, at least from the perspective of state and local government grantees, were the complex and excessive administrative requirements and procedures attached to categorical grants. In 1966, when the Council of State Governments (CSG) surveyed state budget officers on their experience with Federal grants-in-aid, they found numerous examples of administrative procedures and requirements which impeded rather than facilitated the achievement of program goals.<sup>7</sup> A general lack of administrative consistency was one of the chief sources of state officials’ complaints. The CSG study identified the following specific problem areas:

- detailed, diverse, burdensome reporting requirements,
- detailed and inconsistent planning requirements not linked to implementation,
- varied and confusing cost allowances,
- arbitrary costsharing practices,
- burdensome and disparate accounting requirements,
- separate bank accounts requirements,
- slow reimbursement
- delayed audits and long duration of record storage,
- separate state agency requirements, and
- lack of information relevant to state budgeting and planning.

In an earlier study, *The Federal System as Seen by State and Local Officials*,<sup>8</sup> more than half of the responding county officials, city managers, and mayors indicated that administrative requirements attached to grant programs frequently hampered the flexibility and operations of local government.

The grants administration “horror stories” of the 1960s have been well documented. The chairman of the Federal Assistance Review (FAR) steering group probably epitomized them in one simple anecdote:

I was in one of your accounting units in the basement of a city hall a few months ago looking at the accounting system – and it was really pretty distressing, because those poor people down there, who really ought to be working on the city accounting system to modernize it, to make it do what the mayor and the department heads need it to do to make it responsive to management – instead of doing that, they were having to try to accommodate themselves and their records to a whole range of different Federal accounting requirements. They couldn’t do any of them very well because they didn’t have the resources. And in this particular community, 10 percent of the revenues were coming from the Federal government, but about 80 percent of their fiscal systems effort was going into the non-productive effort of trying to keep a number of different accounting breakdowns for the Federal government.<sup>9</sup>

The most frequently recurrent causes of complaint were the lack of timely information; burdensome application, reporting and accounting requirements; confusion about allowable costs and cost sharing standards; long delays in communicating policy decisions; time-consuming application processes; and inconsistencies in procedures and requirements. The following paragraphs provide illustrations of some of these shortcomings.

### **Lack of Timely Information**

In CSG’s 1966 report, Michigan reflected the views of most states in complaining about the lack of timely information for many new programs regarding applications, accounting, limitations on the use of funds, and reporting procedures. A 1966 survey of city managers, revealing the type of problems most troublesome to local government administrators, also stressed the need

## ORIGINS OF ADMINISTRATIVE REQUIREMENTS

While in 1950 Federal grants-in-aid to state and local governments amounted to about \$2.5 billion, by 1969 they had multiplied to over \$20 billion, distributed through a multiplicity of categorical grants and two block grants. Over a five-year period in the mid 1960s, the number of categorical grants more than doubled – from 160 in 1962 to 379 in 1967. Applicants and recipients of these Federal aids frequently faced a maze of different procedures for applications, plans, accounting systems, reports, and audits.

This so-called Federal red tape, while unprecedented in scope and complexity, was not a new phenomenon. Its origins can be traced back to the first grant program in 1785 when Congress (still acting under the Articles of Confederation) passed the *Northwest Ordinance*. This act provided grants of Federal land to every township in the Northwest Territory for use in establishing public schools. The pattern for land grants for higher education was established in 1787 in the Ohio Territory. Three quarters of a century later, the *Morrill Act* was enacted to provide grants of land<sup>1</sup> to each state for the endowment of at least one college. Certain administrative requirements were attached to these early land grants. The governor of each state was to report on the amounts and use of the money raised from the sale of the land. States were also required to report on the progress of any colleges established.

Other early administrative requirements grew out of initial efforts to assist agricultural experimental stations. The first program of this type under the *Hatch Act of 1887* required annual financial reports from the states. Subsequent acts provided for Federal audits. The *Smith-Lever Act of 1914*, which established programs for agricultural extension work, required Federal approval of state plans.

These acts established precedent for the administrative attitude that when the Federal government granted funds to the states, the money was not a gift. The grantor had the right and even the responsibility to exercise some control. During hearings on the Smith-Lever bill, the point was made that supervision of grants by postaudit was inadequate. Consequently, the program required the submission of a detailed plan in advance for Federal approval, introducing an important new dimension into the grantor-grantee relationship.

In 1916, the *Federal Aid Road Act* was passed appropriating \$50 million for the first year and adding \$5 million each year for five years until it totaled \$75 million annually. These funds were to be distributed

among the states for the construction of rural post roads. Provision was made for Federal approval and supervision of the projects, and the regulations called for the creation of a department of highways in each state to administer the program. This requirement set a precedent for Federal influence on state governmental structure. The “single state agency” requirement (under which a state is required to establish or designate a single state agency to administer or supervise the administration of a grant program) was established in a number of later grant programs. The highway grant program was the first Federal aid program to be stringently supervised with an administrative process which included advance examination of projects, detailed progress reports, audit of expenditures, and inspection of the completed project to ascertain that the plans had been followed.

Some of the administrative conditions attached to use of grant funds were statutory, while others were created by agency regulations. Both kinds usually varied from program to program. Consequently, as the number of categorical grants increased, implementation at the state and local levels became increasingly complex. Recipients began more and more to question the necessity and utility of many of the administrative requirements imposed on them.

## PRE-REFORM CONDITIONS

As indicated in *Chapters I, II, and V*, in the mid and late 1960s the Federal grant system came under heavy attack from many quarters. Surveys of five states conducted by management and organization staff of the Bureau of the Budget,<sup>2</sup> ACIR's 1967 study,<sup>3</sup> the “Creative Federalism” hearings of the Senate Subcommittee on Intergovernmental Relations,<sup>4</sup> visits to 40 states by teams of “Flying Feds” under the Office of Intergovernmental Relations in the Vice President's Office and later under OMB,<sup>5</sup> and other investigations revealed a range of intergovernmental frictions arising from the recent proliferation of categorical grants.

The Bureau of the Budget's intensive surveys of five states<sup>6</sup> found that

... major problems were facing all levels of government in trying to administer new grant-in-aid and loan programs. Most of these problems resulted from the proliferation of narrow and complex categorical grant and loan programs, some of which actually overlapped and many of which were interrelated. In mid 1966, it was evident that the existing system was overly complex,

resulting in an excessive number of small grants, making it difficult for applicants to keep track of available aid and put together related pieces, and causing unbalances in state and local programs because of the pressure to go for the “easiest” money. Federal planning requirements, the requisite for many forms of aid, likewise had become over complex, fragmented, and, in some cases, inconsistent. Severe shortages of qualified personnel hurt efforts in many many areas. Federal coordination was also being hampered by the lack of consistency in regional boundaries and office locations, lack of delegations of authority and poor communication. Delays in appropriations contributed to a worsening situation. Further, the fragmentation of authority at the state and local level, the hostility between states and cities, and the general problem of inadequate revenues added other dimensions to the difficulties being faced.

Among the most vexing causes of intergovernmental frictions, at least from the perspective of state and local government grantees, were the complex and excessive administrative requirements and procedures attached to categorical grants. In 1966, when the Council of State Governments (CSG) surveyed state budget officers on their experience with Federal grants-in-aid, they found numerous examples of administrative procedures and requirements which impeded rather than facilitated the achievement of program goals.<sup>7</sup> A general lack of administrative consistency was one of the chief sources of state officials’ complaints. The CSG study identified the following specific problem areas:

- detailed, diverse, burdensome reporting requirements,
- detailed and inconsistent planning requirements not linked to implementation,
- varied and confusing cost allowances,
- arbitrary costsharing practices,
- burdensome and disparate accounting requirements,
- separate bank accounts requirements,
- slow reimbursement
- delayed audits and long duration of record storage,
- separate state agency requirements, and
- lack of information relevant to state budgeting and planning.

In an earlier study, *The Federal System as Seen by State and Local Officials*,<sup>8</sup> more than half of the responding county officials, city managers, and mayors indicated that administrative requirements attached to grant programs frequently hampered the flexibility and operations of local government.

The grants administration “horror stories” of the 1960s have been well documented. The chairman of the Federal Assistance Review (FAR) steering group probably epitomized them in one simple anecdote:

I was in one of your accounting units in the basement of a city hall a few months ago looking at the accounting system – and it was really pretty distressing, because those poor people down there, who really ought to be working on the city accounting system to modernize it, to make it do what the mayor and the department heads need it to do to make it responsive to management – instead of doing that, they were having to try to accommodate themselves and their records to a whole range of different Federal accounting requirements. They couldn’t do any of them very well because they didn’t have the resources. And in this particular community, 10 percent of the revenues were coming from the Federal government, but about 80 percent of their fiscal systems effort was going into the non-productive effort of trying to keep a number of different accounting breakdowns for the Federal government.<sup>9</sup>

The most frequently recurrent causes of complaint were the lack of timely information; burdensome application, reporting and accounting requirements; confusion about allowable costs and cost sharing standards; long delays in communicating policy decisions; time-consuming application processes; and inconsistencies in procedures and requirements. The following paragraphs provide illustrations of some of these shortcomings.

### **Lack of Timely Information**

In CSG’s 1966 report, Michigan reflected the views of most states in complaining about the lack of timely information for many new programs regarding applications, accounting, limitations on the use of funds, and reporting procedures. A 1966 survey of city managers, revealing the type of problems most troublesome to local government administrators, also stressed the need

for timely information on new programs.<sup>10</sup> Again, in the 1967 “Creative Federalism” hearings before the Senate Subcommittee on Intergovernmental Relations, the states’ need for grants-related information was identified as a major problem area.<sup>11</sup> Finally, the Bureau of the Budget surveys found grant information a special problem for small communities because of less adequate staff resources to search out information and greater inaccessibility to agency sources.<sup>12</sup>

This lack of timely information following the enactment of new programs often caused uncertainty for recipients. For example, a year after Title XIX of the *Social Security Act* (Medicaid) was enacted, states had received only a proposed draft copy of an administrative handbook. The formal handbook to be issued by the Bureau of Family Services was supposed to contain administrative regulations and interpretations to guide states in preparing plans that would meet Federal criteria for obtaining Federal sharing of costs of the state programs. Lack of this material complicated and retarded preparation of meaningful budget requests and appropriations.<sup>13</sup>

Another facet of the information gap was the lack of state knowledge about Federal programs and funds coming into their jurisdictions. As the flow of Federal funds increased, such information was needed for state budgeting and planning. In 1969, an assistant to the then Governor of Illinois remarked:

At any given moment, no one knows for sure exactly how or where Federal money is being spent in the state . . . or for what it is being spent.<sup>14</sup>

Three types of information problems were apparent:

- lack of organized and easily accessible information on available programs and funding levels,
- lack of timely information related to the administrative requirements for new programs, and
- lack of Federal-state grant activity information as input for state budgeting and planning.

### **Application Process Delays**

“Reducing time needed for processing applications” was identified by Federal agencies working with the “Flying Feds” as one of seven troublesome areas in grant administration.<sup>15</sup> The city managers’ survey and the

“Creative Federalism” hearings similarly established that the slow processing of grant applications was presenting problems for state and local governments. The project application experience of one state dealing with the National Highway Safety program illustrates the situation from the recipient’s perspective.<sup>16</sup>

A project application was submitted to the National Highway Safety Bureau’s (NHSB) regional office for an initial review. Within two weeks it was forwarded to the bureau’s Washington office. After about a month had passed, the applicant asked NHSB’s regional representative for information about Washington’s review of the project. The usual reply was that (1) the project was in technical review, (2) it was in financial review, (3) it had been sent forward with a recommendation for approval or non-approval, or (4) additional information was requested. The applicant became seriously concerned, when after two months, further inquiries met with the same answer as the original request for information. He took matters into his own hands and, after informing the regional representative, contacted the Washington office directly, usually finding that the project application had been put aside for some unspecified reason. Delays of four months were not considered unusual.

The Bureau of the Budget reported that six months to a year delays were encountered. Several local officials expressed the view that they would rather be promptly turned down than have to spend months in futilely pursuing project applications.<sup>17</sup>

### **Reporting Requirements**

Frequency of reporting, requirements for excessive detail, and unexpected requests for information were major problems associated with reporting requirements. In the CSC study, Colorado alleged that the Department of Labor required excessive reporting for the In-School Work Training Program of the *Economic Opportunity Act*. Monthly invoices and reports from a large number of school districts had to be processed by the state agency. Kentucky pointed out that frequently requests were made for data to be given in a specific form not anticipated at the beginning of the report period.

New York State grappled with a more complicated problem. Under the *Vocational Education Act of 1963*, funds were appropriated for six major purposes — secondary education, presecondary education, adult education, education of the handicapped, construction facilities, and ancillary services. Federal regulations, however, required annual reports of expenditures not only according to these categories but also by sub-program areas — such as agriculture, distributive educa-

tion, fishery, home economics, health, office technology and trades, and industry within each of the six major purposes. This meant that 54 individual fiscal reports had to be prepared and filed each year regarding the expenditure of funds under the *Vocational Education Act* at both the state and local levels. Satisfying this requirement involved considerable staff time.

### Confusion Over Costs

Issues which meant more or less money for the grantee were particularly sensitive. Definition of cost-sharing terms and confusion over allowable costs were such issues. State and local grantees were disturbed by a multitude of seemingly arbitrary and varying administrative interpretations.

For example, the Bureau of Family Services of HEW's Welfare Administration maintained that the states had wide latitude in deciding how the programs were to be organized and administered. However, the interpretations of the bureau itself began to greatly restrict this "wide latitude." Some states considered unreasonable and restrictive Federal administrative labeling of certain position classifications as entitled to 75 percent Federal sharing in costs versus 50 percent cost-sharing for all other positions. In one state, a specialized unit staffed by lawyers was used to obtain child support from deserting parents. The state's past experience indicated that lawyers were more effective in this assignment than social workers. Yet, Federal administrative interpretation determined that the state was entitled to 75 percent of administrative costs if social workers were employed and only 50 percent for lawyers.<sup>18</sup>

Federal agencies were, themselves, sometimes uncertain about the application of cost concepts. Washington State submitted a cost allocation plan to obtain 75 percent Federal matching in its aid to families with dependent children services program. After a delay of approximately a year and a quarter, they were told that because of a Federal administrative interpretation contrary to a former understanding, the state would not be entitled to several hundreds of thousands of dollars in Federal sharing of costs that it had relied on.<sup>19</sup> Such situations indicated the need for clarification of cost principles in intergovernmental agreements.

### Federal Influence on State Organization

Single state agency requirements frequently found in Federal grant-in-aid legislation and regulations, particularly for the public assistance titles of the *Social Security Act*, also were a source of state dissatisfaction. Oregon

and other states maintained that attempts to reorganize state administrative agencies were frustrated in part because of this requirement. Hawaii and Wisconsin also alleged that desirable organizational changes were similarly hampered.<sup>20</sup>

Sometimes, eligible recipients lost out on funding opportunities. Public junior colleges were eligible for funds under Titles V and XII of the *National Defense Education Act* and the *Vocational Education Act of 1963*. However, the statutes required the aid programs to be administered by the state department of education. In Georgia, higher education institutions were not under the state department of education. Because of that organizational separation, the participation of junior colleges in these programs in Georgia was quite limited.<sup>21</sup>

### Slow Reimbursement

Delays in transfer of committed funds also caused grantee problems. Federal funding of the construction of the University of Kentucky Medical Center is a classic "horror story." The center was completed before it received any of the grant funds which were to aid in its construction.<sup>22</sup>

## FEDERAL RESPONSE TO PROBLEMS

In response to the growing intergovernmental friction, the Federal government took steps to rationalize, standardize, and simplify administrative procedures applicable to grant programs. It also moved to improve communications with state and local governments on matters relating to implementation of those programs. Action accelerated in the "Creative Federalism" of the later years of the Johnson Administration and intensified in the "New Federalism" under President Nixon.

On the legislative front, Congress enacted the *Intergovernmental Cooperation Act of 1968* and in 1969 established the Commission on Government Procurement. Though the latter focused on procurement problems, it was inevitably drawn to an examination of closely related problems of grant management. On the administrative front, a series of interagency efforts was the major vehicle for attacking many of the points of irritation in the grants administration system. These included preeminently the Federal Assistance Review (FAR), the Planning Assistance and Requirements Coordinating Committee (PARC), the Joint Financial Management Improvement Program, and the Interagency Audit Standards Work Group.

## Intergovernmental Cooperation Act of 1968

The *Intergovernmental Cooperation Act of 1968* (ICA)<sup>23</sup> represented the first Congressional effort specifically aimed at improving the administration of Federal grant-on-aid programs. The act addressed itself to a number of problems identified in previous studies and hearings. The main provisions included:

- Governors and state legislatures are to be informed of grants-in-aid coming into their states.
- States no longer need to keep Federal grant funds in separate bank accounts.
- Federal grant agencies are to schedule the transfer of funds to states so as to minimize the time elapsing between disbursement and use.
- The agencies are to coordinate functional planning requirements under separate Federal assistance programs so as to incorporate them into local and regional comprehensive planning efforts.
- The President is to establish rules and regulations to govern the formulation, assessment, and review of Federal grant programs with areawide significance to the end that the programs promote sound and orderly development. Review of projects is to be based on concern for seven criteria (land use, natural resources conservation, balanced transportation systems, adequate recreation and open space, historic and natural beauty site protection, properly planned community facilities, and high design standards).

ICA expressed Congressional intent to strengthen state and local generalists and general purpose governments *vis-a-vis* the functional specialists and special purpose governments by providing the generalists an expanded grants review mechanism by emphasizing their need for grants information for their own budgeting and planning processes, and by requiring preference for general purpose units of government in the granting of Federal loans and aids.

## Federal Assistance Review (FAR)

One year after the passage of the ICA, the Federal Assistance Review (FAR) program was organized at the direction of President Nixon to move ahead in the

direction established by the ICA. The FAR program was conducted by OMB and the agencies of the Domestic Council – the Departments of Agriculture, Commerce, HEW, HUD, Interior, Justice, Labor, Transportation, the Office of Economic Opportunity, the Environmental Protection Agency, Small Business Administration, Civil Service Commission, General Services Administration, and Office of Intergovernmental Affairs. It initiated a three-year effort to decentralize, standardize, and simplify the Federal grants system. Based on earlier studies and recommendations of the Bureau of the Budget, the FAR team proposed and the President directed establishment of ten standard regions and headquarters cities which applied to 75 regional Federal agencies and bureaus.<sup>24</sup> In each of the ten regions, Federal Regional Councils were formed consisting of representatives of seven agencies.<sup>25</sup> Other agencies participate on an *ad hoc* basis when problems arise affecting their programs. The President designates the council chairmen and established an Under Secretaries' Working Group for Regional Operations to provide policy direction from Washington. The Federal Regional Council facilitates handling major grant problems that involve more than one department at the regional level.

The major thrust of the FAR program was to place greater managerial responsibility upon state and local governments while standardizing and simplifying procedures and regulations. The 13 participating Federal agencies joined in an unprecedented effort to cut red tape.<sup>26</sup> Within each agency, internal improvement programs began concentrating on the following major goals in addition to common regional boundaries and Federal Regional Councils:

- simplifying and standardizing administrative procedures,
- reduction in processing time,
- greater reliance on state and local government decision making,
- decentralization,
- consistency of procedures,
- joint funding simplification,
- grant consolidation and improved inter-program coordination, and
- implementation of the *Intergovernmental Cooperation Act*.

Under guidance of this program, agencies began reducing the stacks of paperwork they had imposed on state and local governments. Later, they started to abandon some of their complex procedures and multiple layers of review, approval, and audits.

## **Planning Assistance and Requirements Coordinating Committee (PARC)**

The FAR program spawned several task forces. One such group, the Planning Assistance and Requirements Coordinating Committee (PARC), worked on interagency standardization of procedures and regulations to achieve greater consistency in the planning area.

The PARC Committee was originally established by HUD in 1967 to coordinate and monitor planning requirements and planning assistance programs. Under the FAR program the committee was divided into two task groups, both of which were directed to report through the PARC Committee. The Interdepartmental Task Group on Planning Assistance Grant Programs focused on the substance of Federal planning programs with a view to clarifying planning goals, eliminating duplication, and simplifying the 36 different types of planning grants then available from 11 sources. The Planning Requirements Task Group was directed to study and make recommendations for simplifying and rationalizing plan requirements attached to grant programs. Both groups completed their reports in 1970.

## **Joint Financial Management Improvement Program (JFMIP)**

The Joint Financial Management Improvement Program was a governmentwide cooperative effort of Federal agencies begun in 1948 to promote the continued development and use of improved financial management systems in planning and controlling the use of Federal funds. The Comptroller General, the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Chairman of the Civil Service Commission provide leadership for the program in a cooperative working arrangement with all other agencies. In 1969, the program undertook a study of grants-in-aid, producing a number of recommendations for simplifying and improving the financial management of grant programs. The project involved a review of the requirements and procedures in effect for accounting, auditing, and financial reporting under grant programs.

## **Interagency Audit Standards Work Group**

As the number and complexity of governmental programs grew, public officials, legislators, and the general public became more concerned about the proper use of governmental funds. There was an increasing interest in whether governmental programs were being conducted efficiently, effectively, and economically.

More emphasis was being placed on expanding the scope of governmental audits and avoiding costly duplication of audit efforts. The Interagency Audit Standards Work Group addressed the need for intergovernmental audit standards. It included representatives from GAO, HEW, OMB, Commerce, Agriculture, HUD, OEO, DOT, Labor; advisory members from state and local governments; and university consultants. The work of the group culminated in GAO's publication in 1972 of *Standards for Audit of Governmental Organizations, Programs, Activities and Functions*.

## **Commission on Government Procurement**

The Commission on Government Procurement was created by Congress in 1969<sup>27</sup> with membership from the legislative and Executive Branches and the general public. It employed professional staff to collect and analyze information about procurement regulations and practices. Because of the importance of Federal aid activities and the uncertainty of their relationships to procurement, the commission conducted a limited review of Federal grant assistance. The purpose was to ascertain the significance, if any, of the interchangeable use of grants and contracts and of the degree to which procurement rules and regulations are, or should be, applied to grant-type assistance.

The commission found considerable confusion in the relationships among the Federal government, contractees, and assistance recipients. It suggested legislation to clarify the distinction between the contract and assistance relationships and among the different types of assistance. The commission also urged that a study be undertaken of the feasibility of developing a system of guidance for Federal assistance programs.

\* \* \*

In short, the Federal government responded to the administrative growing pains of the intergovernmental grants system with a battery of legislative and executive efforts to standardize and simplify administrative procedures and improve intergovernmental communications of grant-related matters. Spearheading and overseeing the overall effort for the Administration was OMB, which had the leading hand in organizing the various interagency bodies as well as participating in their work. With its central management responsibility, OMB undertook other administrative reform activities, many of which were designed to implement sections of the *Intergovernmental Cooperation Act of 1968*.<sup>28</sup>

The principal instruments for carrying out the legislative and administrative efforts to streamline the grants

administration process were a group of administrative circulars, in most cases issued initially by OMB with responsibility later transferred to GSA but in January 1976 returned to OMB. Except for the work of the Procurement Commission, and the Congressional and Executive Branch action that followed it, these circulars are the major focus of the remainder of this chapter.

## CLARIFYING GRANT AND PROCUREMENT RELATIONSHIPS

From its limited review of grant assistance, the Commission on Government Procurement concluded that inconsistencies in terminology and use of incorrect instruments contribute to the general confusion in dealing with grants and contracts.<sup>29</sup> Three basic causes were identified:

- inappropriate and interchangeable use of grants and contracts,
- failure to recognize that there is more than one kind of grant-type relationship or transaction, and
- lack of governmentwide guidance for assistance relationships and transactions.

### Federal Grants: "The Present Situation"

The commission reached its conclusions on these causes from a detailed examination of conditions found in the Federal grant system. The conditions it found included:

- The term "grant" has no single or precise meaning. "Grant" transactions range from simple to complex. Grants are used by some agencies, such as HUD, the National Institutes of Health, and the National Science Foundation, to support research and demonstration projects requiring little or no agency involvement or direction. On the other hand, an agency such as the Urban Mass Transportation Administration of DOT exercises as much or more control over its grants, which it calls "grant-contracts," than is customary in many procurements.
- The term "grant-in-aid" originally was used to describe grants to state and local governments, but now it is also used to describe grants to different types of

recipients. Usually it is associated with assistance programs of the formula type of HEW and DOT.

- Grants and contracts are used interchangeably (within and among agencies) for the same types of projects. Interchangeability is most widespread when significant agency involvement occurs *during* performance of assistance activities. In such cases, the "older" agencies, such as AEC<sup>30</sup> and NASA, tend to write complex grants. The National Science Foundation and others do both.
- Some agencies use grants to avoid the requirements, such as advance payments justifications, which apply to contracts. Some use more grants in June to obligate funds before the end of the fiscal year because grants are quicker to process. Some program officials responsible for negotiating and administering grants, but not contracts, tend to shift to contracts when they are busy in order to place the load elsewhere. These practices may give Federal agencies administrative discretion not intended by Congress.
- Wide variations exist in agency administrative involvement in similar types of projects. For example, EDA closely monitors construction under its grants; HEW tries to do so but does not always succeed. OEO claims that it does not have the staff to worry about construction under its grants.
- The tendency of the Executive Branch to either over or under administer grant-type programs is generally recognized. OMB is quoted concerning the excessive controls, clearances, and other impediments to grant administration. GAO and Congressional committees, on the other hand, voice concern about under-administration of grant programs. Too much, too little, or the wrong kind of Federal involvement evidences uncertainty regarding the relationship of the government and recipients in many of these programs.

- Grant-type assistance instruments exhibit wide variations in agency requirements. The instruments of some agencies explicitly cover particular subjects; others do not.
- A comparison of clauses ordinarily used in procurement contracts with those commonly employed in grant-type instruments reveals that statutory authorizations for grant-type assistance seldom require clauses such as Buy American, Walsh-Healey, Davis-Bacon, and Convict Labor. In the absence of governmentwide use of such clauses, some agencies are using them in grant instruments even though their utility in most such instruments is doubtful. In addition, some program authorizations contain requirements such as Davis-Bacon, although the organic statutes do not apply the requirement to grant-type transactions.

The commission found that the problems stemmed from Congressional as well as administrative action. Enabling and appropriation statutes for grant programs cause confusion and lack consistency in requirements, terminology, amount of detail, and emphasis. They are inconsistent in specifying circumstances under which the use of grants is required. Agencies usually prefer using grants for transactions that require little agency involvement or participation during performance, but many grant-authorizing statutes require the use of grants, even though the programs demand substantial agency involvement during performance. By mandating use of grants in such cases, the statutes are a major source of governmentwide inconsistency and uneven management affecting Federal grant-type assistance.

The commission also found uncertainty as to the respective roles of the grantor agency and grant recipient. Agencies often do not know to what extent Congress expects Federal control of, or participation in, a program, or the extent to which the agency or its officials will be held responsible for activities of recipients. Program administrators therefore understandably tend to protect themselves by imposing excessive requirements, thereby diminishing the recipient's flexibility to use the assistance effectively.

Recipients reflect the uncertainty at the Federal level. When they must deal with different requirements of different agencies, they are uncertain of their role and responsibilities in complying with Federal procedures.

## Procurement Commission Recommendations

Based on these conclusions the Procurement Commission made two recommendations, identified as F-1 and F-2 in its report:

**F-1.** Congress should enact legislation to (a) distinguish assistance relationships as a class from procurement relationships by restricting the term "contract" to procurement relationships and the terms "grant," "grant-in-aid," and "cooperative agreement" to assistance relationships, and (b) authorize the general use of instruments reflecting the foregoing types of relationships.

**F-2.** The Office of Federal Procurement Policy should undertake or sponsor a study of the feasibility of developing a system of guidance for Federal assistance programs and periodically inform Congress of the progress of this study.

Earlier in its report, the commission had recommended the establishment of an Office of Federal Procurement Policy (OFPP) to serve as an Executive Branch focal point for developing greater governmental uniformity in procurement policies. Congress established such an office in a 1974 statute (P.L. 93-400). OFPP is located in OMB but reports directly to Congress and receives its budget directly from that body. The office has the power to call on all Executive Branch procurement people to support its operations. Directives issued by OFPP supersede procurement policy issued by any other agency.

OFPP is given six comprehensive assignments by law:

- 1) to establish a system of coordinated, and to the extent feasible, uniform procurement regulations for the executive agencies;
- 2) to establish criteria and procedures for an effective and timely method for involving the viewpoints of interested parties in the development of procurement policies, regulations, procedures, and forms;
- 3) to monitor and revise policies, regulations, procedures, and forms;
- 4) to promote and conduct research in procurement policies, regulations, procedure and forms;
- 5) to establish a system for collecting,

developing, and disseminating procurement data which takes into account the needs of Congress and the Executive Branch and the private sector; and

6) to recommend and promote programs of the Civil Service Commission and executive agencies for recruitment, training, career development, and performance evaluation of procurement personnel.

### A Suggested Typology

Elaborating on its recommendation with respect to procurement and assistance relationships, the commission suggested consideration of three types of instruments: contracts, grants, and cooperative agreements. The distinctions among the three kinds of instruments are illustrated in *Figure III-1*, and their characteristics are suggested in *Table III-1*.

Essentially, procurement is differentiated from assistance mainly on the basis of purpose: procurement is for the purpose of purchasing a product or service for Federal use; assistance is to support or stimulate recipient activity. Procurement is by contract; assistance is by grant or cooperative agreement. The distinction between assistance by grant and by cooperative agreement is chiefly governed by the degree of government involvement in the relationship between the Federal government and the recipient *during* performance. The commission suggests that where such involvement is minimal the grant instrument be used, and where it is significant the cooperative agreement is appropriate.

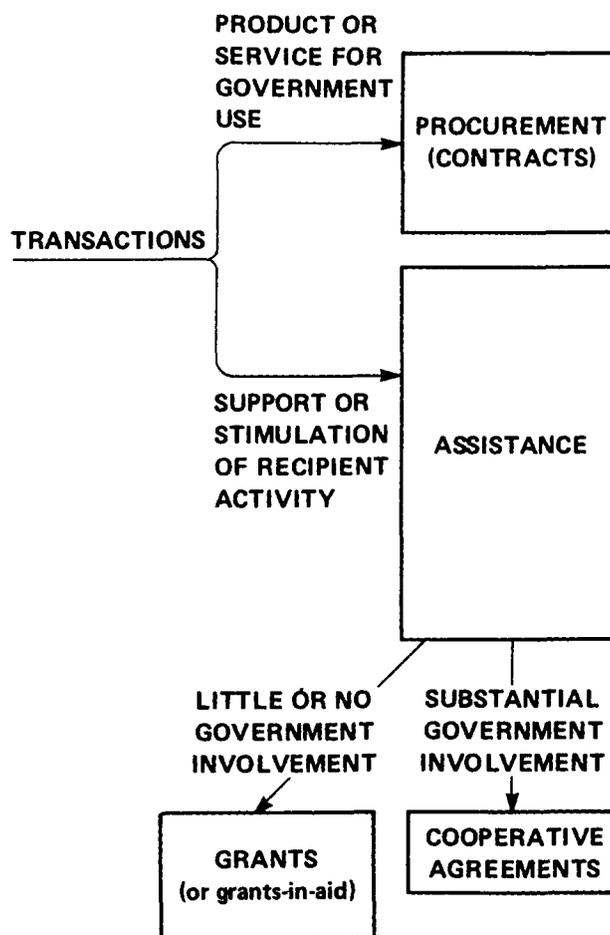
### Proposed Legislation

Legislation to carry out recommendations F-1 and F-2 of the Procurement Commission's report was introduced in the Senate in 1974 by Senator Chiles for himself and Senators Roth, Muskie, Gurney, and Brock (S. 3514). In the House, H.R. 9060 covering recommendation F-1 and H.R. 9059 covering F-2 were introduced by Congressman Holifield for himself and Congressman Horton. Committee hearings were held on S. 3514 in the Senate and on H.R. 9059 in the House.

As passed by the Senate, sections 4, 5, and 6 of S. 3514 implemented the Procurement Commission's recommendation F-1 and generally reflected the commission's suggested typology for differentiating procurement contracts, grants, and cooperative agreements. The intent was to require that the legal instruments employ-

Figure III-1

### Procurement Commission's Proposed Model for Selection of Procurement or Assistance Instrument



Source: Report of the Commission on Government Procurement, Vol. 3 (Washington, D.C.: U.S. Government Printing Office, 1972) p. 166.

ed in transactions between Federal agencies and non-Federal recipients of awards reflect the basic characteristics of the relationship established. On the issue of "substantial involvement" — the factor which distinguishes cooperative agreements from grants — the bill made the Executive Branch responsible for developing necessary guidelines.

Section 7(a) authorized each executive agency empowered by law to enter into contracts, grants, or

Table III-1

**Procurement Commission's Suggested Classes of Procurement and Assistance Relationships and Suggested Characteristics**

ITEM	Assistance		Procurement
	Grants	Cooperative Agreements	Contracts
<b>Purpose</b>	Support or stimulation of recipient activity	Support or stimulation of recipient activity	Purchase of product or service for Federal use
<b>Governing Principles</b>	Assistance guidance	Assistance guidance	Procurement regulations
<b>Basis for Award</b>	Technical competition or formula award, need, etc.	Technical competition or formula award, need, etc.	Maximum technical and price competition
<b>Government Involvement During Performance</b>	Little or none (e.g., routine agency approvals; standards for costs, procurement, etc.)	Substantial (e.g., monitoring to enable agency to give specified substantive approvals, or assist or advise)	Varying degrees (whatever is necessary)
<b>Right to Change</b>	Grantee	Mutual agreement	Government
<b>Right to Terminate</b>	Grantee	Either party	Government

Source: Report of the Commission on Government Procurement, Vol. 33 (Washington, D.C.: U.S. Government Printing Office, 1972) p. 167.

cooperative agreements to use whatever instrument is appropriate. The purpose of the authorization was to overcome the problem many agencies face if their choice is statutorily restricted to a particular instrument.

Section 8 mandated a study of Federal assistance programs. Unlike recommendation F-2 of the Procurement Commission report, which asked that the Office of Federal Procurement Policy undertake or sponsor the study, this section mandated the Director of OMB, in cooperation with the executive agencies, to undertake the study. The study was to develop a better understanding of alternative means of implementing Federal assistance programs and determine the feasibility of developing a comprehensive system of guidance for Federal assistance programs.

The Senate Committee on Government Operations report on S. 3514 noted that witnesses supporting the bill included representatives of business, universities, the legal profession, state governments, and the General Accounting Office. It reported that only the represen-

tatives of executive agencies and the Florida budget officer

... did not feel the bill was a constructive and positive beginning step toward resolving some of the confusions that exist in Federal procurement and assistance activities... (they) supported the mandate for a study of Federal assistance programs but felt that the criteria for distinguishing between the uses of type of contracts, grants, and cooperative agreements should await the completion of the study.<sup>31</sup>

In a letter to then Chairman Ervin of the Senate Committee on Government Operations several months after the hearings, OMB repeated the Administration view that the study called for in section 8 of S. 3514 should be completed before Congress established by statute distinctions among contracts, grants, and co-

operative agreements. OMB said it was exploring the possibility that the proposed study need not be limited to a feasibility probe, as provided by Section 8, but could build upon the system of grants administration already in use; and, thus, a more comprehensive system could be developed.<sup>32</sup>

S. 3514, the *Federal Grants and Cooperative Agreement Act of 1974*, passed the Senate without dissent in October 1974. The House took no action, feeling that further consideration should wait until 1975. On April 15, 1975, Senator Chiles introduced S. 1437, virtually identical to S. 3514, and this time was joined by Senators Weicker, Nunn, Brock, Roth, Muskie, Glenn, Moss, and Percy.

In May 1975, the new OMB Director, James T. Lynn, wrote to Senator Chiles that he had reviewed OMB's position on S. 3514 and had concluded that OMB would not oppose legislation similar to S. 3514, "although we still have some reservations about the proposed definitions."<sup>33</sup> He said that an interagency study like that proposed in section 8 of S. 3514 should be started immediately, with first emphasis on a thorough analysis of the proposed definitions, and expressed the hope that the study, expected to be completed by December 31, 1975, would be reviewed by Congress before it adopted statutory definitions as in S. 3514. In reply, Senator Chiles did not respond directly to Director Lynn's request for deferral of Congressional action, but asked that OMB permit the committee staff to review the status and progress of the study so as to contribute to the success of the effort.

In the summer of 1975, the Administration study was launched under the joint leadership of the deputy administrator of GSA and the associate director of OMB for management and operations. The study was to focus on the general approach and proposed definitions in the bill in Phase I. More detailed studies on developing a more comprehensive body of guidance governing assistance relationships would be conducted as part of a much longer Phase II effort.

At a September 1975, meeting with public interest and other groups to discuss both Phase I and Phase II, OMB and GSA officials explained that, while the study in its early stages would follow somewhat the same pattern as the FAR program in detailed analysis of program conditions and requirements, it would not duplicate the FAR effort. Rather, it would expand the standardization of program requirements initiated by FAR and, in addition, undertake to standardize procedures and conditions in other assistance activities, such as loans and loan guarantees. Thus, the S. 1437 study was seen as an opportunity, not only to bring clarity to

the Federal government's procurement and assistance relationships, but to supplement some of the changes originally wrought by FMC 74-7.

### Interagency Study Team

The interagency study group completed its draft report on Phase I in December 1975.<sup>34</sup> The group did not find overwhelming support for, or opposition to, S. 1437. Federal agencies were generally lukewarm to the definitions for, and use of, three types of instruments, *i.e.*, contracts, grants, and cooperative agreements. They felt that a difficult implementing problem was to provide regulations sufficiently specific to delineate clear distinctions between the several types of instruments. For their part, assistance recipients felt that the Federal government would do better to focus on the familiar problems of categorical grant administration, such as inconsistent administration of Federal management circulars and lack of information on availability of grants, rather than spend effort on defining and clarifying standard relationships and legal instruments. Most recipients interviewed could not distinguish among contracts, grants, and other agreements, nor did they feel they needed to. Most recipients indicated that they would like to have advance descriptions of Federal involvement in specific assistance programs. They emphasized "advance information" rather than "standard relationships," since they felt one of their chief problems was to avoid surprises due to abrupt changes in Federal involvement.

Despite this lack of a sense of urgency about the objectives of S. 1437 among those consulted by the interagency group, the group concluded that there was value in differentiating between procurement and assistance transactions, and in classifying the latter by the degree of Federal involvement. It expressed its full support for the concept, philosophy, objectives, and goal of the bill. It felt that the bill, with certain modifications, would help establish an overall framework to standardize, simplify, and clarify the relationships between Federal agencies and recipients of Federal awards.

Among the proposed modifications, the study group urged that the term "cooperative agreement" not be used for Federal assistance or support, since the term as currently used by the agencies is different from the definition in the bill. It recommended that the term be reserved for Federal agency transactions involving partner or joint-venture-type relationships with states, local governments, and other organizations on work which is part of, or directly related to, Federal agency operational missions and which is mutually beneficial. Ex-

amples are fire control agreements between Agriculture's Forest Service and state counterpart forest service managers, and cooperative agreements between the Geological Survey of the Department of the Interior and states to prepare geological maps and topographical maps and conduct water resource studies on a 50-50 sharing basis. In accord with this recommendation, the group proposed deletion from S. 1437 of "substantial involvement" as a criterion for a cooperative-agreement-type relationship.

In the assistance-support area, the study group proposed that, instead of setting up two kinds of assistance relationships — those with and those without substantial involvement — three types be established, known as A, B, and C. A would cover the highest degree of Federal involvement, characterized by direction and control. B would reflect intermediate Federal involvement, characterized by monitoring and technical assistance. In C there would be little or no Federal involvement — the Federal agency would act as financial supporter and sponsor. The report suggested that the legislation provide that the Executive Branch specify criteria for determining the degree of involvement for each activity and subactivity. The report itself provided suggested criteria. The study group did not expect that involvement in all activities within a program would be uniformly under type A, B, or C, but that, based on the activity involvement pattern, Federal agencies could decide whether A, B, or C is the "predominant" relationship.<sup>35</sup>

To convert to this new type of assistance classification, the study group proposed a two-year transition period after issuance of implementing instructions. In the two years, Federal agencies would have to apply the criteria in determining the relationships they are entering into; annotate the type on each award document; inform the awardees in advance of the intended Federal involvement by activity and subactivity; make a self-evaluation, program by program, to assess the propriety of involvement and to achieve further standardization; and submit self-evaluation results and recommendations for similar programs administered by other agencies to the agency issuing governmentwide implementing instructions.

This approach, the report concluded:

... would allow agencies to operate essentially as they do now, but would provide a framework for self-evaluation and consistency, a better understanding of Federal involvement on the part of grantees, and increased opportunity for Congressional and

Executive Branch oversight over assistance-support programs. Also, the Congress, if it wishes, could stipulate the type of relationship that should be entered into by including a provision in future authorizing legislation.<sup>36</sup>

The work group noted that S. 1437 would not be helpful to local governments which receive Federal aid as a pass-through from states or other local governments. They suggested that Federal agencies urge state governments to effect more consistent patterns of state involvement. They also urged Federal agencies to require state recipients to communicate specifically the intended Federal involvement in subgrantees' and subcontractors' activities.

The study departed from the idea of a clear distinction between procurement and assistance requirements in its treatment of research programs. It found that in most instances research cannot be classified as either assistance or procurement. It, therefore, suggested that the feasibility study proposed in section 8 of S. 1437 should give serious consideration to developing one standard set of administrative requirements which would apply to all research grants and contracts with non-profit organizations.

## STANDARDIZATION OF GRANT ADMINISTRATION PROCEDURES

Three Federal Management Circulars (FMCs) are the major vehicles for carrying out standardization and simplification of grant administration procedures:

**FMC 74-7** — Uniform administrative requirements for grants-in-aid to state and local governments.

**FMC 74-4** — Cost principles applicable to grants and contracts with state and local governments.

**FMC 73-2** — Audit of Federal operations and programs by executive branch agencies.

These circulars were administered by OMB until 1973 when responsibility was transferred to GSA.<sup>37</sup> In GSA, the circulars were administered by the Office of Financial Management in the Office of Federal Management Policy. On January 2, 1976, responsibility was returned to OMB.<sup>38</sup> The circulars remain in effect until modified or rescinded by OMB.

Since this study of experience with the circulars was

made while GSA was administering them, GSA is cited throughout as the responsible administering agency except as otherwise indicated.

## **FMC 74-7: Uniform Administrative Requirements**

This landmark management circular was promulgated October 19, 1971, as *OMB Circular A-102* and reissued by GSA as FMC 74-7 on September 13, 1974. It was painstakingly developed under the FAR program by an interagency task group working with OMB. The circular attempts to standardize 15 areas of administration of grants to state and local governments and to restrain agencies in imposing "excessive" requirements.<sup>39</sup>

**Development of Circular.** The circular's development was guided by four major objectives:

- to ease the burden of time-consuming grantee requirements,
- to emphasize performance rather than administrative procedures,
- to require only essential information in reports and applications, and
- to decentralize managerial responsibility but still enable effective Federal managerial oversight.

With these objectives in mind, the OMB work group developed an analysis matrix of 1,500 questions which identified common and differing administrative procedures in 159 programs. Recommendations for standardization and simplification based on this extensive analysis were then circulated to the Federal agencies for informal review. The resulting suggestions were incorporated into the draft circular. The draft was reviewed by the Federal agencies, public interest groups, Joint Financial Management Improvement Program (JFMIP), and the FAR steering group. It was a product of careful analysis, negotiations, and consultation. When finally issued as *OMB Circular A-102*, it incorporated the substance of *OMB Circular A-96*, which had implemented sections 202, 203, and 204 of the *Intergovernmental Cooperation Act of 1968*. These sections deal with deposits of grants-in-aid, scheduling of transfers of funds, and waivers of single state agency requirements.

**Application Forms.** Part of the effort concentrated on reducing the confusing variety of application forms, some of which were needlessly burdensome and time consuming. Study groups analysis calculated that the

average grant application contained 33 pages with approximately 246 items. Four simplified standard forms were developed, and the concept of the pre-application was introduced. The pre-application is a simple form used to establish the probability of an applicant's receiving a grant before considerable time and money are spent preparing a formal application. The Federal agency has 45 days to acknowledge and respond. Pre-applications are mandatory (according to the circular) for projects involving construction, land acquisition, or development using over \$100,000 of Federal funds. The other three forms are provided for non-construction programs, construction programs, and a short form application.

In November 1975, GSA amended FMC 74-7 by including a new face sheet which replaced Part I of the pre-application form and the three application forms.<sup>40</sup> The change was in part an effort to integrate the information requirements of FMC 74-7 with those of two other circulars, *OMB A-95* and *Treasury Circular 1082*.<sup>41</sup>

**Grant Payments.** The circular encourages agencies to use the letter of credit as the preferred method of transferring grant funds. A letter of credit is an instrument certified by a grantor agency which authorizes a grantee to draw funds when needed from the Treasury, through a Federal Reserve Bank and the grantee's commercial bank.<sup>42</sup> Use of this method is mandatory for non-construction programs when the following conditions exist:

- 1) a continuing relationship between the grantor and grantee of at least 12 months,
- 2) funds to be received for that year will amount to over \$250,000,
- 3) the grantee is willing and able to establish procedures that minimize the time between transfer of funds and their disbursement by the grantee, and
- 4) the recipient's financial management system meets prescribed standards for fund control and accountability.

The letter of credit is optional for construction programs.

**Matching Share.** The matching share represents the portion of program costs required of the grantee. Of 159 programs analyzed, 115 contained matching share requirements, but they varied considerably on how the amount was to be determined and the types of matching

contributions considered acceptable. Where “in-kind,” non-cash contributions were allowed, there were contradictions from program to program as to what contributions and methods of valuation were allowable, causing much contention and uncertainty. The circular attempts clarification.

Matching requirements may be satisfied by:

- 1) costs incurred by grantee (as measured by the cost principles in FMC 74-4); and/or
- 2) in-kind contributions made by third parties.

Costs incurred by the grantee may be financed from any non-Federal source. Funds from other Federal grants may be used to finance the grantee’s share of project costs only when authorized by Federal law.

All in-kind contributions which meet a brief set of criteria given in the circular are to be accepted towards satisfying matching requirements. Standards for determining the value of third-party, in-kind contributions are prescribed, along with basic documentation requirements.

**Cash Depositories.** Of 159 programs reviewed, 42 had specific and varying provisions for the type of banks to be used and prescribed depository procedures. Under the circular, state and local governments may rely on their usual banking procedures, disregarding special bank eligibility requirements. However, Treasury encourages Federal agencies to use minority-owned banks whenever they can provide the required banking service without any appreciable increase in costs.

**Financial Management Systems.** The circular defines an adequate grantee financial system and forbids Federal agencies to impose additional methodologies or requirements on grantees. The circular delineates standards but does not impose or describe specific procedures. An adequate grantee financial management system is required to provide for the following:

- current, accurate, and complete disclosure of financial results;
- records which identify the source and application of funds;
- effective controls and accountability for funds, property, and other assets;
- comparison of actual expenditures and budgeted amounts;
- methods which minimize time elapsing

between receipt and expenditure of funds;

- an FMC 74-4 cost allocation plan (see below);
- financial and compliance audits at least every two years; and
- accounting records supported by source documentation.

The circular’s intention is to remedy the situation cited by the chairman of the FAR steering group quoted earlier, *i.e.*, countless man-hours spent by local and state grantees trying to satisfy a wide variety of Federally imposed accounting requirements.

**Procurement Standards.** Rather than impose a variety of Federal procedures, grantees are allowed to use their own procurement regulations based on state and local law. Again, certain standards are prescribed, but specific requirements are not imposed. Such standards are:

- adequate review procedures,
- assurance of competition,
- use of the appropriate procurement methods, and
- compliance with equal employment, anti-kickback, and prevailing wage regulations.

Minimum standards are set for state and local government procurement procedures for purchasing supplies, equipment, and services with grant funds. No additional requirements are to be attached to program regulations by the Federal agencies unless mandated by Federal law.<sup>43</sup>

**Property Management.** The analysis indicated that 69 of 159 programs examined had title vesting provisions for property acquired with Federal funds. In some programs, title was retained by the Federal government, while in 19 programs, title to the property was given the grantee outright. In 47 programs, conditional title was vested in the grantee with a confusing variety of conditions. The circular establishes one set of rules for dealing with property purchased with grant funds.

**Bonding and Insuring Requirements.** The interagency task group found a variety of insurance requirements among the grant programs – pertaining to fire and extended coverage, public liability coverage, and vehicle coverage. Where there were fidelity bonding or surety bonding requirements in construction programs, they

varied in amount and coverage required. These requirements were standardized, and imposition of other requirements by Federal agencies was barred. Now state and local government recipients are allowed to follow their own bonding and insurance requirements provided that grant-aided construction over \$100,000 must include a 5 percent bid guarantee, a 100 percent performance bond and 100 percent payment bond.

**Program Income.** Eighty-six of the 159 programs studied had some kind of income provision. A variety of inconsistent requirements governed the disposition of income from property sales, interest, patents, and copyrights. To illustrate the confusion and variances, the task group pointed to the following:

- six programs required that the income be returned to the Federal government,
- 28 provided for use of income to reduce the Federal share,
- three allowed such income to be used to reduce the grantee share,
- 21 provided for use to reduce both Federal and grantee share,
- 11 provided general guidelines,
- 12 allowed a variety of other uses, and
- five allowed unrestricted use.

The circular establishes uniform accounting and disposition rules for four categories of program income earned by grant-supported activities. Such income must be used to increase the scope of the project or must be deducted from the total project cost when determining the Federal share.

Although the circular promotes consistency and standardization, states and localities are treated differently in respect to interest earned on grant funds pending their disbursement for program purposes. States are not held accountable and can keep the interest, but local governments are required to account for such interest and return it to the Federal government. These different policies are required by provisions of section 203 of the *Intergovernmental Cooperation Act of 1968* and related decisions by the Comptroller General.

**Financial Reporting Requirements.** Four standard reporting forms are provided to replace the number of different forms used previously (a variety of 53 forms in 138 of the 159 programs studies). Standards are provided for such matters as (1) frequency of reporting, (2) due dates, (3) cash basis versus accrual basis data, and (4) number of copies to be submitted. Grantor agencies

must obtain OMB and GSA clearance before they may modify or supplement the forms or require additional detail. However, reports cannot be required more frequently than quarterly or less often than once a year, with a final report due by 90 days after project completion.

**Program Performance.** A section of the circular establishes standard procedures for monitoring and reporting program performance. Grantees are required to submit a report which briefly indicates whether the program is meeting its established goals and supplies relevant substantiating data. If goals are not being met or costs are running over the budget, these conditions must be noted and explained. This report accompanies the financial report and must be submitted at least annually, but cannot be required more frequently than quarterly.

**Budget Revision.** Here, specific criteria and procedures are prescribed. The kinds of budget revisions for which the grantee must obtain prior Federal approval are spelled out. All other budget revisions may be made by the grantee without prior Federal approval.

**Records Retention and Custody.** The circular requires grant recipients to retain financial records, supporting documents, statistical records, and other pertinent records for a period of three years with certain qualifications. Federal grantor agencies, otherwise, are forbidden to impose record retention requirements beyond those established by the state or local recipient governments. Other provisions of the circular encourage Federal grantor agencies to allow state and local recipients to substitute microfilm copies for original records, permit the transfer of records to Federal custody when they have long-term retention value, and limit grantor agencies' placing of restrictions on state and local government which will impede public access to the records. The circular also provides for GAO and Federal grantor agency access to pertinent records of grantees and subgrantees for audit and related purposes.

**Single State Agency Waiver.** Grantor agencies are urged to give expeditious handling and favorable consideration to state requests for waiver of the single state agency requirement, in accordance with section 204 of the *Intergovernmental Cooperation Act of 1968*. The objective is to avoid unwarranted Federal interference in the structure and organization of state government. Federal agencies are to advise GSA of the reasons for denying any request for a waiver. In addition, they are encouraged to avoid proposing a single state agency

requirement in future legislation and to initiate legislative proposals for removing such statutory requirements as already exist.

**Closeout.** Finally, the circular establishes certain mandatory procedures for the closeout of grants and sets forth basic principles governing suspension and early termination of grants. Noteworthy is the requirement for grantee consent if a grant is to be terminated for any reason other than failure of the grantee to comply with the grant conditions.

**Implementation.** Until January 2, 1976, when responsibility for the management circulars was returned to OMB, GSA's Office of Financial Management (OFM) within the Office of Federal Management Policy (OFMP)

was responsible for seeing that the requirements of FMC 74-7 were carried out within the departments and agencies. OFM's professional staff for monitoring this circular as well as circulars FMC 74-4 and FMC 73-2 (see following sections) was equivalent to about two and one-half man-years in 1975. The professional staff also was involved in other projects and activities dedicated to improving the financial management of Federal assistance programs and agency operations. OMB retained broad policy oversight, and was responsible for resolving major policy issues that might arise.

The circular states that GSA "may grant exceptions from the requirements of the circular when exceptions are permissible under existing laws. However, in the interest of keeping maximum uniformity, deviations

Table III-2

**FMC 74-7 Exceptions Granted or Pending,  
as of April 1975**

Department or Agency	Standards Affected
<b>A. Exceptions Granted</b>	
1. Administration on Aging	Progress report (Att. I. of Circular)
2. Agriculture	Progress report (Att. I.)
3. EPA	Preapplication form (Att. M.)
4. HEW/SRS	Financial reporting (Att. H—temporary, expired 7/75) <sup>1</sup> Matching share (Att. F)
5. HUD	Application (Att. M—temporary)
6. Labor	Financial report (Att. H.) Progress report (Att. I)
7. DOT	Bonding (Att. B) Financial report (Att. H.) Progress report (Att. I.)
<b>B. Exception Requests Pending</b>	
1. DOT	Financial reporting (Att. H.)
2. HUD	Various standards

Source: GSA, Office of Federal Management Policy, *Progress Report, Implementation of FMC 74-7*, April 1975.

<sup>1</sup> HEW/SRS submitted a request to make this exception permanent.

from the requirements of this circular will be permitted only in exceptional cases." OMB is informed of all requests received by GSA and participates in the waiver decision whenever necessary. *Table III-2* summarizes the status of exceptions granted or pending in mid 1975.

A number of problems have surfaced in the administration of the circular. A basic problem of Federal agencies is the inclination to disregard the requirements of the circular when under the pressure of launching new or revised programs. This was illustrated in the issuance of new regulations under the *Comprehensive Employment and Training Act* (CETA) in 1974.

In this case, the Department of Labor required monthly rather than quarterly financial status reports, thus complicating rather than simplifying the task of potential applicants in obtaining the grant funds. The National Association of Counties (NACo) charged that in this action DOL largely ignored the circular and "placed restrictive and totally unnecessary administrative requirements on units of local government." In a resolution eventually adopted by NACo for inclusion in its *American County Platform*, that organization requested that GSA "expend all necessary effort and utilize all available authority to direct and require the Department of Labor to institute the use of FMC 74-7 in its purest form, without waivers of any provisions thereof: in order to satisfy the reasonable and necessary requirements of both the Federal and local governments."

The Labor Department claimed that it needed monthly reporting until the high unemployment situation improved. It, therefore, requested and received a temporary exception to the quarterly reporting requirement until June 1976. Even so, the department was still out of compliance with respect to the use of forms required for the financial status reporting.

The circular states that Federal grantor agencies shall do certain things in establishing requirements for grants-in-aid with respect to the 15 administrative procedures. GSA does not require the agencies to submit implementing plans and proposals to GSA for review and approval before initiation. It generally relies on complaints from grant recipients for detection of non-compliance and leverage for achieving conformity. The only "preventive" handle GSA has to catch non-compliance before it gets to the point of arousing complaints is through the forms control route. OMB, which is responsible for approving all forms that Federal agencies use for requesting information and action from state and local recipients, is alert to the requirements under FMC 74-7.

If an agency adheres to the forms control requirements in initiating a new or revised program, it is, therefore, bound to subject itself to review for compliance with at least some of the basic requirements under FMC 74-7. In the CETA instance, however, the Department of Labor, in its haste to launch the program, circumvented the forms review channel.

Implementation of FMC 74-7 also is complicated by the fact that certain programs have statutory requirements that conflict with the standardization and simplification requirements of the circular. The Law Enforcement Assistance (LEAA) and Urban Mass Transportation Assistance (UMTA) programs are examples. The extent of such conflicts is to be examined in depth during Phase II of the OMB-GSA study, described earlier, for development of a system of guidance for Federal agencies in the use of procurement and assistance instruments.

In connection with the problem of statutory inconsistency with objectives of FMC 74-7, it is interesting to note that recent block grant programs like CETA and Community Development are requiring more detailed and complicated forms than those allowed under FMC 74-7. This suggests that, despite the block grant and FMC 74-7 philosophy of looser "strings," Congress and program administrators may be unsure of accountability under block grants and are, therefore, reverting to the traditional management approach associated with categorical grants.

Another issue is the use of the letter of credit as urged by FMC 74-7. GAO noted in a recent report<sup>44</sup> that Federal agencies increased the use of letters of credit from \$1.5 billion in fiscal 1965 to \$38.6 billion in FY 1974. The Treasury estimates that about \$30 million in interest was saved during FY 1973 by using this financing method. But the report pointed out that not all Federal agencies have taken advantage of the more sophisticated techniques developed for the letter of credit. Sixteen of 17 grantees covered in GAO's review withdrew funds before they were needed for disbursement, unnecessarily increasing the Federal government's interest costs by about \$284,000 for a six-month period in FY 1973.

The GAO report concluded that there is little incentive for grantor Federal agencies to minimize cash balances of grantees, since interest costs incurred on outstanding funds are paid by the Treasury rather than by operating agencies. GAO recommended improved monitoring of the use of the letter of credit and more specific guidance in techniques which would assist in further reducing government interest costs. It also recommended that grantees using the letter of credit be required to report average daily cash balances rather

than month-end balances, and that the Secretary of the Treasury and the Administrator of GSA encourage states and localities to remove legal and administrative impediments to effective use of the letter of credit financing method. GAO added that the appropriations and oversight committees of Congress may wish to monitor the two agencies' actions to reduce the government's interest cost.

In implementing FMC 74-7, some Federal agencies are concerned that state agencies in administering Federal "pass-through" programs can mandate additional requirements. The local government recipients may not be aware of the source of the extra paper work or the restrictive requirements and, unjustifiably, attribute them to the Federal agency. OMB's position on this issue is that, in accordance with the basic policy of a Federal-state partnership and decentralization of authority, the Federal government should not preclude states from adding requirements as they see necessary. Under this approach, local governments are expected to appeal directly to their state governments for relief rather than depend on the Federal government to tie the hands of the states.<sup>45</sup>

In a 1971 report,<sup>46</sup> the Council of State Governments (CSG) examined experience with the authority for waiver of the single state agency requirement, which is now covered by FMC 74-7. CSG noted that in almost two years there had been only three waivers requested, all in the area of social services and health. CSG stated: "In view of the vigorous support for inclusion of waiver provisions in the *Intergovernmental Cooperation Act*, the infrequency with which they have been used begs explanation. A likely reason is found in the reorganization activity which has occurred in state government since 1968."

Noting that in the previous three years 19 states had reorganized their health and welfare agencies,<sup>47</sup> and 35 states had reorganized their executive branches, CSG concluded: "While reorganization efforts have not been successfully implemented in all cases, the activity focused on broad restructuring has eliminated some of the need for use of the waiver and caused states to hold its use in abeyance pending final reorganization results."

**GAO Report.** In an August 1975 report<sup>48</sup> on state and local officials' experiences in dealing with the Federal assistance delivery system, GAO found that FMC 74-7 had reduced those officials' complaints about program administration problems. Yet, they also found that certain administrative problems continued to persist, because the circular had not been completely implemented. Specifically:

- Not all Federal agencies had implemented the pre-application process.
- Some Federal agencies were slow in using a standard application form. Also, even when the standard form was used, some agencies required applicants to submit separate assurance certifications (civil rights, relocation assistance) which duplicated assurances already provided in the standard application form.
- Many grantees were still required to report on forms and at intervals not in compliance with FMC 74-7.

GAO concluded that "continued efforts toward achieving standardization among Federal agencies' administrative requirements for assistance programs to state and local governments are needed . . ."<sup>49</sup>

GAO heard frequent complaints from state and local officials that they were not allowed sufficient time to respond to Federal agencies' requests for project proposals. To remedy this problem, the report recommended that FMC 74-7 be revised to provide that all grantmaking agencies allow prospective grantees a minimum amount of time, such as 60 days, to prepare and submit applications for Federal assistance.

GAO also noted that FMC 74-7 prescribes three basic methods for transmitting Federal assistance funds to state and local governments: letter of credit, advance by Treasury check, and reimbursement by Treasury check. Because each method is subject to wide variations in practice, a grantee dealing with several programs must often use many payment methods and provide different types of documentation to support its requests for reimbursement. "These variations of payment methods," the report concluded, "among and within Federal agencies have no impact at the Federal level but impose an administrative burden on individual states and local units of government."<sup>50</sup>

In response to GAO's criticism of agencies' implementation of FMC 74-7, GSA pointed out the magnitude and complexity of the standardization effort and the widespread skepticism regarding the chances of success. GSA also noted that GAO's non-compliance finding with respect to one program was made in early 1974, and that, in a later review, GAO found that the circular had been substantially implemented for that program. GSA referred to the latest progress report on FMC 74-7 compliance (April 1975), which indicated that, except for some minor instances, the implementation was

complete, subject to a double check by an independent interagency audit which was being coordinated by the GSA Office of audits.

In commenting on this GSA statement, a public interest group spokesman said he would not agree that

“minor instances” are all that need to be corrected, but that “GSA is moving ahead as rapidly as practical in the process of correction of inequities.”<sup>51</sup>

GSA concurred with GAO’s proposal for a minimum time for applicants, such as 60 days, and stated that this

Table III - 3

**Views of 36 State Budget Officers on Effects of FMC 74-7 (Summer 1975)**

	Has Change Occurred?		If Change Has Occurred, Has It Improved Grant Administration?	
	Yes	No	Yes	No
<b>Provision of circular</b>				
1. Recipients no longer required to keep individual grants in separate bank accounts.	24	10	24	0
2. Minimizing of time between Federal disbursement and grantee use of funds (letter of credit).	28	4	27	1
3. Waiver of “single state agency” requirement.	20	9	19	0
4. Preapplication procedures standardized.	24	9	22	2
5. Standardized forms for application, review, and approval of project grants.	25	8	24	1
6. Standardized procedures for payments, determining matching shares, budget revisions, reporting grants close-out, record retention.	22	10	22	0

Source: ACIR questionnaire survey.

Table III-4

**Views of City Officials on  
FMC 74-7  
(Fall 1975)**

Provision of Circular	Total Cities Responding	Has Change Occurred?		If Change Has Occurred, Has It Improved Grant Administration?		
		Yes	No	Total Cities Responding	Yes	No
1. Recipients no longer required to have separate bank accounts for grant funds.	335	63.9%	36.1%	208	93.3%	6.7%
2. Minimizing of time between Federal disbursement and grantee use of funds.	324	68.5	31.5	222	76.6	23.4
3. Preapplication procedures standardized.	315	65.4	34.6	203	87.7	12.3
4. Standardized forms for application, review, and approval of project grants.	312	67.6	32.4	206	87.4	12.6
5. Standardized procedures for payments, determining matching shares, budget revisions, reporting grants close out, record retention.	303	60.4	39.6	172	90.1	9.9

Source: ACIR-ICMA questionnaire survey.

would be explored in a joint OMB-GSA grants management study (the study being made in response to proposed S. 1437).<sup>52</sup>

Neither GSA nor OMB reacted to the problem of varying payment methods identified in the GAO report, although OMB stated that the joint OMB-GSA grants management study would encompass opportunities for further standardization of Federal administrative and program requirements.<sup>53</sup>

**OMB Report to Congress.** In the course of the deliberations that eventually led to return of the responsibility for the management circulars to OMB, OMB was asked to conduct a study of the responsibilities of GSA's Office of Federal Management Policy. In his report on the study, OMB Director Lynn stated that there was no part of OFMP activity which drew stronger support than their work on grants management systems. "Senators Muskie and Chiles and other legislators as well

as all of the public interest groups . . . were overwhelming and loud in their appeal for continuation and intensification of the grant simplification work. Enforcement and compliance by Federal agencies is their united plea. They stress that this work, while it is mundane and detailed, is nonetheless critical in overcoming the burden of trying to comply with divergent requirements by different Federal program managers. They feel that GSA has done well with this assignment with limited resources, and that a strong and manifest OMB backing is essential.”<sup>5 4</sup>

**State Budget Officials’ Views.** In the ACIR questionnaire survey of state budget officials on Federal grant issues, the officials were asked whether they were aware of FMC 74-7; whether they thought certain specified provisions of the circular had had an effect; and whether such effects improved grant administration.<sup>5 5</sup> All 36 of the budget officials who responded to the question indicated that they were aware of the circular. Their responses on the issues of change are summarized in *Table III-3*.

The percentage of respondents who believed that the various provisions had had an effect varied from 69 to 88 percent. The lowest percentage was registered for the standardized procedures for payments, etc., and the single state agency waiver provision. The latter probably reflects the reduced pressure for waivers because of state reorganizations, as noted in the quotations earlier from the Council of State Governments.

Of those who felt that change had occurred, there was an almost unanimous belief that the change had improved grant administration: 132 out of a possible 136 choices indicated that improvements resulted.

In short, this group of budget officers takes a very favorable view of the effect of FMC 74-7.

**Views of City and County Executives.** In the mail survey of city and county executives conducted by ACIR and the Urban Data Center of the International City Management Association (ICMA), a similar question was asked about FMC 74-7.<sup>5 6</sup> Of the 471 cities represented in the response, 64.3 percent said they were aware of the circular. Awareness tended to decline with the size of the city: from 100 percent for those from cities over 250,000, 86.7 percent for cities of 100,000 to 249,999 and so on down to 50.5 percent for officials of cities of 10,000-24,999 population. Responses of the city officials on the issues of changes wrought by FMC 74-7 are presented in *Table III-4*.

Overall, the percentages of respondents who perceived changes and who thought those changes were

improvements were lower than they were for the state budget officials. Yet they were remarkably high. The share who saw changes ranged from 60.5 percent for general standardization of procedures up to 68.5 percent for the minimizing of time between Federal transfer of funds and use of the funds by grantees. Those who considered the changes positive ranged from a low of 76.8 percent – again in regard to expeditious use of Federal funds – to 93.2 percent for abolition of the separate bank account requirement. Taking these two sets of figures together suggest that FMC 74-7 has had a definitely positive effect in the opinion of these city officials.

Further analysis of the data indicates that in several cases there were fairly large deviations from the percentages shown in *Table III-4* by cities of certain population classes. Thus, with regard to standardization of pre-application procedures, officials of cities in the 250,000-999,999 group were noticeably less certain that this provision had caused change than was the entire group. Similar below-average responses were registered by the 250,000-499,999 group regarding changes wrought by the standardization of forms and standardization of procedures for payments, etc. There is no obvious explanation for these deviations.

Officials from 101 counties responded to the same set of questions, and 82.5 percent of these indicated their awareness of FMC 74-7. Their responses on the five general provisions are summarized in *Table III-5*. A somewhat smaller portion of these officials than their city counterparts saw changes stemming from the circular. Yet overall, the county officials joined the city group in registering a favorable reaction to FMC 74-7.

**Federal Grant Administrators’ Views.** The ACIR’s questionnaire survey of Federal grant administrators also included a question on FMC 74-7, although not the same as that posed to the state officials.<sup>5 7</sup> It assumed that the administrators were aware of the circular, since it applies to all programs available to states and localities. The administrators were asked their judgments on the general degree of positive or negative effect of specified provisions of the circular: produced substantial improvement, produced moderate improvement, has had no effect, and has had a negative effect. The results are shown in *Table III-6* as percentages of the total number of those who submitted responses on the individual items. A relatively small percentage of the administrators (2-9%) saw a substantial improvement from the circular. On the other hand, when substantial and moderate improvement are combined, except for the single state agency item, the totals range from 28 to 52 percent. The

probable reason for the relatively low impact of the single state agency waiver provision has already been noted.

That over one-half the programs indicated some degree of improvement from the changes covered by catchall item (6) seems impressive, though it is doubtful that a consensus could be found on what percentage signifies success. Even the percentages for items (1), (2), (4), and (5) reflect favorably on the effect of those parts of FMC 74-7. On the other hand, the 39 and 18 percent negative effect registered on the standardized preapplica-

tion and application forms and procedures (items (4) and (5)) is some cause for concern. These two items are key measures in the efforts to cut red tape. The relatively large proportion of grant administrators who believe these provisions have actually hurt the cause of good grant administration rather than helped it suggests the existence of a good deal of skepticism in the grant-administering bureaucracy toward the standardization objectives of FMC 74-7.

A breakdown of the responses by department or agency throws further light on the administrators' views

Table III-5

**Views of County Officials on  
FMC 74-7  
(Fall 1975)**

Provision of Circular	Has Change Occurred?		If Change Has Occurred, Has It Improved Grant Administration?			
	Total Counties Responding	Yes	No	Total Counties Responding	Yes	No
1. Recipients no longer required to have separate bank accounts for grant funds.	80	65.0%	35.0%	50	92.0%	8.0%
2. Minimizing of time between Federal disbursement and grantee use of funds.	79	62.0	38.0	48	81.3	18.7
3. Preapplication procedures standardized.	78	57.7	42.3	45	88.9	11.1
4. Standardized forms for application, review, and approval of project grants.	79	59.5	40.5	46	84.8	15.2
5. Standardized procedures for payments, determining matching shares, budget revisions reporting grants close out, record retention.	79	59.5	40.5	44	86.4	13.6

Source: ACIR-ICMA questionnaire survey.

Table III-6

Federal Grant Administrators' Views of Effect of  
Certain Provisions of FMC 74-7 on their Grant Programs  
(Summer 1975)

Provision of Circular	N	(A)	(B)	(C)	(D)
(1) Recipients no longer required to have separate bank accounts for grant funds.	174	6%	22%	69%	3%
(2) Minimizing time between Federal disbursement and grantee use of funds.	201	5	31	61	2
(3) Waiver of single state agency requirements.	124	2	15	76	8
(4) Standardized preapplication procedure.	147	5	33	45	18
(5) Standardized forms for application, review, and approval of project grants.	186	8	25	28	39
(6) Standardized procedures for payments, determining matching shares, budget revisions, reporting grants close out, record retention.	193	9	43	38	10

**Key:** N — number of respondents who said provision(s) of FMC 74-7 applied to their programs.  
 (A) — provision produced substantial improvement in administration.  
 (B) — produced moderate improvement.  
 (C) — had no appreciable effect.  
 (D) — had a negative effect.

**Source:** ACIR questionnaire survey.

on FMC 74-7. This is presented in *Table 14* in *Volume VIII, Chapter IV* and the accompanying analysis of significant departures from the median responses. From that analysis it appears that:

- better than average improvement resulting from FMC 74-7 was seen by program administrators in Commerce, HUD, Justice, Labor, and EPA;
- no effect was seen to predominate in Agriculture and ARC; and
- a predominant negative effect was seen in HEW-OE.

In the five other departments or agencies and the "all other" groups, the appraisals were too mixed to suggest a general tendency.

Comparing the responses of the state, city, and county officials, on one hand, and Federal program administrators, on the other, it seems clear that the latter take the more negative view on the effects of the circular. This is not surprising. In the first place, simplification and standardization of the grant administrative process have long been goals of state and local officials. Indeed, the 1966 report of the National Association of State Budget Officers, cited previously, was one of the earliest documentations of the impedi-

ments to effective administration created by the grants process. To the extent that the circular responded to the state and local officials' criticisms, one could expect that they would view it as a good thing. In addition, from the standpoint of the budget officials, the circular's heavy emphasis on improving fiscal administrative procedures would hold a special appeal for them.

The Federal program administrators' reactions are similarly understandable. They were the ones who had to change their procedures, and any change is apt to be resented if not resisted. Program administrators feel first loyalty to the achievement of their program goals and balk at any efforts to impose conditions which may run contrary to the ways they have devised over the years to achieve those goals. The process of standardization inherently meant seeking common denominators, thereby requiring many people to change their mode of operations. It is, perhaps, noteworthy that the size of the favorable vote on some of the items was as great as it was. Thus, one could interpret the 53 percent who saw substantial or moderate improvement in the standardized procedures for payments, etc., as a surprisingly strong endorsement of those changes.

**Federal Grant Coordinators' Perceptions.** The ACIR's questionnaire was addressed to Federal administrators of grant programs — those in day-to-day charge of the individual programs. In addition, ACIR staff interviewed grants coordinators in the eight principal grant-administering departments or agencies, which account for about 80 percent of the dollar amount of Federal assistance.<sup>5 8</sup> The objective was to take advantage of their agencywide perceptions of grants management and, since they were all responsible for their department's or agency's implementation of FMC 74-7 and, in some cases, other management circulars, elicit their special insights into the workings of the circulars.

The coordinators represent a range of professional backgrounds and length of service in their present agencies and assignments. Their agencies similarly vary widely in history, the numbers and kinds of grant programs they administer (formula, project, or block), and relations with state and local governments. Consequently, it is not surprising that there was a broad spectrum of views on the impact of FMC 74-7.

- The coordinators had received limited direct feedback from program recipients, and, therefore, had little evidence on whether the circular had been beneficial from the standpoint of the grant recipients. However, they felt that, in prin-

ciple, simplification and standardization would be well received by grantees. There was less unanimity with respect to the impact on the programs themselves. Several coordinators were either enthusiastic or at least complimentary about the circular's effect in their departments. The coordinators of two departments with block grants (HUD and Labor), however, expressed the view that process simplification and standardization had made the block grants more difficult to administer. Also, the coordinator of DOT believed that it had made little difference in his department for a number of reasons: some of the circular's provisions did not pertain to formula programs, which constituted over 80 percent of DOT's grant projects and funds; many of the standards had been implemented prior to the circular's publication; GSA granted DOT exemptions on some of the requirements; and some requirements were in conflict with statutory provisions. However, major procedural changes were made in the administration of discretionary grant programs covering mass transportation and airport development to make them comply with the circular's standards. Several coordinators commented that the circular was successful in its standardization goal but not in simplification — some held that it did not really simplify. Even in regard to standardization, however, several decried the fact that seeking the lowest common denominator forced everybody into a mold which inevitably imposed some kind of change on each of them.

- Several of the coordinators thought that the circular was designed for departments that administer a wide range of grants, particularly project grants. The coordinator for HEW, which fits that description most closely, did not see any difference in its impact on formula or project grants. In fact, several of the circular's problem areas in HEW, cited by the coordinator, related to formula grants.
- While the coordinators saw no difference

in the circular's impact between project and formula grants as separate types, there was some indication that they thought that certain grant characteristics made a difference in the effect of the circular: the nature of the grantee-grantor relationship, the way funds are distributed, the type of service being supported, and the number and type of eligible recipients. Several indicated that the circular's provisions were too restrictive for the non-controversial, old-line, formula-type programs which generally had imposed minimal performance requirements on grantees. For newer and more controversial programs and capital improvement programs, the circular failed to provide sufficient information for program evaluation and control purposes. On the other hand, the HUD coordinator noted that since the community development grant is a block grant giving broad discretion to the local recipients, the standardization effects of FMC 74-7 are not applicable.

- The DOT coordinator cited the different impact of standardization efforts on two DOT programs: the Federal Highway Administration (FHWA) highway construction program and the Urban Mass Transportation Administration (UMTA) capital grants program. FHWA and state highway agencies have been joined in a continuous, 60-year effort to build roads, during which they have jointly developed a host of administrative practices, such as standard accounting systems and technical specifications. Funds are distributed annually to the same 52 grantees according to a formula. More than 60 percent of these funds support projects on the interstate system which FHWA is responsible for basically designing. The 52 grantee organizations and functions are almost identical. In contrast, UMTA is a relatively new organization, as are many of its grantees who have recently assumed ownership of mass transit systems from private companies. The relationship between UMTA and its thousands of eligible grantees is mostly sporadic, and no

standard grantee organization or operating procedures exist. Funds are distributed on a discretionary basis to support projects which are unilaterally developed by the grantees. Thus, FHWA obviously has some advantages in dealing with its grantees and can afford to exercise less project control than UMTA.

- None of the coordinators felt that GSA is doing an aggressive job in implementing FMC 74-7. Several said that the agency seems to act only in response to complaints. They attributed this to the fact that GSA had too few assigned personnel to monitor in any other way. Another criticism of GSA's administration was its inflexibility in interpreting the circular. Some felt that the agency took too narrow a management view and did not give enough weight to realistic program needs.
- Criticisms of the circular itself were most frequently directed at the procurement provisions (Attachment O). The basic complaint was that the circular placed an unwarranted amount of trust in the procurement procedures of state and local recipients, which provided too little protection against abuse.<sup>59</sup> As one official put it: "In the effort to achieve control over the proliferation of standards, the circular prevents the grantor agencies from exercising prudent stewardship." It was noted that GSA has responded to criticisms of the procurement section by establishing a task force to review it for possible revision. Another circular provision that was criticized by several of the coordinators was the prohibition against requiring grantees to report program experience more frequently than quarterly. It was charged that this was an unrealistic limitation on new programs when it was important, particularly for purposes of reporting to Congress, to keep current tabs on progress. Several deviations have been requested on this provision.
- On the issue of the coordinator's own

duty of seeing that the circular is properly implemented within their department or agency, several indicated the difficulty of getting program officials to understand the circular.

#### **FMC 74-4: Cost Principles Applicable to Grants and Contracts with State and Local Governments**

This circular, originally issued as *OMB Circular A-87* with substantially the same content, attempts to standardize the allowability and non-allowability of particular costs of programs administered by state and local governments under Federal grants and contracts. It establishes a system whereby a single Federal department, designated the cognizant agency, represents all the Federal departments in approving certain state and local costs associated with the performance of Federally supported programs and projects. It removes several restrictions that formerly prevailed in the cost reimbursement policies of Federal agencies by providing that (1) all indirect costs of a state or local grantee or contractee are eligible for reimbursement, provided they are necessary for the efficient conduct of the grant or contract; (2) a necessary cost is allowable regardless of where it is incurred within the state or local government; and (3) the costs of services provided by central service type agencies to departments or units performing Federal grants or contracts are allowable, regardless of whether there is an actual transfer of funds between the organizations involved.

**The Cost Allocation Plan.** Cost allocation plans are used to identify costs in a logical and systematic manner for reimbursement. Such costs may be incurred by the unit which receives the grant or by another organization which provides supportive services to that unit. There are two types of cost allocation plans. The first identifies and distributes the costs of services furnished by organizations providing support to grantee agencies and is called a central service cost allocation plan or a state or localwide cost allocation plan. The second plan distributes the joint costs incurred within an individual grantee department and the costs of services allocated to it under the central service cost allocation plan to all work performed by that agency. This type of allocation plan is called an indirect cost proposal.

Prior to FMC 74-4 (OMB A-87), each Federal agency or department determined allowable costs according to its own philosophy. For a state or local agency dealing with more than one grantor, the resultant variations

produced extra work and uncertainty. Now a single Federal agency, the "cognizant" agency, is responsible for approval of negotiated agreements covering cost allocation plans submitted by individual states and localities. These agreements are distributed by HEW to all Federal offices and constitute authority to Federal grantor agencies to accept claims for central service and indirect costs. The designation of "cognizant" agencies was determined by an interagency committee of representatives from grantor agencies. (See *Table III-7* for list of "cognizant" agencies.)

**Development.** Like FMC 74-7, FMC 74-4 was developed cooperatively by the diverse groups concerned with cost allocation problems. Early participants in the process were the Office of Financial Management in BOB, an interagency study team, and representatives of the National Association of State Budget Officers. Before drafting the circular, a study was made of cost allowability practices and the potential impact of establishing uniform liberalized cost allowability principles. This study indicated that state central service costs generally, and grantee departmental overhead costs associated with project grants particularly, were troublesome. Rough estimates of the cost to the Federal government of correctly assigning joint costs totaled almost \$270 million, \$72 million of which was attributable to state governments (approximately one-third state—two-thirds local).<sup>60</sup> A draft version of a BOB circular was developed and circulated to all grant-administering Federal departments and the public interest groups. Among the public interest groups that responded, the reaction to the draft was quite favorable in general, except for the apprehension that grantees might get caught in the middle of Federal agency difficulties in applying the principles to their grants. Responses from the Federal agencies ranged all the way from unconditional agreement with the circular to almost total rejection. Most agencies agreed with the general concept of uniformity in allowable cost principles, but took issue with specific ideas in the draft. Most of these issues revolved around the circular's potential impact on program funds, the feasibility of a "fully allocated" instead of an "incremental" approach, a mandatory versus an advisory circular, and the efficacy of a procedure that gave one agency authority over costs in another agency's grants.

**Implementation.** GSA's Office of Federal Management Policy monitors FMC 74-4 along with FMC 74-7, FMC 73-2 (discussed below), and four other management circulars. For this it has a small cadre of

Table III-7

**FMC 74-4 COGNIZANT AGENCY ASSIGNMENTS  
(August 1975)**

	TOTAL	DHEW	INT	HUD
STATES AND PUERTO RICO	51	51		
DISTRICT OF COLUMBIA	1			1
OTHER TERRITORIES	4		4	
<b>Total</b>	<u>56</u>	<u>51</u>	<u>4</u>	<u>1</u>

**STATE DEPARTMENTS:**

HEW	296	EPA	45
INT	102	CSA	31
LABOR	91	JUSTICE	24
DOD	87	COMMERCE	22
DOT	72	EEOC	5
Agr.	71	VA	3
HUD	58	NSF	1
National Foundation of the Arts and Humanities	51	<b>Total</b>	<u>959</u>

**LOCALITIES:**

	TOTAL	HEW	EPA	HUD	LABOR	JUSTICE
CITIES	315	130	82	81	21	1
COUNTIES	568	484	57	12	15	-
TOWNSHIPS	<u>75</u>	<u>75</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>958</u>	<u>689</u>	<u>139</u>	<u>93</u>	<u>36</u>	<u>1</u>

Source: General Services Administration, Office of Federal Management Policy, August 12, 1975.

professional staff. GSA cosponsored with OMB and GAO a series of workshops for public interest groups to explain the preparation of cost allocation plans under FMC 74-4 in 1974-1975.

Federal agencies established a focal point within their own organizations in order to implement FMC 74-4 and particularly to administer the cost allocation process. In addition, introduction of departmentwide and statewide central cost policy standardization interjected new agents (such as state budget officers and cognizant departments) in the grantor-grantee relationship. Federal grantors tended to resent another agency establishing cost rates which they had to accept.

A study of *OMB Circular A-87* implementation in 1971<sup>61</sup> indicated uneven progress. The study found that at both the state and local levels the circular's approach required accounting systems that some state agencies and many local units were not accustomed to dealing with. This indicated the need for an "education" period. It also was revealed that, except in the case of welfare programs, no additional Federal funds were visibly devoted to the additional indirect costs allowed by FMC 74-4. The only place such overhead costs could come from was from those allocated to program activities. This served as a disincentive to ready compliance by grant administrators eager to devote maximum funds to program objectives. Even so, there was evidence that the central administrative offices of general governments stood to benefit, as illustrated by the experience of at least one grantee jurisdiction — San Diego County.<sup>62</sup>

Until FMC 74-4 was issued, San Diego County maintained the usual governmental records of expenditures. Developing their first countywide cost allocation plan was found to be a "challenging fiscal problem." Preparing the county administrative structure to receive the plan, use it, and exploit its potential became a far more "challenging problem." As in most local government, the administrative staff was accustomed to a revenue and appropriations budget largely based on easily developed direct costs. FMC 74-4 introduced more complex indirect cost concepts which were required to become a part of regular departmental administration. At first, county employees reacted to the circular's requirements as a "temporary phenomenon and a Federal bureaucratic nuisance." According to the county controller, the need to identify the full financial implications and obtain administrative support to provide the needed resources to develop and install the necessary system was a stubborn educational problem. However, persistence paid off, as the county had much to gain. Using its plan, San Diego County recovered \$5.5

million per year and foresees expanding recoveries in the future.

This county's experience illustrates the difficulties involved as well as the benefits available to state and local governments from FMC 74-4. San Diego County in 1974 had a \$340 million budget and 12,000 employees. Even in a local governmental unit of such size and sophistication, there were few personnel familiar with total county operations who had the experience to develop the required cost structures. They also found that the county's records and existing accounting system were not adequate for making certain necessary cost distinctions.

Another problem involved the Federal government itself. The circular provided a firm directive that, if a grantee wished to claim indirect costs, it would have to establish an approved cost allocation plan and indirect cost rates, and the Federal departments were clearly directed to honor those plans. Yet, some Federal agencies circumvented implementation. Such impeding agency actions included outright refusal to accept claims for indirect costs (despite plan approval), or acceptance only of those portions selected by the Federal agency itself. San Diego County also found that acquiring approval of a plan by the Federal and state<sup>63</sup> agencies involved was not a simple task.

The audit end of the claiming process also presented problems. The county found that a number of Federal and state auditors were unaware of the significance of the cost allocation plan. Some asked for detailed data which was the very thing that FMC 74-4 process was designed to preclude. Both the Federal and state governments had an internal education problem.

Implementation of the circular had a capacity building effect on county fiscal management. The county realized that although FMC 74-4 offered a way of recovering indirect costs, it was not working efficiently for an organization of its size and complexity. The county plan allocated indirect costs to the department level, but the development of program costs within a department required time-consuming cost studies. This really required an automatic program-oriented cost distribution system. As a result, San Diego County initiated plans to develop a sophisticated, computerized, financial management system. The system tracks financial accounting by traditional government procedures; but, in addition, it provides program accounting, project cost accounting, and segregated indirect-direct cost data which will provide an on-going fiscal analysis of program operations.

San Diego County's controller concluded his account of experience under FMC 74-4 as follows:

For the first time, all of our county's operations will be defined in terms of direct programs that relate to the citizens and those programs as well as their component activities can be evaluated fiscally on an ongoing basis at full cost which will be in conformity with our county's cost allocation plans.<sup>64</sup>

San Diego County's generally positive reaction to the cost allocation circular was not the universal pattern at the local level, however. Many counties emphasized the shortcomings of Federal implementation rather than the benefits derived, alleging that Federal agencies were deliberately or inadvertently uncooperative in the implementation effort. At its Western Regional Conference in March 1975, the National Association of Counties (NACo) adopted a resolution declaring that "Federal and state agencies administering Federal funds have nearly ceased or have greatly reduced allowance of indirect cost for grant proposals from local governments . . . by outright refusal to permit inclusion of indirect costs; by subjective interpretation of Federal statutes and regulations; and through the General Services Administration policy which permits states to establish costs allowability more restrictive than FMC 74-4." The resolution called on GSA and OMB to develop policies to ensure that local governments would recover in full indirect costs and convene national inter-governmental meetings to clarify and resolve issues around allowability of such costs.<sup>65</sup> Subsequently, representatives of OMB and GSA met with public interest groups to discuss these issues as well as problems in implementing FMC 74-7, which had been criticized in another NACo resolution.<sup>66</sup> The public interest group representatives came away with little optimism that Federal agency compliance with the circular would soon be improved. GSA and OMB representatives indicated

determination to improve the circular's operation but felt that critics too often failed to back up their charges with specific cases of Federal agencies' non-compliance.<sup>67</sup>

State imposition of cost allocations more restrictive than the approved Federal allocation, criticized in the NACo resolution, was identified by GSA officials as one of the continuing problems of implementation. They stated that the problem arises particularly because of the growth of pass-through programs, such as the Law Enforcement Assistance Administration block grant. In these cases, the state pass-through agency is no less anxious than Federal grantors to assure that funds have maximum program effect and, therefore, are inclined to restrict the amounts that may be claimed for overhead and other indirect costs.

The grants coordinator of one Federal department reported hearing many critical comments, primarily from universities and other non-governmental organizations, about requirements imposed by states and cities in contracting with private organizations. State and city organizations were said to be unfamiliar with the cost principles that the Federal government intends that states and cities use in their dealings with non-governmental organizations.

These problems and other aspects of the implementation of FMC 74-4 were coming under the scrutiny of a GAO study initiated in the summer of 1975 and scheduled to be completed in the fall of 1976. GAO was looking at the legal authority of the circular, the clarity of the concepts used, the soundness of OMB's and GSA's administrative roles, and management problems in the departments and agencies. They were planning to tap the experience of state and local governments with the circular.

**Views of State Budget Officers, City, County, and Federal Officials.** The ACIR questionnaire survey of

<i>Item III-1</i>			
<b>Question</b>	<b>Number Responding</b>	<b>Yes</b>	<b>No</b>
Are you aware of the circular?	35	100.0%	0.0%
Has change occurred in cost methods under grant programs?	33	90.9	9.1
If there was change, has it improved grant administration?	28	75.0	25.0

<i>Item III-2</i>			
Question	Number Responding	City Officials	
		Yes	No
Are you aware of the circular?	420	56.2%	43.8%
Has change occurred in cost methods under grant programs?	264	56.8	43.2
If there was change, has it improved grant administration?	148	87.8	12.2
County Officials			
Question	Number Responding	Yes	No
		Yes	No
Are you aware of the circular?	94	79.8%	20.2%
Has change occurred in cost methods under grant programs?	81	63.0	37.0
If there was change, has it improved grant administration?	49	83.7	16.3

state budget officials asked about their awareness of FMC 74-4; whether they thought that there had been any change in cost determination methods under the grant programs; and, if so, whether the change was for the better. The results are shown in *Item III-1*.

While a large majority thought that the circular had a positive effect (21 of 28, or 75 percent), the endorsement was not as strong as their views on the provisions of FMC 74-7. Respondents' comments indicated some discontent that payment of indirect costs does not necessarily mean an increase in the total Federal payment.

A similar set of questions addressed to city and county officials in the ACIR-ICMA questionnaire survey produced the responses shown in *Item III-2*.

City officials showed less awareness of FMC 74-4 than they did of FMC 74-4 and felt that less change had occurred in the cost area than in the standardization of administrative requirements covered by FMC 74-7. On the other hand, city officials who saw some change rated the two circulars about even in the degree of improvement produced. County officials generally gave the cost circular about as high marks as they had given FMC 74-7. Comparing the two sets of officials, the county group clearly was more aware of the cost circular and saw more change in the cost area than did the city

group. Examining the city responses more closely, awareness of FMC 74-4 was lowest among the smaller municipalities: about 42 percent among those in the 10,000-24,999 and 25,000-49,999 groups. However, among those aware of the circular in these lower population groups, only a slightly lower percentage saw change and improvement than in the larger cities. It seems fair to conclude that the circular has decidedly less visibility among the smaller municipalities. Apart from that, it appears that where the circular is known among the city and county officials responding to the questionnaire, it is accorded a high effectiveness rating.

When Federal program officials were asked their opinions on the effect of the cost principles circular, 190 responded as follows:

Produced substantial improvement.	12%
Produced moderate improvement.	44
Has had no effect.	43
Has had negative effect.	1
	100%

The combined percentage of substantial and moderate improvement (55 percent) was a stronger endorsement

than these officials registered for any of the provisions under FMC 74-7. However, it was substantially less than the improvement perceived by state budget officials.

The results by Federal department or agency are shown in *Table 16* in *Volume VII, Chapter IV*. The favorable experience (substantial or moderate improvement) was particularly apparent among the administrators of programs in Agriculture (70 percent), Interior (71 percent), Justice (100 percent), Labor (80 percent), and DOT (87 percent).

### **FMC 73-2: Audit of Federal Operations and Programs by Executive Branch Agencies**

Auditing of Federal categorical grants presents a complex and duplicative pattern of intergovernmental activities. Federal agencies are responsible for developing internal audit organizations to provide effective control over, and accountability for, all agency funds, including those used to assist state and local governments. In addition, GAO, an agency of the legislative branch, is authorized to audit all Federal programs and report to Congress. States provide for their own audits, and many local jurisdictions do likewise by employing their own county or city auditors or using independent public accountants. Since these various organizations share the responsibility for auditing governmental programs, expensive and time-consuming duplication of audit effort is not uncommon.

As early as 1965, OMB (then BOB) issued Circular A-74 to encourage intergovernmental audit coordination and the sharing of audit findings. In 1970, GAO, OMB, and several Federal agencies began to develop standards which would apply to audits of all government activities, whether performed by Federal, state, or local governments, independent accountants, or anyone else involved in audit work. Increasingly, audit teams include operations researchers, systems analysts, and management scientists, as well as accountants. The standards are applicable to internal agency audits and grantee program audits. The standards expand the audit scope, promote the acceptance of the non-Federal audit, and encourage greater consistency and quality of audit work. In 1972, GAO published the standards in a booklet entitled *Standards for Audit of Governmental Organizations, Programs, Activities, and Functions*. In 1973, GSA reissued *OMB Circular A-73* as FMC 73-2, emphasizing reliance on non-Federal audits and performance auditing.<sup>68</sup>

**Expanded Audit – Performance Auditing.** The underlying philosophy of FMC 73-2 stresses a flexible

approach to auditing Federal programs. Under this approach, audits can be done by state or local agencies, independent public accountants or the cognizant Federal agency. All these approaches have merit in different circumstances and the circular embraces all of them. With regard to intergovernmental programs, the circular requires Federal agencies to coordinate their audit requirements and approaches with state and local governments and to use reports prepared by non-Federal auditors in lieu of Federal audits if the audits meet the agencies' requirements.

For most grant programs, it is not practical to have every auditor do his own background research on laws, regulations, and program objectives. Therefore, Federal or state agencies that rely on and request audits from other levels are expected to provide guidance. This includes citations to applicable statutes, regulations, grant agreements, specific audit objectives, and reporting requirements.

Traditionally, an audit of a grant program determined whether financial operations and reports were correct and proper, and whether applicable laws and regulations were being followed. The circular and GAO standards expand the concept to one of "full scope audits," encompassing evaluations of economy, efficiency, and program effectiveness. These elements of the expanded or "performance audit" are difficult to define, however, since there are no generally acceptable criteria or comparable agreed upon measures for program evaluation. FMC 73-2 indicates, moreover, that full scope audits may not be necessary or desirable in all circumstances. The circular suggests that audit organizations tailor the scope of their audits to strike an appropriate balance between management's need for information and the capabilities of their audit organization.

**Implementation.** Emphasis is placed on early and broadened audits in order to identify problems soon enough in a program while there is time to make meaningful changes. The water pollution control program provides an example of the potential value of early "performance" auditing.

This program involved \$5 billion to improve the water quality of rivers. Consultants were called in to evaluate the program *via* performance audit. They determined after testing that the net water quality improvement was zero. The audit concluded that grants for sanitary plant construction had been awarded at random, irrespective of their location in respect to the flow of a river, with the result that the full potential for quality enhancement was not realized. The consultants recommended achieving at least partial improvement by

phasing in the plant construction, starting at the river source and moving downstream a section at a time.

Attachement G of FMC 74-7 requires grantees to provide for financial compliance audits with reasonable frequency, usually annual, but not less than once every two years. This mandates a great deal of state and local audit activity. FMC 73-2 also requires Federal grant-administering agencies to "coordinate their audit requirements and approaches with (state and local governments) to the maximum extent possible." Yet, a 1974 GAO report,<sup>69</sup> while stressing that reliance on coordinated and standardized non-Federal audits could reduce the large backlog in auditing grant programs, concludes that, for the most part, audit coordination still is not extensive. Seven of the ten Federal audit agencies reviewed did not rely on state and local government audits to any significant degree. Federal audit officials claim that they cannot rely on state audits because state auditors usually do not consider Federal legal requirements, concerns, audit guidelines, and reporting methods. GAO found that out of 74 cases where state or local auditors examined HUD programs, only 23 of these satisfied Federal audit needs. State auditors claimed that it was not economically feasible to satisfy Federal audit guidelines in a state audit because Federal requirements were not really standardized.

Audit cooperation then is not widespread for a variety of reasons. The additional state or local audit time required to satisfy Federal audit concerns raises the question of who pays for the state or local staff time. Federal and non-Federal audit organizations both suffer from work overloads, insufficient staff, and tight budgets. State audit agencies would like to have a special categorical grant to cover their costs of auditing Federal programs. Even if there were a special categorical grant directed at the audit agencies, however, chances are that the state budget agency would take account of that additional money and reduce the audit agency's appropriation accordingly.

At present, the state can claim audit expenses as part of program costs. The reimbursement, however, goes into the program account and does not end up in the audit agency's appropriation. Another problem associated with relying on program funds was pointed out by GAO:

Forcing state auditors to rely on program administrators for audit resources has an important disadvantage. Because administrators are in charge of operations audited, they can resist making payments and thereby inhibit the auditor from maintaining the

independence required for effective auditing. When funds for audits are provided by or through program administrators, they can have a strong influence on the reporting, timing, and scope of the audits.<sup>70</sup>

GAO recommended, as one alternative approach, that the Federal agency audit organization contract directly with the state auditors. GSA agreed to work with GAO in developing alternatives and pointed out that the same type of problem pertained to local auditors attempting to obtain reimbursement for audits of Federally assisted programs.

Another reason besides reimbursement problems that there is not greater reliance on non-Federal audit work is that no systematic method for evaluation and acceptance has been developed. The audit capabilities of the group doing the work have to be assessed to be adequate. These elements of quality control still present problems. Another problem is that most audit organizations are not presently staffed to expand the scope of their audits to include efficiency, economy, and program results. Thus, the lack of adequate staff, an agreed upon methodology, and money stand in the way of widespread use of the coordinated audit. Above all, perhaps, auditing units at the different levels have yet to realize that their basic task is a complementary one.<sup>71</sup>

GAO also found that the scope of an audit may vary because of the type of grant-in-aid program being audited. Most of HEW's audits of formula grants were quite comprehensive, while project grant audits were usually limited to financial and compliance reviews.

GSA is pushing the implementation of FMC 73-2 by requiring each Federal department and agency to submit semi-annual progress reports to GSA's Office of Federal Management Policy. Specifically, the report is to include agency actions for guidance of its auditors; determination of audit priorities; cross-servicing arrangements; degree of reliance on non-Federal audits; and development of audit plans.

GSA provided the following examples of recent efforts to have audit work performed by non-Federal auditors:<sup>72</sup>

- Agriculture reported a 16 percent increase (57 to 66) from 1974 to 1975 in the number of state audit groups performing audits in the Child Nutrition, Food Stamp, and Meat and Poultry Inspection programs.
- Interior was in the process of seeking full

substitution of its grantee audits by state auditors or independent public accountants. Its FY 1976 budget and audit work plan provided for six man-years of grant audit work to be assumed by state auditors, increasing to about ten man-years in FY 1977.

- In FY 1975 HUD issued regulations providing for non-Federal audits of low-rent housing projects.
- The Law Enforcement Assistance Administration has attempted to have all LEAA state planning agencies audited by state auditors.
- During FY 1975, Labor undertook a major effort to encourage state auditors to participate in auditing CETA.

Implementation of FMC 73-2 and GAO's audit standards requires developing capabilities and methodologies to deal with the concepts involved in the "performance audit" approach. The Civil Service Commission, the Department of Commerce's Interagency Auditor Training Center, other Federal agencies, public interest groups, and professional associations are providing training programs in broad-scope auditing. GAO, with the cooperation of Federal, state, and local government agencies, organized the National Intergovernmental Audit Forum. Forum membership consists of Federal, state, and local audit officials and professional group representatives divided into ten regional groups. This organization serves as a mechanism for exchanging ideas and discussing problem areas. The Forum's charter contains the following objectives.<sup>73</sup>

- to promote the acceptance, interpretation, and implementation of the audit standards issued in 1972;
- to unite audit executives from each level of government for mutually beneficial endeavors;
- to coordinate and standardize common audit activities to the maximum extent practicable;
- to develop satisfactory solutions to mutual audit problems; and
- to promote the kind of understanding and communication that will result in cooperative audit work and mutual reliance on audits performed by others.

**Views of State Budget Officers, City, County, and Federal Officials.** ACIR's questionnaire survey probed state budget officials on their awareness of FMC 73-2 and their evaluation of its effectiveness. The results are shown in *Item III*.

Budget officials were not as aware of this circular as they were of FMC 74-7 and 74-4, which is understandable considering their institutional interests. A large majority of those who thought it had caused some changes (15 of 18, or 83 percent) felt the changes were improvements.

The posing of similar questions to city and county officials in the ACIR-ICMA questionnaire survey elicited the responses shown in *Item IV*.

City officials responding were noticeably less aware of the audit circular than of the other two management circulars about which they were questioned. While this lower visibility applied to all population groups, it was especially noticeable among the smaller ones: 35.3 percent awareness among officials from cities of 25,000-49,999 and 39.8 percent for those in the

<i>Item III-3</i>			
Question	Number Responding	Yes	No
Are you aware of the circular?	31	80.6%	19.4%
Have audit practices changed?	23	78.3	21.7
If so, have they improved grant administration?	18	83.3	16.7

Item III-4

	City Officials		
	Number Responding	Yes	No
Are you aware of the circular?	410	45.1%	54.9%
Have audit practices changed?	232	58.6	41.4
If so, have they improved grant administration?	132	86.4	13.6
	County Officials		
	Number Responding	Yes	No
Are you aware of the circular?	89	60.7%	39.3%
Have audit practices changed?	64	59.4	40.6
If so, have they improved grant administration?	38	92.1	7.9

10,000-24,999 group. Among those city officials who were aware of FMC 73-2, about as high a percentage saw some change occurring in the audit area as saw change in the area of cost determinations under FMC 74-4. The same applied to their perception of improved grant administration as a result of the circular.

The audit circular also had markedly less visibility among county officials compared to FMC 74-7 and FMC 74-4. Here, again, the problem was among the smaller jurisdictions: only 37.5 percent of the officials from counties of 50,000-99,999 population was aware of FMC 73-2. When the officials were aware of the circular, they gave high marks to it: 83.7 percent thought it had effected improvement in grant administration.

With this circular, as with the other two management circulars, the responses of city and county officials indicate that awareness is a problem rather than the effectiveness of the circulars. Moreover, the awareness problem is largely confined to the smaller jurisdictions.

When asked a similar battery of questions, 202 Federal grant administrators responded as follows:

<b>FMC 73-2 produced substantial improvement.</b>	8%
<b>It produced moderate improvement.</b>	28
<b>It has had no effect.</b>	58
<b>It has had a negative effect.</b>	5
	100%

A clear majority saw no effect. Only 36 percent saw an improvement, compared to 68 percent of the state budget officials. The 36 percent improvement rating is about the same as their overall rating of the impact of FMC 74-7 but less than their rating of FMC 74-4.

The responses by department or agency are shown in *Table 17 in Volume VII, Chapter IV*. Registering high percentages of improvement were HEW-SRS (100 percent), Justice (80 percent), and DOT (75 percent).

## IMPROVING INFORMATION AND COMMUNICATION

Basic to any movement to strengthen intergovernmental relations are efforts to improve communication among the levels of government. In the past decade, the Executive Branch, largely through OMB, has launched a number of initiatives to improve intergovernmental communications, much of which has focused on grants and grants administration. In June 1967, OMB issued *Circular A-85* prescribing procedures whereby chief executives of state and local government have the opportunity to review and comment on proposed new administrative regulations, guidelines, and procedures, in accord with certain general purposes of the *Intergovernmental Cooperation Act of 1968*. The *Catalog of Federal Domestic Assistance*, preceded by the OEO catalog published in December 1965, was developed to identify and describe grant programs available to potential

applicants. *OMB Circular A-98*, now *Treasury Circular 1082*, was issued in July 1969 to provide states with Federal assistance information useful to state budgeting and planning activities, in accordance with Section 201 of the *Intergovernmental Cooperation Act*. In March 1972, OMB formally initiated the regional management information system (RMIS), whose basic objective was to provide Federal Regional Councils with a more systematic capability for collecting and using information in carrying out their intergovernmental and inter-agency coordinative functions. Finally, since 1967, OEO (now Community Services Administration) has compiled and issued an annual report on Federal outlays by geographic location for use by state and local governments, Congressmen, and other interested parties.<sup>74</sup>

These efforts to facilitate communication from the Federal to state and local governments are described and evaluated in this concluding section.<sup>75</sup>

### **TC 1082: The State Information Gap**

The circular was issued pursuant to section 201 of the *Intergovernmental Cooperation Act of 1968*, which provides that:

Any department or agency of the United States government which administers a program of grants-in-aid to any of the state governments of the United States or to their political subdivisions shall, upon request, notify in writing the governor, the state legislature, or other official designated by either, of the purpose and amounts of actual grants-in-aid to the state or to its political subdivisions. In each instance, a copy of requested information shall be furnished the state legislature or the governor, depending upon the original request for such data.

The circular applies to all grants-in-aid awarded to states or their political subdivisions by Federal agencies. Agencies are required to provide notification to the appropriate state central information reception agency (SCIRA) for each grant awarded and for subsequent related transactions. Notification is to be given on form 240<sup>76</sup> to the SCIRA concurrently with formal notification to the grantee. The circular also encourages agencies to use the form 240 to notify states of benefits and assistance beyond grants-in-aid, such as research and development grants and contracts, loans, and payments-in-kind.

**GAO Study.** The General Accounting Office reviewed the administration of TC 1082 to determine whether it was functioning in line with the intent of section 201 of the *Intergovernmental Cooperation Act*.<sup>77</sup> It found that because of the circular's restrictive definition of the forms of financial assistance on which information is to be supplied, and despite OMB's encouragement of agencies to report all Federal financial assistance to the states, reporting still was not complete. States lacked full information on who in each state received assistance, why it was provided, and where the aid was having an impact. The 240 forms often were not complete, accurate, or legible, so that states were compiling erroneous and incomplete data. Part of the difficulty was that the form was not part of agencies' standard Federal assistance application package and, therefore, received little attention in the processing of grant applications. GAO suggested that data be provided to states directly from agencies' internal information systems rather than from the manually prepared forms 240. It also concluded that, with transfer of monitoring responsibility to Treasury, OMB may have underestimated the need for interagency coordination in providing information to the states and the relationship between TC 1082 and the review and comment function under *OMB Circular A-95*.

GAO recommended legislation to require Federal agencies to report to each state on all Federal financial assistance to the state and its political subdivisions. Pending the legislation, it urged OMB to direct Federal agencies to do so. It also recommended that OMB evaluate other methods of giving states grant award information, including using agencies' internal information systems.

OMB generally agreed with GAO's findings and conclusions and concurred in its recommendations. It recognized the need for exercising overall leadership and coordination of TC 1082, but said implementation of the circular also requires agency leadership and support. On the matter of expanding program coverage, OMB acknowledged the need but cautioned against expansion until there could be an assessment of such matters as privacy of information, states' needs for certain detailed rather than aggregate information, and the possible expanded workload. OMB did examine GAO's contention that grant award notices could be produced from agencies' internal information systems but found in a number of cases that major modifications in data collection and programing systems would be required to implement this recommendation. OMB agreed to review improved means to provide Federal aid data to state and local governments and to consider the issue of

the locus of administrative responsibility for the function.

**Intergovernmental Information Systems Improvement Project.** OMB's review was initiated in late 1974 as an interagency study with the objectives of examining the possibilities of better compliance with TC 1082, reviewing program coverage of *OMB Circular A-95* and TC 1082, and tying together informational aspects of FMC 74-7 face sheets, TC 1082 reports, and agency notifications of action to clearinghouses required by A-95. The study, known as the Intergovernmental Information Systems Improvement Project, was conducted by a team of representatives from OMB, Treasury, and GSA.

In its final report,<sup>78</sup> the interagency group reported achievement of all its original objectives. The changes were accomplished mainly through revisions in FMC 74-7 and TC 1082. The FMC 74-7 revision was published in the *Federal Register* on November 21, 1975. On the same date, the Treasury Department published the proposed TC 1082 revision, which became final on February 17, 1976.

**Development of Multipurpose Face Sheets.** New standard form 424 (SF 424), formally issued in the revised *FMC 74-7*, replaces Part I of four previously used application and preapplication forms. It was to be phased in completely by June 30, 1976. For A-95 purposes, it becomes the required form for Federal agency notification to clearinghouses of action taken on A-95 program applications. In addition, applicants may use it as an early notice that Federal assistance is to be applied for. Also, Federal agency program officials are encouraged to use the new form under Part II of A-95 to provide state and local governments with information on direct Federal development projects and to provide feedback on project action. For TC 1082 purposes, the new SF 424 replaces the old SF 240 and was to be phased in completely by June 30, 1976.

**Program Coverage Expansion for A-95 and TC 1082.** Only a relatively modest expansion was achievable for A-95. Some 38 programs were added, largely in the human resources area, bringing the total coverage to about 200 programs. This limited increase was because the scope of A-95, Part I, is restricted to programs providing financial assistance to projects and activities which affect state, areawide, and local development, including development of natural, economic, and human resources. Also, Part I is intended to provide clearinghouses an opportunity for review of these particular

programs, and is not intended to be used by state or local government to require additional program coverage which does not fit the intended criteria.

To facilitate maximum program coverage expansion under TC 1082, the circular has been strengthened in several ways. First, in reporting grants-in-aid to states or political subdivisions, Treasury will consider waiving the seven-day reporting requirement in favor of batch release no later than ten days from the end of the month, if the agency can achieve more effectiveness or substantial cost savings and if it can be insured that this will not unduly affect intended users. Second, a new mandatory reporting category has been added. This requires "supplemental reporting" of all other Federal assistance (not just grants-in-aid), regardless of recipient type, where there is perceivable need for such information to facilitate state and local governmental planning, budgeting, or program administration. The seven-day reporting requirement has been waived in favor of reporting as expeditiously as feasible, including, as one alternative, existing agency reports on existing reporting frequencies. It is expected that a considerable shakedown will be required before any meaningful analysis can be made of this information change.

**Improving Compliance.** Compliance has been improved in a number of ways. These include:

- The distinction between TC 1082 and A-95 reports has been clarified. Also, action has been successfully concluded with all but a few states to eliminate, for reporting purposes, separate addresses at the state level for TC 1082 and A-95 reporting.
- The revised TC 1082 carries instructions on reporting change action notifications and requires agency operating instructions to include specific criteria and guidelines for determining actions not significant for reporting purposes.
- TC 1082 will require agencies to develop written operating procedures, and Treasury will review their adequacy. Also SF 424 instruction sheets contain specific instructions for Federal agency compliance with TC 1082
- The revised TC 1082 requires agencies to establish written procedures to insure

that compliance reviews are conducted by an office independent of the office responsible for preparation of the award notification, and that the adequacy of compliance reviews is included as part of the agency's internal audit coverage. In addition, the GAO has agreed to incorporate compliance monitoring as a standard review item in its periodic auditing of financial assistance programs, as applicable. Agencies have been encouraged to involve their field components in monitoring. FRCs will work with their respective states to make periodic compliance reviews. Finally, TC 1082 encourages a closer tie to the agencies' automated internal management systems where this is feasible and cost effective for reporting purposes.

**State Action.** Some states are taking actions on their own to try to decrease the "information gap." The Maryland Commission on Intergovernmental Cooperation proposed legislation to meet state needs for a more complete and accurate inventory of Federal aid activity. In its 1974 annual report,<sup>79</sup> the commission recommended legislation requiring all state and local agencies to report Federal awards to the Department of State Planning.

The Illinois Commission on Intergovernmental Cooperation indicated their frustrations with TC 1082. Included in their December 1974 report<sup>80</sup> are recommendations for state action. Illinois found that TC 1082 information was "incomplete, illegible, and occasionally incoherent." The report claims that data provided were inadequate for their purposes. In order to meet state information needs, the commission started surveying grant recipients themselves. The commission

indicated the need for reliable, effectively administered TC 1082 information for purposes such as:

- to evaluate the impact of Federal aid upon state and local performance in specific jurisdictions and functions;
- to assess the equity of state and local systems of finances;
- to account for differences in Federal aid available to, and used by, various jurisdictions;
- to improve fiscal control by state budget agencies, legislative bodies, and auditors;
- to assist in budget formation and review activities of the executive and legislature; and
- to provide information and identifying providers of particular services to be used in planning and coordination of such services.

**Assessments of State Budget Officers, Federal Officials.** The ACIR questionnaire survey of state budget officers sought their views on the usefulness of TC 1082. The results from 33 respondents are shown in *Item III-5*.

Seventy-three percent of those responding to the question thought the circular had improved administration. When asked the same question with respect to the three other management circulars (or part thereof), the budget officers registered a "Yes" vote of 78 percent or higher. This suggests that TC 1082, from their vantage point, has been the least effective of the lot.

In response to another ACIR questionnaire, the administrators of 193 Federal grant programs replied as follows regarding TC 1082:

**Has produced substantial improvement. 5%**

<i>Item III-5</i>			
Question	Number Responding	Yes	No
Are you aware of TC 1082?	33	97.0%	3.0%
Do you think it has effected change?	30	76.7	23.3
If it has caused change, did it improve grant administration?	22	72.7	27.3

Has provided moderate improvement.	25
Has had no effect.	69
Has had negative effect.	2
	<hr/> 101%*

\*Due to rounding.

The administrators' assessment of the effectiveness of TC 1082 was in the middle of the range of the ratings they gave to all the circulars. They did not give it as strong an endorsement as the state budget officials did.

Responses by department or agency are presented in *Table 18 in Volume VII, Chapter IV.*

### Regional Management Information System (RMIS)

*Executive Order 11731* issued by President Nixon stressed Federal Regional Councils' responsibilities for improving coordination among Federal agencies and between levels of government. RMIS was developed to support both kinds of FRC activities but particularly the intergovernmental aspect.<sup>81</sup> It was formally initiated by OMB in March 1972, with approval of the RMIS Project Initiation and Management Plan. It had three sub-systems:

- **SEDS** — Social, Economic, and Demographic Information Subsystem, designed to provide information useful in defining program needs;
- **BIS** — Program Budget Information Subsystem, designed to provide more comprehensive and timely information on projected program funding, *i.e.*, resources; and
- **REGIS** — Regional Grant Tracking Information Subsystem, designed to enable an FRC to track grant applications from initiation to final disposition.

This ambitious information system effort has had mixed success.

**SEDS.** SEDS never went beyond the pilot or developmental stage. It was tested in four FRCs, which were asked to identify the needs of all the Federal programs active in their regions. The SEDS managers found little commonality in the reports received from the four FRCs. They concluded that the scope of the project was too comprehensive, covering the entire nation and all the Federal programs, and that the identification of needs

would have to be approached on a program-by-program basis to be manageable.

**BIS.** Under the Budget Information Subsystem, after budget requests are approved by the President, Federal agencies submit their program budget figures to FRCs broken down by grant program and the expected state-by-state distribution. This information is then transmitted to the states through the FRCs to help reduce the uncertainty that surrounds estimation of Federal revenues when they prepare state budgets. There is no breakdown provided below the state level.

The state-by-state distribution is naturally easier to project for the formula grants. For discretionary or project grants, Federal agencies rely mostly on historical patterns for their estimates.

OMB finds that the feedback from the states is not an overwhelming endorsement of the information effort. Yet the parties involved regard it sufficiently useful to be continued. It is the only one of the three RMIS components that remains in operation.

**REGIS.** REGIS, the system for tracking Federal grants from application to award of a proposal, was developed by OMB and several states in 1972 and operated by FRCs. Data on applications was to be obtained through the review and comment process of A-95, and data on grant awards was to be provided by Federal grantor agencies under TC 1082.

A 1971 OMB survey had found that regional directors of Federal agencies needed better information on which to base specific discretionary grant decisions and more systematic interagency and intergovernmental coordination. For planning purposes, state and local governments needed better information on funds requested and funds received from Federal programs.

REGIS was pilot-tested in the Boston and Dallas regions. While OMB concluded, in 1974, that in the majority of cases the system was marginally responsive to individual regional agency needs, still it was of major benefit to A-95 clearinghouses and state and local officials. The Under Secretaries Group for Regional Operations therefore decided to expand REGIS to all ten Federal regions.

Meanwhile, GAO reviewed the experience in the two regions and "saw problems with the completeness and accuracy of grant award data provided by the Federal agencies."<sup>82</sup> It found that REGIS did not rely on the internal grant information systems of the Federal agencies as the data source. Special forms were used which were not essential parts of the standard package of material used for grant applications by applicants and

Federal agencies. GAO ascribed Federal agencies' inability to provide data to REGIS to this failure to integrate the reporting effort with the agencies' internal information systems. It concluded that, "as long as REGIS remained independent of the agencies' internal systems, the agencies would continue developing and using their systems while devoting limited effort to developing and using REGIS."<sup>83</sup> It should be noted that, in response to GAO's position, OMB has indicated that the special forms were eventually to have replaced the 74-7 application face sheets. As such, the form could be an input into agency internal information systems.<sup>84</sup>

Subsequent to the GAO report, the Under Secretaries Group voted to terminate the pilot tests and rescind its decision to expand REGIS to all ten regions because of inability to obtain a firm commitment on financing the expansion and because of the critical findings of the GAO report.

OMB reported that many FRCs and SCIRAs regretted the cancellation of REGIS. Some felt that since the main purpose was to track the broader award process from intent through decision, the knowledge of intent to apply was more significant for planning and budgeting purposes than information on what had already happened; and, therefore, a lack of complete historical data was not critical. On the other hand, GAO noted that the tracking ability under REGIS was limited to only those programs covered under *OMB Circular A-95*, which at that time covered only 139 of the approximate 400-500 money programs available to state and local governments. Program coverage under REGIS could not have expanded until OMB increased the number of programs subject to A-95. GAO thought that a tracking system, to be effective, should cover close to 100 percent of the program universe.<sup>85</sup>

OMB proposed to look into the need for linking the data needs under *FMC 74-7*, *OMB Circular A-95*, and TC 1082 to one another and to existing internal agency information systems. One of the key recommendations of the Intergovernmental Information Systems Improvement Project team, and the revision in *FMC 74-7* and TC 1082, cited earlier, addressed itself to this problem.

### **The Catalog of Federal Domestic Assistance**

The first systematic and objective compilation of Federal programs of assistance to state and local governments was prepared for the Senate Subcommittee on Intergovernmental Relations in 1964. Supplements were issued by the subcommittee in 1965 and 1966, updating the inventory to include all programs enacted during the first session of the 89th Congress.<sup>86</sup>

Meanwhile, a number of departments and agencies issued separate compilations of program data of varying scope, and, in December 1965, the Office of Economic Opportunity published a fairly comprehensive *Catalog of Federal Programs for Individual and Community Improvement*. To avoid the confusion resulting from the appearance of several general purpose catalogs, the Bureau of the Budget, in February 1967, asked all agencies to cooperate in the development of a single general purpose catalog based on the OEO volume. This became the *Catalog of Federal Domestic Assistance*.<sup>87</sup> Responsibility for the catalog rests with the Office of Management and Budget, which publishes 50,000 copies each June and periodic updating supplements. Thirty-five thousand copies are for general free distribution to cities and counties and other governmental units with a minimum population of 250,000. Magnetic tapes for computer use are also available.

In issuing the 1974 catalog, OMB enclosed a "User Questionnaire" which solicited suggestions for improvement. Responses indicated the desire for more frequent updating — perhaps monthly instead of semi-annually — and more information on the funding levels of the various programs. Some users urged more indexing of relevant public laws and regulations and more cross-referencing. GAO would like to see more programs listed, since agencies exclude certain programs. As was noted previously, catalog lists of programs covered by *OMB Circular A-95*, TC 1082, or *FMC 74-7* or requiring state plans often are not complete or definitive. To a considerable extent this reflects the difficulty of keeping the lists current, given the frequent changes in the coverage of the three circulars due to legislative changes and the need for closer monitoring by the agencies responsible for the circulars which, in turn, supply the information for updating the catalog.

In the proposed Executive Branch position on implementation for recommendation F-2 of the Procurement Commission report, concern was expressed over the inconsistency in catalog information:

Under the current rules for preparing the catalog, the Office of Management and Budget gives the agencies general guidance for determining what constitutes an assistance program. However, all agencies do not list the same types of effort in the catalog. For example, some agencies list basic research which they support, while others do not. This problem suggests that a review of all assistance programs should be supplemented by developing a specific definition

<i>Item III-6</i>			
Question	Number Responding	Yes	No
Are you aware of the catalog?	37	100.0%	0.0%
If so, do you find it an adequate aid in identifying and obtaining Federal assistance?	35	82.9	17.1

of assistance and possibly a refinement of the interface between assistance and procurement.<sup>88</sup>

It is noteworthy that the June 1975 catalog, for the first time, defined types of assistance. Sixteen kinds were listed and were assigned by code letter to the appropriate programs in the agency index.

In its August 1975, report on state and local government problems in obtaining Federal assistance, GAO reported that they were told by several governmental officials that "the catalog is not totally useful to them, because the information is not current and does not include the amount of funds available for each program."<sup>89</sup> OMB responded that the catalog contains all of the information that the GAO report says is needed on virtually all domestic assistance programs. OMB questioned the value of trying to keep the information in the catalog more current:

It is inevitable that some of the information will be outdated when the catalog is published, given daily action on authorizing statutes, appropriations, administrative requirements, and grant awards. However, our

experience suggests that attempting to keep this information continually up to date would be an expensive, unmanageable, and probably fruitless endeavor. That is why the offices and addresses of local contacts are provided.<sup>90</sup>

**Views of State Budget Officers, City, County, and Federal Officials.** The ACIR questionnaire survey of state budget officials included a series of queries on the catalog. The results, from 37 respondents are shown in *Item III-6*.

If the officials indicated that they found the catalog inadequate, they were asked to identify needed improvements. Comments included: "New programs are not included . . . in a timely manner." "Needs to be more current." "Format, detail, current updates, indexing, etc., are inadequate." "Fine for a general reference but necessarily omits many significant details." One official commented that while the Catalog is adequate for identifying purposes, "more information is needed about grant funding cycles and obtaining funds."

The same questions were put to city and county executives in the ACIR-ICMA questionnaire survey. Their responses are shown in *Item III-7*.

<i>Item III-7</i>						
Question	Number Responding	Cities		Counties		
		Yes	No	Number Responding	Yes	No
Are you aware of the catalog?	528	89.2%	10.8%	113	91.2%	8.8%
If so, do you find it an adequate aid?	459	72.1	27.9	103	68.9	31.1

Awareness and ratings of adequacy were not as high as in the case of the state budget officers but were still remarkably strong. There was also great consistency between the two groups of officials.

Over 160 officials submitted comments on catalog improvements needed. By far the two most common suggestions were for more frequent updating (36) and accurate information on the status of available funds (26). On the latter, a number of officials urged the inclusion of some kind of realistic assessment of the chances of obtaining funds. Other recurring comments were that, on the one hand, the catalog needed more detail (11) and, on the other, that it was too cumbersome (9); and that it is a fine aid for identifying available assistance but not much help in obtaining it (8).

Federal departmental grant coordinators interviewed by ACIR staff were unanimously of the view that the catalog is a useful and necessary document. Their criticisms were largely similar to those expressed by the state officials: lack of specificity and completeness, inaccuracy in places, and occasional fuzziness as to what is an assistance program. They did not, however, take specific issue with the inadequacy of funding data.

### Federal Outlays Reporting System

Chiefly in response to Congressional pressure for data on where Federal funds were being spent on a geographic basis, OMB, in 1967, instituted a report on Federal outlays. Through *OMB Circular A-84*, it requires all Executive departments and agencies to submit information annually (initially it was semi-annually) on their outlays of all government-administered funds except deposit funds. Outlays include, in addition to grants-in-aid to state and local units, grants to individuals and private institutions, payments for direct purchases of materials, supplies, and equipment, expenditures for construction of facilities, and payments for seven other specified categories of obligation. The data is compiled and published each December in 53 volumes by Community Services Administration (successor to OEO). Dollar outlays are shown by agency, program, and "influence activities"<sup>91</sup> for every county and for each city over 25,000 population. "Grant Outlays" are separated from "Other Federal Outlays," and "Influence of Federal Activities." The FY 1975 issue also shows the catalog number from the *Catalog of Federal Domestic Assistance* for about 75 percent of the assistance programs listed in the catalog.

In some cases, Federal outlays pass through state governments or their intermediates before reaching the ultimate recipient. To allocate these funds by geographic

location, Federal agencies use a proration technique which most nearly approximates the probable distribution of funds on a geographic basis. The FY 1975 report contains 25 such allocation methods.

Improvements were made in the report from year to year, but there was no comprehensive review of policies and procedures until 1974, when OMB established an interagency task team. Its purpose was to improve the quality and usefulness of the data, select an organization to replace OEO as the producer of the report (President Nixon had decided to abolish OEO), and improve *OMB Circular A-84*.

The task team's principal recommendation was for an expansion of six people in the central staff responsible for the report. It stated that:

Although a number of superficial improvements can be made to the report in terms of format and content, major improvements, such as increasing the accuracy of the data or providing data by individual Congressional districts, cannot be accomplished without additional full-time staff (management analysts, statisticians, accountants) experienced in developing and operating information systems.<sup>92</sup>

The expanded staff would permit continuous quality control, development and refinement of reporting by Congressional districts, development of an urban-rural Federal outlays format, a continual review of report data to ensure compatibility with other Federal aid documents with respect to common definitions and data, a review of statistical allocation techniques, and timely response to requests for special reports.

The recommendation for added staff was not accepted by OMB, so the central staff in CSA remains at about five full-time people. Another rejected recommendation was that OMB assume full responsibility for the Federal Outlays Report. Reasons for the recommendation were that OMB would then have an easier job of handling quality control, would control both the policy (A-84) and the reporting responsibility, and the change would permit close ties between the catalog and the Federal budget document.

Several task team recommendations were implemented, however, including presentation of summary tables indicating state rankings and percentage distributions in major functional categories, by major Federal government organization unit and selected demographic characteristics, more accurate descriptions of the statistical allocation techniques, and the separation by grants,

other Federal funds, and influence of Federal activities, noted above.

Despite the recent improvements, the outlays report continues to have limitations. Its accuracy depends heavily on the accuracy and completeness of data provided by the departments and agencies. Figures are not easily reconciled with fiscal data from other key sources, such as the Treasury report on Federal aid to the states and the many fiscal reports of the Bureau of the Census. Because many of the figures for counties and cities are statistical allocations, state and local officials needing precise data must rely on other sources.

Yet the report does provide in one place a picture, however imperfect, of the fiscal impact of Federal operations by geographic area, and has become more useful with new improvements, such as the separation of grants from other outlays and the identification of grants by catalog number. It provides a picture not obtainable from any other central source at the present time and is particularly useful for Congress, its original customer.

### OMB Circular A-85

*OMB Circular A-85* is designed to offer chief executives of state and local governments *via* their national associations (the public interest groups) the opportunity to review and comment on major proposed Federal rules, regulations, standards, procedures, and guidelines and on organizational changes which significantly affect state and local governments. Whenever possible, the consultation is to take place early in the development of such actions. The process, started in June 1967, is in tune with section 401(c) of the *Intergovernmental Cooperation Act of 1968*, which provides that "All viewpoints—national, regional, state, and local—shall, to the extent possible, be fully considered and taken into account in planning Federal or Federally assisted development programs and projects."

The circular sets forth guidelines which Federal agencies are to use in determining which of their major agency regulations and interagency agreements are to be channeled through the consultation process. Responsibility for administering the process is vested in the Advisory Commission on Intergovernmental Regulations. The ACIR transmits proposed regulations from Federal agencies to the public interest groups and forwards the latter's comments back to the agencies. It is required to submit an annual report on A-85 activity to the Director of OMB.

**Implementation.** ACIR's report for 1975<sup>93</sup> is fairly

representative of the reports issued since the circular's inception in regard to the activity during the year and the problems identified in operation of the circular. *Table III-8*, from the report, summarizes agency activity in terms of the number of agency submissions which were put through the A-85 mill.

These figures provide little clue as to how well Federal agencies were complying with the circular in submitting all the proposed regulations that should have been submitted. As the annual report notes, no completely satisfactory answer can be found to that question,

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*Table III-8*

### Number of Issuances Submitted by Federal Agencies Through A-85 Process: 1975

Health, Education and Welfare	37
Environmental Protection Agency	16
Justice (LEAA)	14
Transportation	12
Agriculture	11
Labor	9
Housing and Urban Development	6
Interior	3
Treasury	3
General Services Administration	2
Office of Management and Budget	1
<b>Total</b>	<b>114</b>

*Source: ACIR, Annual Report on Operations Under OMB Circular A-85, January 30, 1976, p. 2.*

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since, as a practical matter, the submission decision rests with the agency, and "in the absence of clear guidelines, it depends largely on how well the agency is organized to handle A-85 compliance, how well its officials understand the circular and how committed they are to the principle of intergovernmental cooperation on which it is based."<sup>94</sup>

The public interest groups periodically complain that regulations are issued without their having an opportunity to comment beforehand. In some of these cases, the issuing agency felt that A-85 did not apply; in others, it thought it could not afford to further delay the issuance.

The other side of the coin is the performance of the

Table III-9

Response Record of Public Interest Groups under A-85 Process: 1975

Public Interest Groups	Total Responses	With Comments	No Comment	Late Response	No Response
ICMA	109	2	107	7	5
NACo	86	58	28	57	28
NLC	16	6	10	5	98
USCM	12	3	9	—	102
NGC	52	25	27	36	62
CSG	1	1	—	1	113

Source: ACIR, Annual Report on Operations Under OMB Circular A-85, January 30, 1976, P. 3.

public interest groups. Tables III-9 and III-10 from ACIR's 1975 report summarize the response record in 1975 and the comparative non-response record for the past four years, respectively.

The response rate varied significantly among the public interest groups. In part, this may be explained by the varying uses to which they put the A-85 process. Some view it as providing a prime opportunity to

comment on proposed rules and regulations. Others view it as more of an early warning system to alert them to upcoming agency promulgations. Others view it as a safety valve process, to be used when other attempts to influence Federal agencies fail. Even the interpretation of the "no comment" response option varies from group to group, thereby affecting the response rate of an individual organization.

Table III-10

Percentage of Issuances Under A-85 Process on Which No Response was Received by ACIR: 1972-1975

Public Interest Group	1972	1973	1974	1975
ICMA	15%	17%	19%	4%
NACo	10	10	17	16
NLC	8	58	41	86
USCM	8	58	49	89
NGC	46	75	68	54
CSG	46	75	71	99

Source: ACIR, Annual Report on Operations Under OMB Circular A-85, January 30, 1976, p. 4.

Even accepting the notion that some non-responses are deliberate and strategic, the report concludes, "the rate of response should be higher. The low rate militates against the usefulness of the circular and provides a disincentive for the agencies and departments to scrupulously comply with the circular."

The agencies share some of the responsibility for this response record. The high rate of "responses with no comments" suggests in part that agencies tend to submit material clearly not relevant to state and local government concern. The frequent tardiness of responses (106 of the 276 total responses) resulted from agency submission of complex draft regulations under circumstances requiring unrealistically short public interest group review and comment periods.

In a summary of the several problem areas in the language and performance of A-85, the 1975 report leveled additional criticisms at the agencies and OMB.

- Agencies rarely respond to major changes to circulated drafts suggested by the public interest groups. According to paragraph 5(e), an agency is supposed to indicate why it did not accept such changes.
- There is inadequate preconsultation of the public interest groups by the agencies. Such consultation is encouraged in paragraph 3(a) in order to minimize the need for extensive review and discussion at the final stages of development of regulations.
- OMB almost always exempts agencies from compliance with provisions of the circular when asked to do so.
- OMB has failed to clarify the ambiguous language in the circular around which most agency compliance questions revolve. At the same time, OMB continues to grant most agency requests for waivers on a case-by-case basis.
- Final regulations are infrequently circulated to the public interest groups, except in a flood at the end of each calendar year.
- Agencies regularly turn to the A-85 process simultaneous with or after a draft

regulation's publication in the *Federal Register*, thus frustrating the hope for early consultation.

The annual report concluded that no real progress was made in solving or mitigating any of these problems in 1975. "Measured against the effort and conflict inherent in the process as it currently exists, the ongoing problems raise questions about whether the A-85 process should be continued in the absence of significant reform and strengthening."<sup>9 5</sup>

## SUMMARY OF FINDINGS AND CONCLUSIONS

This chapter has reviewed the development, substance, and results of two of the major thrusts of the recent movement for "middle range" reform of categorical grants – the standardization and simplification of grant administration procedures and the improvement of intergovernmental information and communication. These reforms derived from a range of legislative and administrative initiatives, including most significantly:

- **The Intergovernmental Cooperation Act of 1968** – which focused on improving administration of grant programs and established a legislative mandate for many improvements.
- **The FAR Program** (Federal Assistance Review) – a three-year interagency effort to decentralize, simplify, and standardize grants administration.
- **PARCC** (Planning Assistance and Requirements Coordinating Committee) – organized by HUD and later associated with the FAR effort. Developed recommendations to eliminate duplication of planning efforts, to clarify planning goals, and to simplify and standardize planning requirements attached to grant programs.
- **JFMIP** (the Joint Financial Management Improvement Program) – established governmentwide cooperative effort to improve the financial management of Federal funds.
- **Interagency Audit Improvement Group** – developed audit standards and the concept of the expanded audit. Sought to

promote acceptance of the non-Federal audit and emphasize the need to avoid costly and annoying application of audit efforts.

- **The Commission on Government Procurement** – created in 1969 to analyze and clarify the confusion in Federal/non-Federal procurement and assistance relationships.

Reform actions emanating from these and other legislative and interagency efforts included the development and implementation of several key management circulars and the initiation of a number of processes and vehicles for the improvement of intergovernmental communication. The management circulars represented an effort to deal for the first time on a systematic basis with problems of administrative procedures and requirements that occurred across-the-board among the proliferated categorical grant programs. On the organizational front, these reforms were paralleled by the institutionalization in the Executive Branch – in OMB, then GSA, then again in OMB – of a centralized responsibility for improved management of grants-in-aid and related intergovernmental activities. In Congress, they aroused the interest of the two Subcommittees on Intergovernmental Relations and attracted growing attention from the General Accounting Office.

The three key management circulars were:

- *GSA Circular FMC 74-7* (formerly *OMB Circular A-102*) – Uniform administrative requirements for grants-in-aid to state and local governments.
- *FMC 74-4* (formerly *A-87*) – Cost principles applicable to grants and contracts with state and local governments.
- *FMC 73-2* (formerly *A-73*) – Audit of Federal operations and programs by Executive Branch agencies.

*FMC 74-7* was a landmark circular. It standardized and simplified 15 areas of grant administrative requirements, largely affecting financial management, and placed restraints on Federal grantor agencies' imposition of "excessive" requirements. State budget officials responding to an ACIR mail survey overwhelmingly saw the circular as bringing about improvement. City and county officials also clearly endorsed the circular, although not as strongly as state budget officers. Federal grant administrators surveyed registered an impressive

amount of support for the circular generally, but with some skepticism regarding standardization of the application and preapplication processes. Federal departmental grants coordinators generally saw *FMC 74-7* as a salutary effort, yet with some feeling that it went overboard in imposing uniformity. Public interest groups, representing the great bulk of state and local grant recipients, voiced strong support for continuing the circular, along with the other management circulars administered by the Office of Federal Management Policy in GSA.

Yet the circular and its implementation were not without shortcomings. As noted, some grantor agency representatives believed the drive to standardize, although generally a worthy objective, was bound to harm some programs because of the impossibility of confining such a large and varied collection of programs within a single mold. Others felt that certain parts of the circular, specifically the procurement provisions, assumed too high a standard of performance at the state and local level. But the implementation of the circular, rather than its provisions, caused most of the criticism. GAO reported non-compliance with the preapplication process, standardized application forms, and the variety of methods for transmitting funds among its other provisions. One public interest group saw deliberate disregard for the circular's requirements, particularly in the initiation of new programs. GSA's response to many of the criticisms of implementation cited the magnitude and complexity of the job, and the progress made to date. GSA also pointed to its limited staffing: the equivalent of two and one-half professionals to administer this circular plus *FMC 74-4* and *FMC 73-2*. Because of limited staff it could monitor only by responding to complaints. Outsiders questioned whether OMB was performing its surveillance policy role effectively. Some, on the other hand, thought that the circular's responsibility belonged with OMB, where it started, since it could wield more influence over Executive agencies. Some also thought that GSA was too rigid in its approach to implementation, and that OMB, reflecting a greater degree of realism because of its involvement in the budget process, would be more flexible in riding herd on Federal agencies' implementation. Return of the responsibility to OMB early in 1976 (with diminished staff) provided an opportunity to see whether OMB could fulfill these expectations.

*FMC 74-4*, the circular which established the principles for determining allowable costs of programs administered by states and localities under Federal grants and contracts, had produced improvements in the opinion of about three-fourths of the state budget officers respond-

ing to the ACIR survey. They were more positive than were the Federal grant administrators polled in another survey, yet the state officials thought that FMC 74-4 effected less significant improvement than FMC 74-7. Federal officials, in contrast, gave higher marks to the cost principles circular than to FMC 74-7. City officials responding to the ACIR-ICMA survey felt that less change had occurred in the cost area than in the standardization of administrative requirements covered by FMC 74-7; county officials scored the effectiveness of the two circulars about the same.

A 1971 study reported uneven progress under the circular. Federal agencies were showing some reluctance in allowing indirect costs. This stemmed partly from the fact that these costs constituted additional charges against what program officials already considered inadequate program funds. As with FMC 74-7, GSA's monitoring of Federal agencies' compliance was basically confined to investigating complaints. In response to criticisms of inadequate compliance from states and localities, GSA asked that complainants cite specific problems.

Some states and localities showed discontent over having to install new or revised accounting systems to meet the circular's requirements. Yet this represented one of its positive side effects helping to build financial management capacity. The experience of San Diego County was an outstanding example of this capacity building. One problem which vexed localities related to state-imposed indirect cost requirements over and above the requirements of the Federal circular. GSA kept a hands-off posture on this issue, on the grounds that it was a problem to be worked out between the states and their political subdivisions.

In early 1976, GAO was making a study of the circular and its implementation, looking at such basic matters as the statutory authorization, conceptual clarity, and the manner in which it was being managed by OMB, GSA, and the individual departments and agencies. GAO was soliciting documentation of specific complaints from grant recipients to get a more objective appraisal of the extent to which, among other things, Federal agencies were capriciously restricting the payment of indirect costs.

Of the three management circulars, the Federal audit circular, FMC 73-2, has been in effect the longest. In conjunction with the promulgation of audit standards by the Comptroller General in 1972 and the initiation of the Intergovernmental Audit forum, it went a long way toward improving the efficiency and effectiveness of Federal program auditing. Although state budget officers were less familiar with this circular than with other

two, two-thirds of those who thought it had caused changes believed these were for the better. City and county officials were similarly less aware of the audit circular, but those who were familiar with it gave it good marks for effectiveness. Only about one-third of Federal grant administrators felt that the circular had produced improvements. Yet they rated the effects of the audit circular as high as they rated FMC 74-7.

Even so, better auditing was still needed. In a 1974 report, GAO found shortcomings in the coordination of auditing among Federal agencies and between them and state and local grantees. Although GSA subsequently strengthened the circular's emphasis on cross-servicing arrangements, reliance on non-Federal audits, and compliance reporting, it acknowledged that much work lay ahead in improving audit operations.

On the issue of use of non-Federal audits of grant programs, Federal agencies complained about the reliability of state auditors. States for their part alleged that Federal requirements were not really standardized. Also, states were inhibited by the difficulties in getting reimbursed for conducting audits for Federal agencies. This, plus the lack of adequate staff, an agreed-upon methodology for evaluating non-Federal audits, and failure of officials at all levels to realize that the audit task is a complementary one for the governments involved, stood in the way of wider use of the coordinated audit.

Related to the various efforts to improve grant administration were two recommendations of the 1972 report of the Commission on Government Procurement. They called for clarification of the distinction between assistance relationships as a class and procurement relationships and the development of guidance for Federal agencies in using the proper instruments of either assistance or procurement. The commission had found confusion as to when contracts or grants should be used, and inappropriate and interchangeable use of the two instruments, sometimes for reasons inimical to policy control and sound administration.

The Executive Branch initiated an interagency study in response to the commission's recommendations and the legislation proposed to carry them out. The study found that Federal agencies, and, somewhat surprisingly, grant and contract recipients were not much concerned about the lack of clarity in the use of contracts and assistance instruments. Yet, the study committee concluded that there was value in distinguishing between procurement and assistance transactions, and in classifying the latter by the extent of Federal involvement. It recommended a new kind of classification and suggested criteria for choosing the appropriate type of assistance

instrument. These changes, it felt, among other things, would help grant recipients anticipate the degree of Federal involvement associated with each money award and would make for better Congressional and Executive Branch oversight.

In opening the channels of communication to states and localities, the Federal government moved on a broad front, with mixed success. *Treasury Circular 1082* responded directly to Section 201 of the *Intergovernmental Cooperation Act of 1968* requiring Federal agencies to report to states on the purpose and amounts of grants to the states or their political subdivisions. A GAO study found that Federal agencies' reports were incomplete and inaccurate, partly due, in GAO's opinion, to the fact that the reporting system was not part of the agencies' internal information systems. Consistent with this appraisal were the views of state budget officials, who indicated that TC 1082 was least effective of all the circulars they were asked to evaluate in the ACIR survey. OMB responded to the GAO report with an interagency study covering information forms requirements in FMC 74-7 as well as *OMB Circular A-95*. The upshot was a new consolidated form to serve certain reporting needs of TC 1082, FMC 74-7, and *OMB Circular A-95*; and new regulations under TC 1082 opening up the scope of Federal programs to be reported on and tightening agencies' monitoring of compliance.

On another information front, the Regional Management Information System (RMIS) was initiated and soon focused on the needs of the Federal Regional Councils recently established as principal actors in the New Federalism's decentralization efforts. Its three components were the Social, Economic, and Demographic Subsystem (SEDS), designed to provide information useful in defining program needs; Program Budget Information System (BIS), designed to provide data on projected program funding; and Regional Grant Tracking Information Subsystem (REGIS), a system for tracking grant applications in the regional offices from initiation to final disposition. Only BIS was still in operation in 1976, helping to give state and local governments some advance notion of what grant funding was likely to be. REGIS was found by GAO to be wanting for much the same reason as it found TC 1082 wanting: failure to link itself to the internal information systems of the participating agencies. Experience with REGIS also contributed to the development of a new face sheet for grant preapplications and applications under FMC 74-7, which was expected to improve the flow of information to A-95 clearinghouses and state governments.

A major improvement in intergovernmental communication in the past decade was initiation of the *Catalog*

*of Domestic Public Assistance*. It responded to a need that was voiced early and with mounting urgency as the number of categorical grants multiplied — the need for a collection in one place of information about all assistance programs. Both state budget officials and Federal grants coordinators expressed overwhelming support for the catalog. It gradually improved over the years, with almost every semi-annual revision containing a further refinement or expansion. It became a convenient cross-reference for other Federal documents dealing with Federal assistance, such as the Federal outlays report, the budget, and publication of regulations in the *Federal Register*. With all its assets and its improvements, however, state and local governments, which are one of its chief audiences, find it has shortcomings. The breadth of its coverage — all forms of assistance, not just grants-in-aid or even financial assistance — complicate the task of readily finding the programs that are of greatest interest to them.

The Federal outlays report is also a useful tool for potential grant recipients, despite its limitations of accuracy and completeness. By focusing on Federal outlays by geographic location, down to the level of counties and cities of 25,000 population and more, it is of particular value for Congressmen and other officials interested in knowing how much Federal money goes where. And, as state and local officials concede, while it is far from perfect, it is the best thing available.

A final new avenue of intergovernmental communication of the past decade was the opportunity for the representatives of state and local general purpose governments to review and comment in advance on proposed Federal regulations and guidelines that affect state and local government. The opportunity was provided in *OMB Circular A-85*. Here again, experience was mixed. With OMB interpreting statutory authority as placing enforcement responsibility on Federal agencies rather than OMB, A-85 in practice has become a guideline for Federal agencies to observe as they wish, subject to whatever moral pressure they feel from the circular and the exhortations of OMB. Agencies fail to submit all proposed regulations to the review and comment process, or submit them tardily with little time for the public interest groups to analyze proposals. In addition, agencies fail to respond to comments made by the public interest groups, giving a note of futility to the latter's efforts. Also Federal agencies infrequently send copies of final regulations to public interest group participants and rarely, if ever, heed the circular's encouragement of agencies to consult informally in advance with state and local groups when new proposals are in the offing. At the same time, the public interest groups are not without

blame for the problems of A-85. By and large, their rate of response to requests for comments is very low, and their comments frequently lack substance. Federal agencies consequently wonder whether the effort involved, and the additional time required in a process (issuance of

regulations) which is already criticized as too prolonged, is worth the marginal improvement in Federal-state-local relations. For the state and local government groups, the answer was still "Yes."

## FOOTNOTES

- <sup>1</sup> 30,000 acres for each Senator and Representative.
- <sup>2</sup> Bureau of the Budget, *The Bureau of the Budget During the Administration of President Lyndon B. Johnson, Nov. 1963 - Jan. 1969*, Vol. II, App. 17.
- <sup>3</sup> Advisory Commission on Intergovernmental Relations, *Fiscal Balance in the American Federal System*, A-31 (Washington, D.C.: U.S. Government Printing Office, October 1967).
- <sup>4</sup> Senate Subcommittee on Intergovernmental Relations, *Creative Federalism Hearings*, 89th Cong., 2nd Sess. (November 16, 17, 18, and 21, 1966).
- <sup>5</sup> The teams held half-day conferences in 40 states, involving some 285 Washington officials from 25 departments and agencies 300 Federal field officials and nearly 1 900 state officials. Farris Bryant, *Nine Months of Progress in Federal-State Relations, A Report to the President* (Washington, D.C.: Office of Emergency Planning, August 1967).
- <sup>6</sup> Bureau of the Budget *op. cit.*, Vol. I pp. 134-5. The five states were Colorado, Pennsylvania, South Carolina, Tennessee, and Washington.
- <sup>7</sup> The Council of State Governments, *Federal Grant-in-Aid Requirements Impeding State Administration* (Chicago, Ill.: 1966).
- <sup>8</sup> Senate Subcommittee on Intergovernmental Relations *The Federal System as Seen by State and Local Officials* (Washington, D.C.: U.S. Government Printing Office, 1963).
- <sup>9</sup> Dwight A. Ink, address to Second National Conference of Intergovernmental Federal Aid Coordinators (1969).
- <sup>10</sup> International City Managers Association, "Summary of response to questionnaire circulated to city managers regarding local administrators' problems most often encountered in their work with Federal departments and agencies" (Washington D.C.: 1966). mimeograph.
- <sup>11</sup> Senate Subcommittee on Intergovernmental Relations, *Creative Federalism Hearings, op. cit.*
- <sup>12</sup> Bureau of the Budget, *op. cit.*, Vol. II, App. 20, p. 18.
- <sup>13</sup> Memorandum submitted by State of Washington Department of Public Assistance for National Governors' Conference meeting on problems experienced by state agencies with the Federal government (February 1966).
- <sup>14</sup> Illinois Commission on Intergovernmental Cooperation, *Administration of Federally Aided State Programs in Illinois: State Agency Viewpoints* (Springfield, Ill.: 1969), p. 31.
- <sup>15</sup> Bryant, *op. cit.*, p. 19.
- <sup>16</sup> Memorandum from director, Washington State Traffic Safety Commission to Washington Federal-state coordinator (February 20 1969).
- <sup>17</sup> Bureau of the Budget, *op. cit.*, Vol. II, App. 20 p. 15.
- <sup>18</sup> Council of State Governments, *op. cit.*, p. 11.
- <sup>19</sup> Memorandum submitted by State of Washington Department of Public Assistance for National Governors' Conference meeting on problems experienced by state agencies with the Federal government (February 1966).
- <sup>20</sup> Advisory Commission on Intergovernmental Relations, *Statutory and Administrative Controls Associated with Federal Grants for Public Assistance*, A-21 (Washington, D.C.: U.S. Government Printing Office, May 1964), p. 76.
- <sup>21</sup> Council of State Governments, *op. cit.*, p. 18.
- <sup>22</sup> Council of State Governments, *op. cit.*, p. 20.
- <sup>23</sup> P.L. 90-577, 42 U.S.C. 4201-4243 (1970).
- <sup>24</sup> See *OMB Circular No. A-105, Standard Federal Regions* (April 4, 1974).
- <sup>25</sup> Eleven participate at present.
- <sup>26</sup> An earlier effort to streamline grant processing was undertaken by the Joint Administrative Task Force in 1967. See Joint Administrative Task Force, *Reducing Federal Grant-in-Aid Processing Time*, An Interagency Report to the President (September 1967).
- <sup>27</sup> P.L. 91-129.
- <sup>28</sup> For an account of OMB's (then BOB) role in improving intergovernmental administration in the Johnson Presidency, see Bureau of the Budget, *op. cit.*, Vol. I, Part IV, "The Bureau's Role in the Improvement of Government Organization and Management."
- <sup>29</sup> *Report of the Commission on Government Procurement* (Washington, D.C.: U.S. Government Printing Office, December 1972), Vol. 3, p. 153.
- <sup>30</sup> Now ERDA - Energy Resources and Development Administration.
- <sup>31</sup> Senate Committee on Government Operations, *Report on S. 3514*, 93rd Cong., 2nd Sess., Report No. 93-1239 (Washington, D.C.: U.S. Government Printing Office, 1974), p. 19.
- <sup>32</sup> *Ibid.*, p. 47.
- <sup>33</sup> *Congressional Record* (June 17, 1974), p. S. 10764.
- <sup>34</sup> *An Interagency Study to Determine How to Implement Relationship - Instrument Concept of S. 1437* (draft), (undated).
- <sup>35</sup> This system would probably be responsive to the plea of one city manager in the ACIR-ICMA questionnaire survey, who, in commenting on the inadequacies of the *Catalog of Federal Domestic Assistance* as an information source, said: "Of particular use would be a standard rating of the level of red tape involvement in the application, award of grant, and grant management process to allow a grantee to determine if the possible grant resource were worth the effort and whether that grantee had the management, planning, and accounting expertise to successfully administer the grant."
- <sup>36</sup> *An Interagency Study, op. cit.*, p. 8.
- <sup>37</sup> *Executive Order No. 11717*, dated May 9, 1973.
- <sup>38</sup> *Executive Order No. 11893*, dated January 2, 1976. For a discussion of the background of the return of the circular management responsibility to OMB, see *Chapter IV*.
- <sup>39</sup> The circular was later amended to include school districts under the term "local government" and to extend application

- of its provisions to Federally recognized Indian tribal governments. *Federal Register*, Vol. 40, No. 212 (November 3, 1975).
- <sup>40</sup> *Federal Register*, Vol. 40, No. 226 (November 21, 1975).
- <sup>41</sup> For further discussion of the face sheet, see below: "Intergovernmental Information Systems Improvement Project."
- <sup>42</sup> See *Treasury Department Circular No. 1075* (Third Revision), pp. 3-5.
- <sup>43</sup> A June 1975, amendment to FMC 74-7 increased from \$2,500 to \$10,000 the amount of purchases and contracts for property and services that may be executed through negotiation rather than through formal procedures. *Federal Register*, Vol. 40, No. 210 (June 20, 1975).
- <sup>44</sup> General Accounting Office, *Opportunities for Savings in Interest Cost Through Improved Letter of Credit Methods in Federal Grant Programs* (FGMSD-75-17), (Washington, D.C.: April 29, 1975).
- <sup>45</sup> At a meeting of municipal finance officers in October 1975, a GSA representative said that Federal officials try to discourage states' imposition of extra requirements. He said that GSA has proposals to prohibit extra rules. The Bureau of National Affairs, Inc., *Federal Contracts Report*, No. 604 (November 3, 1975), p. A-7. Also see below for reference to NACo resolution.
- <sup>46</sup> Council of State Governments, *Coming Together* (Washington, D.C.: July 1971), pp. 44-45.
- <sup>47</sup> A more recent study found that by 1974, 26 states had established comprehensive human resources agencies. George A. Bell and Dick Howard, "Human Services Integration," *State Government* (Spring 1975), p. 100.
- <sup>48</sup> General Accounting Office, *Fundamental Changes Are Needed in Federal Assistance to State and Local Governments*, GG-75-75. (Washington, D.C.: August 19, 1975).
- <sup>49</sup> *Ibid.*, p. 46.
- <sup>50</sup> *Ibid.*, p. 37.
- <sup>51</sup> Letter to ACIR from Bernard Hillenbrand, NACo (November 13, 1975).
- <sup>52</sup> General Accounting Office, *Fundamental Changes*, *op. cit.*, App. V, p. 91.
- <sup>53</sup> *Ibid.*, App. IV, p. 85.
- <sup>54</sup> Letter, James T. Lynn to Honorable Tom Steed, Chairman, Appropriations Subcommittee for Treasury, Postal Service and General Government, House of Representatives (undated).
- <sup>55</sup> For details of the survey, see *Vol. VII, Chapter II*.
- <sup>56</sup> See *Vol. VII, Chapter I* for full description of survey, limitations, and more detailed results.
- <sup>57</sup> For details of the survey, see *Vol. VII, Chapter IV*.
- <sup>58</sup> Agriculture, Commerce, Environmental Protection, HEW, HUD, Interior, Labor, and Transportation.
- <sup>59</sup> In a 1975 report, GAO agreed with the view that Attachment O does not provide Federal agencies with adequate controls to insure that grantee contracts are awarded in an equitable and economic manner. See General Accounting Office, *Procurement of Rail Passenger Cars for the New Haven Railroad*, RED-76-15 (September 17, 1975), p. 22.
- <sup>60</sup> Walter Floyd Johnson, *Determining Grantee Costs in Federal Grant-in-Aid Programs* (Austin, Texas: University of Texas, December 1973) unpublished Ph.D. dissertation, p. 128.
- <sup>61</sup> Johnson, *op. cit.*
- <sup>62</sup> Lonergan, Gerald, "Recouping Indirect Costs on Federal Grants," *NACo News* (March 25, 1974), pp. 6-7.
- <sup>63</sup> The State of California had mandated that each county develop a cost allocation plan.
- <sup>64</sup> Lonergan, *op. cit.*, p. 7.
- <sup>65</sup> *NACo County News* (April 7, 1975), p. 6. The resolution was later adopted by NACo as part of its *American County Platform*.
- <sup>66</sup> *NACo County News* (June 16, 1975), p. 4.
- <sup>67</sup> GSA's deputy administrator acknowledged the need for better implementation of FMC 74-4 in responding to a GAO report on Federal reimbursement for state audits. See General Accounting Office, *Problems in Reimbursing State Auditors for Audits of Federally Assisted Programs* (FGMSD-75-22) (June 25, 1975), p. 19.
- <sup>68</sup> In 1967, the ACIR recommended that Federal grant-administering agencies accept state audits of expenditures of Federal grant funds when performed by states whose auditing and accounting systems have been certified by the U.S. Comptroller General. *Fiscal Balance in the American Federal System*, A-31 (Washington, D.C.: U.S. Government Printing Office, 1967), Vol. I, p. 30.
- <sup>69</sup> General Accounting Office, *Increased Intergovernmental Cooperation Needed for More Effective, Less Costly Auditing of Government Programs*, B-176544 (Washington, D.C.: 1974).
- <sup>70</sup> General Accounting Office, *Problems in Reimbursing State Auditors for Audits of Federally Assisted Programs* (FGMSD-75-22) (June 25, 1975), p. 16.
- <sup>71</sup> In late 1975, GSA was working with the National Governors' Conference and state auditors in developing a demonstration model of state auditing of Federal programs, National Governors' Conference, *Governors' Bulletin* (October 17, 1975).
- <sup>72</sup> Letter to ACIR from John Lordan, GSA (October 9, 1975).
- <sup>73</sup> General Accounting Office, *Increased Intergovernmental Cooperation Needed*, *op. cit.*, p. 22.
- <sup>74</sup> *OMB Circular A-95, Evaluation, Review, and Coordination of Federal and Federally Assisted Programs and Projects*, also is concerned with improving intergovernmental communication. Its scope is broader, however, and is discussed in another context in *Chapter V*.
- <sup>75</sup> Another vehicle of intergovernmental communication in the Federal assistance area is the annual publication of the special analysis of the U.S. budget dealing with Federal aid to state and local governments. This analysis has appeared every year starting with the budget for fiscal year 1963.
- <sup>76</sup> Now Form 424. See below.
- <sup>77</sup> General Accounting Office, *States Need, But Are Not Getting, Full Information on Federal Financial Assistance Received*, B-146285 (Washington, D.C.: March 4, 1975). Also see Stephen Varholy, "States Not Receiving Full Information on Federal Financial Assistance," *State Government Administration* (May 1975).
- <sup>78</sup> OMB Memorandum, "Final Report - Intergovernmental Information Systems Improvement Project" (December 15, 1975).
- <sup>79</sup> Maryland Commission on Intergovernmental Cooperation, *1974 Annual Report*, p. 1.
- <sup>80</sup> Illinois Commission on Intergovernmental Cooperation, *1974 Annual Report*.
- <sup>81</sup> House Subcommittee on Intergovernmental Relations, *Hearings, "New Federalism,"* 93rd Cong., 2nd Sess. (January, February 1974), pp. 100-102.
- <sup>82</sup> General Accounting Office, *States Need, But Are Not Getting,*

*Full Information on Federal Financial Assistance*, B-146285 (Washington, D.C.: March 4, 1974), p. 31.

<sup>83</sup>*Ibid.*, p. 32.

<sup>84</sup>Letter from OMB to ACIR (November 11, 1975).

<sup>85</sup>Letter from GAO to ACIR (November 19, 1975).

<sup>86</sup>Senate Subcommittee on Intergovernmental Relations, *Catalog of Federal Aids to State and Local Governments*, Committee Print, 88th Cong. 2d Sess. (April 15, 1964); *Supplement* (January 4, 1965); *Second Supplement* (January 10, 1966).

<sup>87</sup>*OMB Circular A-89* (revised December 31, 1970) established the policies for developing and issuing the catalog.

<sup>88</sup>*Proposed Executive Branch Position/Implementation for Recommendation F-2 of the Report of the Commission on Government Procurement*, mimeo (March 1, 1974), p. 5.

<sup>89</sup>General Accounting Office, *Fundamental Changes Are*

*Needed in Federal Assistance to State and Local Governments* (GGD-75-75) (Washington, D.C.: August 19, 1975), p. 21.

<sup>90</sup>*Ibid.*, p. 66.

<sup>91</sup>"Influence activities" include (1) the current market value of donated commodities; (2) the original acquisition cost of donated surplus real and personal property; and (3) the face value or contingent liability of guaranteed-insured losses.

<sup>92</sup>Office of Management and Budget, *Interagency Task Team Report on Improvements to the Federal Outlays Report on Geographic Region, OMB Circular A-84 Policy and Associated Processes* (processed), (undated), executive summary, p. 1.

<sup>93</sup>Advisory Commission on Intergovernmental Relations, *Annual Report on Operations Under OMB Circular A-85* (January 30, 1976).

<sup>94</sup>*Ibid.*, p. 5.

<sup>95</sup>*Ibid.*, p. 8.



# Executive Branch Organization for Assistance Policy and Management

## PRINCIPLES AND APPROACHES

### Introduction

Problems in the development of assistance policy and in the overall management of Federal aid have frequently been attributed to weaknesses in the organization of the national government for the conduct of intergovernmental relations. The “fragmented” system of assistance, as described in *Chapter I* of this report, is thus linked with the equally fragmentary Federal administrative structure. It is held that too many departments and agencies are involved in the administration of intergovernmental programs, while the provisions for the administrative coordination of their efforts have been inadequate. For example, the recent assessment of the Federal assistance system prepared by the General Accounting Office attributed the problems identified to the proliferation of programs and “the fragmentation of responsibility among different Federal departments and agencies.”<sup>1</sup> Most comprehensive studies of the weaknesses of the Federal grant-in-aid system — from the report of the first Hoover Commission in 1949 to the 1975 report prepared by the Study Committee on Policy Management Assistance — have proposed some organizational restructuring of the Federal Executive as a necessary, if only partial, remedy.

Interest in the organization of the Federal Executive for grant administration has grown apace with the rising

number of assistance programs. A considerable variety of organizational improvements has been proposed, and many of them implemented. The period of managerial fervor from about 1964 to the present can probably best be compared with that of a generation ago, during the New Deal. The assertion of new governmental responsibilities in the 1930s produced a host of administrative innovations – the “alphabet soup” of new agencies. It also heightened the prestige of public administration and eventually stimulated the clarification of administrative doctrine, especially by the President’s Committee on Administrative Management (Brownlow Committee) in 1937.<sup>2</sup> Similarly, the past few years have been marked by unusually intense activity in the field of public administration, both in government and the universities.

There is an important contrast between the two periods, however. The era of the Depression produced a body of administrative doctrine which has provided the theoretical basis for organizational reform and practice during the following years, up to the present. While the past decade has seen much organizational change, a body of new, positive theory which provides basic principles for action has yet to be developed. Instead, the traditional theory has been subjected to a searching and critical re-examination. Fundamental issues have been raised, but left unresolved.<sup>3</sup> The discipline now is marked by an “intellectual crisis” in the phrase of one writer, and is thought to be gripped by a “sense of failure” by another.<sup>4</sup>

These developments in management thought provide an essential context for the examination of the contemporary organization of the Federal government for intergovernmental relations, which is the primary concern of this chapter. Herein, those agencies and organizations which have governmentwide responsibilities in the intergovernmental field will be probed and, of these, the Office of Management and Budget, Domestic Council, General Services Administration, and the Federal Regional Councils will receive detailed treatment, given their pivotal roles.

The question of Federal organization is intimately related to those of communication and grant simplification considered in the previous chapter. The administration of such procedures, after all, is one of the significant responsibilities of some of the agencies which are examined. Similarly, the issues considered here are associated with some of the “capacity-building” efforts which are examined in *Chapter V*.

However, because organizational changes often have been considered as a distinct method for the improvement of the operation of the intergovernmental assistance system, they are examined separately here.

## Coordination: The Elusive Goal

As noted previously, even the most recent proposals for the improvement of administrative organization for intergovernmental affairs have generally rested upon the traditional theory of public administration. Hence, this approach must be summarized, if only briefly. The central concept in the standing body of organizational doctrine is “coordination.” “Better coordination” is the objective of much organizational activity and most proposals for reform.

The centrality of the coordination concept in traditional administrative thought is made clear in the work of Luther Gulick, a member of the 1937 President’s Committee on Administrative Management, whose essay, “Notes on the Theory of Organization,” still provides the best codification of the traditional viewpoint.<sup>5</sup> The basic rationale for organization arises, in this widely accepted view, from the desire to take advantage of the economies obtained by work specialization: “work division is the foundation of organization, indeed, the reason for organization.” The division of labor, however, requires the development of means for its reintegration. In turn, “the theory of organization . . . has to do with the structure of coordination imposed upon the work – these division units of an enterprise.”<sup>6</sup> Gulick adds: “If subdivision of work is inescapable, coordination becomes mandatory.”<sup>7</sup> This function is “all important.”<sup>8</sup> Other, earlier writers quoted in the same volume in which Gulick’s essay appears put the matter even more forcefully. Of “coordination,” they say:

This term expresses the principles of organization *in toto*; nothing less. This does not mean that there are no subordinated principles; it simply means that all the others are contained in this one of coordination.<sup>9</sup>

Despite the theoretical centrality of “coordination,” however, it must be noted that it has been impossible to arrive at a single, generally accepted definition of the concept – a fact that moves some analysts to shy away from it altogether. Clearly, it has several distinctive meanings. Contemporary definitions typically focus on either *processes* or *results*. One writer indicates that, in current usage, the term “has come to be identified primarily with the formal processes by which we attempt to adjudicate disagreements among agencies.”<sup>10</sup> Another agrees, noting that the word is used to refer to “almost any change in organization, relationships, policies, practices, projects, or programs that will resolve whatever conflict or hiatus . . . the user of the term may happen to be concerned with.”<sup>11</sup> However, he also

offers a second interpretation. Looking at coordination in terms of its results, rather than processes, he suggests that "coordination means consistency, harmony, mutual reinforcement, the absence of conflict and duplication."<sup>12</sup>

Implicit in the stress on coordination in administration, then, is the recognition that there are powerful divisive, "centripetal" forces in large-scale organizations. Interagency conflict is a common characteristic of most bureaucracies. This presents the basic problem with which public administrators must cope. As these definitions suggest, there is a wide variety of "coordinative problems," each relating to a somewhat different definition or interpretation of the term. Two of these deserve clarification. On the one hand are the problems of "functional duplication," occurring when two or more agencies are rivals in providing similar or identical services, with a resultant cost in inefficiency. There are also problems involving actual policy conflict, in which the actions of one agency tend to negate (or at least fail to support) those of another.<sup>13</sup>

The traditional administrative literature has identified two basic solutions to the problems of "coordination." In Gulick's formulation, these are "coordination by organization" and "coordination by the dominance of an idea."<sup>14</sup> The first of these, which in practice has received by far the greater amount of attention, has as its chief instrument the "chain of command" or organizational hierarchy. The second, an essentially voluntary approach, relies upon the willingness of individuals or agencies to cooperate in the pursuit of a shared, overriding objective.

**Coordination by Organization.** Coordination by organization requires both a strong chief executive and a properly designed organizational structure. The "central concern" of organization theory, according to Gulick, is to "establish and perfect the structure of authority between the director and the ultimate work subdivisions." This must be done in a manner which will enable the director (or chief executive) "to coordinate and energize all of the subdivisions of work so that the major objective may be achieved efficiently."<sup>15</sup>

The administrative hierarchy provides the normal method of organizational coordination.<sup>16</sup> Interdepartmental disputes in the national government are thus to be settled by the intervention of the President, aided of course by staff; those within a department, by its Secretary, and so forth. In this fashion, the typical organization chart may be regarded as a "suppression chart," since it indicates who can suppress whom in cases of conflict.<sup>17</sup>

An organizational structure, according to the traditional theorists, is properly constructed by attention to certain basic "principles."<sup>18</sup> For example, provision must be made for strong leadership by a single chief executive; he should be granted necessary staff assistance. Each worker should be responsible to a single "master," and the "span of control" of any official should be strictly limited. The overriding goal of administration is seen as obtaining a high level of efficiency in governmental activities. Consequently, the concerns of public administration are held to be quite distinct from those of politics, including assessments of the merits of particular public policies.

These prescriptions provide the basis for many proposed organizational reforms in the intergovernmental field, as in other areas of administrative activity. As the government has grown larger and more complex, the need for better coordination has become more apparent. Attention has been directed toward establishing — or, where they already exist, strengthening — orderly, hierarchical relationships among the various Federal agencies. This principle has been the basis for most proposed departmental reorganizations and consolidations, and for attempts to strengthen the administrative oversight capabilities of the Presidency.

Though hierarchical coordination is the normal mode in organizational operations, it is not the only one. Gulick and others have recognized that interagency coordination at lower levels — through interagency boards, meetings, committees, and other forms of contact — is, in practice, also essential. Yet, however necessary, such procedures should not have to be, and should not be, utilized frequently. Such techniques of coordination are

... to be used only to deal with abnormal situations and where matters of policy are involved, as in planning. The organization itself should be set up so that it can dispose of the routine work without such devices, because these devices are too dilatory, irresponsible and time consuming for normal administration. *Wherever an organization needs continual resort to special coordinating devices in the discharge of its regular work, this is proof that the organization is bad.*<sup>19</sup>

**Coordination by Ideas.** Coordination by ideas relies upon the spirit of human cooperation rather than formal organizational authority. Men and agencies will work toward a common end, Gulick argues, if they possess or

are given the will and motivation to do so. The force of dominant ideals may be a sufficient basis for coordination even in the absence of an organizational structure. Gulick's illustration is a nation at war, when all citizens bend their efforts toward mutual protection and victory. Such coordination is also possible under less extreme circumstances in some instances.

*In an old, stable community, small enough for each person to know the other, even competing businesses generally work along together in harmony. The town board, the school board, the park commission, the overseer of the poor, though answerable to no single executive, manage to get along with each other and each to fit his part of the work into that for the others to arrive at a sensible result of the whole picture. Men of intelligence and good will find little difficulty in working together for a given purpose even without an organization.*<sup>20</sup>

In all cases, Gulick argues, full reliance must not be placed on coordination by organization alone. The chief executive should also utilize his capacity for leadership and persuasion. The processes of personnel administration are also significant in this regard. Properly motivated individuals should be selected for positions, and their spirit of cooperation encouraged through training programs, the recognition of good service, participation in decision making, the development of professional associations, and other techniques.<sup>21</sup>

The principle of coordination by ideas may be recognized in many administrative actions. It played a part in the "War on Poverty" during the Johnson administration. A wide variety of agencies, private as well as public at all governmental levels, was asked to link its efforts toward a common purpose. Similarly, President Nixon attempted to specify the objectives of the "New Federalism," to which many departments could contribute. The concept of coordination by an idea also underlies the calls for specific national goals or policies in a variety of fields. It played a part in certain budgetary and management systems, which are described below.

## ORGANIZATIONAL STRATEGIES

A wide variety of organizational techniques and mechanisms has been used in an attempt to improve the coordination of Federal assistance programs. Three basic strategies may be identified. First, there have been

continuing recommendations for the strengthening of the mechanisms for dealing with intergovernmental relations at the highest level of government, within the Executive Office of the President. Improvements in the departmentalization of executive activities have been suggested as another means for clarifying responsibilities and relationships and resolving conflicts. The greater decentralization of Federal programs, coupled with the creation of new field entities, has been a third approach. All of these have been utilized within the past decade.

### Stronger Executive Leadership

Probably the most commonly recommended strategy for the improvement of Federal organization for intergovernmental policy making and administration has been proposals for the strengthening of the Presidential role. This is most readily accomplished by the creation of a special agency for intergovernmental relations located close to the President himself.

Such a strategy rests upon the prescriptions of the earliest management theorists. The quest for stronger executive leadership has in fact been a "core value" of public administration throughout most of the 20th century. Theorists and reformers have sought to strengthen the chief executive (at each level of government) as a means of overcoming the fragmentation of administrative responsibility, of linking together the "highly independent islands of decision making occupied by officials who [go] about their business without much reference to each other or to other organs of government."<sup>22</sup> Indeed, the primary concern of the Brownlow and first Hoover Commission reports was the "need to strengthen the President's capacity to marshal and wield the far-flung resources of the Executive Branch."<sup>23</sup> To accomplish such tasks, in the phrase of the Brownlow report itself, "the President needs help" in the form of expanded and institutionalized staff.

A variety of study groups and commissions has examined the Federal government's organizational machinery for intergovernmental administration and made recommendations for improvement. Often in quite similar language, these reports have stressed the need for a "focal point" for intergovernmental affairs. While these recommendations can be differentiated in terms of the specific functions that they would assign to such an organization—whether research, liaison, policy planning or management—all adhere to the same principle of staff organization.

Recommendations of this character were included in the reports of the first Hoover and Kestnbaum Commission, as was noted in *Chapter 1*. The Hoover

Commission recommended the creation of a "continuing agency on Federal-state relations" which would have "primary responsibility for study, information, and guidance" in the field. Such an agency would, in cooperation with the then Bureau of the Budget, develop a unified system of budgetary and fiscal control over all grants-in-aid; make available to the Congress information and data pertaining to problems in the field; and "appraise our public needs, our resources, and ways and means for adjusting the one to the other."<sup>24</sup> The Kestnbaum Commission's report suggested that

... there should be a special assistant in the Executive Office of the President to serve with a small staff as the President's chief aide and adviser on state and local relationships. He should give exclusive attention to these matters throughout the government. He would be the coordinating center.<sup>25</sup>

The primary responsibility of the suggested staff agency would be "to advance a strategic sense of Federal relations in the formative stages" of legislative and administrative action. One of the benefits expected was an improvement in the coordination among individual programs.<sup>26</sup> The Kestnbaum Commission also proposed the creation of a Presidentially appointed "Advisory Board on Intergovernmental Relations" and an intensification of the concern of the Bureau of the Budget with the fiscal aspects of the field, among other measures.<sup>27</sup>

Similar recommendations have been made by a number of other individual experts and study groups over the years. The quotations which follow indicate the general nature of some of these.

I suggest that the Federal government and each state establish a staff unit on intergovernmental relations, preferably in the Executive Office of the President or governor, charged with taking an overall view of [intergovernmental problems].

*James W. Fesler (1949)<sup>28</sup>*

So far as metropolitan problems are concerned, what is needed is a focal point in the White House where all the multiform data about metropolitan areas will be collected and analyzed. . . . A permanent staff agency should be created, whose job it will be to furnish the President with the information he needs on metropolitan matters to permit him to build a balanced program of action.

*Robert H. Connery and Richard H. Leach (1960)<sup>29</sup>*

The capacity of the Executive Office of the President in promoting Federal interagency and intergovernmental program coordination must be strengthened.

*Task Force on Intergovernmental Program Coordination (1965)<sup>30</sup>*

Consideration should be given to designating a special assistant to the President for program coordination and intergovernmental relations who would keep abreast of interdepartmental and interlevel conflicts and assist the President in solving them. At the same time, he could establish a more direct liaison between the White House and state and local leaders to improve state and local relations.

*Senator Edmund Muskie (1966)<sup>31</sup>*

High on the agenda is the establishment of some kind of an "office of urban affairs" to develop strategy for, foster, and interrelate Federal urban programs. This office [would function] as a major element of the Executive Office of the President. . . . Its main job would be to foster coordinated programs and effective working relationships with state and local agencies.

*Christine Altenberger and Donald C. Stone (1968)<sup>32</sup>*

Somewhere in the Executive Office [of the President] . . . must be fixed the responsibility for developing and recommending to the President an organizational philosophy that will govern the administration of assistance programs and, once he adopts it, monitoring its application in the conduct of the Executive Branch as a whole.

*James L. Sundquist (1969)<sup>33</sup>*

We recommend that the President designate a Federal agency to develop policy and coordinate implementation of Federal assistance to states and localities with the participation of state and local officials. This agency should have direct access to the Chief Executive.

*Committee for Economic Development (1976)<sup>34</sup>*

In addition, the unpublished report of the President's Task Force on Government Organization (Heineman

Task Force), reportedly recommended that an "Office of Program Coordination" be created in the Executive Office of the President.<sup>35</sup> The task force was established by President Johnson in 1967. The President's Advisory Council of Management Improvement, in its 1973 report, stressed the lack of a focal point for formulating and implementing intergovernmental management policy and urged the creation of a "Program Coordination and Intergovernmental Management Division" in OMB, among other actions.<sup>36</sup>

**OMB Interagency Study.** The most recent official investigation of these issues was that of the Study Committee on Policy Management Assistance, established by the Director of the Office of Management and Budget in August 1974. Representatives of 17 Federal departments and agencies participated in the committee, which was chaired by Dr. Frank Hersman of the National Science Foundation. The report of the committee, *Strengthening Public Management in the Intergovernmental System*, was issued in October 1975.

The report proposed the reorientation of Federal domestic programs to state and local needs by moving in the direction of revenue sharing, block grants, and devices for grant simplification and integration. It also recommended that the Federal government reaffirm its commitment to the strengthening of state and local management and work with state and local officials in developing a policy to further this objective. At the same time, it emphasized that, while these measures possess considerable support, they are unlikely to occur unless the machinery of the Federal government itself is improved. The committee therefore recommended that:

1. A policy focal point should be designated in the Executive Office of the President, with responsibilities for overall direction, coordination, and evaluation of intergovernmental policy and programs. . . .
2. A separate management focal point or mechanism should be provided within the Executive Office of the President to oversee the implementation of the intergovernmental policies established and to assure development of effective intergovernmental processes.<sup>37</sup>

The Hersman report did not attempt to determine where these responsibilities should be placed. However, it did consider various options. The most attractive appeared to be the use of the Domestic Council as the policy focal point and the OMB as the management focal point.<sup>38</sup>

**Past ACIR Recommendations.** The Advisory Commission on Intergovernmental Relations has also offered recommendations in this area. As a component of its 1967 study, *Fiscal Balance in the American Federal System*, the Commission reviewed briefly the Federal machinery for developing and managing grants-in-aid.<sup>39</sup> The activities of the Bureau of the Budget, White House staff, departments and agencies, departmental field offices, the Congress, and GAO were considered. The report noted that in recent years there had been "measurable improvement" in the national government's efforts to create order in the system of categorical aids and reduce intergovernmental friction. However, negative features – causes for skepticism and concern – were also indicated.<sup>40</sup> The following recommendation aimed at improved administrative organization was adopted:

The Commission recommends an elevation of attention on the part of the President and the Congress to the more general need of insuring the conduct and coordination of Federal grant and other programs in such a way as to improve the overall capability of state and local government and consequently strengthen the American federal system. Its importance warrants assignment by the President of major responsibility in this area to an appointee having status equivalent to that of a member of the cabinet. This official should be responsible for general liaison with state and local governments and be accessible to them regarding problems encountered in the administration of Federal grants-in-aid. Also this official should report at appropriate intervals to the President, Congress, and the public on the extent to which grant-in-aid programs are achieving their objectives and the extent to which state and local government is being strengthened in the process.

The Commission further recommends the strengthening of the Bureau of the Budget's capability to sustain a vigorous program of interagency coordination of Federal grants-in-aid.<sup>41</sup>

**Past Actions.** In fact, every administration since 1952 has, in some manner, recognized the significance of intergovernmental relations, and made some organizational provision dealing with it. The primary concern has been the improvement of intergovernmental liaison

between the Federal government and state and local officials. Some measures have also attempted to improve coordination in the formulation and review of assistance policies, and in the management of the operation of aid programs.

President Eisenhower, following the recommendation of the Kestnbaum Commission, designated a member of the White House staff, former Governor Howard Pyle, as deputy assistant to the President for intergovernmental relations. A cabinet paper prepared in 1956 spelled out Pyle's assignment, which included acting "as a focal point for advice and coordination in the Executive Office on policy matters affecting state and local government," communication with the Council of State Governments, American Municipal Association, and other organizations, and coordination among the departments on intergovernmental problems.<sup>42</sup> Pyle worked diligently, but the lack of adequate staff assistance and his own limited background and narrow interpretation of his role meant that he was unable to "leave much of a mark," although his efforts as a "troubleshooter" were useful in particular cases.<sup>43</sup>

Pyle was effectively "backstopped" by the assistant director of the Bureau of the Budget, Robert Merriam, who later was named deputy assistant to the President and assumed Pyle's intergovernmental responsibilities on a part-time basis after the governor resigned in 1959. While Pyle was concerned primarily with Federal-state relations, Merriam — a former Chicago alderman and "reform" mayoral candidate — brought an urban perspective and an awareness of metropolitan issues to the White House. As the only high-ranking member of the Administration with a background in urban affairs, he made significant contributions. In recognition of the constraints posed by his multiple duties and insufficient staff, however, Merriam urged President-elect Kennedy to appoint a full-time advisor for Federal-metropolitan relations.<sup>44</sup>

President Kennedy appointed former Congressman Brooks Hays as a special assistant for intergovernmental relations. Under President Johnson, this responsibility was divided between the Vice President and the director of the Office of Emergency Planning (later Preparedness). Vice President Humphrey, himself a former mayor, was designated liaison with local government officials, while a former governor, Buford Ellington (later succeeded by Farris Bryant) was named as liaison with the states. Both were very active in the field.<sup>45</sup> Under the *Economic Opportunity Act*, formulated by President Johnson and passed by the Congress in 1964, considerable responsibility for the operational coordination of grants-in-aid directed against the causes of

poverty was entrusted to the Office of Economic Opportunity and its Economic Opportunity Council, located in the Executive Office of the President.

President Nixon expanded and formalized the responsibilities of the Vice President in Federal-state-local affairs with the creation, by Executive Order, of the Office of Intergovernmental Relations on February 14, 1969.<sup>46</sup> Under the terms of the order, the Vice President was to act as the President's liaison with state and local governments and to facilitate cooperation between Federal agencies and other governments. The office was to assist the Vice President and, among other duties, to serve as a clearinghouse for the resolution of intergovernmental problems brought to the attention of the President or Vice President and to identify recurring problems of a Federal interdepartmental and inter-program nature.

In the following year, President Nixon reorganized the Bureau of the Budget, which became the Office of Management and Budget, and created a new Domestic Council. The responsibilities of the Vice President's Office of Intergovernmental Relations were transferred to the latter organization in December 1972. In 1973, some of the intergovernmental responsibilities of the Office of Management and Budget were transferred to the General Services Administration and Treasury Department. Others have been delegated to the Federal Regional Councils or retained by OMB. These developments, which provide the basic structure for the contemporary organization of the Executive Branch in the field, are considered in more detail below.

## Departmentalization

Proper departmentalization represents a second basic approach to the resolution of coordinative problems. Traditional administrative theory suggested several possible principles for the grouping of the smallest subunits of organizational activity into departments. Gulick (and many others since) have described four alternatives: organization by purpose, processes, clientele, and area. Each of these is believed to have certain advantages and disadvantages. In practice, however, organization by purpose has been relied upon most heavily, and this was basic principle underlying the recommendations of the Brownlow Committee, Hoover Commission, and most other study groups at all governmental levels.

The advantages in this form of organization, Gulick wrote, are threefold:

- it makes much more certain the accomplishment of any given purpose or project

by bringing the whole job under a single director;

- it conforms to the objectives of government as they are understood by the public; and
- because of its clarity, it serves as the best basis for eliciting the energies of the personnel and giving a focus to the whole activity.<sup>47</sup>

Throughout the period since the Depression, the Federal government has been criticized for its excessive administrative fragmentation. The large number of autonomous agencies, outside the structure of any department, has been a particular concern. The Brownlow Committee recommended reducing the more than 100 separate agencies into 12 major departments. Similarly, the first Hoover Commission proposed the consolidation of the 52 departments and agencies then reporting to the President to 30, organized on the basis of major purpose.

Given the complexity of the Federal Executive structure, the responsibility for providing assistance to state and local governments has been widely scattered. In the mid 1960s, some 123 different Federal bureaus and divisions administered one or more aid programs. In 1966, all but two of the 11 cabinet rank departments offered some form of assistance.<sup>48</sup> The ACIR's 1967 study reported that 17 departments or agencies administered grants, and that within eight departments or agencies, some 38 separate offices or bureaus had immediate responsibility for grant programs.<sup>49</sup> In 1975, grant programs were offered by some 74 bureaus within 28 Federal agencies and departments.

**Recently Created Agencies.** In the period since 1964, two departments and three independent agencies have been created which administer programs of intergovernmental assistance. These are the Departments of Housing and Urban Development (1965) and Transportation (1966); the Office of Economic Opportunity (1964), now the Community Services Administration; the Appalachian Regional Commission (1965), and the Environmental Protection Agency (1970). While some of these could be viewed as further fragmenting the provision of Federal aid, each, in fact, was intended, at least in part, to bring certain related activities into a single organization and thus promote coordination in their operation.

The Department of Housing and Urban Development, created in 1965 after the repeated urgings of Presidents Kennedy and Johnson, was meant to provide a tangible

recognition of the importance of urban problems in national affairs. For this reason, the Housing and Home Finance Agency was "promoted" to full departmental and cabinet status. However, second only to this purpose in the Congressional view was the need to better coordinate the Federal involvement in urban affairs, eliminating duplication and attaining greater efficiency. Some critics of the HUD proposal argued that it could not achieve this aim, since the new department would be responsible for only a small proportion of all Federal assistance programs aimed at solving metropolitan problems.<sup>50</sup> In recognition of the limited scope of the department itself, the HUD Secretary was given an additional coordinative role *vis-a-vis* other Federal community development activities.

Following a similar logic, the Department of Transportation was created in order to provide a mechanism for the development of a national, intermodal, transportation policy and permit the more effective coordination of all transportation activities.<sup>51</sup> Functions previously assigned to seven different departments and agencies were transferred to DOT. The Environmental Protection Agency, created by Reorganization Plan #3 of 1970, consolidated the environment-related functions of eight departments and agencies into a new, independent unit. The new organization was intended to assure a coordinated, systematic attack on environmental problems.<sup>52</sup> Both the Appalachian Regional Commission and Office of Economic Opportunity were intended to play important coordinative roles in the intergovernmental assistance system. Their creation and operations are examined in some detail in *Chapter II* of this report.

Of course, the departmental consolidations have not always realized their objectives. The EPA, to cite a single example, has been criticized for failing to take a comprehensive view of environmental problems.<sup>53</sup>

**Nixon Reorganization Proposals.** In 1971, President Nixon proposed consolidating seven of the existing Federal departments and a number of other agencies into four new departments, each organized around specific goals. His reorganization plan, proposed in a message to the Congress on March 25, 1971, called for new Departments of Natural Resources, Community Development, Human Resources, and Economic Affairs. In his message, the President placed considerable stress on the need to "unify" and "coordinate" the "highly interdependent" activities and programs in each of these areas.

The President's approach, based in large part on the findings of the President's Advisory Council on Executive Organization (the Ash Council), was consistent with

the traditional principles of administrative organization – a fact he stressed in his address. The recommendations of the Ash Council are also reported to be similar in many respects to those enunciated by two study groups which prepared reports for President Johnson. President Johnson had, in fact, proposed a new Department of Business and Labor, which was similar to the Department of Economic Affairs President Nixon sought, and probably would have advocated other consolidations had he been elected to a second term.<sup>54</sup> The need for a thorough reconsideration of Executive Branch organization had been asserted previously by Abraham Ribicoff and 20 other Senators who had cosponsored a bill to establish a Presidential commission on reorganization in July 1967, in response to issues raised during a year-long investigation of the Federal role in urban affairs.<sup>55</sup>

President Nixon's message on reorganization stressed the "fragmentation of responsibility" for the accomplishment of specific purposes among a large number of separate agencies. He argued that there were several unfortunate consequences of this scattering of authority. Organizational diffusion made it difficult to launch a coordinated attack on complex problems; even the analysis of public needs often suffered from a piecemeal approach. In some instances, the work of one agency duplicated that of another, while, in other cases, a problem would "slip between the cracks" among existing agencies and be neglected. The narrowly based departments often became advocates of parochial interests, the President said, making their advice on overall policy issues less useful. Too frequently, disputes among agencies could be resolved only at the highest levels, with an attendant over-centralization of decision making. Inefficient organization was also a source of confusion to state and local governments and individual citizens, and did damage to the concept of accountability by making it extremely difficult for the President and Congress to see that their intentions had been carried out.

The rationale for reorganization was closely related to the increased complexity of the Federal grant-in-aid system. A study prepared by the Committee on Government Operations of the House of Representatives linked the growth of assistance programs and the need for organizational change. Greater effectiveness, rather than efficiency, was the primary goal:

Today, advocates of reorganization lean more heavily on the need for effective government. True, this need has been expressed many times in the past, associated

more or less with the concept of efficiency. In contemporary affairs, however, effectiveness takes on new meaning and prominence because the Federal government has so many grant-in-aid and other money dispensing programs, the recipients being state and local governments, public and private agencies, and individuals.

The grant programs are so numerous and diverse that they are difficult to catalog. Various departments and agencies, by an accretion of laws, Executive orders, and departmental decisions, are responsible for their administration. There is frequent overlapping or duplication in types or sources of grants, and prospective recipients are said to encounter interminable delays. The rhetoric of reorganization, as developed by administration spokesmen and other advocates of reorganization, pictures the hapless mayor or the frustrated citizen being shunted from pillar to post in seeking what he considers his due from government.<sup>56</sup>

The reorganization proposals were met with considerable opposition in the Congress, especially from the leadership of legislative committees whose jurisdiction would be affected. Various interest groups were also critical. Many did regard the existing cabinet-level departments or independent agencies as their advocates in high-level, policy-making circles, and naturally opposed changes which seemed likely to limit their representation and access. The Administration, on the other hand, believed that a key virtue of the proposals was that no department could be "captured" by special interests.<sup>57</sup> Reorganization was thought to hold out the prospect of fuller consideration of the general interest and the more orderly execution of the President's policies.

Of the four proposals, that for a Department of Community Development received the most favorable and thorough review by the Congress. A bill for the creation of a Community Development Department was reported in May 1972, by the House Government Operations Committee, and hearings on the proposal were held in the Senate. The proposed department was to be built around the existing Department of Housing and Urban Development, but was also to administer related transportation, rural development, and regional development programs. Transfers were to include DOT's Federal Highway Administration and Urban Mass Trans-

portation Administration, Agriculture's Farmers Home Administration and Rural Electrification Administration, the Economic Development Administration and Regional Action Planning Commissions from Commerce, and the Appalachian Regional Commission and the Office of Economic Opportunity's community action program, as well as several others. The proposal was supported by a number of academic experts in the field of public administration, two leading reorganization specialists of the Johnson administration, and many of the nation's mayors.<sup>58</sup> The most powerful opponents, who feared a "downgrading" of their concerns, were highway and farm-related organizations and interests.<sup>59</sup>

**An "Intergovernmental" Department.** President Nixon's proposals, like most others, have argued for a scheme of departmentalization based upon purpose. An alternative strategy would call for the creation of a department charged with intergovernmental affairs based on clientele. This would not be unprecedented, as the existing Departments of Labor, Commerce, and Agriculture reflect this approach. Indeed, the idea of a Department of Municipalities was advanced as early as 1912.<sup>60</sup> A bill to create a Department of Federal-State-Urban Affairs (S. 2861) was introduced by Senator Boggs in 1962 as an alternative to the Department of Urban and Housing Affairs' proposal submitted by President Kennedy. The bill would have included the Housing and Home Finance Administration, Public Housing Administration, Federal Housing Administration, Federal National Mortgage Association, as well as the Advisory Commission on Intergovernmental Relations in the new department. A permanent advisory committee of governors, state legislators, mayors, and county officials would have been created. The proposed declaration of policy stated:

The Congress finds that the establishment of an Executive department is desirable to give continuing attention to matters requiring Federal, state, and local cooperation; to achieve the best administration of certain programs of the Federal government which have a major effect on state and local development; and to provide for full and appropriate consideration, at the national level, of the needs and interests of the states and their local communities.<sup>61</sup>

In the contemporary context, it would, of course, not be feasible to place the full range of assistance programs

in a single department. At most, such an organization now might serve a liaison and coordinative role. For example, it might have operating responsibility for general revenue sharing? supervisory responsibility over other grants-in-aid; provide technical assistance; represent the concerns of state and local governments within the national government, and prepare or sponsor research in the field. This form of organization, of course, would have disadvantages as well as possible advantages.

**Past ACIR Recommendations.** The ACIR has usually refrained from making specific recommendations concerning the administrative organization of the Executive Branch, indicating that the consideration of such questions is beyond its statutory mandate. However, the Commission has repeatedly called upon the Congress and President to improve the coordination of assistance programs. A 1961 report recommended

... that steps be taken within both the Executive and legislative branches to bring together in better coordination and interrelationship the various Federal programs which impact upon orderly planning and development within large urban areas.<sup>62</sup>

Similarly, a 1964 report concerned with the impact of Federal urban development programs on local government organization and planning included a two-point recommendation that

- 1) the Congress enact legislation to establish the principle of Federal interagency coordination in the full range of programs affecting urban development, and
- 2) the Executive Branch of the Federal government implement the Congressionally stated principle by preparing and adopting a unified urban development policy establishing coordinating procedures.<sup>63</sup>

Both reports indicated the range of organizational alternatives then under consideration, including the creation of a Department of Urban Affairs, the creation of an Office of Urban Affairs or special assistant for urban affairs within the Executive Office of the President, the development of a Council on Urban Affairs modeled on the Council of Economic Advisors, and the greater use of interagency councils or coordinating committees. However, no position was taken on these alternatives.

The Commission's 1967 report did consider one specific organizational issue. While noting that the internal organization of the Federal Executive is not ordinarily its proper concern, the Commission did recommend the consolidation of the duplicative water and sewer facilities grants administered by the Departments of Housing and Urban Development and Agriculture. The Commission suggested that the President consider placing the responsibility for all grants for water and sewer lines in HUD and those for sewage treatment works in Interior.<sup>64</sup>

## "Decentralization"

On balance, the traditional administrative prescriptions envision a highly centralized organization.<sup>65</sup> Stress has been placed on the need for control from the top, helping the President to overcome "centrifugal" forces in the organization. The chief consequence of many of the reforms adopted on the urging of the various official study commissions has been a strengthening of the Presidency *vis-a-vis* other Executive Branch agencies.<sup>66</sup>

During the 1960s, however, considerable support developed for the greater decentralization of Federal (as well as other governmental) activities. An early step was the creation of the Federal Executive Boards in 1961. This movement reached its climax under the Nixon Administration, and was among the fundamental objectives of the Federal Assistance Review (FAR) effort initiated in 1969.

It is important to distinguish administrative decentralization, the subject here, from the "decentralization" of discretion in the use of resources through revenue sharing and block grant programs. The latter type of transfer is more accurately termed "devolution." Decentralization, in the context of intergovernmental administration, refers to the delegation of the authority to make grant awards or approve plans to a lower (usually regional) level within the Federal bureaucracy.<sup>67</sup> However, both styles of reform have, in the recent period, often been based on a common philosophy and usually have been advocated by the same individuals.

The movement for decentralization in government in the past decade was based at least in part on the "gospel of decentralization" which characterized management thought in the private sector during the late 1950s.<sup>68</sup> Yet, it reflected political as well as managerial values. One of these is the fear of unrestrained executive power which is a heritage from America's revolutionary period, and the belief in keeping government "close to the people." Kaufman notes that the call for greater

decentralization in a variety of forms in the late 1960s was justified, only in part, on the basis of efficiency: more important was the need for better representation or more effective participation.<sup>69</sup> To President Nixon, administrative decentralization was associated both with returning power to the people and their state and local governments and making the Federal government itself more effective by eliminating unnecessary "bureaucratic" overhead.

Decentralization is also often viewed as a technique for promoting interagency coordination. This came about because, in practice, decentralization efforts have usually been accompanied by the development or strengthening of new interagency mechanisms for coordination in the field. The contemporary example of such mechanisms is the system of Federal Regional Councils (FRCs). These two kinds of reforms have been inextricably related.

Because of this, Herbert Kaufman notes that what is often called decentralization might more accurately be characterized as organization on the basis of *area* rather than *function*. This kind of organizational change, he adds, does not necessarily weaken the hand of the central authorities — in the case of the Federal government, the President and cabinet officials. The opposite is more often true, "because areal officers in the field would give top executives lines of communication and control alternative to existing functional channels, thus actually strengthening central authority." He continues:

At the Federal level, this will mean renewed attempts to set up much stronger regional representatives of the heads of cabinet departments than any we have had in the past. It will also mean intensified efforts to establish regional Presidential representatives in the field.<sup>70</sup>

Indeed, it has been often suggested that centralization and decentralization are paradoxically complementary rather than opposing processes, since nothing can be decentralized until it has first been centralized.<sup>71</sup>

A number of potential advantages are claimed for the decentralized, geographic form of organization. Gulick enumerated these in his 1937 paper. They include:

- greater ease of coordination of services rendered and controls exercised within a given area;
- the greater tendency to adapt the total program to the needs of the area served;
- the greater ease of establishing co-

operative relationships with the subordinate governmental units.

In addition, he adds, decentralization of geographical divisions strengthens these tendencies, and serves, moreover, to reduce travel costs, short circuit adjustment problems, cut red tape, and speed up all joint activities and administrative decisions.<sup>72</sup> This assessment is much like the rationale offered for decentralization in the late 1960s and early 1970s.

**Past ACIR Recommendations.** As a component of its 1967 study, the ACIR recommended that the President enunciate a policy of decentralization of grant programs. Such a policy was to include the granting of the authority to the directors of Federal regional offices to review and approve most state and local plans developed as a condition of formula assistance programs, and of amendments to such plans. The Commission also recommended a reduction in the variations in the regional boundaries of Federal field offices, and proposed the reestablishment of a Bureau of the Budget field staff and a strengthening of the Federal Executive Boards.<sup>73</sup>

### Other Approaches

The principal alternative to the coordinative approaches discussed above is reliance upon the cooperation of coequal agencies through various sorts of interagency agreements, committees, and similar devices. These techniques, as Gulick commented, have a place in the administrative process, but should not be relied upon excessively. Such devices are, in fact, utilized by the Federal government far more widely than this bit of theorizing suggests is proper. A wide variety of interagency bodies has been established for coordinating purposes. Some of these, like the Federal Regional Councils, are intended to perform a very wide range of functions. Many others serve more limited ends.

Certain managerial techniques, while not changing the organizational structure of government, have also been intended to improve interagency and interdepartmental program coordination, among other objectives. These might be viewed as a formalization of the "coordination by ideas" technique.

The first of these was the Planning-Programming-Budgeting System (PPBS) attempted throughout the Federal government from 1965 until 1971. PPBS attempted to rationalize budgetary and management processes by determining basic goals, developing alternative techniques for the achievement of these goals, and estimating the costs to be incurred by

each. PPBS should have improved interprogram coordination, since the relationships among activities were revealed by its analytical processes. It also was improved to enhance the role of departmental Secretaries and the Chief Executive and their staffs in the decision-making process.

During the later years of the Nixon administration, the management processes of the Federal government were systematized by the utilization of the Management by Objectives (MBO), instituted in early 1973. MBO required the departments to identify, in specific and measurable terms, objectives for accomplishment over the next year. Each department's "Presidential-level" goals were subject to OMB review and discussion. Once set, the objectives were to permit the monitoring or "tracking" of agency performance. The development of objectives at the departmental and agency level also was encouraged.<sup>74</sup> In 1973, 19 agencies identified a total of 144 "Presidential" objectives. Objectives sought new legislation, managerial improvement, the implementation of "New Federalism" policies, and specific program accomplishments in a variety of fields.<sup>75</sup>

While PPBS and MBO shared certain conceptual elements, there were differences between the two. The focus of PPBS was on determining the most cost-effective means of reaching a particular goal, and it was an integral component of the budgetary decision-making process. MBO, in contrast, is primarily a management rather than budgetary tool, and is more concerned with measuring progress toward objectives than developing alternative program strategies. Like PPBS, MBO was intended to improve program coordination by indicating areas in which goals were shared by several agencies. In practice, however, there were few examples of such improvements.

### AN ALTERNATIVE PERSPECTIVE

In recent years, these traditional prescriptions for the strengthening of executive management at the Federal level have been met with increasing skepticism, even hostility. A variety of objections is offered by some political scientists, economists, and public administrators. While these critical views are probably held by a minority of experts in these fields, the case they offer merits full consideration.

The critiques stress three general points. First, it is argued that there are severe limits on the degree of coordination that may actually be achieved through an organization's hierarchy. Second, some analysts believe that a sufficient degree of coordination may be achieved *without* a central hierarchical "coordinator." Finally,

the third viewpoint denegrates the value of coordination as an objective. It finds positive advantages in conflict and duplication among governmental agencies or bureaus. All these positions stand in sharp contrast to those of traditional administrative theory.<sup>76</sup>

### Limits of Central Coordination

In practice, there may seem to be severe limits on the degree of organizational coordination which can be imposed "from the top" in large-scale bureaucracies. Appearance, in this regard, often conflicts with the reality. Though formally – from the perspective of an organization chart – authority may sometimes seem highly centralized, subunits typically possess considerable autonomy. This is true for organizations of all kinds. Bertram Gross states the general case:

Many . . . organizations may give outsiders the impression that they operate in automatic subordination to external controllers who enjoy "ultimate authority." Many give the impression that if one looks inside, one will find a monolithic unity, with all parts operating in smooth coordination and in automatic response to its top commanders. . . . In actual fact, every organization involves a certain amount of internal dispersion of power. As organizations become larger, the degree of dispersion becomes larger.<sup>77</sup>

Though power is dispersed in all organizations, the condition is apparently more extreme in the Federal Executive than in most private business organizations. This is the case even though the contemporary Presidency is a much more powerful office than that of the early 20th century and before. The weakness of the modern President as administrative leader was a theme of many writers during the 1960s. For example, an observer of the Kennedy Administration indicated that "the truth is that Kennedy did not function as an executive," adding that "the inability of a President . . . to direct the domestic establishment has become almost total."<sup>78</sup> All recent Presidents have experienced a similar impotence, and have expressed frustration over it.

Richard Neustadt was among the first to analyze the limits on the authority of the President. Neustadt indicates that though a President is held at least nominally accountable for all agency actions, his actual control may be highly circumscribed. Even a direct

command is likely to be executed only under specific circumstances, which Neustadt has enumerated.<sup>79</sup> Presidential power, according to Neustadt, is usually only the power to persuade.

A number of organizational factors constrain the President's ability to function as a true chief executive. The long "chain of command" from the White House to agency offices makes it statistically unlikely that his instructions will be communicated directly or exactly.<sup>80</sup> There are, moreover, far too many organizational units for the President to keep track of them all; he is, then, a victim of a wide "span of control." The President and his immediate associates are also handicapped by the fact that they are often "amateur administrators," while those who lead the agencies are experienced professionals.<sup>81</sup>

The President's influence upon the administration of domestic policy is also affected by the way he allocates his time and other resources. The greatest attention is usually devoted to foreign affairs. Comparatively little is given to domestic activities, and particularly to the operation of existing programs. Political scientist Thomas Cronin interviewed 50 former White House aides from the Kennedy, Johnson, and Nixon Administrations, and found that none of them had praise for the quality of White House monitoring of domestic policy activities.<sup>82</sup> As Aaron Wildavsky has put it, "foreign policy concerns tend to drive out domestic policy."<sup>83</sup>

Other limits are essentially political. The various Federal agencies are not without important resources of their own. Commonly, they seek and obtain considerable support from the Congressional committees which oversee them, as well as from some affected interest groups. Their freedom of action is correspondingly enhanced. This feature is one which distinguishes public from private administration.<sup>84</sup>

Some of these sources of Presidential weakness have long been recognized and were the concern of various reorganization commissions and committees. However, their persistence even in the face of the considerable organizational changes made since the Brownlow report four decades ago may suggest their inevitability. The demands upon the Presidential office, in this view, have overreached the possibility of its providing rationalized and fully coordinated leadership in all fields of governmental activity.

It should be added that other writers indicate that the major problems of administrative coordination spring from the basic characteristics of American society and politics. Since they are seldom a consequence chiefly of defective organizational machinery, they cannot be

resolved by organizational means alone. Instead, they reflect the pluralism and frequently contradictory nature of the goals society has set for itself. Improvement, according to these writers, will require making difficult political choices, with more clearly identified national goals and priorities – not simply better organization.<sup>85</sup>

### Coordination Without Hierarchy

Other theorists believe that a sufficiently high degree of administrative coordination may be obtained by non-centralized means – without a formal “coordinator.” It can be produced instead as the resultant of the interaction of agencies and interests. Most of the scholarship on this point has been influenced by the work of Charles Lindblom, especially his study *The Intelligence of Democracy*, published in 1965.<sup>86</sup>

Lindblom argues that traditional administrative theory, with its focus on hierarchical relations, has neglected the possibility that coordination can take place *without* a central coordinator.<sup>87</sup> Indeed, this may occur in a large variety of ways involving deference, negotiation, bargaining, and manipulation.<sup>88</sup> Lindblom does not claim that these processes of “partisan mutual adjustment” are necessarily superior to central, coordinated decision making, but argues that they are appropriate in a wide variety of circumstances.<sup>89</sup>

Lindblom’s complex argument rests on the view that the requirements of “synoptic” decision making – in which the full range of objectives, alternatives, and consequences of a policy choice are considered – surpass the capabilities of the human mind.<sup>90</sup> The real world, in which actions involving housing, energy, land use, transportation, foreign affairs, environmental conservation, recreation, employment and public welfare are all interconnected, cannot be adequately represented though rational analytic techniques. More appropriate is a “disjointed, incremental” approach to problem solving, in which the values and alternatives considered are limited, evaluation is serial and remedial, and a large number of decisionmakers participate.<sup>91</sup>

Lindblom suggests that his reasoning has applicability to questions involving the organization of the Executive Branch of government. The process of partisan mutual adjustment may be “improved” or “better structured.”<sup>92</sup> For example, he writes:

One can . . . entertain the notion that overlapping administrative jurisdictions can be deliberately created to activate negotiation rather than to be deplored as *prima facie* evidence of organizational confusion. And

one can reconsider established ideas of the appropriate function for ostensibly central coordinators, if, for example, their role is seen less as achieving an approximation to synoptic coordination than as intervening from time to time in a highly selective way in a process of partisan adjustment. Many practicing coordinators, in fact, see their role in precisely that way, but theoretical discussion of coordination and management is not fully adapted to the possibility.<sup>93</sup>

However, Lindblom does not treat these questions of administrative organization in any detail.

### The Virtues of “Fragmentation”

Developing upon Lindblom’s conclusion are a number of organization theorists who find positive advantages in administrative “fragmentation.” It is argued that such organizations may be more efficient and reliable than those which are fully unified. Professor Vincent Ostrom has made this critique of traditional organization theory:

The traditional theory of public administration has presumed that principles of hierarchical organization – unity of command, span of control, and a strict subordination in a continuous chain from the top to the bottom of an organizational structure – are the ingredients for building efficiency into an administrative system. In the course of the last several decades, several scholars . . . have demonstrated how the structure of incentives will lead to serious problems of organizational failure and generate substantial inefficiencies. The presumption that perfection in hierarchical organization will maximize efficiency can no longer hold.<sup>94</sup>

William A. Niskanen, Jr., an economist and former assistant director for evaluation in OMB, has argued for an *increase*, rather than decrease, in competition among bureaus in the supply of similar or identical services.<sup>95</sup> This recommendation strikes at the heart of traditional doctrine, which viewed “overlap and duplication” as a major source of diseconomy in government. Yet Niskanen’s goals – efficiency and economy – are identical to those sought previously. He argues that the natural tendency of bureaus to maximize their budgets can best be restrained by permitting competition among them, as

with organizations in the private sector. He admits that responsibility would be diffuse in such an organizational setting. However, this approach would have substantial advantages:

By traditional public administration criteria, a competitive bureaucracy would look rather disorderly and chaotic. It could never be adequately reflected by an organization chart. There would be no formal division of responsibilities, roles, and missions. The output, employment, and budget of individual bureaus would be more variable than at present. However, there is strong reason to believe that a competitive bureaucracy would be less variable with respect to changes in the demand and cost conditions than a monopolistic bureaucracy. . . . A competitive bureaucracy would appear less orderly than the bureaucracy described by Weber but would also be less oppressive, less political, and less inefficient than the bureaucracy described by von Mises, Tullock, and Parkinson.<sup>96</sup>

Martin Landau makes a similar argument based upon a somewhat different premise. He views organizations as "information systems" engaged in the reception and transmission of "messages."<sup>97</sup> A degree of "redundancy," or duplication, is a useful guarantee that a reliable flow of information will be maintained. Similarly, some "overlapping," as in the "equipotentiality" of biological systems, increases adaptability to a changing environment. Landau writes that

. . . redundancy serves many vital functions in the conduct of public administration. It provides safety factors, permits flexible responses to anomalous situations and provides a creative potential for those who are able to see it. If there is no duplication, if there is no overlap, if there is no ambiguity, an organization will neither be able to suppress error nor generate alternate routes of action. In short, it will be most unreliable and least flexible, sluggish, as we now say.<sup>98</sup>

The strategy of organizational duplication is one which was actually utilized by some past Presidents. Franklin Delano Roosevelt in particular created many new agencies whose responsibilities overlapped those of existing departments. He liked this competitive approach

to administration, believing that it spurred greater effort and innovation.<sup>99</sup>

### Implications for Intergovernmental Management

From these critiques, it is apparent that the consensus which once surrounded traditional organization theory no longer exists. For a variety of reasons, some analysts are at best skeptical of proposals for strengthening organizational coordination. Thus, they question or reject the traditional strategies.

Former BOB Director Charles L. Schultze has indicated that he found existing administrative doctrine to be of limited applicability in the new intergovernmental context. In his testimony in 1967, Schultze argued that the "hierarchical concept of management" taught in every public administration course was of "limited help" in dealing with the management problems of intergovernmental relations. The new social programs, he indicated, required finding techniques which would enable many governmental units, all of equal status, to work together on a voluntary basis. How this could be done, he said, was not suggested by the doctrine developed by the Hoover Commissions and Brownlow Committee.<sup>100</sup>

Others, following Lindblom, have hoped that solutions to this problem could be found in the concept of "partisan mutual adjustment." The models of coordination presented in the report of the Oakland Task Force are said to have been considerably influenced by Lindblom's writing, as were its recommendations, which stimulated the Federal Regional Council system.<sup>101</sup>

Another group of writers has drawn upon these new theoretical perspectives in criticizing various proposals for reform. Ostrom, for one example, has specifically attacked Sundquist's recommendation for an Executive Office staff agency for intergovernmental affairs which was cited above. He compares this proposal to the operation of the French prefectural system. It is in opposition, he believes, to the traditions of the American federal system, which rests on a body of enforceable constitutional law and utilizes a multiplicity of coordinating mechanisms. No one official or organization "is allowed to presume that he is competent to guide or control the evolution of a Federal system of government as a whole." Such proposals ignore the potential losses in efficiency, effectiveness, and responsiveness which Ostrom believes are inherent in large-scale public bureaucracies. He also fears that a greater centralization of authority would result in the President and Congress making basic, essentially "constitutional" decisions con-

cerning the proper structure of state and local governments.<sup>102</sup>

For similar reasons, Robert A. Levine has criticized the proposals for departmental consolidation advanced by Presidents Johnson and Nixon:

The Administrations proposing such consolidation have done so in the name of omitting overlap and duplication – a fine old-fashioned bureaucratic principle. Yet, it is a principle that has never really worked to make policy effective; the opposite concept, that of competition, has worked very well to make the private economy productive. The question to be asked, then, is why not encourage overlapping and duplication and try to get public bureaucracies operating more effectively by the incentives induced by such competition?<sup>103</sup>

Levine finds evidence that where competition has existed – for example, among the military services and between the Office of Economic Opportunity's anti-poverty program and other domestic departments – the results have been beneficial.<sup>104</sup>

Richard Wagner also comments on the reorganization proposals. They reflect, he says, the widespread belief that organizational centralization is superior because it avoids the duplication of functions. However, centralization has costs which are often ignored, he writes. The greater the centralization, the fewer the "views of the future" which will be considered when actions are proposed. Competition among bureaus also tends to retard "the tendency toward excessive supply" of public services. He concludes that "currently, there may be substantial merit in creating a greater number of competing bureaus rather than in trying to consolidate bureaus."<sup>105</sup>

These critiques have themselves been challenged. Several objections are offered concerning the process of partisan mutual adjustment. Critics usually grant that it does seem to provide, in a purely descriptive fashion, an accurate account of how government usually operates. Yet, the model may overstate the positive advantages of this method of operation. The organizational participants in a decision-making process are often unevenly matched; for this reason, the information they possess may not be fully considered. Some interests and values may not be represented at all, as they lack an organizational base. Because of the inherent conservatism of large-scale organizations, certain options may be suppressed. Even agreements reached by the participants may impose excessive external costs on others.

It should also be added that there are those who feel that neither better coordination or increased competition among agencies would greatly enhance the effectiveness of governmental social programs. Instead these individuals stress other factors, such as the lack of substantive knowledge concerning basic social processes, rather than administrative or organizational weaknesses.<sup>106</sup>

### Summary: Two Theories

The traditional theory of public administration, exemplified in the writings of Luther Gulick and the recommendations of the Brownlow Committee, has provided the basis for most proposals for the improved management of Federal grant programs. According to this theory,

- coordination is seen as a primary administrative goal;
- two basic kinds of coordination are recognized, coordination by the idea and the more significant coordination by organization;
- "duplication and overlap" are viewed as a primary source of governmental inefficiency;
- interagency committees are viewed as poor technique for dealing with most coordinative problems;
- the chief executive, with necessary staff assistance, is to function as a central coordinator;
- the Executive Branch should be organized into a small number of departments organized on the basis of purpose; and
- decentralization, coupled with the use of mechanisms to better integrate field operations, is recognized as a valuable administrative technique.

This theoretical approach still enjoys considerable acceptance. However, in recent years, it has been subjected to a new critique, which challenges its basic premise and principles. This conflicting interpretation includes the following points:

- there are severe limitations on the degree of coordination which may be imposed by a chief executive of an organization through its formal hierarchy;
- in the Federal government, many agencies

possess considerable independence as a consequence of support in the Congress and from interest groups;

- many coordinative problems reflect the pluralism of American values, rather than any organizational weakness;
- large-scale, centralized organizations tend to be inefficient, inflexible, and unreliable;
- a high degree of coordination can often be obtained without recourse to an authoritative central hierarchical coordinator through the processes of partisan mutual adjustment;
- since competition among agencies may make them more efficient and responsive, there is some advantage in maintaining (or even increasing) the "fragmentation" of administrative organization.

The divergencies between these two theoretical approaches remain unresolved. Contemporary administrative theory is widely viewed as being in a state of "crisis." The best strategy for the reform of administrative organization is, consequently, the subject of considerable controversy.

## CONTEMPORARY ORGANIZATION FOR IGR: 1970-1975

### Introduction

The current organization of the Federal Executive Branch for the conduct of intergovernmental relations stems, in large part, from organizational reforms introduced under President Nixon. These innovations occurred in two major rounds. In the early years of his administration, the President created the Office of Intergovernmental Relations directed by the Vice President and, in Reorganization Plan #2 of 1970, proposed a new Domestic Council and a transformed Office of Management and Budget, replacing the Bureau of the Budget. The system of Federal Regional Councils, which had been created on an experimental basis in four cities toward the end of the Johnson Presidency, was expanded to serve the entire nation, and regional administrative boundaries were redrawn. As a consequence of

these initiatives, a new set of mechanisms for domestic policy development and implementation and inter-governmental and interagency management and communications were put in place. The President, himself, placed considerable stress on the need for a more effective intergovernmental system through his doctrine of "New Federalism" and the Federal Assistance Review program.

A second round of changes occurred in late 1972 and early 1973. The Office of Intergovernmental Relations was abolished and its functions were transferred to the Domestic Council. Some of the administrative responsibilities of the Office of Management and Budget were similarly transferred, being placed in the General Services Administration and Department of the Treasury. Others were retained by OMB. The President, unable to win Congressional approval for the departmental reorganization plan he had first proposed in March 1971, attempted to implement elements of it administratively.<sup>107</sup> A new system of Presidential counselors superseded the Domestic Council, while the latter organization's staff was reduced by half. This system never became fully operational, however, and was abandoned a few months later.

This second set of changes was less clearly grounded in administrative theory than were those preceding. Some of the measures were intended in part to lessen criticism directed against the size and dominance of executive processes by White House staff. To an extent, the orderly policy machinery which had been erected previously was dismantled.

President Ford has not replaced the basic policy and management structure developed by his predecessor. However, one very significant change has been forced by Congressional action. As of December 31, 1975, the grants management and other administrative activities transferred to the General Services Administration were returned to the Office of Management and Budget. At present, then, the most significant roles in the management of intergovernmental relations on a government-wide basis are played by the Office of Management and Budget, the Domestic Council, and the ten Federal Regional Councils, with one activity carried out by the Department of the Treasury. In addition, there is a variety of units and procedures for dealing with intergovernmental issues in specific areas, and each major department and agency has its own internal mechanisms.

In the balance of this chapter, each of these organizations and its intergovernmental role are described. The profiles indicate the nature of the relevant activities (many of which are considered in greater detail in other chapters in this report) as well as the strengths and

limitations in agency performance, together with alternative proposals for improvement.

## The Office of Management and Budget

**Origins.** The Bureau of the Budget (now the Office of Management and Budget) was established in 1921 by the *Budget and Accounting Act*. At that time, the bureau was located within the Department of the Treasury, though it was made responsible directly to the President. Not until 1939, following upon the recommendations of the Brownlow Committee, was the Executive Office of the President established by Executive Order and the bureau placed within it as the key component. The BOB's three traditional functions – budget preparation, legislative clearance, and management improvement – all may be traced back to the authority first granted by these two actions.

The contemporary OMB is a comparatively small organization. With a staff of approximately 600, it is now about the same size as it was during the immediate post-war period. It is often regarded as an “elite” unit within the Federal service, however, for the status it possesses as the President's management arm far outruns its small size and comparatively limited public reputation.

Still, by 1970 – the year in which the transformation from BOB to OMB took place – the position of the agency seemed to have slipped.<sup>108</sup> Increasingly, its three basic services were less useful to the Chief Executive. Of the three, the budgeting function had always been predominant within the bureau. “Economizing” was the agency's chief concern, a commitment expressed by a nickname: “the abominable no-man.” Since the New Deal, however, activist Presidents have had little interest in this, the bureau's most important service, and most have devoted little attention to budget preparations.

The significance of the bureau's other two traditional functions had also been eroded. While the agency was a leader in management improvement during the late 1930s and early 1940s, acting essentially as a “management consultant” to Federal departments, its activity in this area declined after World War II as the capabilities of the agencies grew. The bureau also lost its monopoly of the legislative clearance function as White House staff became more involved in policy issues under Presidents Kennedy and especially, Johnson.

A state of decline, then provided the context in which President Nixon's reorganization plan was proposed. The plan was intended to redefine, broaden, and strengthen the bureau – although some observers at that

time felt that the opposite might be the more likely consequence.

**IGR Involvement.** Most aspects of the OMB's work have some at least tangential impact on state and local governments. It is a large sector of the agency's activities for management improvement, however, which has been directed explicitly at the strengthening of intergovernmental relationships. In recent years, as governments at all levels have felt the pressures of economic recession and resulting fiscal constraints, OMB's budgetary decisions have also become of increasing concern to state and local officials.

Officials of the Bureau of the Budget have shown interest in, and were involved in, intergovernmental affairs as well as other management issues at various points over the past four decades. However, this involvement became extensive only upon the rapid growth in assistance programs in the mid 1960s. In the late 1930s, the Director of the Bureau of the Budget had organized a Council on Intergovernmental Relations with himself as chairman and including the heads of other Federal agencies, representatives of the American Municipal Association and Council of State Governments, and researchers in the field. The work of the council was ended during the war. At approximately this time, however, the BOB established field offices in Dallas, San Francisco, Denver, and Chicago, which were given the responsibility for promoting the coordination of programs in the field and engaging in consultation with state and local officials. These were abolished in 1953 as an economy measure. In the mid 1950s, following the report of the Kestnbaum Commission, the bureau for the first time designated a full-time staff assistant in the field of intergovernmental relations.<sup>109</sup>

The Budget Bureau's involvement in intergovernmental and interagency issues grew greatly from 1965 to 1967, largely in reaction to difficulties in the implementation of Great Society programs. As early as 1965, Director Charles Schultze had appointed a Task Force on Intergovernmental Program Coordination composed of public administration experts, which stressed, in its report, the need for greater attention to this area. The BOB's field surveys during the summer of 1966 highlighted similar issues.

A variety of pressures from outside the agency also forced BOB action. The Congress held some persistent critics. In a statement concluding the first three weeks of hearings on the Federal role in urban affairs, in September 1966, Senator Abraham Ribicoff condemned the fragmentation of Federal assistance and excoriated the BOB for negligence and culpability:

I trust that in the months ahead, before a new Federal budget is submitted, this question of coordinating Federal programs for our urban areas will receive sharper and more devoted attention. This task of coordination and a unified view has been sadly ignored in our headlong rush to adopt bigger and newer programs. And this failure must be laid squarely on the doorstep of the Bureau of the Budget – because that is the traditional function as an arm of the Executive Office of the President.

For too long, this agency has abdicated its responsibilities in this area. I suggest a detailed re-examination of the role of the Bureau of the Budget so this vital function of government does not continue to languish unattended.<sup>110</sup>

State and local officials made their concerns felt, too. The National Association of State Budget Officers put considerable pressure on its Federal counterpart, while a Democratic “governors’ revolt” in late 1966 charged the President with inadequate communication on domestic programs.<sup>111</sup> The President responded and urged the BOB to take action.

The BOB took these criticisms, internal and external, quite seriously, and moved on several fronts. When Director Schultze again faced Senator Ribicoff in Congressional hearing during mid 1967, he could list a significant number of bureau initiatives. These, as indicated in his testimony, included:

- attempting to identify grant programs suitable for consolidation, as in the new Partnership for Health block grant;
- the development of legislation to expedite multiple-purpose projects – the “Joint Funding” concept;
- the development of procedures for formalized consultation between Federal agencies and state and local chief executives concerning Federal regulations – the A-85 process;
- participation in the 14-city pilot neighborhood centers program;
- conducting a review of Federal regional

organizations, with an aim to greater consistency;

- working with a task force established by the President and charged with reducing by one-half the processing time and red tape involved in grant applications;
- a study of the difficulties experienced by states as a consequence of delays in application processing and late Congressional authorizations and appropriations;
- encouraging the consolidation of catalogs of Federal aid;
- issuing of *BOB Circular A-80* which aimed at greater conformity in the designation of Federal and state development districts;
- reviewing its own internal organizational structure.<sup>112</sup>

Later in 1967, the bureau itself was reorganized, in large part to give more emphasis to the problems of intergovernmental and interagency coordination in the “Great Society” and other Federal assistance programs. An Office of Executive Management (OEM) was created primarily for the purpose of equipping the bureau for its work in this field.<sup>113</sup>

The Budget Bureau found the Administration which took office in 1969 to be quite receptive to its proposals for improved intergovernmental relations, many of which were ready for White House approval. On March 27, 1969, President Richard Nixon announced the establishment of common administrative boundaries and regional field offices for five agencies. The system of Federal Regional Councils which had been initiated on a pilot basis by the BOB in September 1968, was expanded to include all the new headquarters cities. The President also initiated the three-year Federal Assistance Review (FAR) program. An interagency task force chaired by BOB was to concentrate its efforts on a nine-point FAR agenda of interrelated actions. Many of these goals had been sought by the bureau for some time. The listing included:

- 1) Common Regional Boundaries,
- 2) Regional Councils,
- 3) Red Tape Cutting,
- 4) Reduction in Processing Time,

- 5) Greater Reliance on State and Local Government,
- 6) Decentralization,
- 7) Consistency in Procedures,
- 8) Joint Funding Simplification,
- 9) Grant Consolidation and Coordination.<sup>114</sup>

Despite the reorganizations and the greater emphasis placed upon management functions and inter-governmental relations, however, there was continuing dissatisfaction with the BOB's actual performance. In 1970, former Budget Director Percival Flack Brundage wrote that to that date

...it can only be concluded that the bureau, as the management arm of the President, has not been performing a service commensurate with the management responsibilities set forth in the *Budget and Accounting Act of 1921* and the *Budget and Accounting Procedures Act of 1950*.

He noted that

... the means for bringing about operational coordination of Federal programs at the state and local levels has not as yet been fully developed, ...

though this had been the aim of the 1967 reorganization.<sup>115</sup> Despite considerable effort, the bureau was judged to have been unsuccessful in the transition to the new problems of intergovernmental and interagency management.<sup>116</sup>

**Reorganization Plan #2 of 1970.** A further strengthening of the Budget Bureau's management operations was the intended objective of Reorganization Plan #2 of 1970, proposed by President Nixon on March 12, 1970. The plan, which took effect on July 1, changed the name of the bureau to the Office of Management and Budget, suggesting the greater breadth of its anticipated role. At the same time, the Domestic Council – a cabinet-level, policy-making organization within the Executive Office of the President – was established.

Under the plan, all the statutory functions of the old BOB were transferred to the President himself. The OMB, its Director, and the Domestic Council were to perform those functions delegated or assigned by the President. These were specified by Executive Order 11451, issued July 1, 1970. By its provisions, the

functions transferred to the President were returned to OMB's Director.

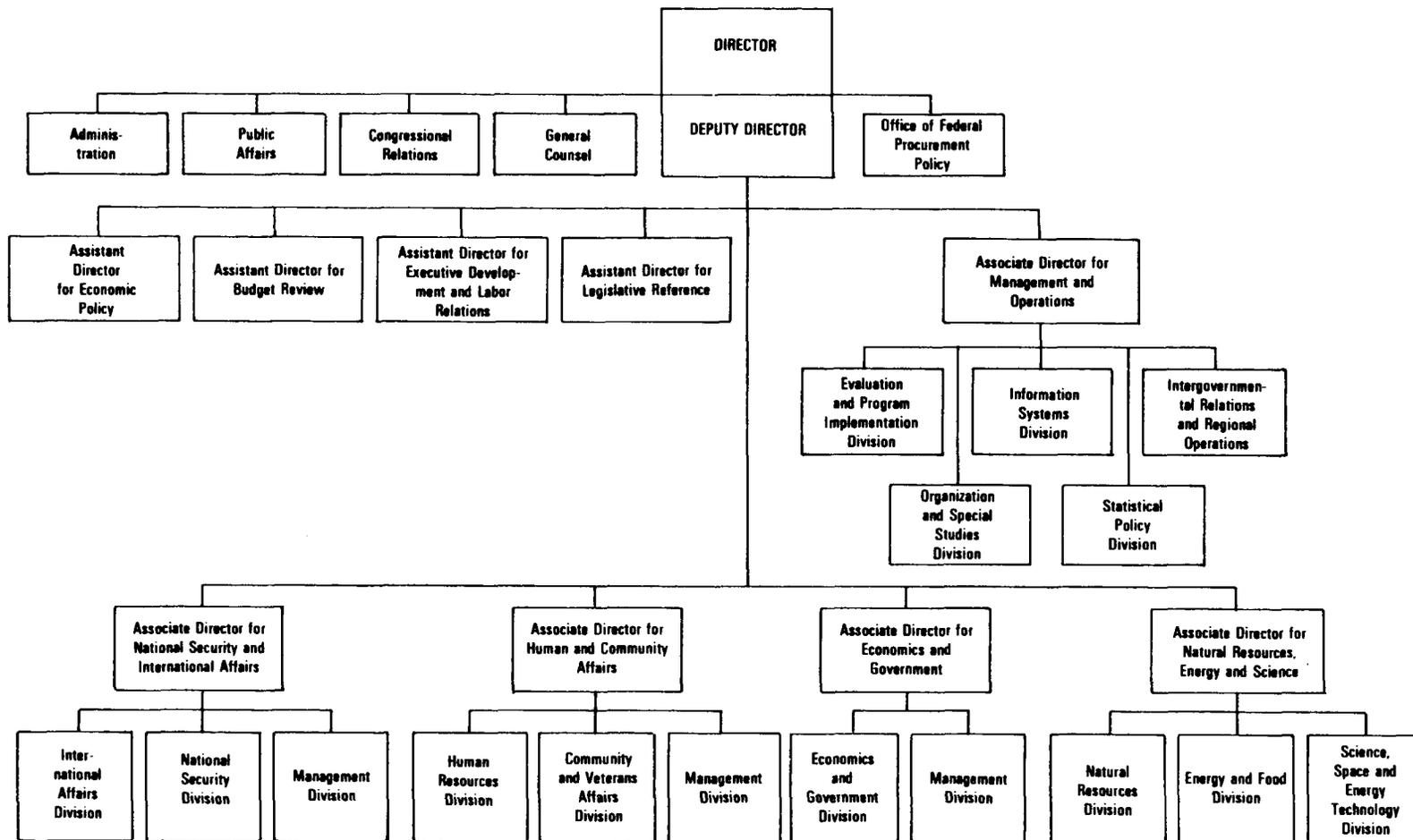
The missions of the Domestic Council and new OMB were distinct in the President's description. The Domestic Council was to be a counterpart to the National Security Council, concerned with *what* the government would do – the setting of basic objectives and policies. The OMB, in contrast, was concerned with the operational issues of *how* and *how well* the work of government was done. The change in the BOB was intended to broaden its management responsibilities beyond the budget function. Indeed, the Ash Council, on whose work the proposals were based, had originally suggested that the BOB's name be changed to the "Office of Management."<sup>117</sup> The President's message to the Congress stressed the new office's larger roles relating to fiscal analysis, program performance evaluation, interagency cooperation in the field, the improvement of government organization and management, and executive manpower development.<sup>118</sup>

To many, the President's plan seemed well grounded. There was widespread recognition of the desirability of improving Federal management and policy-making machinery. Yet, there were also several grounds for objection. Some commentators doubted that a sharp line could be maintained between "policy" and "administration," a distinction most academic analysts had found to be a poor one. Transferring powers formerly conferred by statute on the BOB to the President was thought likely to make its officials less accountable to the Congress. Many outside and inside the bureau also believed that it was being effectively "demoted," removed from the councils of policy making in which it had often played a significant role. The new Domestic Council appeared to "institutionalize" the process of legislative clearance by White House, rather than Budget Bureau, staff.<sup>119</sup> Ash and other administrative spokesmen maintained that the policy functions of the bureau would not be diluted, however. OMB, they said, would operate largely as BOB had, except that its managerial roles would be strengthened.<sup>120</sup>

Reorganization Plan #2 also stimulated internal change. The two major elements of the Office of Executive Management (which had been created in 1967) were elevated to division status, becoming the Program Coordination Division and Management Systems Division. An associate director for management provided top-level supervision. Four program associate directors (PADs), all political appointees, were made responsible for the examining divisions.

**Later Organizational Change.** These new organi-

*Figure 1*  
**EXECUTIVE OFFICE OF THE PRESIDENT  
 OFFICE OF MANAGEMENT AND BUDGET**



SOURCE: Office of Management and Budget

zational arrangements were altered three years later, after Roy Ash became OMB Director. In the spring of 1973, the two-sided system – with a deputy director over the budget function and an associate director over management – was eliminated in favor of control through a single line of authority. The change reflected Ash's view that budgeting was simply one management tool; hence, there was a need for full integration. New "management associates" were added to each of the budget divisions in an effort to make managerial concerns more pervasive throughout the agency. An assistant director for operations (one of six assistant directors) was made responsible for the four management divisions, including a new, small Division of Intergovernmental Relations. Other divisions were formed for Field Activities, Program Implementation and Coordination, and Federal Drug Management.

During the same period, the administration of several of the grants management circulars and other procedures and services was transferred to the General Services Administration. Dwight Ink, the assistant director for organization and management systems in OMB and the chairman of the FAR Steering Group, was made deputy administrator of the GSA. These changes coincided with a Presidential attempt to "streamline" the Executive Office by reassigning various "line" activities to other agencies. Many also believe that they reflected a growing lack of sympathy with the leaders, goals, and operations of the management unit on the part of White House staff. One writer reports that Dwight Ink was transferred because he was "too close to Congress" and regarded as "not partisan enough."<sup>121</sup>

The current organizational form of the OMB for intergovernmental relations was established in 1974, when two of the divisions formed in 1973 were merged, creating the Division of Intergovernmental Relations and Regional Operations. This division, which has overall responsibility for the Federal government's interagency and intergovernmental coordination activities, contains three branches. The Field Operations Branch monitors the activities of the FRCs, including their operation of the A-95 procedure, and has a staff member assigned to each council. The branch is also responsible for crisis management activities. Insuring the full consideration of intergovernmental impacts within OMB's policy processes is a function of the Intergovernmental Relations Branch, which also maintains liaison with the public interest groups. This branch also provides policy information to the FRCs and Federal Executive Boards and acts as secretariat to the Under Secretaries Group and Working Group. The Field Systems Branch monitors agency compliance with the standardized administrative

regions and worked with the General Services Administration on grant standardization and joint funding procedures.

Several additional activities of an intergovernmental character are located in other OMB divisions. For example, the *Catalog of Federal Domestic Assistance* is prepared by the budget review staff, while *OMB Circular A-90* (concerning cooperation with state and local governments to coordinate in improve information systems) is administered by the Information Systems Division.

As a result of Congressional action in December 1975, the activities of the Office of Federal Management Policy (OFMP) in the General Services Administration – activities which had been initiated in OMB – were returned to the Office of Management and Budget. Only one of the 18 staff transferred to OMB was placed in the Intergovernmental Relations and Regional Operations Division. This individual has responsibility for the joint funding program. Personnel associated with three key grants management circulars were placed in a newly created Financial Management Branch under an assistant director. Other returning staff were located under the associate director for management and operations.

**Continuing Management Weakness.** The continuing series of reorganizations – in 1967, 1970, and 1973 – were all intended to improve the budget agency's handling of the difficult issues of Federal management, including intergovernmental and inter-agency coordination. The symbolic representation of these efforts was the addition of the "M" to the bureau's name in 1970. However, the attempts to strengthen the "management side" of the agency are generally judged to have been largely unsuccessful. Allen Schick is among those who have reached this conclusion:

The management changes in OMB have not worked out as envisioned by the reorganizers; despite a succession of internal staff realignments over the past five years, the management staffs have not established a vital role for themselves.<sup>122</sup>

The fact is that, despite official pronouncements, the agency's management activities have never come to be regarded as important as its budgetary role. In the words of one staff member, getting out a budget has remained its first through fifth priority. Management problems receive far less attention from the agency's leadership and from most of its staff.

Consequently – and despite OMB's image as a "tough

policeman" of the departments — the agency has in fact had limited success and has made a limited effort to obtain full compliance with its management initiatives. While progress has been made, the pace has been slow and halting. *OMB Circular A-95* is a case in point. A 1975 GAO study found problems in the implementation of the circular, most of which could be traced "to a general lack of guidance by OMB as to the specific responsibilities of Federal agencies."<sup>123</sup> The report indicated that the OMB had failed to identify cases in which departmental regulations were inconsistent with the circular and had not defined the functions of agency liaison officers. Compliance with the circular is monitored in a largely reactive fashion by a single OMB official, who must rely primarily on complaints made by clearinghouses. The OMB, however, took issue with the impression left by the report that the full responsibility for implementing A-95 is OMB's alone. It argued that action by agency leadership with the support of OMB and the Executive Office and the Congress and its agencies was also necessary.<sup>124</sup> OMB's stance appears in some degree to be self-effacing.

A consultant to the National Governors' Conference has claimed that "OMB's lack of performance in the entire intergovernmental coordination area," including A-95, "has been a serious disappointment to the states." The author adds:

Not only has OMB failed to give serious attention to Federal agency compliance to A-95 requirements, it also has missed or ignored opportunities to foster intergovernmental coordination in new legislative programs. Most domestic legislation is reviewed by OMB at some point in its development. Review of Administration proposals takes place before introduction. . . . Yet, OMB has not recommended clear references to A-95 processes or concepts in legislation establishing new domestic programs. OMB failure to suggest appropriate roles for substate regional planning agencies in the *Comprehensive Employment and Training Act*, the *Community Development Act*, and the revisions to Comprehensive Health Planning legislation underscores the lack of commitment to policy management processes by the Federal government.

The same indictment of inattention at national levels could be cited with regard to

other poorly implemented intergovernmental mechanisms, including *OMB Circulars A-87* on cost allocations and A-102 dealing with standardized grant applications and reporting systems.<sup>125</sup>

Former Brookings Institution researcher Gary Bombardier is less severe and more tentative, but still critical. He writes of the management efforts in OMB that "To date . . . the results have been limited, so limited as to call into question the capacity of the bureau to transcend successfully its traditional roles and missions."<sup>126</sup> Most other observers make similarly negative appraisals of the agency's ability to deal with the management problems of intergovernmental and interagency relations.

Several reasons are suggested for the continuing weakness of the management component. A primary consideration has been the lack of a strong and steady White House commitment to management improvement. As indicated previously, the domestic policy area is one to which all recent Presidents have devoted limited attention, while within it, new legislation — not program operations — has been the most significant concern. Yet, as Gary Bombardier correctly observes, it is the possibility of direct intervention by the Chief Executive which lends authority to any staff agency. He notes:

The bureau can take initiatives and impose settlements if those whose cooperation it needs believe that what the bureau wants is what the President wants, or what the President would want if he intervened himself. In most cases, the bureau depends upon the belief that the President might intervene. Yet, the fact is that most management issues are altogether unlikely to be brought to the attention of the President, and all of the participants know this. The President is busy with other, to him more important, concerns like foreign policy crises or the state of the economy. The effort of the bureau to transform its management component was based upon the false assumption that management concerns were likely to be of great importance to the President in the 1970s. . . . The importance of management concerns did rise under the Nixon Administration; but, among the totality of presidential concerns, they were still not very high. . . .<sup>127</sup>

What is of limited significance to a President is also apt to be given limited attention by those around him, including OMB's leadership. One observer commented that the OMB is normally unwilling to use its influence over the departments for non-budgetary purposes. Another explained that the agency's resources are not unlimited, and that its top officials hesitate to expend them for management objectives, wanting to maintain a reserve of influence for the budget issues they regard as more crucial. More generally, the management area is not one which has sufficient political benefits in the short run to merit stress by Federal policy executives. Marver H. Bernstein notes the weakness of the BOB's efforts at management improvement of a variety of kinds:

In Federal experience, management improvement has been weak in motivation, purpose, and achievement primarily because it has been accorded very low status by political and career executives. There appear to be few incentives for these executives to focus their concerns and resources on efforts to improve the management of programs they administer. As all reports on the subject assert, nothing less than leadership from the top has the possibility of creating an environment conducive to improvement of managerial practices. Senior political and career executives have drastically limited time to devote to these matters. Because they cannot deny the soundness of more effective management in the public interest, they tend to rely on occasional gestures toward better management, expressed in the accepted rhetoric of managerial reform, emphasizing a currently fashionable concept or tool, such as ADP, productivity measurement, manpower utilization or cost reduction. As long as political payoffs for management improvement remain dubious and illusive, executive commitment seldom rises above lip service.<sup>128</sup>

Arguably, the neglect of the problems of program implementation and management may have important political repercussions in the long run, as well as serious consequences for public policy. Yet these are seldom immediate enough to receive priority attention.

The internal relationship of the OMB's management sector to the budget divisions and their budget examiners — which are regarded as holding the real power

within the agency — is also a significant factor. The two are, in the description of a former staff member, "separate worlds," entirely divorced. Tension and a lack of understanding are common. Allen Schick has found that few of the examiners he interviewed understand or sympathize with the objectives of the management side:

"I don't know what those people do."  
"Maybe you can tell me what they're here for." These were typical responses by budget examiners to questions about the management side of OMB.<sup>129</sup>

As a consequence of this organizational separation, it has normally proven impossible for OMB to bring pressure on an agency's budget to support its managerial objectives. Bombardier writes:

In theory, [OMB's] resources and sanctions are available to support the activities of the management component, but in practice the bureau is too decentralized and too poorly coordinated internally to make this a real possibility except perhaps in extraordinary circumstances. Indeed, at the action level, the various sides of the bureau often work at cross purposes.<sup>130</sup>

Some observers report that the examiners will defend "their" agencies from "interference" by outsiders, including the management sector, and some departmental officials agree that their examiners can be called upon to "go to bat" for them in disputes with the OMB. Others indicate that the examiners generally have opposed grant decentralization and simplification, wanting to be able to obtain full information as easily as possible, from Washington-based officials.

Another limiting factor sometimes identified is the high level of turnover among top policy staff in OMB and in the departments as well. The OMB has had four different directors in the five-year period since its creation in 1970. This lack of continuity, however, is only slightly greater than during the preceding decade, though it might still be judged to be undesirable.<sup>131</sup> There has been increased change at a slightly lower level. Brookings Institution researcher Hugh Heclio indicates that, in 1974, nearly two-thirds of the heads of major agency offices and examining divisions had one year's experience or less in the agency, and that only a quarter had worked within it for six or more years. In 1960, by way of contrast, fully three-quarters of the members of this group had at least six years' BOB experience.<sup>132</sup>

This turnover has affected the management area directly: five men have held the position of associate director for management and operations in the period 1973-75, and this post – the highest on the management side – was also vacant for a period of about six months. Turnover has also been correspondingly high within the major domestic departments, with an average of four Secretaries in each between 1969 and late 1975.<sup>133</sup> The consequence is, according to some observers, that too much time must be spent “reinventing the wheel” in the management area, while the focus of attention is on those areas in which a short-term payoff can be expected. Management improvement is not among these.<sup>134</sup>

Finally, there also seem to be some differences in the nature of the agency’s role in the management as contrasted with the budget and legislative review areas. In the latter, Bombardier indicates, OMB can operate in a

... quasijudicial and routinized manner. Departments and agencies are obliged to come to the bureau with budgets and legislative proposals that need approval, and the bureau judges and reacts to those proposals. Its style is consciously negative and critical.

In contrast, he notes,

In the field of management improvement, and especially in the field of interagency and intergovernmental relations, the bureau has sought in recent years to be positive and creative, to venture forth into the political world and to solve problems rather than merely reacting to proposals.<sup>135</sup>

This is a rather more difficult task.

In summary, then, these analysts and observers suggest five primary reasons for the continuing weakness of the management sector within OMB. These are:

- the lack of a strong, continuing White House interest in managerial issues;
- the concentration of the attention and resources of OMB’s leadership on budget preparation and review;
- a high level of turnover among those in policy positions in OMB and other agencies;
- tension between the budget and management divisions within OMB;

- differences of workflow and style in the budgetary and legislative areas on the one hand and management improvement on the other.

**Budgetary Process Issues.** The primary issues of intergovernmental relations in which the OMB has been involved over the past decade have related to problems of grants management. These are of continuing importance. However, budgetary issues are a more recent and ever-growing concern.

Many observers are dissatisfied with the operation of the Federal budget process, which is viewed as closed and arbitrary. Budget examiners are seen as possessing too much power and often utilizing it without a clear recognition of the management consequences or fiscal effect on other governments. Too often, it is argued, cuts are made in an across-the-board fashion, rather than with a recognition of the priorities which should be attached to particular programs. The impact of such decisions on the state and local governments, which must ultimately deliver most domestic services, are often not understood.

Senator Hubert Humphrey, among others, has suggested that it would be useful to “open-up” the Federal budget process, which he has called “the best kept secret in this government:”

Now, I would hope that somewhere along the line we could get to a point where at a certain stage in the preparation of budgetary data on which the ultimate budget decisions are based that governors and mayors and legislators might have some input, so that we can find out at the regional levels as well as the governmental structural level what people have to say, and what they think ought to be priorities.<sup>136</sup>

A substantial effort in this direction has been made during the past two years. In 1973, officials representing the governors, state legislators, cities, and counties joined together as the “New Coalition” with the aim of gaining greater involvement in the budgetary process. The group, formed under the leadership of Governor Dan Evans (Washington) met with top officials of the Office of Management and Budget on a regular basis throughout 1974 for discussions which focused on the 1976 budget. During 1975, the meetings were concerned primarily with two functional areas, manpower and health, and have considered questions of policy and organization as well as the budgetary issues.

The results of these efforts have proved disappointing, however. The 1976 budget generally did not reflect the concerns expressed by the New Coalition members. For the most part, this is traced to the changes in the economic and fiscal assumptions underlying the budget which occurred in early 1975, after the series of New Coalition meetings was complete. OMB is generally credited with having made a good faith effort to work with the group.

For various reasons, this experience has also demonstrated the difficulty of developing effective participation in budget process. An important consideration is that state and local officials do not possess the close familiarity with many of the issues which OMB has, and for this reason are placed at some disadvantage. Staffing is also a problem: the New Coalition had for its own use a single staff member. The Washington-based public interest group staffs made some contribution, but their resources are also limited in comparison with the magnitude of the budgetary task.

As a consequence, many observers are pessimistic about the possibility of conducting an effective interchange in this area. The basic goal — a greater recognition of the impact on state and local governments of Federal budget decisions — is regarded as being of high and ever-increasing importance. There is a particular concern that, by neglect or design, Federal responsibilities will be sloughed off on subnational units which cannot assume them, especially in a period of economic stagnation. Yet, the appropriate strategy for dealing with these significant issues remains unclear. One proposal calls for an OMB deputy director for intergovernmental fiscal affairs as a means for institutionalizing the interchange of relevant information.

**Options.** Proposals for improving the handling of the management function within the Executive Office of the President center around three main strategies. One option would involve the strengthening of the position of the management function within OMB through internal reorganization. Another approach contemplates the location of most management responsibilities in a new Executive Office management agency (or perhaps in another department, such as the General Services Administration). Finally, there are those who contend that the crucial issues are primarily procedural, rather than organizational.

One basic step would involve some increases in the intergovernmental relations and regional operations staff. As noted previously, the GAO has found that the limited OMB staff commitment to *OMB Circular A-95* has prevented the adoption of an aggressive monitoring

system. The role of OMB field representatives is currently played by a number of individuals who also hold other administrative responsibilities. Given the importance of close communication between the OMB, FRCs, and state and local governments, funding for travel and similar purposes should also be reviewed for adequacy.

The desirability of more extensive internal organizational change in OMB was suggested by Donald Stone in a paper prepared for the Study Committee on Policy Management Assistance. Dean Stone suggested that

... the OMB should be restructured to accord functions concerned with overall management, capacity-building, government-wide policy and program planning, coordination, and evaluation — including intergovernmental administration — an equal place in the OMB power structure. The budget review groups which process agency programs and budgets are now assigned, under present organizational arrangements, titles which (as well as their functions) give them predominate power and influence. This is the age old problem of keeping the specialists from being on top, and of maintaining the supremacy of generalists.<sup>137</sup>

More specifically, he suggested that the Organization and Special Studies Division should be upgraded and redesignated, becoming a "Federal Management Service" or something similar. This unit would provide liaison with the full public administrative community and serve as the primary center for the review of policy relating to administrative capability. The management divisions within the budget review groups would be disbanded, with their staff transferred to the Federal Management Service. A "Division of Intergovernmental Administrative Management" would be created within the service, and would absorb developmental (but not operational) responsibilities relating to grants management. The present Division of Intergovernmental Relations and Regional Operations would continue as the "executive organ" in these areas. However, Dean Stone proposed that it be relocated under an assistant or associate director, and be made a line "office," rather than a staff "division."

There are others who believe that the OMB probably cannot be made to work effectively in the management area, however altered. Such arguments suggest the need for other alternatives. For example, Gary Bombardier suggests that "the [OMB] should probably confine itself to its traditional roles and missions," rather than tackle

the difficult problems of intergovernmental management.<sup>138</sup> Allen Schick feels that the attempts to strengthen the "M" side of OMB have been misguided:

This Presidential agency is in trouble because it has not concentrated enough on bolstering its core budget process and because it has wasted resources and energy on pre-doomed management activities. The next President will inherit a much sturdier organization if steps are taken to spin off those management activities which (1) are not Presidential in consequence or (2) do not benefit from a direct link to the budget process.<sup>139</sup>

Advocates of a separate management agency also stress the weaknesses of the current OMB efforts. A separate office, they suggest, could be regarded as a tangible indication of Presidential commitment to the subject, and also would not be faced with the conflict of roles and traditions which mark the OMB. Consideration has been given to proposals for the creation of a separate Executive Office agency for coordinative, intergovernmental, or management purposes several times in the past decade. The 1965 Task Force on Intergovernmental Program Coordination posed the option of creating an "Office of Community Program Coordination" instead of strengthening the BOB in this area, but did not choose among these alternatives.<sup>140</sup> The Heineman Task Force on Government Organization is reported to have urged the creation of a new EOP unit in 1966.<sup>141</sup> This option is also said to have been among those considered by the Ash Council. The recent Stone paper suggests that the issue is one which should be examined in a thorough reassessment of OMB's organization.<sup>142</sup>

Those who question the efficacy of this strategy argue that the budget and management functions are closely linked; indeed, some — including former OMB Director Ash — believe that budgeting is simply one component of the broader management process. Many think it is doubtful that a separate agency would possess the necessary leverage on the departments without ties to the budget. A new organization would also result in some duplication of function and personnel and add to the breadth of the President's already strained "span of control."<sup>143</sup>

Finally, there is another view, which argues that these considerations of formal organization are secondary. After all, OMB has been restructured three times over the past eight years, each in an attempt to strengthen the handling of interagency and intergovernmental problems, but with little effect. This course, then, has been

tried. One alternative is procedural, rather than structural, in nature. It stresses the necessity of the involvement of the management section in OMB's ongoing budgetary and legislative review processes. What is needed, in the view of one former staff member, is an "action-forcing element which demands consideration of the impact on other levels of government in OMB's program and funding decisions." Most importantly, the Director must insist that the departments include an assessment of the relation of their proposals to the expressed needs of the states, cities, and counties. Such information might well be compiled through the Federal Regional Councils, at the direction of the Executive departments. This approach, it is argued, might succeed where others have failed.

**Conclusion.** The Office of Management and Budget has, to date, had limited success in improving the management of the intergovernmental grant system. Despite repeated reorganizations and a change in name, budgetary issues and problems continue to be predominate. The agency has a lengthy history of involvement in intergovernmental relations. It was among the first to perceive the growing problems of intergovernmental and interagency management which emerged in the mid 1960s, and developed a full agenda for improvement. However, this has still been only partially implemented.

In the period 1973-75, the agency's formal responsibilities for many aspects of intergovernmental management were considerably reduced. Many of its management procedures were transferred to the General Services Administration and Treasury Department, although the OMB retained policy oversight. In 1973, the Executive Director of the Domestic Council was designated as the President's liaison with state and local governments, although this function might have been given to the OMB, as the Ash Council had recommended. Hence, though the budget office was among the first Federal agencies to become involved in the intergovernmental arena, its role in this area did not grow, but was fragmented and divided.

By action of Congress, some of these former responsibilities have now been returned to the OMB, but with reduced resources and organizationally distributed within OMB in four separate divisions. These new functions, clearly, will challenge the agency to strengthen its capabilities in the management area. The past record provides little basis for optimism in this regard. For this reason, a variety of organizational and procedural changes merits close consideration.

## The Domestic Council

The Domestic Council was created by President Nixon under Reorganization Plan #2 of 1970, as discussed above. By the terms of the President's description, the council was to be concerned with "what the government does," assuming a broad domestic policy-making and planning role comparable to that of the National Security Council in foreign affairs. Specifically, under the terms of *Executive Order 11541* (issued July 1, 1970) the Domestic Council was to

- 1) receive and develop information necessary for assessing national domestic needs and defining national domestic goals, and develop for the President alternative proposals for reaching those goals;
- 2) collaborate with the Office of Management and Budget and others in the determination of national domestic priorities for the allocation of available resources;
- 3) collaborate with the Office of Management and Budget and others to assure a continuing review of ongoing programs from the standpoint of their relative contributions to national goals as compared with their use of available resources; and
- 4) provide policy advice to the President on domestic issues<sup>144</sup>

The Executive Order, which terminated the Council for Urban Affairs, Cabinet Committee on the Environment, and Council for Rural Affairs, also assigned their functions to the Domestic Council.

In terms of membership, the council is basically the cabinet minus its State and Defense Department members. Initially, it was composed of the President and Vice President, the Secretaries of Agriculture, Commerce, Health, Education, and Welfare, Housing and Urban Development, Interior, Labor, Transportation, and Treasury, and the Attorney General. Subsequently, additional members have been designated, bringing the current total to 19. These include the Director of the Office of Management and Budget, the Chairmen of the Council of Economic Advisors and Council on Environmental Quality, the Administrators of the Environmental Protection Agency and Veterans Affairs, the

Director of ACTION, and the Executive Directors of the President's Economic Policy Board and Energy Resources Council. While the President is the Chairman of the council, its staff is supervised by an executive director. Three men have held this post: John D. Erlichman, who was succeeded in 1973 by Kenneth R. Cole, Jr., and James M. Cannon, who took office under President Ford in February 1975.

The Domestic Council concept, as developed by President Nixon and now President Ford, represents a considerable departure from the practices of the two previous administrations. Neither Presidents Kennedy nor Johnson made use of the cabinet as a collective body for policy deliberations. Their cabinets lacked institutional staff, and met very infrequently, primarily for informational purposes. Both Presidents felt that the diversity of concerns among cabinet members made the group unsuitable for determining major actions.<sup>145</sup> In contrast, the Domestic Council under President Nixon was to be the focal point for all domestic policy-making, and was to have a staff established on a "permanent, institutional basis" which could provide an "institutional memory" in the field of domestic policy.

**IGR Responsibilities.** The initial Executive Order establishing the Domestic Council made no specific reference to the subject of intergovernmental relations, which, at that time, was the concern of the Vice President's Office of Intergovernmental Relations (OIR) created by the President in 1969. As noted previously, however, the council did assume the functions of the Councils for Urban and Rural Affairs and the Cabinet Committee on the Environment, each of which had been charged with encouraging the fullest cooperation among the three levels of government and promoting the coordination of Federal programs in its area of concern. The Domestic Council's sole statutory responsibility, that of developing a national urban growth policy and preparing a biennial *Report on Urban Growth* as required by the *Housing and Urban Development Act of 1970*, does have a significant impact on state and local government.

The Domestic Council's formal and most explicit responsibilities for intergovernmental relations stem from an Executive Order issued December 14, 1972, which transferred the functions of the Office of Intergovernmental Relations to the Domestic Council. The effectiveness of the OIR, in its first years, had been questioned by the Advisory Council on Executive Organization (Ash Council) as well as a number of state governors. However, other governors gave the office strong endorsements. After considering a variety of

alternatives, the Ash Council had proposed assigning the functions of the OIR to the Office of Management and Budget.<sup>146</sup> The President apparently agreed on the desirability of change, but assigned the function to the Domestic Council, rather than OMB. Intergovernmental relations responsibilities were placed on the council's executive director, who was to:

- serve as the coordinator for the prompt handling and solution of Federal-state-local problems brought to the attention of the President or Vice President by executive and legislative officers of state and local governments;
- identify and report to the President on recurring intergovernmental problems or a Federal interdepartmental and inter-program nature;
- explore and report to the President on ways and means of strengthening the headquarters and interagency relationships of Federal field offices as they relate to intergovernmental activities;
- maintain continuing liaison with intergovernmental units in Federal departments and agencies;
- review procedures utilized by Federal Executive agencies for affording state and local officials an opportunity to confer and comment on Federal assistance programs and other intergovernmental issues, and propose methods for strengthening such procedures.<sup>147</sup>

**Policy Role and Activities.** The activities and role of the Domestic Council have varied considerably over its five-year existence. During President Nixon's first term, 1970-1972, the Domestic Council and especially its executive director held considerable power. Director John Erlichman, who was also the assistant to the President for domestic affairs, was said to "pass on every domestic policy matter that comes before the President."<sup>148</sup> He or his deputy, Kenneth Cole, met with the OMB Director and the President on a daily basis. The council itself met fairly frequently during this early period — 13 times in its first year. It also developed a fairly large staff — 49, including 28 professionals, in mid 1971—and reached a total as high as 79.<sup>149</sup>

Most of the higher-ranking members of the council staff had been advance men during the President's 1968 campaign or had otherwise been involved in campaign scheduling. In this respect, they were not dissimilar from White House staffers in previous Administrations. However, the Domestic Council group was younger and better educated than its predecessors. Of the 21 interviewed by John H. Kessel in late 1972, 12 held law degrees; seven, Ph.D.'s; and two, degrees in business administration.<sup>150</sup>

At the time the reorganization plan was announced, it had been supposed that the Domestic Council would assume some of the functions of the old Bureau of the Budget, then renamed the Office of Management and Budget, thus lessening the latter agency's involvement in legislative clearance and other policy-related activities. In practice, however, this potential rivalry never developed. The two agencies are said to have worked closely together, in cooperation. Two recent analysts indicate:

Despite the words in the reorganization plan message, the policy-administration split never materialized. In the area of domestic policy, Domestic Council staff and the political-level OMB officials appeared to many, despite vigorous disclaimers, to have become almost a single, integrated, Presidential, staff unit jointly presided over by [D.C. Executive Director John] Erlichman and George Schultz, who had stepped down as Secretary of Labor to be the first OMB Director. Schultz also wore a second hat as Presidential assistant for executive management and was the first Budget Director to have an office in the West Wing of the White House.<sup>151</sup>

The two organizations did have somewhat different special strengths. The OMB was clearly the more capable in considering the economic cost-benefit aspects of a possible policy, while the forte of the Domestic Council was in the evaluation of the political aspects.<sup>152</sup> One observer reports that the OMB retained responsibility for the purely legislative and programmatic issues, while all those which were politically sensitive were channeled through the Domestic Council.<sup>153</sup>

The extent to which the council improved the decision-making process in the White House is not fully known. The council did not develop the capacity to initiate policy in most fields; for the most part, it simply reviewed particular proposals developed within the agencies on an *ad hoc* basis.<sup>154</sup> It was the function of

the council to present to the President all the options, arguments, and facts relevant to his decision, helping keep the choices open for him on a "non-ideological" basis. Former Executive Director Erlichman indicated, in a recent article, that he believes the council accomplished this very effectively.<sup>155</sup> Another analyst suggests that the council mechanism, in one case, screened out conflicting viewpoints and facts which merited fuller consideration.<sup>156</sup>

Even in the period of its greatest strength, 1971-72, the Domestic Council did not function in the manner initially anticipated. Many of the actions taken in its name were not actually developed within the body itself. The council operated largely through a series of special working groups in a variety of areas – welfare reform, model cities, education, revenue sharing – some of which met daily for several hours. Because of their demanding schedule, the working groups often precluded, rather than facilitated, participation by the cabinet-level officials who were the actual members of the Domestic Council. Their members' involvement in some crucial policy choices, such as the development of the special revenue sharing plans in 1971, was barred until the proposals had been fully completed.<sup>157</sup> Thus, the Domestic Council, in practice though not in design, diminished rather than strengthened the influence of the major domestic departments.<sup>158</sup> A report prepared by a panel of public administration experts on the "Watergate" episode suggested that among the "questionable" activities of the Nixon administration was the "bypassing of departments and agencies in areas of their assigned responsibilities, first in international and defense matters through the staff director of the National Security Council, and later through the staff director of the Domestic Council."<sup>159</sup>

The development of the "supercabinet" system during the first months of 1973 was another facet of this trend. A new policy structure was created as a substitute for the President's departmental reorganization plan, then stalled in Congress. At the highest level, five Presidential assistants were given responsibility for broad areas of policy and administration. Below these were three cabinet secretaries named as counselors to the President and given coordinative responsibility in the fields of human resources, natural resources, and community development. Other cabinet officers were subordinated to these counselors. The Domestic Council's policy-making functions were assumed by the super-cabinet, while its staff was reduced by half.<sup>160</sup>

This new system was abolished in May 1973, upon the resignation of two key Presidential aides. However, the council did not regain its former stature. One analyst

indicates that, in the period since, the Domestic Council has become the "weak sister" of OMB in most policy areas.<sup>161</sup> The number of formal council meetings fell off drastically. Only two or three a year were held in fiscal 1973 and 1974. During this time the council's activities were performed almost entirely through its committee structure. The council itself was regarded as too large to have useful working sessions.<sup>162</sup>

**Changes During the Ford Administration.** The basic Domestic Council system has been continued by President Ford. However, the functions of the council have been restated, and some changes in organization have been made.

In February 1975, President Ford appointed Vice President Rockefeller as vice chairman of the council, and asked him to oversee its operations.<sup>163</sup> At the same time, two Rockefeller associates were appointed to key staff posts. The responsibilities of the Domestic Council were to be broadened under Rockefeller's leadership. Special attention was to be given to identifying future needs and problems, along with greater involvement in the formulation of the Administration's legislative proposals.<sup>164</sup>

The President's February memorandum to the council members emphasized five specific components of their general responsibilities. These were to:

- identify major policy problem areas requiring Administration attention and actions;
- coordinate the formulation of policy options in the domestic area for my consideration;
- initiate fact-finding analysis, develop policy options and recommendations for Presidential decision, Administration action and legislation;
- review, in conjunction with OMB, departmental legislative proposals for their impact on present policy and legislation and consistency with Administration policy;
- establish guidelines in conjunction with OMB for the formulation of departmental and agency administrative regulations to ensure consistency with Administration policy objectives and legislative intent.<sup>165</sup>

Executive Director James M. Cannon developed a two-division system of council organization, with each division headed by a deputy director. An operations

division, composed largely of Domestic Council staff members, was concerned with short-range operations and decisions, activities which are said to consume as much as 80 percent of the council's time. A second division focused on longer-range issues, and was composed of cabinet officials, OMB representatives, consultants, and staff aides.<sup>166</sup> The council's staff was also divided into five functional areas: human resources, natural resources, community development and transportation, general government, and intergovernmental relations. Because of the staffs' limited size — a total of 30 including secretaries — most of these groups included only one or two professionals.<sup>167</sup>

The strength and position of the Domestic Council during the Ford administration has not been fully clear to outside observers. While the President's announcements anticipated that the council's responsibilities would increase, several commentators believe that it fell into disuse. Presidential scholar Thomas E. Cronin indicated that the council "was relatively inactive during most of President Ford's first year in office."<sup>168</sup> Vice President Rockefeller apparently was able to devote little time to council affairs.<sup>169</sup> Uncertainties about the relationship between the President and Vice President apparently was one limiting factor; tension between the President's chief of staff, Donald Rumsfeld, and the Rockefeller associates was also reported. Despite these constraints, however, the council had the responsibility for preparing the policy papers which would provide the basis of the President's 1976 legislative program.<sup>170</sup> A council meeting held in June 1975, was said to have been the first in several years.<sup>171</sup>

**A Summary Assessment.** Clearly, the Domestic Council has developed differently than was first anticipated. Regarding its actual operation, the following general assessments offered by various observers provide some insights:

- The role, activities, and importance of the Domestic Council have varied greatly from time to time over its five-year life, depending on the force of particular personalities and the nature of the mandate given to it by the President. Though the council has at times been very strong, it has never fully monopolized the domestic policy-making function, and has focused heavily on the most politically sensitive issues.
- The Domestic Council has operated pri-

marily as a staff agency to the President, rather than as an institutional forum for policy deliberations by its membership. Full-scale meetings have been infrequent, with much of the work accomplished in committees or by staff members.

- The council's staff has not become a permanent career body offering special policy expertise to the President; many of its members have been selected because they enjoyed the President's personal confidence, rather than any special expertise. The staff has not yet acquired a reputation for high levels of knowledge or analytical ability.
- For the most part, the council acts as a screen of policy proposals initiated elsewhere, and attempts to develop and present the full range of possible options for Presidential choice.
- By far the greatest proportion of the council's staff time is devoted to the consideration of very short-run issues, providing background information for the President. Examination of longer-range issues has been difficult, and hampered in recent years by the small size of the council's staff.
- The Domestic Council has not ended the use of other Executive Office policy development and coordinating mechanisms in specific areas of domestic policy. Several such units have been created since 1970, while other older units have been retained.<sup>172</sup>

In the specific area of intergovernmental relations, the council's activities apparently have been quite limited, despite the mandate of *Executive Order 11690*. President Ford's own charge to the Domestic Council did not specifically mention its role in this area. None of the council's committees has been concerned specifically with IGR. A single staff member devotes most, but not all, of his time to the subject.<sup>173</sup>

The council is not generally viewed as an adequate point of access for state and local government officials to the President or the domestic policy process. Several observers interviewed by ACIR staff characterized the

council's activities in intergovernmental affairs as being of an essentially "public relations" rather than substantive policy nature. In a recent meeting with President Ford and domestic cabinet officials, leaders of the National Governors' Conference stressed the need for far greater involvement of the states throughout the policy development process.<sup>174</sup> Yet, there are differences in the experiences of the various groups and individuals. Some observers suggest that the council's role in this area has not been "institutionalized," but depends heavily on personal relationships and contacts.

It is apparent that some contemporary Domestic Council task forces have attempted to work with the public interest groups and state and local officials in certain specific policy areas. These contacts have offered the opportunity for some involvement in the development of legislation and the discussion of administrative and financial problems. However, these close working relationships have apparently not reflected a general Domestic Council practice, but have been the result of individual initiatives.

Several of the representatives of state and local governments interviewed by ACIR staff contrast the Domestic Council with previous liaison and policy offices, or indicated differences in the effectiveness of the council at various points in time. Most observers believe that the liaison operations were actually strongest and most effective during the later years of the Johnson Administration. President Johnson had made a serious commitment to improving relations with state and local officials in 1966, and Vice President Hubert Humphrey staked his own personal prestige on the effectiveness of his relations with the nation's mayors. The staff of the Office of Emergency Planning provided an excellent channel for the expression of gubernatorial concerns to the President. The Office of Intergovernmental Relations (OIR) under the Vice President during the early Nixon years was of varying effectiveness, satisfying some but not others. Some observers felt that it, too, had been concerned chiefly with "public relations" activities, though its performance improved markedly after it acquired a more highly professional staff. It should be noted that all of these liaison operations were larger than that of the current Domestic Council. The Vice President's OIR had a staff numbering as high as ten, including five professionals, while the two liaison offices during the Johnson Administration had combined staffs of up to 17, including 11 professionals.

Differences were reported by some of those interviewed in the responsiveness of the Domestic Council in the past two years and the preceding period. The Urban Affairs Council, a forerunner of the Domestic Council,

had a strong mandate for innovation and consulted widely with experts in various fields, including state and local officials. In its first years, the Domestic Council on some occasions sought out statements of state and local needs and priorities.

It is also clear that President Ford has made an effort to build closer relations with state and local officials, with Domestic Council assistance. A member of the Domestic Council staff noted that the President had met with representatives of the governors and state legislators during his first two weeks in office and had, through a series of regional meetings, met personally with the governors of 48 of the 50 states. The President has reportedly met with hundreds of individual mayors, state legislators, and other officials. State and local officials have been represented in each of the series of Domestic Council regional forums on domestic policy. The forums, of which there were six held in late 1975, were chaired by the Vice President and attended by two or three officials of cabinet rank. More than 1,500 individuals submitted oral or written testimony on the subject of economic growth, resource development, social policy, and community building. Domestic Council staff have also worked with the "New Coalition" of state and local officials and OMB in the development of the 1976 and 1977 budgets.<sup>175</sup>

The reports on national growth, which are by statute prepared by the Domestic Council, provide another indication of the council's work in an area of considerable importance to state and local governments. The reports prepared by the Domestic Council in 1972 and 1974 are widely regarded as less than adequate. They are not policy documents, as the 1970 *Housing and Urban Development Act* anticipated, and even on an informational basis have dealt with only some of the most significant issues.<sup>176</sup> For this reason, there have been proposals that the preparation of the report be entrusted to a separate Executive Office organization.<sup>177</sup>

The disappointing 1972 Report on National Growth shows why we would be prudent not to rely on an anonymous committee of the interdepartmental Domestic Council to do what now needs to be done. An inter-agency committee may be suitable for some assignments, but it cannot move this nation to new ground in policy development.<sup>178</sup>

Others find the current system to be appropriate, noting that the issue is the commitment to the task, not the mechanism.

A statutory provision which permits the creation of an advisory board to assist the Domestic Council in the

preparation of the growth report has not been utilized.<sup>179</sup> Governors, mayors, county officials, and members of state and local legislative bodies are specifically mentioned as potential members of such a board, along with Federal officials and private citizens familiar with the problems of urban growth.

**Options.** The Domestic Council is, by the provisions of the Executive Orders which have delimited its responsibility, the primary Presidential liaison office with state and local governments on matters relating to Federal policy. To date, the council's activities in this area are widely judged to have been limited.

Two basic approaches might be taken to strengthening the performance of the intergovernmental liaison and policy development function. First, greater attention on the behalf of a strengthened Domestic Council to this crucial area might be encouraged. Alternatively, the responsibility might be shifted to another Executive Office organization – either the Office of Management and Budget or a new, independent Office of Intergovernmental Relations.

Not all observers, it should be noted, believe that the function merits greater attention. For example, it can be argued that liaison operations are inconsistent with a policy of devolving greater and greater discretion on state and local governments. By this reasoning, subnational governments should not be encouraged to “run to Washington” seeking guidance or assistance. It also is argued that state and local governments represent simply one of many “special interests,” each of which has an equally compelling claim to Executive Office representation.

This view is not held by most representatives of the state and local governments, who view the liaison function as one of continuing importance. Moreover, it is not consistent with a past position adopted by the ACIR, which in 1967 recommended that the President assign responsibility for intergovernmental liaison and management oversight “to an appointee having status equivalent to that of a member of the cabinet.”<sup>180</sup>

There are several possible alternative approaches. The liaison activities of the Domestic Council might be strengthened most readily by an increase in the number of staff assigned to this area. These duties have been performed by a single individual.<sup>181</sup> Those appointed to additional staff positions should possess considerable experience in state and local government, and thus be credible representatives of their concerns. An expansion of the Domestic Council staff to a size approaching the level originally anticipated – approximately 90 employees – may also be necessary if the council is to

play a meaningful role in policy formulation and long-range governmental planning.<sup>182</sup> The National Security Council, with which the Domestic Council is often compared, has a staff of more than 70, with an additional number (about 45) detailed from other agencies.

The benefits of any such staff increases must be balanced by a consideration of the potential disadvantages, however. Some believe that the Executive Office, which has grown rapidly in size, is already excessively large. Thomas Cronin indicates that

... the Presidential establishment has become so large, disparate, and removed from close relations with the President that the President risks becoming a prisoner in his own house, a victim of his own overspecialized, overstuffed bureaucracy. Some observers see evidence in the Presidential bureaucracy of those same constraining forces with which a President must contend elsewhere in the government. . . .<sup>183</sup>

Some contend that the Office of Management and Budget should provide most Presidential staff analysis on policy issues. In this view, the Domestic Council staff should be limited in size and should not be permitted to duplicate OMB's capabilities. Charles L. Schultze, a senior fellow at the Brookings Institution and a former BOB Director, has testified in favor of placing the Domestic Council's planning and priority-setting activities in the OMB, rather than in the Domestic Council. He argued that the task of providing political advice, which is properly the function of immediate White House staff, should be separated from these other analytical functions.<sup>184</sup> In contrast, some contend that it is difficult for any budget agency to adopt a long-run policy planning orientation; the annual budget process is always the predominant concern. For this reason, an organization like the Domestic Council might play, prospectively, a very important role.

Others believe that the intergovernmental liaison function could also be best performed by the OMB. This was the recommendation of the Ash Council, as noted previously. Many of the contemporary concerns of state and local governments do center on budgetary and fiscal issues, and the OMB continues to play a role in policy development and program management. Some state and local representatives report that their most productive working relationships have been with the Intergovernmental Relations and Regional Operations Division and OMB's deputy director. Others, on the other hand, view

these links as now comparatively weak. It is also argued, in opposition, that the liaison function is inherently "political" and, for that reason, inappropriate for OMB.

A separate Office of Intergovernmental Relations under the Vice President (or other official) is another alternative approach. This strategy builds upon the recognition that the functions to be performed are dual rather than singular. The development of policy, in this view, is properly the charge of the cabinet, the Domestic Council, or OMB. However, these activities are distinguished from those of a day-to-day, "troubleshooting" nature, which call for the reconciliation of intergovernmental and interagency conflicts. The Vice President, because of the prestige of his office and the resources at his command, is thought to be especially well suited to the role of "convenor" in this area. Many of those advocating this strategy feel that the liaison operations associated with past Vice Presidents met with some considerable success.

The desirability of a distinct office can, of course, be challenged. The basic Domestic Council concept suggests that such functions should all be placed under a common umbrella; "special interests" are to be ignored. However, the responsibilities of governments at all levels are now deeply enmeshed, and the public services are of a distinctive character. Thus, intergovernmental concerns merit special recognition. Moreover, a variety of special purpose offices continue to exist, while major sectors of the economy — labor, agriculture, commerce — are represented by distinct departments. Additional Executive Office units are proposed frequently.<sup>185</sup>

It is by no means certain, however, that any organizational change would necessarily produce the desired result. Many of those interviewed indicated that the personal leadership and commitment of the President to the resolution of issues of intergovernmental management was the missing, but indispensable, element. If given a clear and convincing mandate, these individuals felt, *any* kind of office or cluster of IGR units might function satisfactorily. Moreover, it is noted that there is no way in which a President may be compelled to make use of any advisory system. One political analyst, Thomas E. Cronin, has said that

... there is no sure mechanism guaranteed to provide all the advice and guidance a President needs. Time and again, a President has created or at least presided over the establishment of some new, "highly promising" advisory mechanism only to ignore it or virtually abandon it a year or a few years later.<sup>186</sup>

Other experts point out that the personalities and administrative styles of individual Presidents differ. Hence, varied organizational arrangements are required, depending upon the needs of each incumbent.<sup>187</sup> This is reason to be chary of general prescriptions regarding staff or rigid organizational structures. Aaron Wildavsky writes:

In regard to staffing the Presidency, the best rule to follow would seem to be letting the President help himself by allowing him the utmost flexibility in the choice, number, characteristics, and deployment of his staff. Every President has personal needs and priorities. Compelling him to use staff as we should like him to is a means of forcing our preferences on him. We ought not be surprised if he resists this kind of "help."<sup>188</sup>

Following this logic, Herbert Emmerich criticized the establishment of the Domestic Council on a rigid legal basis. Reorganization Plan #2 of 1970, he feared, moved from the extreme of an excessive number of Presidential task forces to the "voluntary imprisonment in a single channel" of the policy development process. Instead, he argued, Presidents should be left the "utmost flexibility" in determining how each policy area should be handled.<sup>189</sup> Another management expert, Stephen K. Bailey, has also argued that Presidents should be permitted by Congress to structure the Executive Office in accordance with their personal requirements.<sup>190</sup> These considerations, of course, have relevance to the development of any Executive Office policy development and liaison mechanisms.

## The General Services Administration

**A Brief Experiment.** The involvement of the General Services Administration (GSA) in intergovernmental management dated from May 9, 1973, to the end of 1975. *Executive Order 11717*, issued on the former date, transferred the functions of several OMB management units to the GSA.<sup>191</sup> These were returned to OMB as a result of Congressional action two and a half years later.

Established in 1949, the GSA is best known as the Federal government's "housekeeping" agency. An organizational conglomerate, the GSA provides a host of services relating to the management of Federal property and records. It maintains regional and other field offices which provide a variety of services, including information for citizens (through 37 Federal Information

Centers) and businessmen (through its Business Service Centers).<sup>192</sup>

*Executive Order 11717* transferred the functions of OMB's Financial Management Branch, Procurement and Property Management Branch, and Management Systems Branch of the Organization and Management Systems Division as well as certain data processing policy functions to the GSA. The functions transferred included three of the intergovernmental grants management circulars – A-73, A-87, and A-102 – as well as the Integrated Grant Administration (now Joint Funding) program. Most of the OMB staff in the affected units made the move to GSA as well. Dwight A. Ink, OMB's former assistant director and the chairman of the FAR Steering Group, was made deputy administrator of GSA.

The Office of Federal Management Policy (OFMP) was established within GSA to perform the agency's new functions. It, in turn, had components for management systems and special projects, procurement management, financial management, property management, and automatic data processing (ADP) management.<sup>193</sup> The three grant administration circulars initiated in OMB were reissued by the OFMP, largely unchanged, as *Federal Management Circulars (FMC) 73-2, 74-4, and 74-7* respectively.

**Rationale.** The OMB-GSA reorganization was explained as an attempt to lessen OMB's involvement in time-consuming, essentially "line" functions which detracted from its primary role as Presidential staff agency; it reflected President Nixon's announced intention of streamlining the Executive Office by reducing its size and reassigning various activities to other departments.<sup>194</sup> A number of other similar changes were made during the same period.<sup>195</sup> Such attempts to limit OMB's responsibility for essentially routine management functions were not new, however. For example, in early 1967, the budget agency had resisted being given full responsibility for the A-85 consultation procedure, a "line" function and procedure which was unpopular with the Federal agencies.<sup>196</sup>

Despite this, the official explanation was not always taken at face value, and many did not find its rationale to be very convincing. It is widely believed that a personal conflict between Ink and a member of the White House staff was also an important element in the reorganization. Ink, who had played a leadership role in the Federal Assistance Review and other grants management efforts within OMB, is said to have left the agency for GSA under some pressure and "took the activities with him."

Many also believe that the change was undesirable;

only the movement by Ink, who enjoys a considerable reputation in administrative circles, gave it credibility in the minds of some observers. By virtue of its Executive Office location and tie to the budget process, the OMB is generally viewed as having more "clout" than the GSA, and appears to many to be the appropriate focal point for governmentwide management activities. The GSA, in contrast, had far less prestige, little past involvement in Federal program management, and a reputation for poor management in the past.<sup>197</sup> Moreover, GSA's new role also seemed to divide responsibility for some crucial management activities. The grants management function was actually split three ways, since another circular (A-98) was simultaneously transferred to the Treasury Department (becoming TC 1082), while others (including A-95 and A-105, issued in 1974) remained in OMB. Elmer B. Staats, the Comptroller General, testified before the Congress in 1974 that the separation of these activities was a management error:

... I feel that a mistake was made in placing some of the responsibilities outside of OMB in the General Services Administration. Now, obviously, that decision has been made and I certainly cannot do more than to express a concern that when you divide the responsibility between two central agencies, the chance of having real leadership is diminished.<sup>198</sup>

Others took the view that the new system made some sense and could be made to work. A certain degree of OMB oversight and assistance was clearly necessary; this was to be provided by Roy L. Ash, newly named as OMB Director and assistant to the President for budget and executive management. The GSA has had some experience in working with the full range of Federal agencies in certain management areas, including space utilization, energy conservation, and paperwork management, and thus seemed appropriate for the assumption of new responsibilities.

**1975 Congressional Action.** The continuance of the Office of Federal Management Policy within GSA was first threatened during the course of House action on the 1976 appropriations bill in July 1975. The House Appropriations Subcommittee on the Treasury, Postal Service, and General Government cut the OFMP's budget request by half, from \$1,880,000 to \$940,000, with a corresponding reduction in staff from 65 to 33 by the end of fiscal 1976. It also proposed that the activity be phased out entirely not later than September 30,

1976. The subcommittee's report indicated that it had been informed that the activity had "outlived its usefulness" since its transfer from OMB.<sup>199</sup> During hearings on the matter, the chairman of the subcommittee, Representative Tom Steed, had sought to determine whether the activities of the office were duplicative of those performed by the OMB and would be continued on a permanent basis.<sup>200</sup> The subcommittee also requested that OMB review the issue, preparing a report "with the objective of retaining in OMB matters of governmentwide policy and delegating the execution thereof to appropriate executive agencies."<sup>201</sup>

Clearly, the OMB-GSA transfer had been made in a way which had offended some members and staff of the House Appropriations Subcommittee. There had been little prior consultation with the Congress, and the space and funds associated with the activities transferred were not allocated to the GSA, but were retained in OMB for other purposes. According to a staff member, the OFMP was also regarded as too large and "top heavy," while the necessity for many of its services was suspect.<sup>202</sup>

The Senate subcommittee, looking on the activities of the office more favorably, restored all but 10 percent of the OFMP's requested appropriation. The conference committee reconciled the differences between the two bodies with a recommended appropriation of \$1,100,000. However, this amount, the GSA held, was sufficient to carry on the activities of the OFMP only through December 1, 1975. It gave notice to the office's employees while simultaneously seeking a supplemental appropriation.

The study prepared by OMB at the request of the House was, on the whole, supportive of the activities of the OFMP, especially those relating to grants management and simplification. It noted that Senators Muskie, Chiles, and other legislators, the public interest groups, and the ACIR had been very vocal in their appeal for the continuation of the grant administration procedures. The report, which took the form of a letter from OMB Director Lynn to Congressman Tom Steed, the chairman of the House Appropriations Subcommittee for Treasury, Postal Service, and General Government, recommended that the activities be retained within the General Services Administration.

Despite OMB's findings and strong opposition, the functions ultimately were returned to it. The letter report reached the House subcommittee after a November 1 deadline and after hearings on the supplemental appropriations bill had been held. However, the Senate again took a more favorable view. Ultimately, a supplemental appropriation was approved in conference which

provided a total of \$500,000, representing 25 positions, to be added to the OMB's budget.<sup>203</sup> The personnel affected were transferred to the OMB as of December 31, 1975. *Executive Order 11893*, superseding the earlier *Executive Order 11717*, returned the grants management functions to OMB.

**Assessments.** Despite the controversy in which the agency has been embroiled, most assessments of the activities of the Office of Federal Management Policy as they bear on intergovernmental relations have been quite positive. From the state and local viewpoint, the GSA did as good – or an even better – job of implementing the circulars as had OMB. Many observers credit the OFMP with having made a genuine effort to improve Federal operations and to build effective working relationships with the states, cities, and counties.

Most Federal departmental officials interviewed by ACIR staff during the preparation of this report indicated that they found little difference between the operations of the GSA and OMB. Several indicated that "the same people" were involved; hence, there was a high degree of continuity. Those who perceived differences indicated that GSA was, if anything, more rigid in its interpretations of requirements than OMB had been and less sensitive to the budgetary implications of their directives. In OMB, it was noted, the budget examiners sometimes provided a "countervailing power" to that of the management unit.

The OFMP's greatest weakness was the small size of its staff. The agency was unable to monitor compliance with its circulars except in response to complaints and, in some instances, was slow to respond to agency requests for information and interpretations of regulations. Some observers also feel that OMB's policy oversight and support for the OFMP's activities was insufficient and confused. Director Lynn indicated in his letter to Congressman Steed his own feeling that these activities had not received adequate attention, and outlined a number of actions for improvement. Others report that the Office of Management and Budget did provide backing for the OFMP in those comparatively few instances in which its intervention was held to be necessary.

Whether or not the grant simplification effort will be strengthened by its return to OMB is uncertain and a matter of dispute. On the one hand, OMB is regarded as the more powerful of the two agencies; on the other, it has thus far demonstrated little willingness to make use of its leverage for management objectives, and resisted the return of the functions. To some degree, the experience of the OFMP in GSA suggests that the

organizational location of such governmentwide management functions may not be the crucial determinant of their effectiveness. More significant is the adequacy of the staff devoted to them and the extent of the White House commitment to their accomplishment.

Staff size does continue to be a concern. The OFMP's staff had never been able to effectively monitor agency compliance with its procedures. Its staff was reduced by Congressional action, and was cut again by the OMB; while the Congress appropriated supplemental funds for 25 personnel, only 18, including a secretary, were actually returned to OMB. As in 1973, a desire to limit the size of the Executive Office of the President was a basic OMB concern.

OMB's internal organization poses other issues. The OFMP has not been retained as unified entity, but was divided within the OMB. Whether it will be able to perform as, or even more effectively under these circumstances remains to be seen.

## Decentralization and the Federal Regional Councils

**Background.** The Federal Regional Councils (FRCs) are standing interagency committees composed of regional officials from 11 Federal agencies. The councils, of which there are ten, serve each of the ten standard Federal administrative regions created by President Nixon in 1969. These regions are depicted in *Map 1*.

It is the function of the councils to "assist state and local government by the coordination of the Federal program grants and operations" through eight specific activities. These include:

- 1) the development of better ways to deliver the benefits of Federal programs over the short term;
- 2) the development of integrated program and funding plans with governors and local chief executives;
- 3) the encouragement of joint and complementary Federal grant applications by local and state governments;
- 4) the expeditious resolution of conflicts and problems which may arise between Federal agencies;
- 5) the evaluation of programs in which two or more member agencies participate;
- 6) the development of more effective ways of allocating Federal resources to meet the long-range needs of state and local communities;

- 7) the supervision of regional interagency program coordination mechanisms;
- 8) the development of administrative procedures to improve day-to-day cooperation on an interagency and inter-governmental basis.<sup>204</sup>

Of these, perhaps that listed fourth was actually first in order of original priority to the BOB, which provided the motivating force behind the creation of the councils in the late 1960s. The FRCs were initially expected to identify conflicting Federal policies and practices and to design and implement actions to remedy them.<sup>205</sup>

The desirability of standardizing and coordinating the tangle of Federal field offices and jurisdictions had been recognized for years. As early as 1934, the National Resources Board had indicated that there were far too many systems of Federal administrative regions, many of which appeared

... to have no justification beyond the traditions of the bureaus by which they are used. If coordinated planning is to be successful, some degree of order must be brought out of the present chaos of regions and districts. It seems reasonable to suppose that a large number of Federal agencies could use the same regional divisions without serious detriment to their work.<sup>206</sup>

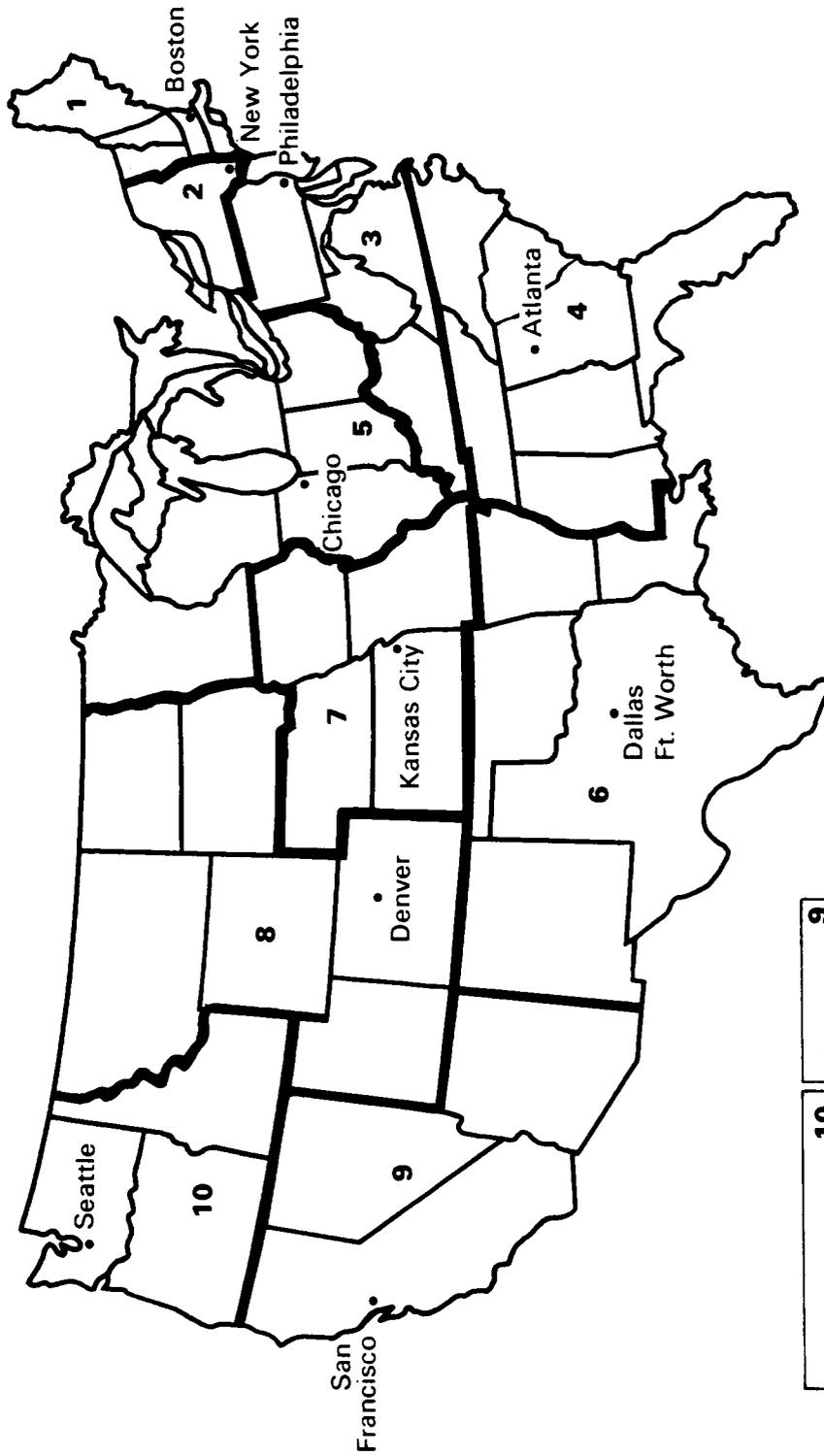
In 1935, the organization recommended that the Federal government consolidate its regional offices into about ten to 12 regional centers.<sup>207</sup>

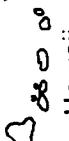
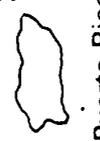
Standardization of regional boundaries was attempted during the Eisenhower Administration. This plan was blocked, however, by the appropriations committees of the Congress.

By the mid 1960s, there was a burgeoning interest in the decentralization of Federal domestic programs; to this process, the rationalization of field operations seemed a necessary concomitant. Outside of Washington, it was recognized, there was no Federal government, but instead an array of separate administrative offices, jurisdictions, and procedures, each largely unique. Both the 1965 report of the Task Force on Intergovernmental Program Coordination and the 1967 report of the Heineman Task Force urged greater decentralization of grant programs coupled with a strengthening of field office activities. The first study (the latter has never been published) was unequivocal: "... the issue is not whether decentralization is needed. The need is clear. The question is how."<sup>208</sup> In 1967, the Advisory

Map 1

# Standard Federal Administrative Regions



<p>9</p>  <p>Hawaii</p>	<p>2</p>  <p>Puerto Rico</p>
<p>10</p>  <p>Alaska</p>	

Commission on Intergovernmental Relations also adopted two recommendations supporting a Federal decentralization strategy as a part of its investigation of *Fiscal Balance in the American Federal System*:

The Commission recommends the enunciation by the President of a policy of decentralization of Federal decision making in the administration of grant programs; the Commission further recommends Presidential action to effect a major reduction in the wide variations in the regional boundaries and headquarters sites of Federal field offices.

The Commission believes the establishment of a field staff of the Bureau of the Budget should serve many of the purposes of field offices, appropriations for which have been sought repeatedly by the Budget Director and the President within the last few years. In addition to increased coordinative activity in the field by the bureau, the Commission recommends the strengthening of existing Federal Executive Boards by (a) transfer of supervision of the boards to the bureau, and (b) provision of at least one full-time staff member for each of the major boards.<sup>209</sup>

The Federal Executive Boards (FEBs) mentioned in the second recommendation were created by President Kennedy in 1961 and are composed of the heads of Federal field offices in each major metropolitan area. The boards, of which there are now 25, have made many contributions to Federal management and provide useful channels of communication for various purposes. FEB projects have included such things as a campaign to reduce Federal telephone bills, the sponsorship of bicentennial activities, and seminars on the Management by Objectives system. However, they ultimately proved unable to deal with the serious problems of interagency coordination for aided urban services, as had been hoped.<sup>210</sup> Current efforts of this kind rely upon the FRCs.

A variety of other influences pointed toward the FRC concept in the late 1960s. The interagency efforts of the Federal Reconstruction and Development Planning Commission for Alaska, following a devastating earthquake in 1964, were significant. The commission succeeded in speeding aid to the state, illustrating the potential for broad collaboration and program simplification, at least under emergency conditions.<sup>211</sup> The

commission's executive director, Dwight Ink, later played a primary role in the Federal Assistance Review and related activities in BOB and GSA. Another precedent was the development of the "country team" approach to diplomacy by the Department of State.

The immediate antecedent to the bureau's creation of four "pilot" councils was a 1968 study by the Oakland Task Force.<sup>212</sup> The task force had recommended that Western region administrators be given sign-off authority on grant and loan programs and urged that these officials meet together through a permanent interagency committee.<sup>213</sup> The BOB believed that this proposal was relevant to other areas of the nation as well.

The council approach had not been the budget agency's initial choice, however. During 1966, BOB had attempted to win Congressional approval for the recreation of a field service. Four such BOB regional offices had existed from 1943 to 1953, when they were abolished as an economy measure. Six new offices were proposed, each to be staffed by two professionals and two secretaries. Bureau officials argued that the task of coordinating the Federal government's increasingly complex field operations, and the need for better liaison with state and local officials, necessitated the development of offices which could serve as field-level representatives of the Executive Office of the President.<sup>214</sup>

When this request was denied, the BOB was compelled to settle for lesser measures.<sup>215</sup> In the following year, 1967, it proposed to President Johnson that standardized regional boundaries and Federal office locations be developed. Although the President initially endorsed the effort, no action was taken: the political and economic consequences of the wholesale relocation of Federal personnel seemed too severe. In 1968, however, four councils were established on a pilot basis with a limited membership, comprised of regional representatives of the OEO, HUD, DOL, and HEW. The cities selected for the councils — Atlanta, New York, Chicago and San Francisco — were those where these four departments all happened to have field offices, although the areas they served varied widely.

**Growth and Formalization.** Though initiated in the last year of President Johnson's term, the FRC concept was fully embraced by the Nixon Administration. Less than three months after taking office, the President issued a directive requiring that five agencies (DOL, HEW, HUD, OEO, and the Small Business Administration) conform to eight common regional boundaries and office locations. (Two months later, the number of headquarters offices was expanded to ten in response to Congressional pressures, with the regional boundaries

adjusted accordingly.) The regional council concept was extended from the four existing "pilots" to each of these new regions. At the same time, the President indicated that he had asked the Director of the BOB and the heads of nine domestic departments and agencies to undertake a review of field operations in an attempt to decentralize, simplify, and better coordinate decision making. This became known as the Federal Assistance Review (FAR) program. These three measures – the establishment of the councils for coordinative purposes, the standardization of regional boundaries and field office locations, and the decentralization of administrative authority – were of a single piece. The first, though the primary concern, could not be accomplished without parallel action on the other two.

In the period since 1969, the council system has been increasingly formalized and expanded. Membership has grown steadily. To the four departments which were included in the initial "pilot" councils have been added the Department of Transportation (1969), the Law Enforcement Assistance Administration and Environmental Protection Agency (1972), the Departments of Agriculture and Interior (1973), and, most recently, the Department of Commerce and Federal Energy Administration (1975).

The councils have been the subject of three Executive Orders.<sup>216</sup> *Executive Order 11647*, issued in February 1972, first "institutionalized" the council system. In the following year, *Executive Order 11731* broadened the mandate of the FRCs to include the coordination of direct Federal program assistance as well as grants-in-aid and altered the organization of the councils and their Washington superstructure. The enlarged scope of council activities was reflected in the addition of Interior and Agriculture to the councils in that year, as well as the more recent inclusion of the Department of Commerce and Federal Energy Administration.<sup>217</sup> All of these agencies impact state and local governments primarily through direct operations, rather than grant programs.

The orders provide that the councils are to be composed of the "principal regional officials" of the 11 agencies, but also permit each member to designate an alternate. A chairman (who originally had been elected in each council) is designated by the President and serves at his pleasure, with an increase in civil service rank during his term. Representatives of the OMB may participate in council deliberations, as may the representatives of other agencies upon invitation of the chairman, when the matters to be considered will affect their interests.

The standardization of regional boundaries through-

out the Federal government has been encouraged by *OMB Circular A-105*, issued April 4, 1974. It, unlike the President's earlier directive, was aimed at *all* domestic agencies, except as specifically exempted. While agency reorganization is not required solely to attain compliance with the circular, full standardization was made the long-range goal.

The Federal Regional Council system necessitated the creation of a Washington-based national counterpart organization. The Under Secretaries Group on Regional Operations (USG) was formally established along with the FRCs by *Executive Order 11647* in 1972. The group was made responsible for the proper functioning of the FRC system, consistent with objectives and priorities established by the President and Domestic Council. Members include the under secretary (or deputy secretary, deputy director, or deputy administrator, depending on departmental terminology) of each FRC agency, together with the associate director of OMB, who was made chairman. In 1973, the chairmanship was passed to OMB's deputy director, a change reflecting the budget agency's internal reorganization, while an associate director of the Domestic Council was added to the membership. For the most part, these provisions simply formalized a structure which had been in operation for some time. An under secretaries group had existed for several years, since the latter part of the Johnson Administration. Staff support to the USG is provided by the Under Secretaries Working Group (USWG). It is composed of high-ranking representatives of each of the agencies and is also chaired by OMB. Finally, OMB provides day-to-day operational assistance and is responsible for overall Federal monitoring.

**Activities.** The ten councils have been involved in a wide variety of activities. They have not followed a uniform pattern. Though there are some common elements, each has moved in its own direction under regional leadership, and some councils have been more active than others. The most important formal and general FRC responsibilities have included the administration of Integrated Grant Administration (IGA) projects (now termed Joint Funding) and, since September 1974, coordination of the A-95 review and comment procedure. Each of the councils has participated in two to six IGAs, which are intended to simplify and coordinate the process of obtaining funds from several Federal sources in support of a single project.

The Region VI (Dallas-Fort Worth) FRC has also experimented with the application of the HUD-initiated annual arrangements process on a governmentwide basis. FRC officials and the mayor of Tulsa, Oklahoma, first

negotiated an agreement in 1972 which committed the Federal government to a package of assistance for a broad range of city activities. In return, the city, which had submitted a general statement of its community development needs, committed itself to the pursuit of national objectives relating to equal employment and housing opportunities.<sup>218</sup> Somewhat similar agreements were also developed in Region I (with Manchester, New Hampshire) and in Region X (with the State of Washington, King County, and the City of Seattle).<sup>219</sup>

The councils have undertaken a variety of other activities intended to enhance communications and improve relations among the levels of government, an area which has received greater stress in USG policy statements this past year. All of the FRCs have offered informational briefings to state and local officials on the expected regional impact of the President's budget proposals. The Boston and Dallas FRCs experimented with a computerized Regional Grant Information System (REGIS) which tracked every grant application from the time of A-95 review to final approval. However, the system was terminated largely for financial reasons in late 1974. The FRCs also played a key role in the preparations for the domestic policy forums held in major cities across the country during the fall of 1975.

The Region III FRC has worked with the governor and members of the Pennsylvania Local Government Council (comprised of representatives of county, townships, borough, and city officials) to establish a Pennsylvania Intergovernmental Council (PIC). Membership is limited to chief elected officials or their representatives, while a policy board consists of the governor, FRC chairman, and the president or chairman of each of the associations of general purpose local governments. The organization has aimed to foster more effective intergovernmental communications, enhance opportunities for intergovernmental participation in policy and operational deliberations, and establish a more effective coordination of planning, administration, and resource utilization.<sup>220</sup>

Another intergovernmental mechanism, this organized on a regionwide basis, has been supported by the Region I (Boston) FRC. The New England Municipal Center, a non-profit corporation, acts as an informational, training, and technical assistance resource to the associations of cities and towns from all six of the New England states. Established in 1971 with the support of the New England Regional Commission, the center has relied increasingly on grants from Federal agencies through the FRC, though its member associations also contribute annual dues. The organization's board of directors is comprised of the six state municipal associa-

tion directors, six local government officials (usually the presidents of the municipal associations), and, beginning in this past year, six representatives of the state governments.<sup>221</sup>

Many of the FRCs have attempted to respond to unusual events impacting upon their jurisdictions. They have, in some instances, played a key role in coordinating Federal responses to floods and other natural disasters.<sup>222</sup> Recently, the councils have assisted the Inter-agency Task Force on Refugees in the development of Vietnamese resettlement programs. The Region X (Seattle) council, generally regarded as one of the strongest FRCs, has established a task force to examine the secondary impact of a large new naval facility on municipal services. The council is also working with state and local officials in Alaska to help them prepare for, and deal with, the trans-Alaska pipeline now under construction.

**Assessments.** While, as the description above should make clear, the Federal Regional Councils have engaged in a considerable number of useful activities, most observers stress their continuing weaknesses, rather than the successes which are, in general, held to be less significant: "Chinese fire drills," one observer termed them. This reflects the judgment that the councils have fallen well short of the rather optimistic initial expectations, especially as they relate to decentralization and ongoing operational coordination. Recent studies of the FRCs have been prepared by Martha Derthick for the Brookings Institution<sup>223</sup> and the General Accounting Office,<sup>224</sup> both in 1974. An earlier assessment was made by Melvin B. Mogulof for the Urban Institute.<sup>225</sup> These evaluations, as well as the commentaries of observers interviewed by the ACIR staff plus other published reports, indicate the limitations in what the councils have been able to achieve and point to various forces which constrain their operation. The following summarize common views and research findings:

- The basic FRC concept is widely supported; however, many of the benefits to the national and state and local governments which had been anticipated remain unrealized, or have been provided to only a small number of subnational jurisdictions.
- In the period since their creation, the Federal Regional Councils have been more concerned with interagency than intergovernmental relations, though inter-

governmental relations are receiving increasing stress in the policies set by the Under Secretaries Group.

- While the activities and role of the FRCs are at least somewhat familiar to officials of the states and larger units of local government, they remain unknown in most smaller jurisdictions.
- In general, the councils have been unable to reconcile conflicting policies and practices among their member agencies, and some analysts believe that they are poorly designed for this task. The councils have more frequently identified such conflicts as well as other Federal practices which have an adverse impact on state and local governments, and, in some instances, have been able to call these to the attention of the OMB, under secretaries, or other officials within their own agencies for possible remedial action.
- The FRCs do provide a useful mechanism in which Federal officials with diverse but interrelated responsibilities can exchange information and gain a greater familiarity with the concerns and needs of the jurisdictions with which they are involved.
- The degree of leadership exercised by an FRC chairman has a considerable influence on the scope and success of council operations. The practice of rotating the chairmanship on an annual basis and the part-time nature of the position appears to have significant disadvantages as well as some advantages.
- Staffing for the FRCs, which is provided by the member agencies of each council, has been insufficient in some instances. Staff members have sometimes lacked familiarity with the full range of Federal grants-in-aid, and some councils have shown themselves to be poorly informed about the organization and functions of local governments in the area which they serve.
- Despite the three-year Federal Assistance Review, the decentralization of decision-making authority to regional offices and the regionalization of responsibility to each department's principal regional official has been only partial; great differences from department to department continue to exist.
- The limitations upon uncommitted grant funds in recent years have been a considerable constraint on the ability of the FRCs to respond to expressions of state and local needs.
- The guidance and support offered to the FRCs by the Under Secretaries Group and Office of Management and Budget have been restrained and, in some instances, insufficient to assist the councils in overcoming other constraints.
- The relationship of the FRCs to the executive policy process which is centered upon the Domestic Council is unclear. For this reason, interlevel communication appears to some to be predominantly one-way, from the Federal government to the state and local governments.

An additional body of information relevant to the operation of the Federal Regional Councils was obtained by ACIR staff through a survey of Federal grant program administrators. Questionnaires were sent to the administrators of 440 programs listed in the *Catalog of Federal Domestic Assistance* as offering grants-in-aid to state and local governments. Altogether, 404 responses were obtained. However, 72 of the replies were very incomplete or blank and, hence, unusable. An additional 56 were judged by ACIR staff to deal with programs not appropriate to the study; most of these offered training or research assistance to institutions of higher education. Overall, 276 valid returns were obtained, representing 72 percent of the programs to which the questionnaire was applicable.<sup>226</sup>

One survey item asked the administrators to report the effect of the FRCs on their grant programs. As shown in *Table 1*, a very small number indicated that improvements in interprogram coordination or intergovernmental relations had resulted. Answers to the first three of the survey questions confirm, as other observers

Table 1

**Effect of FRC Activities as Perceived by  
Federal Grant Program Administrators**

Aspect of FRC Activities	Great Improvement	Moderate Improvement	No Appreciable Effect	Negative Effect
Definition of Inter-program Problems.	1%	9%	89%	2%
Development of Strategies to Solve Interprogram Problems.	—	8	91	1
Elimination of Inter-program Frictions and Objections.	1	7	89	2
Relations with State and Local Governments.	—	8	87	5

SOURCE: ACIR questionnaire survey.

have suggested, that the FRCs have made little progress in dealing with conflicts among Federal agencies. Neither are they credited with strengthening relations between the governmental levels. From the perspective of Washington-based Federal grant administrators, then, the councils have not met some of their major objectives.

Similar survey data indicating state and local attitudes is not available. However, published assessments as well as the remarks of those observers interviewed by ACIR staff were most often critical. The FRCs currently seem “useless” to one, and are “not now viable” according to another. One county grantsman suggested that the FRCs should be able to provide information on the full range of grant offerings, especially for the benefit of smaller jurisdictions. In his experience, they had been unable to do this. A representative of a middle-sized city indicated that she found it easiest to work with the Washington, D.C., offices of Federal departments, even to obtain jointly funded “multisource” grants. The councils, she indicated, had been unable to make the necessary financial commitments. A recently released study of the integrated grant administration experiments also reports that FRC staff lack the expertise necessary to assist applicants in identifying alternative funding sources and

preparing grant applications for departments other than their own.<sup>227</sup> Finally, an article by a consultant to the National Governors’ Conference indicates that

... almost without exception, the states are highly skeptical of the impact of the councils on questions of Federal program overlap or duplication, or in helping to forge more comprehensive approaches to policy information. Most states give Federal Regional Councils high marks for facilitating communications (while some skeptically say that it is simply an educational system for the Feds), but all agree that the councils are not structured or armed with enough power to cut the Gordian knot of tangled Federal programs as they move through the various line agencies.<sup>228</sup>

**The Limits of Decentralization.** Decentralization of grant administration is generally viewed as essential to the effective operation of the FRCs. It is necessary to the full success of the councils as coordinating agents and also has a value in itself, at least from the state and

Table 2

Percentage of Federal Grant Programs in Which  
Decentralization Developments Occurred Since 1969, by Type of Grant

Development	Type of Grant	
	Formula	Project
1. Increase in proportion of total staff located in regional or area offices.	44%	48%
2. Increase in proportion of supergrade staff located in regional or area offices.	18	18
3. Initiation of practice of rotating headquarters executive staff to regional-area offices.	9	10
4. Delegation to regional-area offices of authority to appoint personnel.	52	48
5. Requirement that bureau program staff in regional-area office be immediately responsible to regional-area representative of department or agency rather than directly to bureau head at headquarters.	46	54
6. Delegation to regional-area office of authority to approve plans and plan amendments.	30	—
7. Delegation to regional-area office of authority to disapprove plans and plan amendments.	20	—
8. Delegation to regional-area office of authority to review grant applications.	—	63
9. Delegation to regional-area office of authority to approve grant applications.	—	43
10. Delegation to regional-area office of authority to commit grant funds.	—	46
11. Delegation to regional-area staff of major responsibility for program review.	52	55
12. Delegation to regional-area staff of major responsibility for technical assistance.	48	55
13. Delegation to regional-area staff of major responsibility for investigation of complaints.	51	52
14. Delegation to regional-area staff of major responsibility for financial management (accounting, budget form, and executive auditing).	49	43

SOURCE: ACIR questionnaire survey.

local point of view, in that it permits a greater responsiveness to regional needs and simplified interlevel communication. However, it is widely believed that the movement toward greater decentralization has made limited progress. This is a major constraint upon the FRCs. A recent article indicates that it is the view of many governors that the regional offices represented on the FRCs

... lack real decision-making power and that the vital decisions continue to be made in Washington, so that the regional mechanism simply adds another layer to the bureaucracy with which they must deal.<sup>229</sup>

The decentralization of grant administration was a key objective of the three-year Federal Assistance Review initiated in 1969. According to data gathered by OMB for use in the report of the General Accounting Office, the FAR experience did succeed in approximately doubling the number of programs administered

on a decentralized basis, bringing the total from 99 to 187.<sup>230</sup> Subsequently, however, some of these programs were consolidated and others have been discontinued. As a consequence, the total number of active programs operated on a decentralized basis stood at 142 as of early 1974.<sup>231</sup>

The data gathered in the ACIR survey of Federal grant administrators indicate that as many as one-half of the grant programs might now be considered to be "decentralized," depending upon the specific aspect of decentralization which is considered. In the survey, respondents were asked to indicate which of a list of decentralization developments had been applied to their program since 1969. The responses to these questions, tabulated separately for formula and project grant programs, appear in *Table 2*. The differences between the two types of programs are slight for most of the decentralization developments.

Of the 14 characteristics, probably the most important are the ability to approve plans or plan amendments (for formula programs) and to approve grant applica-

*Table 3*

**Decentralization of Authority to Approve Plans or Plan Amendments  
(for Formula Grants) and Grant Applications (for Project Grants)  
Since 1969, by Type of Grant**

Department	Number of Respondents	Number and Percent Decentralized		
		Formula Grants	Project Grants	All Grants
Agriculture	23	1 (11%)	8 (57%)	9 (39%)
Commerce	14	1 (100)	2 (15)	3 (21)
HEW-PHS	34	4 (67)	19 (68)	23 (68)
-OE	57	1 (4)	7 (23)	8 (14)
-OS	9	1 (50)	3 (43)	4 (44)
-SRS	5	4 (100)	—	4 (80)
HUD	5	—	4 (80)	4 (80)
Interior	8	—	2 (40)	2 (25)
Justice	5	1 (100)	3 (75)	4 (80)
Labor	5	—	3 (60)	3 (60)
DOT	13	4 (67)	3 (43)	7 (54)
ARC	3	—	—	—
EPA	12	2 (100)	5 (50)	7 (58)
All Other	28	—	9 (39)	9 (32)
<b>Total</b>	<b>221</b>	<b>19 (30%)</b>	<b>68 (43%)</b>	<b>87 (39%)</b>

SOURCE: ACIR questionnaire survey.

tions (for project grant programs), items six and nine. Within the Nixon Administration, "decentralization" usually referred to the transfer to the regional level of this "sign-off" authority.

By this standard, 30 percent of the formula grant programs and 43 percent of the project grant programs have been decentralized to regional or area offices since 1969. For this characteristic, grant type is a highly significant variable. The contrast may reflect the fact that many of the formula programs involve comparatively large dollar amounts and hence raise substantial administrative and political questions, questions which both departmental administrators and members of Congress probably prefer to see resolved in Washington.

There are also important differences among Federal agencies. Data for these two key questionnaire items are tabulated in *Table 3*. They indicate that HEW's Social and Rehabilitation Service, the Department of Housing and Urban Development, and the Department of Justice are highly decentralized. However, these agencies offer comparatively small numbers of grant programs; responses were obtained from five program administrators in each case. The most highly centralized agencies are HEW's Office of Education — which controls a very large number of separate programs — the Department of Commerce, and the Department of Interior. The Appalachian Regional Commission, which the data suggest is also highly centralized, administers its programs (offered only to states in the Appalachian region) through a unique joint Federal-state "partnership" process.<sup>232</sup> Altogether, 39 percent of the programs for which information was provided are reported to be administered on a decentralized basis.

These data on sign-off authority suggest a serious limitation on the ability of the Federal Regional Councils to make firm commitments of grant funds. However, the degree of decentralization to the regional official sitting as a member of the FRC is actually *overstated* in the table. In the Department of Housing and Urban Development, for example, most operations were decentralized, not to the regions, but to still smaller HUD area offices. Three of the departments participate in the councils through Secretarial or departmental representatives, who have little or no administrative authority, rather than through regional directors or administrators. This is the case with the Departments of Transportation, Commerce, and Interior. The Department of Agriculture recently eliminated its department-wide regional representatives; consequently, the Agriculture member of the councils is only a senior program official from one of the components designated as the departmental representative for regional council

activities. In addition, HEW's and Labor's representatives, while termed "regional directors," have little authority over most departmental programs.<sup>233</sup> The GAO's investigation indicated that only *two* of the 17 programs it selected for study were decentralized to the departmental officials serving on the councils. Other programs were centralized, decentralized to another regional official, or governed by fixed formulas which permitted little discretion.<sup>234</sup>

There are substantial political obstacles to full decentralization. In general, centralized administration seems to promise greater accountability to the Congress and also permits more effective program monitoring by the interest, professional, and clientele groups whose concerns are affected by specific Federal activities. Many such groups are organized on a national basis and have maximum influence in Washington. Decentralization thus may seem risky, in that it opens program administration to a variety of somewhat different political pressures at the state and local levels. Perhaps for this reason, regional officials are said to be less responsive to Congressional inquiries. There are also other considerations involved. The uniformity of standards and procedures may be lost through decentralization, while costs will rise if staff capabilities must be replicated in each regional office. Consequently, decentralization policies have often been stoutly and effectively resisted.<sup>235</sup> Indeed, some observers feel that there has been some re-centralization of administrative responsibility in certain programs in the period since the termination of the Federal Assistance Review.

While most observers believe that administrative decentralization is the key to the success of the FRCs and a prerequisite for any effectiveness in their liaison role, some disagree. Indeed, a few have taken the view that decentralization of this kind actually works against the interests of state and local government generalists. Field administrators, it is argued, are if anything more "rigid" and "inflexible" than their Washington counterparts. This is the view of Richard P. Nathan, an OMB assistant director under President Nixon and now a senior fellow at the Brookings Institution:

At the regional level especially, career program officials, if given the power actually to make grant awards, are in a strong position to bring the viewpoint and interests of their particular program to bear in setting state and local priorities and structuring program operations. Moreover, Federal officials in the field often tend to be the most rigid and inflexible of program-oriented career offi-

cials. Their more creative and innovative colleagues tend to gravitate to Washington; the old liners are the ones typically "selected out" for field assignments when changes are sought either within the bureaucracy or from outside. For an Administration committed to strengthening the chief elected executives of general purpose units of state and local government, administrative decentralization often had the exact opposite effect of deepening the hold of special program interests.<sup>236</sup>

This argument, at a minimum, suggests that the abilities of the personnel who staff field offices must be considered as decentralization and regional coordination strategies are planned.

**Internal Constraints.** The full effectiveness of the councils is also hindered by a variety of internal impediments, according to the GAO study and other commentaries. The weakness of the council chairmanship and the limited staffing of the FRCs are an obstacle. Council chairmen are now appointed by the President from among the members of each council. The post is part time, since a chairman continues to have responsibilities as the regional director of his own agency. Tenure is also limited, for the position usually is rotated among the members on a yearly basis. Some chairmen, however, have served for two or even three years. During the period in which he is chairman, a council member is promoted to a GS-18 rating as a symbol of his status. (In recent years, this promotion has not resulted in a pay increase.) Chairmen do not possess any actual authority over other council members or their agencies.

Each of the member agencies is also directed to assign one of its own personnel to the council staff. However, all have not done so, and some agencies maintain such small regional offices that the contribution would be difficult. While these positions are nominally full time, in practice many staff devote less than 100 percent of their time to council affairs, as they retain some departmental functions. In some instances, several individuals have split the council assignment, though the total number of man-hours may have been the equivalent to one full-time person. In addition to these council staff members, the agencies are expected to support various task forces. These additional staff also have not always been available and, as a consequence, some FRC projects have suffered.<sup>237</sup>

Inadequate policy guidance is also identified as a constraint on council performance. The GAO study

determined that the councils have operated most effectively when they received strong USG direction and assistance. This, in a number of instances, had been lacking, the GAO found.<sup>238</sup> The report replicates the earlier findings of the Urban Institute study, which indicated that the councils had attacked with the greatest energy those assignments which had been "imposed" upon them by Washington. For this reason, the study recommended that the initial "permissiveness" of the OMB in its relationship with the FRCs be abandoned.<sup>239</sup>

Basic policy determination for the FRCs is, of course, the responsibility of the Under Secretaries Group. The extent to which it actually exercises its formal authority has been a matter of some controversy. Derthick indicates that the policies issued by the USG in fact originated in OMB, with no more than comments being offered by the agency members.<sup>240</sup> However, Frederick Malek, then the deputy director of the OMB and USG chairman, took issue with such claims, testifying before Congressman Fountain that the group operated on a "consensus basis."<sup>241</sup>

The USG has been subject to other criticisms. One report indicated that the group has assumed responsibility for some decisions which should have been made by the councils themselves, thus diluting the FRCs authority.<sup>242</sup> The leadership of the National Governors' Conference is said to regard the USG as "the most inefficient group imaginable," unable to resolve issues and overly secretive.<sup>243</sup> Meetings have become less and less frequent, with only four held during 1975, while attendance by lower ranking representatives, rather than the principals, has risen. The Under Secretaries Working Group — which in some previous years was convened twice as often as the USG — now meets no more frequently.<sup>244</sup>

OMB has shown considerable restraint in its own dealings with the councils. Its representatives have no direct authority over FRC operations, but act as observers of FRC operations and also seek to support the regional council system and specific Presidential policies. Currently, the OMB "field rep" positions are filled on a part-time basis by staff who have other significant responsibilities.

In the judgment of some, OMB's restraint is essential to the success of the FRCs. Greater OMB intervention, it is feared, might stimulate a departmental "backlash" which would threaten the very existence of the council system.<sup>245</sup> On the other hand, a substantial degree of OMB leadership is also necessary for an effective operation. The OMB has, in some degree, sought to resolve these tensions by the use of a "management by

objectives" system which requires the councils to set their own goals within the framework of USG-OMB guidelines.

**Other Concerns.** Two other concerns relate to the composition of the councils. The expansion of council membership from the initial four departments to the current total of 11 may have disadvantages as well as advantages. With expansion, the FRCs have become more comprehensive and have assumed responsibility for the coordination of direct program assistance as well as grants-in-aid. Staff resources available through the agencies should also have increased. On the other hand, the problem of differences in the degree of authority held by council members has been compounded considerably. Several of the newer agencies participate in the councils through Secretarial representatives who have limited authority and no direct relation to ongoing operational issues. Moreover, as the group has grown it has lost some of its initial unity of purpose. In some respects, then, the character of the FRCs has been altered.

A second trend has been a change in the status of the principal Federal regional officials. A 1973 paper by William Kolberg pointed up this issue:

Until four years ago, the typical regional director was a career official. Today the typical regional director in the seven agencies that comprise a Federal Regional Council is a political man. Simply stated, the top level of field structure of the Federal government has been politicized.<sup>246</sup>

The process of "politicization" has continued. Three Executive Orders issued by President Ford during 1975 exempted the principal regional officials of the Departments of Commerce, Interior, HEW, HUD, Transportation, Labor, and the EPA and Small Business Administration from the competitive civil service.<sup>247</sup> These changes reflected the President's view that

The program to decentralize Federal policy and decision making and to involve local governments and other interested parties in Federal, state, and local policy and program development requires a capability for deep involvement in the development and advocacy of Administration proposals and policies, and support of their controversial aspects, on the part of certain senior regional officials.<sup>248</sup>

In brief, the regional officials were regarded as holding "policy" positions which must be fully accountable to the Chief Executive.

The view that a department's regional officials are deeply involved in policy questions is not universally shared. In his 1974 testimony, OMB Deputy Director Malek indicated that, in his opinion, the regional offices are concerned more with the implementation of policies than the setting of policies; he described their responsibilities as "operational."<sup>249</sup> The Civil Service Commission, which had initially been reluctant to see the status of the regional directors altered, was undertaking an examination of the nature of the positions at the time the President's initial Executive Order was announced. The study was not completed since the issue became moot. There are also some conflicting values. For example, political appointees are more likely to have had little experience in the agency they oversee. In the opinion of some regional officials, the change of status is likely to have undesirable effects on the career aspirations of some civil servants.

A second concern is the need for guarantees of partisan neutrality. The "responsiveness program" proposed in memorandums written by Frederick Malek in early 1972 sought to establish a "political network" in each department in support of President Nixon's reelection campaign, with the under secretaries and regional directors playing significant roles.<sup>250</sup> During the 1974 House hearings on "New Federalism," Congressman Fountain indicated his concern about such activities:

My concern about the implication of these memorandums is probably self-evident. If the Under Secretaries Group, which has been officially designated by the Administration to provide policy guidance to regional directors through the councils, was used or could be used for the type of political activities described in your memorandums, I think Congress would be obliged to devise adequate safeguards to protect the integrity of the grant system and its administrative structure.<sup>251</sup>

At the request of Congressman Fountain, Mr. Malek subsequently issued a memorandum to FRC chairmen which indicated that political partisanship has no proper place in council actions and shall be excluded.<sup>252</sup>

**Regional Realignment.** Perhaps the most substantial progress in FRC development has been made in the

*Table 4*  
**Agency Conformance to the Standard Federal Regions,  
 July 1, 1975**

Department or Agency	Standard Regions	Number of Systems		Total
		Conform with Combinations	Not in Conformance	
Agriculture	—	7	20	27
Commerce	—	4	2	6
HEW	2	—	1	3
HUD	1	—	—	1
Interior	—	8	7	15
Justice	2	3	3	8
Labor	7	4	1	12
Transportation	3	4	—	7
Treasury	—	—	5	5
ACTION	1	—	1	2
American Revolution Bicentennial Administration	1	—	—	1
CSC	1	—	—	1
CSA (OEO)	1	—	—	1
EEOC	1	1	—	2
EPA	1	—	—	1
FEA	1	—	—	1
GSA	1	—	—	1
SBA	1	—	—	1
VA	—	1	2	3
Commodity Future Trading Commission	1	—	—	1
Consumer Product Safety Commission	—	1	—	1
<b>Total</b>	<b>24</b>	<b>33</b>	<b>42</b>	<b>99</b>

SOURCE: Office of Management and Budget.

realignment of Federal regional administrative boundaries. However, compliance is not total. As shown in *Table 4*, only 24 of the governments' 99 regional systems entirely conform to the ten new standard regions, but an additional 33 systems conform with combinations of two or more of the standard regions. Forty-two of the systems utilize other boundaries.<sup>253</sup> Of those not in conformance, nearly half are in the Department of Agriculture; most of these are concerned with the inspection and grading of various agricultural products. It also should be noted that the boundaries of the regional economic development commissions created under the *Public Works and Economic Development Act* and *Appalachian Regional Development Act* do not exactly correspond with the standard regions except in

the case of the New England Regional Commission. Three of the other seven development areas do lie within a single Federal standard administrative region.

Lesser success has been experienced in co-locating regional offices in close proximity to one another within one metropolitan area, which is also a goal of *OMB Circular A-105*. While many of the early FRC members have been co-located, movement of the newer additions has been especially difficult. In Region II (New York), however, most Federal agency offices are in a single building, and some degree of consolidation has been obtained in several other cities. A consequence of the dispersion of offices is that in most regions FRC staff are not housed together.

The ACIR survey of Federal aid administrators

Table 5

Impact of Regional Standardization,  
by Department and Grant Type

Grant Type	Number	Change Applicable			Not Applicable		
		Substantial Improvement	Moderate Improvement	No Appreciable Effect	Negative Effect	Number	Percent
Formula	41	—	12%	63%	24%	23	(36%)
Project	90	10%	28	60	2	96	(52 )
Project-Formula	10	—	20	80	—	2	(17 )
Block	3	—	33	67	—	1	(25 )
<b>Department</b>							
Agriculture	12	—	—	50	50	14	(54 )
Commerce	8	—	38	62	—	10	(56 )
HEW-PHS	26	8	15	77	—	4	(13 )
—OE	34	3	12	68	18	30	(47 )
—OS	7	—	29	71	—	1	(13 )
—SRS	1	—	—	100	—	4	(80 )
HUD	6	17	67	17	—	1	(14 )
Interior	5	—	—	100	—	4	(44 )
Justice	6	17	34	50	—	—	—
Labor	3	67	33	—	—	5	(63 )
DOT	10	—	40	60	—	2	(17 )
ARC	2	—	—	100	—	5	(71 )
EPA	5	—	80	20	—	12	(71 )
All Other	19	11	26	63	—	30	(61 )
<b>Total</b>	<b>144</b>	<b>6%</b>	<b>23%</b>	<b>63%</b>	<b>8%</b>	<b>122</b>	<b>(46%)</b>

SOURCE: ACIR questionnaire survey.

provides additional information concerning the overall impact of the regional standardization effort on grant programs. Of the 226 officials responding to a questionnaire item, 46 percent indicated that the standardization did *not* apply to their programs, as shown in *Table 5*. This group apparently included programs where grant administration was centralized, rather than regionalized; where the agency's boundaries did not conform to the standard regions; or, perhaps in some few instances, where the agency's boundaries were in conformance prior to the policy change. Administrators of project grants reported that the standardization was not applicable to their programs somewhat more frequently than the administrators of formula grants, and there are also important variations from agency to agency.

On the other hand, 144 (or 54%) of the respondents indicated that the new regional system does apply to their program. However, only a few of the Federal grant administrators were willing to ascribe any improvements in the administration of their programs to the change. Overall, 63 percent of those reporting that the new system was applicable to their program noted no appreciable effect. Substantial or moderate improvements were seen most frequently by the administrators of project grant programs; such favorable assessments were given most often by officials in HUD, Labor, and the EPA. Negative effects were indicated chiefly by the administrators of formula programs.

**Proposals for Action.** A wide variety of proposals has been made for the improvement or expansion of FRC activities. These correspond to differing assessments of the current operations of the councils and of the desirability of their undertaking additional functions. They also relate, in part, to the conflicting theoretical orientations within the public administration community which were outlined in the introduction to this chapter.

On the one hand, there are some who suggest that the FRCs must be strengthened if they are to be able to carry out the difficult coordinative activities for which they were originally intended. This, most simply, might be done by naming a stronger commitment to FRC staffing. It could also embrace the use of a full-time, permanent chairman, most probably attached to the Office of Management and Budget or Domestic Council. Stronger policy guidance and support from Washington is another suggested remedy. Others believe that the councils are realizing sufficient benefits as they are presently organized, see disadvantages in the suggested reforms, or take the view that the FRCs, because of their basic nature and composition, cannot be expected to

make more than limited contributions to interagency and intergovernmental problem solving. Finally, some see in the FRCs an instrument of far greater potential and propose the addition of a variety of new council functions and services together with fundamental structural alterations.

On the basis of the information now available, council staffing arrangements seem less than satisfactory. While each of the member agencies is expected to provide at least one full-time staff member, some have not or are actually unable to do so. Moreover, since the FRC staff are drawn away from other ongoing tasks, the councils may be unwilling to undertake especially demanding or time consuming assignments. Necessary skills are another problem. Staff members sometimes lack familiarity with the programs and practices of agencies other than their own.

For these reasons, the GAO has proposed that the OMB, as an experiment, transfer a limited number of its own staff to council cities to assist in the development and operation of intergovernmental programs. These individuals would act as liaison between OMB and the FRCs and would also assist the chairman and build links to the state and local governments.<sup>254</sup> In another report, the GAO has also recommended that the OMB provide each FRC with at least one full-time A-95 coordinator. This staff member, which the GAO believed was necessary if the FRCs were to be able to aggressively monitor the A-95 process, might be drawn from the resources of OMB, the GSA's OFMP (now disbanded), or the staff of the regional director of a council agency, the report indicated.<sup>255</sup>

Similarly, the early Urban Institute study indicated that "great damage" was being done to council development because of the failure to fill council staff positions on a full-time basis with persons of appropriate rank.<sup>256</sup> While it recommended that council staff should belong to individual agencies, rather than the council itself, it also proposed that each FRC hire an executive secretary accountable to the council itself.<sup>257</sup> The 1973 report of the President's Advisory Council on Management Improvement (PACMI) urged that "FRC staffing . . . be reassessed and increased as necessary, and the staff and FRC chairman . . . complete intensive training courses."<sup>258</sup>

The use of a full-time, permanent chairman has been given extensive consideration. There were those within the Nixon Administration, among them HUD's Floyd H. Hyde, who argued the necessity of a full-time chairman responsible directly to the President if the councils were to be fully successful.<sup>259</sup> The Brookings Institution's Charles L. Schultze, a former BOB Director, has testified

that more effective field operations are “increasingly the key to bringing about more flexible, efficient, and responsive Federal government.” Specifically, Schultz says,

I think, in each region, there should be a small counterpart of the Executive Office of the President, to provide the consideration and mediation needed across departmental lines. . . .<sup>260</sup>

A full-time, permanent FRC chairman could certainly be the nucleus of such “little OMBs.” Some state and local officials also hope that a stronger council chairman would be able to “knock heads together” and thus secure more concerted Federal action.

The OMB has experimented with the full-time chairman concept in two regions, V (Chicago) and VIII (Denver). While opinions vary, and OMB assessment indicates that most FRC members and other Federal officials do regard the position as one demanding attention on a 40 hours-per-week basis. However, many would prefer to see these responsibilities continue to be discharged as an additional duty, rather than to give up ties to a department. Such separation would entail personal career disadvantages. In addition, some believe that a chairman would actually have *less* authority if he were attached to the OMB or Domestic Council, rather than an operating department. Others disagree, seeing in such links either a threat or a clear advantage.

There is also disagreement among observers about the potential benefit of a “permanent” chairman, one holding his position for an indeterminate period. Rotation does provide a useful “learning experience” for more regional directors, and prevents ties between the FRCs and the departments from being severed. On the other hand, rotation also has disadvantages: the councils are said to lack continuity and to vary in performance from year to year, depending upon the interest, time commitment, and ability of the individual chairman. Under these circumstances, state and local governments are not encouraged to rely solely on council contacts.

Several analysts seem skeptical that such organizational measures can have a significant impact on the operation of the councils. The FRCs’ basic composition as interagency committees is thought to place fundamental limitations on their activities. For example, Martha Derthick has indicated that the FRCs share the weaknesses of other bodies of equals, which she terms “coordinating forums:”

Coordinating forums may create good will,

improve information, and reduce the appearance of conflict. They may also facilitate cooperation in rather special situations, such as disasters, in which no agency has a programmatic stake. Beyond that, it is hard for any coordinating forum to do much good. Those were the lessons from experience before the Federal Regional Councils were created. Nothing in the councils’ experience requires those lessons to be revised.<sup>261</sup>

For an identical reason, the Urban Institute study indicated that the councils are structured so as to be able to deal best with “projects” which pose no threat to any member, rather than the more serious “problems” of conflict resolution:<sup>262</sup>

We think that a council composed of peers, unable to exercise collective authority, not possessed of any staff who belong to the council as an entity, and unsure of the willingness of Washington forces to become involved in council decision making, cannot function so as to identify conflicts or to design and implement coordinated action which is viewed as harmful to one or more of the agencies on the council.<sup>263</sup>

The commonly proposed remedy, the introduction of a greater degree of hierarchical authority, seems insufficient to Derthick. Her other research suggests that the addition of a Presidential representative to the councils would make little difference:

Presidential agents turn out not to be able to resolve interagency disputes or to speak for the Executive Branch as a whole in the field.

I have no simple remedy to propose for the traditional weaknesses of interagency coordinating committees as a political scientist. We have no magic on this point.

In general, my advice – and I would say belated advice – to Congress would be to avoid as much as possible the need for such arrangements.

I think Federal programs should be as little dependent as possible on Federal inter-agency collaboration.<sup>264</sup>

Some believe that more assertive guidance and stronger support from the Under Secretaries Group and OMB would be very beneficial. The Urban Institute report took this tack. It suggested that the BOB play a much stronger role in forcing the councils to deal with the difficult coordination problems which had, too often, been avoided. Its representatives should serve the councils on a full-time basis, the report said, with each assigned to two councils and some actually stationed in the field.<sup>265</sup> The General Accounting Office has suggested that the councils could accomplish their purposes more effectively within their existing organization framework if the USG would play a stronger role.<sup>266</sup> For this reason, it recommended that the USG counteract the councils' other impediments by:

Prescribing standards for planning work and reporting progress to facilitate monitoring of councils' proposed efforts and actual accomplishments and to insure the most effective allocation of the councils' resources, especially for council-initiated projects designed to meet regional needs.

Providing for councils' participation in the planning stages of mandated projects, including preparing guidelines and statements specifying purposes, objectives, and ways to accomplish projects, to insure more effective council involvement and commitment.

Assuming responsibility for determining the appropriateness of uniformly decentralizing Federal agencies' grant programs, to enhance the councils' abilities to provide prompt and coordinated assistance to state and local governments.<sup>267</sup>

Others, including former HUD Secretary George Romney, propose more far-reaching reforms for the FRCs. In their view, the Federal Regional Councils seem to provide the nucleus for a much stronger, action oriented partnership between the Federal government, the states, and localities. Some modifications, for example, would render the councils more similar to the foremost current model of Federal-multistate development planning, the Appalachian Regional Commission. Ralph R. Widner, the director of the Academy for Contemporary Problems, has made this proposal in testimony on national growth and development issues:

Although recent evaluations find many of

the Federal Regional Councils deficient in their policy coordination roles, both with respect to relations between the agencies that comprise them and in their relationships with the states and localities in their region, it appears that serious consideration should be given to the redesign of the councils as intergovernmental commissions on which the states and localities of the region can be represented in partnership with the Federal agencies.

Under the present relationship, states and localities come to the tables of the Federal councils as supplicants rather than equals. If, however, the councils were organized analogously to the existing Federal-multistate economic development commissions with states and localities serving as equal partners with the Federal government and the Federal chairman serving [as] a representative of the President, the councils might then be enabled to serve as flexible mechanisms for developing joint policies and programs designed to accomplish the purposes of regional growth policies jointly subscribed to by Federal, state, and local governments in the region.<sup>268</sup>

Similarly, the Domestic Council's 1974 *Report on National Growth and Development* suggested that the FRCs might be strengthened as an alternative to the "proliferation" of other kinds of multistate organizations. The report argues that "serious consideration should be given to the alternative of expanding the role of the FRCs and establishing mechanisms to work with the states within each Federal region."<sup>269</sup> Specifically, the report indicated, the councils might assist the states in

- establishing interstate goals and policies related to interstate aspects of land use, resource, development, regional transportation, and similar growth topics;
- developing broad interstate strategies for growth and economic development, which can serve as general guides for private investments as well as the distribution of Federal aid within each region;
- formulating regional positions on interstate aspects of such growth issues as

power plant siting, mining, and coastal management;

- proposing recommendations for the types and levels of future Federal assistance that should be available to the regions.<sup>270</sup>

Other proposals stress management improvement over planning. The PACMI study, mentioned above, emphasized the need for the FRCs to provide increased management assistance, on a cooperative basis, to other governments within their regions:

- a corps of expert advisors should be developed to provide technical assistance to the FRCs. Ongoing technical assistance, training, and research should be provided by intergovernmental management centers located in each of the ten regions and controlled by the governors and mayors within the region;
- the FRCs should administer a program of executive management improvement grants based upon HUD's present 701 [planning and management assistance] program.<sup>271</sup>

However, many within the Nixon Administration, which was responsible for most of the development of the FRCs, consistently opposed the use of the FRCs as either an operating agency or new authority structure. James S. Dwight, Jr., the administrator of the Social and Rehabilitation Service in HEW, responded to a question posed to him in a session at the Federal Executive Institute in this manner:

*Question:* We hear more and more about Federal Regional Councils assuming a greater role and even becoming institutionalized. Do you think that the regional council will become an agency within itself, sitting in the region, with authority over other agencies, having a full-time professional staff, and becoming an institution in itself?

*Comment:* I would think not. It would be disastrous if we allowed the Federal Regional Council to become a separate bureaucracy.<sup>272</sup>

OMB Deputy Director Malek responded similarly to a

question posed by Representative L. H. Fountain in a 1974 hearing:

*Question:* Do you have any plans to give the councils specific program operating functions or their own budgets?

*Comment:* No, sir, not at this time. We do not feel that the councils should operate as an extra layer of government. We feel rather that they should operate as a coordinating mechanism to bring together the programs of their individual agencies.<sup>273</sup>

**Conclusions.** To this date, the Federal Regional Councils have made but limited progress toward the objectives set in 1969, when the council system was first initiated. At present, the FRCs' contribution to the improved management of Federal assistance programs is modest, and their activities have in most instances only marginally strengthened relations among the governmental levels within the Federal system.

The disappointment and frustration with which the councils are widely regarded, however, may reflect unrealistic expectations as well as limited performance. The councils probably were oversold. Just as some "Great Society" programs failed to work the substantial social progress which had been anticipated at their founding, the administrative reforms of the "New Federalism" and its policy of decentralization stirred hopes which now may seem excessive.

Several of the councils *have* made useful contributions by providing a meeting ground for regional directors, offering budgetary and other information to state and local officials, coping with unusual "emergency" needs, and identifying obstacles to a stronger Federal partnership. The councils have *not* been able to remedy the most serious weaknesses of the intergovernmental grant system. It had been hoped (especially by sponsors in the BOB) that the FRCs would improve the coordination of Federal assistance programs by providing a forum in which conflicting policies and practices could be identified and reconciled. While the former aim has been to some degree accomplished, nearly all observers find that the FRCs are unable to resolve policy conflicts. Moreover, some analysts believe that they are inherently unsuited for this task. On the basis of the evidence to date, policy differences are no more amenable to resolution in the field than at headquarters.

FRCs have still another objective. State and local governments had been led to believe that the FRCs would help improve, simplify, and increase access to the

Federal grant system. In fact, only a few state and local units have realized benefits of this kind. The FRCs have sometimes been unequal to this task. Moreover, the potential for expanding of such useful council-operated measures as joint funding seems rather small.

Both the improved interagency coordination and effective liaison goals depend for their realization upon the administrative decentralization of most grant programs. Despite a Federal effort during the Federal Assistance Review program, less than half of all grants were changed to permit a "sign-off" at the regional or area office level. The substantial change in practice and tradition which decentralization requires must occur in a political environment which itself is centralized to a considerable degree.

Not to be overlooked is the fact that the FRCs are the offspring of the Office of Management and Budget, and indeed are one of that agency's most important initiatives for the improvement of interagency and intergovernmental management. Formed at the budget agency's urging, the councils have been retained primarily through OMB's continuing support. Yet, for this reason, they have been affected by the weaknesses in OMB's overall management efforts, discussed previously in this chapter. OMB's stance toward its offspring has been accepting rather than demanding, and it has been able to provide very limited aid from its Washington headquarters for the regional fledglings. Bombardier writes:

Thus, even within the Executive Branch of the government the bureau has not been able to induce the cooperation necessary to ensure the success of its [management] initiatives. Departments and agencies cooperated in the establishment of the Federal Regional Councils, but they have been slow to make use of them in resolving interagency conflicts and in decentralizing program authority to field officials to make it possible for the councils to come to grips with such problems. Only a sustained effort by the bureau has kept the councils alive and functioning. The one major success achieved to date by the bureau has been the one that could be achieved by Presidential directive, the creation of uniform regional boundaries and common regional headquarters. What the President could do upon his own authority, the bureau has done; but most of what it has sought to accomplish requires the cooperation of others, and such cooperation has not been forthcoming.<sup>274</sup>

Any improvement would depend on an informed determination of council goals. The extent to which emphasis should be placed upon the provision of information to state and local government, offering representation for subnational units in the Federal policy process, the reconciliation of conflicting departmental policies, the provision of special financial and technical assistance in unusual situations and/or the development of regional growth management strategies should be carefully thought out in light of the record to date. Once done, the design of the administrative instrument appropriate to the task would seem easier. A catalog of potential reforms, ranging from major to extensive, is available. The councils might be retained essentially as is; given somewhat greater authority, continuity, and staffing; or developed into rather different mechanisms for intergovernmental planning, management, and program operations. The selections of such means are intertwined with the choice of ends.

### Other Organizational Issues

While the Office of Management and Budget, Domestic Council, and Federal Regional Councils account for the most prominent efforts to improve the coordination of, and simplify Federal aid programs on, a government-wide basis, they do not monopolize the field. Important roles are and have been played by others: a large number of interagency committees exists, certain departments play a "lead" role in specific policy areas, and formal agreements between agencies are common, all of which merit attention. In addition, some consideration must be given to the coordination of programs *within* departments, since problems of uniformity, consistency, and intergovernmental communications clearly exist at this level.

**Interagency Committees, Agreements, and Lead Agencies.** Interagency committees and related devices and procedures are frequently used for operational and policy coordination. These play a significant — many critics would say an excessive — role in the management of Federal assistance programs.

In general, interagency committees are in poor repute. James L. Sundquist writes that "by common consent, where governmentwide leadership and coordination are required, interdepartmental committees are dismissed as ineffectual."<sup>275</sup> Seidman terms committees the "crabgrass" of government: while nobody wants them, everybody has them, and they seem to multiply despite several efforts to weed them out.<sup>276</sup> An attempt by President Johnson to reduce their number in 1965

resulted in the elimination of only five out of a total of 785 committees.<sup>277</sup> President Nixon justified his proposed departmental reorganization plan in part on the basis that there were far too many committees, then some 850, which he thought reflected weaknesses in the basic governmental structure.<sup>278</sup> In taking a critical stance, both Presidents were adhering to the traditional theory of public administration, which argues that such committees, while sometimes essential, should not be numerous. Reorganization is an accepted prescription when their numbers get out of hand.

The key criticism of interagency committees is that they are felt to be ineffective. J. Clarence Davies, a former member of the staff of the Council on Environmental Quality and of the Bureau of the Budget, indicates the shortcomings of many such committees:

The most important issues tend not to be discussed, and those that are considered are resolved by resorting to the lowest common denominator of agreement. The Federal agencies are, for the most part, legal and political equals with no incentives to influence each other's business. There is considerable incentive, from the standpoint of insuring bureaucratic stability and freedom of action, not to try to meddle in the business of a sister agency. Thus, any serious attempt at regular coordination runs so counter to the general characteristics of the Federal government that the cards are heavily stacked against its success.<sup>279</sup>

The weaknesses of certain interagency committees were indicated in *Chapter II* of this report. A series of three such bodies has proven unable to coordinate Federal assistance to the Appalachian region in support of the plans of the Appalachian Regional Commission.<sup>280</sup> A cabinet-level Economic Opportunity Council, which was intended to be the command post of the War on Poverty, was largely ineffective in coordinating the activities of the many departments and met infrequently.<sup>281</sup> Interagency coordinating committees established both in Washington and at the regional level were unsuccessful in obtaining substantial commitments of funds in support of the model cities program from most member departments.<sup>282</sup>

The experience of the Interdepartmental Council to Coordinate All Federal Juvenile Delinquency Programs provides another "case study" of a committee, and suggests why they may have difficulty in reaching their objectives. The council, created by the Congress in 1971,

was composed of ten departments and agencies whose programs had some effect upon juvenile delinquency. In its own annual report for 1973, the council identified 116 Federal programs having a direct or indirect impact on juvenile delinquency or youth development.<sup>283</sup> Although the council was supposed to coordinate such delinquency-related programs, a review by the General Accounting Office indicates that it was "ineffective." The council had not affected major legislative or program decisions, and many officials responsible for programs which the council had identified as relating to the delinquency problem were not aware that their programs had this potential.<sup>284</sup>

The GAO has suggested that the primary reasons for the council's weaknesses were a lack of adequate resources and uncertainty about its authority. The council's staff and funds were contributed by its constituent agencies. Necessary funds were not always available and, after the first year, the agencies resisted council requests to furnish staff. Council members generally lacked decision-making authority within their agencies and excessive turnover in membership caused difficulties. While the council did identify a number of significant problems and issues, its followup authority had not been clearly specified. An attempt to obtain White House policy guidance brought no response.<sup>285</sup>

Similar difficulties plagued the interdepartmental Water Resources Council, according to an analysis contained in the 1973 report of the National Water Commission. The council, consisting of the Secretaries of five departments and the Chairman of the Federal Power Commission, was established by the *Water Resources Planning Act* in 1965. The commission concluded that the council had been unable to review and coordinate the programs of its members, to confront difficult policy issues, or to resolve interagency conflicts.<sup>286</sup> Leadership by an independent chairman on the White House staff was needed, the commission concluded, if the council were to be able to act when consensus was lacking.

Though interagency committees are widely criticized, some have been successful in meeting their objectives. For instance, several of the grants management circulars were developed on an interagency basis. Harold Seidman believes that it is essential to distinguish between groups formed to deal with specific problems, which have often proven to be extremely useful, and those which have only a general coordinative mandate. He also suggests a number of principles which, if followed, can minimize the deficiencies of all committees.<sup>287</sup>

Despite the large number of interagency committees and their widely recognized weaknesses, they are not

currently “managed” on a governmentwide basis in any way. This is a change from previous practice. *OMB Circular A-63*, originally issued in 1964, identified procedures for the management of interagency committees and required an annual report from each department concerning its participation in such committees. The continuation of committees beyond a two-year period was discouraged by the circular. From this procedure, the BOB acquired some information regarding the number of committees and their composition and purposes.

A 1970 investigation by the House Committee on Government Operations, however, found these procedures (as well as others regarding advisory committees which had been established by Executive Order) to be inadequate. Among its findings and conclusions were:

- Many committees of the Executive Branch of the government are not subject to adequate management controls or oversight. Considerable expansion and improvement of existing guidelines relating to the management of interagency committees and the formation and use of advisory committees as now set forth in *OMB Circular A-63* and *Executive Order 1107* are needed. Revised Executive Branch directives are needed to provide the Executive Office of the President with supervisory management responsibility for both interagency and advisory committees utilized by the Executive Branch of the government.<sup>288</sup>
- The investigative efforts of the past months have revealed that compilation of a complete list of advisory and interagency committees is an impossibility due to management deficiencies at all levels of the government. . . .<sup>289</sup>
- Many committees do not justify the investment in them. The improvement of their operation and effectiveness is necessary.<sup>290</sup>

The report included several recommendations, among them the following:

- The Office of Management and Budget should be strengthened as to its committee management mission. . . . There should

be an annual systematic review by the Office of Management and Budget and department or agency heads of the current need for all interagency and advisory committees. This should include a review of membership and staff.<sup>291</sup>

These findings, as their language makes plain, applied to both *interagency* committees (those composed solely of Federal officials from two or more agencies) and *advisory* committees (those which include non-governmental members). However, the *Federal Advisory Committee Act of 1972* specifically excluded from its requirements “any committee which is composed wholly of full-time officers or employees of the Federal government.”<sup>292</sup> Consequently, a revision of A-63 was issued, retitled “Advisory Committee Management,” exempting interagency committees from its provisions.<sup>293</sup>

The “convener” or “lead agency” arrangement is an alternative to a permanent, standing interagency committee.<sup>294</sup> The convener – typically a cabinet Secretary – is empowered to call meetings of the representatives of other departments for action upon specific problems, as circumstances require. During 1966, President Johnson issued Executive Orders concerned with the “coordination of Federal urban programs” (EO 11297) and the “coordination of Federal programs affecting agricultural and rural area development” (EO 11307).<sup>295</sup> These, in similar language, gave the authority to the Secretaries of the Departments of Housing and Urban Development and Agriculture respectively to convene meetings of other departments and agencies for the consideration of mutual problems concerning Federal programs affecting urban or rural areas, to promote cooperation toward consistent policies and practices, and other related purposes.<sup>296</sup>

Robert C. Wood, a former HUD Secretary, wrote in 1970 that he regarded the convener concept as the “principal answer” to the need for coordination of complex, multiagency programs aimed at complex social problems. Collaboration at the Secretarial level must be established, he indicated, arguing that conventional administrative wisdom with its emphasis on Presidential resolution of conflicts had overloaded the White House beyond its capacity.<sup>297</sup>

Others indicate that the convener system ultimately proved ineffectual. Charles M. Haar, a former HUD assistant secretary, offered a critical assessment in his recent analysis of the model cities program:

Perhaps the most unambiguous lesson of the

program's experience is the failure of the lead agency concept. . . . Used frequently in Great Society programs, the lead agency concept never amounted to much in any setting. It disintegrated to a ducking of issues.<sup>298</sup>

This view is shared by Joseph Califano, a former special assistant to President Johnson, who has testified that the attempt to put one peer over another "did not work." Conflicts could not be resolved at the Departmental level, but instead were brought to the White House.<sup>299</sup>

There are other instances where a Secretary has been given "lead" responsibility over other departments in a specific area. A recent example is the coordinative authority given to the Secretary of Agriculture by the *Rural Development Act of 1972*. Section 603(b) of the act states:

The Secretary of Agriculture is authorized and directed to provide leadership and coordination within the Executive Branch and shall assume responsibility for coordinating a nationwide rural development program utilizing the services of Executive Branch departments and agencies and the agencies, bureaus, offices, and services of the Department of Agriculture in coordination with rural development programs of state and local governments. In carrying out this responsibility, the Secretary of Agriculture shall establish employment, income, population, housing, and quality of community services and facilities goals for rural development and report annually prior to September 1 to Congress on progress in attaining such goals.<sup>300</sup>

The experience to date with this provision seems consistent with that under the convener orders. A report by the General Accounting Office in early 1975 found that limited steps had been taken toward these impressive statutory objectives. Implementing committees had been formed within the Domestic Council and at the assistant secretarial level, but they met infrequently.<sup>301</sup> The statements of rural development goals which had been developed by the Department of Agriculture were couched in very general rather than specific, quantitative terms. Consequently, progress toward them could not be measured.<sup>302</sup>

A recent report prepared by the Congressional Research Service (CRS) at the request of the Congressional

Rural Caucus indicated that "some may question whether the most recent rural development goals report fully responds to the spirit of the law contained in" the act.<sup>303</sup> Among the basic shortcomings indicated by the CRS study is insufficient attention to the goals and activities of other Federal departments. Significant programs administered by HUD, the EPA, the Appalachian Regional Commission, the Economic Development Administration, and HEW were mentioned only briefly in Agriculture's second annual report, which may suggest, CRS indicated, "that the Secretary of Agriculture is failing to exercise strong leadership within the Executive Branch on all Federal activities and programs of potential importance to the development of rural communities."<sup>304</sup>

Interagency agreements provide a third means of coordinating action between two (or more) departments. Like interagency committees, such agreements are utilized extensively. For example, in recent months the Department of Housing and Urban Development has signed agreements geared to rationalizing the planning and management assistance activities of its own 701 grant program with the related programs of the Environmental Protection Agency, the Office of Coastal Zone Management of the Department of Commerce, and the Federal Energy Administration.

Currently under negotiation are additional agreements with the Environmental Protection Agency, Economic Development Administration (Department of Commerce), Bureau of Outdoor Recreation (Department of Interior), and Urban Mass Transit Administration (Department of Transportation).<sup>305</sup>

Interagency agreements tend to share the disadvantages of interagency committees and the other essentially "voluntary" coordination techniques. They can be effective only in those limited areas in which the parties affected actually desire joint action; they cannot reconcile deeply rooted conflicts. If the objectives of signatories should later diverge, the agreement may be ignored. The experience with the dozens of agreements to which the Office of Economic Opportunity was a party, as described in *Chapter II*, points to this lesson. Interagency agreements proved to be inadequate as coordinative devices as they were often disregarded by both the OEO and the other agencies involved.<sup>306</sup> A report by planning consultant Harold F. Wise for the National Public Advisory Committee on Regional Economic Development indicates several important features of interagency agreements at the present time. According to Wise, such agreements:

- have no force of law;

- are not, therefore, codified;
- in almost all cases do not involve OMB;
- are headquarters, Washington-level agreements with, generally, little follow-up in the field at the regional, state, areawide, or local governmental levels, where new deals have to be constantly cut, where the real action is; and
- are largely forgotten when the negotiating personalities have left the scene or when new Congressional action redresses the power or otherwise changes agency missions or assignments.<sup>307</sup>

Furthermore, Wise notes, there is no mechanism for repealing interagency agreements which have outlived their usefulness.<sup>308</sup> All these features limit their usefulness.

In summary, the experience with interagency committees, convener orders, "lead agency" arrangements, and interagency agreements, as well as the record of the Federal Regional Councils (which are also interagency committees as they presently exist), suggests that there are serious limits as to what can be achieved by voluntary coordination among coequal agencies. While there may be certain kinds of situations in which these devices are adequate, they seem generally to be unable to achieve a coherent policy or operation for interrelated grant programs, either in Washington or the field. These findings are in stark contrast to the expectations of the proponents of non-centralized, non-hierarchic coordination. This critical assessment, of course, is one that is widely held.<sup>309</sup>

Yet, the forces which have prompted the use of these devices in the past are not dormant. For this reason, the voluntary coordination techniques seem certain to persist. Often there are no real alternatives. It should also be recognized that certain desirable features are claimed for them. Some problems may be noted most quickly and agreements on solutions reached most easily at the operating level. A system of agreements and committees is more flexible and more readily adjusted to changing concerns than more formal coordinative measures. It assures that the interests of all parties are represented and protected. Some analysts also dispute the claim that the use of a large number of committees (or agreements) is evidence of poor organizational design. The complex nature of modern society, in which "everything relates to everything else," may mean that no basic structure

could possibly provide for the close coordination of all inter-related activities.

Centralized, White House-sponsored efforts at operational coordination, it must be remembered, have not always fared well either. Seeking to involve the Executive Office of the President in the resolution of every interagency or interprogram dispute can be a difficult, time consuming, and even self-defeating task. Indeed, key figures at the highest levels often prefer *not* to become involved in such issues and, as Wood indicates, the demands from below can prove overwhelming. Departmental reorganizations and grant consolidations, which are often advocated as the ultimate solution, are similarly difficult to achieve in practice. Under these circumstances, "voluntary" coordination is necessary, some contend, and any steps which might promise to increase the effectiveness of such techniques merit consideration.

**Intradepartmental Coordination.** Most of the discussion in this chapter (and the other parts of this report) has been concerned with the problems of grant coordination and intergovernmental relations on a governmentwide basis. It must be recognized, however, that identical concerns may arise within any one domestic department – especially within those which administer a considerable number of assistance programs. Some departments, recognizing this, have made internal efforts at achieving uniformity and simplicity of procedure and strengthening communications with state and local governmental officials.

The record suggests that, in most departments, grant administration was approached in the past on a strictly functional basis, with agency specialists working independently with their counterparts at the state and local level. This Commission in its 1967 study, *Fiscal Balance in the American Federal System*, concluded:

The strength of departmental and agency coordination activity depends to a large extent on the Secretary's or agency head's appreciation of the need for coordination and of its relationship to his management position, and on the administrative resources he devotes to meeting that need. Until quite recently, the record of department and agency heads' understanding of the political and intergovernmental implications of ineffective intradepartmental program coordination gave little basis for optimism that their units would or could cope successfully with the problems of intra-agency, inter-

agency, or interlevel coordination of grants-in-aid. . . . [The] emphasis was on problems of fiscal management rather than intra-agency coordination of the several grant-in-aid programs impacting on state and local governments.<sup>310</sup>

During the intervening years, some departments have established a more impressive record in this area. The Department of Health, Education and Welfare – the largest grant disbursing agency – is one of these. Beginning in 1966, HEW made some effort to standardize and simplify its, then, more than 200 grant programs. The initial pressure on HEW for more uniform procedures came, not from state and local governments, but from universities. The large number of different kinds of reports required for HEW research grants had caused administrative difficulties for recipient institutions. Several top departmental officials had academic research backgrounds, and thus understood and were sympathetic to the universities' complaints. Shortly thereafter, Governor Farris Bryant, President Johnson's liaison with the governors, brought attention to similar difficulties in programs of aid to the states.

In response, HEW launched its own effort to simplify its assistance programs through the Federal Assistance Streamlining Task Force (FAST). Top priority was given to program simplification – “cutting red tape.” Through FAST, HEW participated fully in the Federal Assistance Review (FAR).<sup>311</sup> The department has established an Office of Grants Policy and Regulation Development and has issued a comprehensive manual applying to most programs, titled *Administration of Grants*.<sup>312</sup> This manual incorporates the standardized procedures of three circulars (FMC 74-7, 74-4, and 73-8). By departmental policy, it applies to grants to school districts and, in some cases, non-governmental institutions, as well as general state and local governments.

While this effort deserves recognition, it also must be noted that it still remains incomplete. A lack of uniformity among the planning requirements in HEW's formula grants continues to be a significant problem.<sup>313</sup> Decentralization within the department is uneven. In part, these conditions reflect the administrative weaknesses of the HEW Secretary and the Office of Grants Policy and Regulation Development. Certain departmental subunits, including the Office of Education, are, by law, responsible for the administration of their grant programs, substantially constraining the Secretary's influence over them.

Some of the more recently created agencies have sought to simplify the grants management process from

the start. One example is the Environmental Protection Agency, established in 1970, which initially had some 21 grant programs. A set of integrated regulations was developed by EPA which permitted the use of a single application form for all of its programs.

Recognition of the need for closer relations with state and local governments also has prompted some departments to create special IGR units. Examples include the Department of Agriculture (Office of Intergovernmental Affairs); the Department of Transportation (Assistant Secretary for Congressional and Intergovernmental Affairs); Environmental Protection Agency (Office of Regional and Intergovernmental Affairs); and the Community Services Administration (State and Local Government Division). Offices of this kind represent a useful innovation. Yet, even where they exist, they do not generally have responsibility for the full range of grant management procedures which are of greatest interest to state and local governments.

The Department of Agriculture is an example of an old line department with comparatively little centralized direction of its activities. Its programs – many of which are considered to be “cooperative agreements,” rather than grants – operate with considerable autonomy, and IGR responsibilities also are divided. The Office of Intergovernmental Affairs is responsible for the A-85 intergovernmental consultation process and maintains a contact with the Federal Regional Councils. The Rural Development Service has taken the lead in connection with the department's participation in joint funding projects, which are administered by the FRCs at the regional level. Compliance with most of the grants management circulars (including A-95) is fixed in the procurement, grants, and agreements management staff of the Office of Operations. This third unit, which is also the contact with the General Services Administration on procurement matters, became involved in the grants management area as a result of its participation in the Federal Assistance Review. A single member of its staff deals with departmentwide grants management issues on a full-time basis.<sup>314</sup>

Such a dispersal of responsibility is not unusual. The grants management coordinators interviewed by ACIR staff typically dealt with only one or two of the key procedures. Other circulars are handled by separate units. Moreover, in some cases, the offices which administer various circulars appeared to lack the organizational authority necessary to do the job. Ties to field offices – which have the most day-to-day contacts with state and local governments – frequently were limited. All these factors can weaken effective departmental links with grant recipients and hamper oversight by OMB.

A single office need not actually administer the full range of IGR-related procedures. Because the circulars are varied in nature, some organizational dispersion often may be required for effective implementation. Yet, adequate communication and coordination among the units are a clear necessity. Links with a department's technical assistance and liaison efforts are also useful. The recent report of the Study Committee on Policy Management Assistance indicated that:

Agency intergovernmental relations offices have been of varying effectiveness, depending upon agency needs for intergovernmental cooperation in accomplishing agency missions. In most cases, the ties between these offices and those providing the functional elements of technical assistance are weak or nonexistent.<sup>315</sup>

Consequently, the study committee recommended:

Each Federal domestic agency should clearly assign functional responsibility for: obtaining state and local inputs into agency program development; integrating the planning, management and assessment of capacity building programs within the agency; promoting integrated and effective R&D utilization, technical assistance and training activities in each agency; and providing a contact point for state and local officials.<sup>316</sup>

Somewhat similarly, the Senate in 1974 adopted a resolution urging the President and the Congress to provide opportunities for meaningful state and local participation in the development of Federal programs and policies, specifically noting the necessity for such participation within the departments. The resolution stated in part:

The President should insure that in every major Federal department and agency there is a focal point for state and local government involvement at a high level.<sup>317</sup>

## SUMMARY AND CONCLUSIONS

This chapter has reviewed and assessed the organization and operation of the Federal Executive Branch for the conduct of intergovernmental relations. Two distinct kinds of activities were considered: the determination of

policy as it conditions the operation of the intergovernmental system, and the ongoing, overall management of Federal assistance programs on an interagency basis. The focus of attention was on the period since 1969, because most of the contemporary machinery for intergovernmental policy and management was developed during these years. Events of the Johnson era, however, were not ignored. The problems which the recent organizational reforms attempted to remedy, after all, became more pronounced during the Great Society, and the first steps toward their resolution also were made or initiated during this period.

At the present, the most important responsibilities for intergovernmental relations on a governmentwide basis are divided three ways. The key actors are the Office of Management and Budget, the Domestic Council, and ten Federal Regional Councils. During the period examined here, an Office of Intergovernmental Relations within the Executive Office of the President and the General Services Administration's Office of Federal Management Policy also played significant roles. A review of the activities and an assessment of the effectiveness of these bodies have led to the following general conclusions:

- Better "coordination" of assistance programs has been a Federal objective throughout the past decade. A wide variety of administrative reform has been executed, and still others proposed, in the pursuit of this goal. Traditional administrative theory suggests that coordinated action can be most readily attained through hierarchical organization, under the direction of a chief executive. Following this principle, the diversity of Federal policies and practices as they impact upon state and local governments has in the past led many analysts to recommend the creation of a "focal point" for intergovernmental relations, under Presidential control, charged with the development and oversight of a consistent, governmentwide strategy for assistance programs and Federal-state-local relations generally.
- The practical effectiveness of centralized, hierarchical coordination systems has been increasingly questioned, and a new theoretical framework has emerged which challenges many traditional administra-

tive precepts. Standard organizational theories, it is argued, have little relevance to many concerns in interagency and intergovernmental relations. It is suggested that sufficient coordination can often be obtained without recourse to hierarchical organization or centralized management. At the present time, then, experts in public administration offer conflicting counsel, making the selection of a specific course of action more difficult and controversial.

- The Office of Management and Budget has not become the significant force for management improvement which was anticipated upon its creation in 1970. Despite several reorganizations aimed at attaining a better balance among its activities, the office continues to concentrate its attention and resources on budgetary issues. Its numerous initiatives in the grants management area have been hampered by a lack of top-level commitment, poor internal coordination, excessive staff turnover, and procedural weaknesses. As a consequence, a high level of cooperation and compliance by Federal agencies has not been attained.
- The Domestic Council, created in 1970, is charged with the development and review of Federal policy in most areas of domestic activity. Since late 1972, the council has also served as the primary link between the President and elected officials of state and local government, and is mandated to identify and report to the President on various problems of intergovernmental relations. These latter activities had previously been assigned to the Office of Intergovernmental Relations directed by the Vice President.
- The council's operations have varied from year to year. Most recently, it has operated chiefly as a staff agency of the President, rather than as a forum for policy deliberation, and has been concerned primarily with providing short-range background information rather than long-range policy analysis.

Hampered by a small staff, it has devoted comparatively little attention to the field of intergovernmental relations and has not provided sufficient representation of the concerns of state and local governments within the Executive Branch policy process.

- The Office of Federal Management Policy of the General Services Administration was, until the end of 1975, responsible for a number of grants management procedures initiated earlier by the Office of Management and Budget. Its performance was generally satisfactory, although the office was constrained to some degree by a small staff and limited support from the OMB, which retained oversight responsibility. Despite this record, the division of closely related activities between these two units was controversial and, in the opinion of many observers, inappropriate.
- The Federal Regional Councils have as yet made but slight contributions to the coordination of Federal program operations and the strengthening of relations among the levels of the intergovernmental system. While individual councils have engaged in a variety of useful activities, overall performance still falls short of initial expectations in these two areas. The decentralization of assistance programs, which is necessary to the full success of the FRCs, has been limited and uneven. The councils also have been constrained by features of their own organization and staffing and by insufficient external support and guidance from the Under Secretaries Group for Regional Operations and the Office of Management and Budget.
- Interagency committees, though utilized frequently in an attempt to attain coordinated action among the programs of Federal departments, have generally been unable to meet this objective. At present, and in contrast to past practice, the Office of Management and Budget does not monitor and attempt to strengthen the performance of interagency commit-

tees, or to reduce the number of ineffective committees, on a systematic basis. Other techniques of "voluntary" coordination, including convener or lead agency designations and interagency agreements, have also proven to be ineffective in many instances.

- A number of Federal departments have taken steps to secure the more uniform and simplified administration of their grant programs, and to provide a point of contact concerning intergovernmental relations. Despite these positive actions, however, most departments lack an office capable of playing a leadership role in all major areas of intergovernmental concern.
- A lack of continuity in organization, staffing, and White House support and leadership has posed significant obstacles to stronger intergovernmental relations and better grant program coordination. Many observers regard a high degree of Presidential interest and commitment as the key to effective performance of Executive Office staff units.

These findings point to a general conclusion regarding the effectiveness of recent attempts to secure, through organizational reform, improvements in the operation of the Federal assistance system:

- In general, existing organizations within the Executive Branch concerned with strengthening intergovernmental policies and management have made limited progress toward their objectives. To date, it has been impossible to make more than marginal improvements by means of organizational reform in the operation of a system of Federal assistance programs characterized by fragmentation, inconsistency, duplication, and complexity.

The experience which is summarized in these conclusions, considered in conjunction with the other efforts and specific procedures described in other chapters of this report, provides the basis for the Commission's assessment of, and recommendations regarding alternative approaches to achieving a more effective Federal organizational system for improved intergovernmental relations.

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## FOOTNOTES

<sup>1</sup> Comptroller General of the United States, *Fundamental Changes are Needed in Federal Assistance to State and Local Governments* (Washington, D.C.: U.S. General Accounting Office, August 19, 1975), p. 19.

<sup>2</sup> For a discussion of the period of the New Deal and its impact on public administration, see Rowland Egger, "The Period of Crisis," *American Public Administration: Past, Present and Future* ed., Frederick C. Mosher (University, Alabama: The University of Alabama Press, 1975), pp. 49-96.

<sup>3</sup> Allen Shick, "The Trauma of Politics: Public Administration in the Sixties," *American Public Administration*, pp. 142-180.

<sup>4</sup> Vincent Ostrom, *The Intellectual Crisis in American Public Administration*, rev. ed. (University, Alabama: The University of Alabama Press, 1974); Shick, "Trauma of Politics," pp. 142-3.

<sup>5</sup> Luther Gulick, "Notes on the Theory of Organization," *Papers on the Science of Administration*, eds., Luther Gulick and L. Urwick (New York: Institute of Public Administration, Columbia University, 1937), pp. 1-45.

<sup>6</sup> *Ibid.*, p. 3.

<sup>7</sup> *Ibid.*, p. 6.

<sup>8</sup> *Ibid.*, p. 13.

<sup>9</sup> James D. Mooney and Alan C. Reiley, *Onward Industry* (New York: Harper & Brothers, 1931), p. 19, quoted in L. Urwick, "Organization as a Technical Problem," eds, Gulick and Urwick, p. 49.

<sup>10</sup> Harold Seidman, *Politics, Position, and Power: The Dynamics of Federal Organization* (New York: Oxford University Press, 1970), p. 169.

<sup>11</sup> James L. Sundquist with David W. Davis, *Making Federalism Work: A Study of Program Coordination at the Community Level* (Washington, D.C.: The Brookings Institution, 1969), p. 19.

<sup>12</sup> *Ibid.*, p. 18.

<sup>13</sup> Peter Self, *Administrative Theories and Politics* (Toronto, Canada: University of Toronto Press, 1973), pp. 99-107.

<sup>14</sup> Gulick, p. 6.

<sup>15</sup> *Ibid.*, p. 7.

<sup>16</sup> *Ibid.*, p. 35.

<sup>17</sup> Herbert A. Shepard, "Responses to Competition," quoted in Louis C. Gawthrop, *Bureaucratic Behavior in the Executive Branch: An Analysis of Organizational Change* (New York: The Free Press, 1969), pp. 30-31.

<sup>18</sup> For example, see John M. Pfiffner and Frank P. Sherwood, *Administrative Organization* (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1960), pp. 64-5 or Don Allensworth, *Public Administration: The Execution of Public Policy* (Philadelphia: J. B. Lippincott Company, 1973), pp. 148-9.

- <sup>19</sup> Gulick, p. 36. Emphasis added.
- <sup>20</sup> *Ibid.*, p. 38.
- <sup>21</sup> *Ibid.*, pp. 37-38.
- <sup>22</sup> Herbert Kaufman, "Emerging Conflicts in the Doctrines of Public Administration," *American Political Science Review* 50 (December 1956), pp. 1062-64.
- <sup>23</sup> Harvey C. Mansfield, "Reorganizing the Federal Executive Branch: The Limits of Institutionalization," *Law and Contemporary Problems* 35 (Summer 1970), p. 494.
- <sup>24</sup> The Commission on the Organization of the Executive Branch of the Government, *Federal-State Relations* (March 1949), pp. 36-7.
- <sup>25</sup> Message from the President of the United States, *The Commission on Intergovernmental Relations*, House of Representatives, 84th Cong., 1st sess. (June 28, 1955), p. 87.
- <sup>26</sup> *Ibid.*, p. 139.
- <sup>27</sup> *Ibid.*, pp. 87-89.
- <sup>28</sup> James W. Fesler, *Area and Administration* (University, Alabama: University of Alabama Press, 1949), p. 136.
- <sup>29</sup> Robert H. Connery and Richard H. Leach, *The Federal Government and Metropolitan Areas* (Cambridge: Harvard University Press, 1960), pp. 138-9.
- <sup>30</sup> *Task Force Report on Intergovernmental Program Coordination* (Washington, D.C.: Bureau of the Budget, December 1965), pp. 3-4.
- <sup>31</sup> Senator Edmund Muskie, "The Challenge of Creative Federalism, 88th Cong., 2d sess. (March 25, 1966), *Congressional Record*, Vol. 112, Part 5, p. 6837.
- <sup>32</sup> Christine Altenberger and Donald Stone, *Administrative Requisites for a Federal Urban America* (Pittsburgh: Graduate School of Public and International Affairs, University of Pittsburgh), p. 17. Reprinted from *Studies in Comparative Local Government* (Summer 1968).
- <sup>33</sup> Sundquist, *Making Federalism Work* p. 246.
- <sup>34</sup> *Improving Productivity in State and Local Government* (Washington, D.C.: Committee for Economic Development, March 1976), p. 75.
- <sup>35</sup> Martha Derthick, *Between State and Nation: Regional Organizations of the United States* (Washington, D.C.: The Brookings Institution, 1974), p. 199.
- <sup>36</sup> President's Advisory Council on Management Improvement, *Managing the New Federalism* (Washington, D.C.: President's Advisory Council on Management Improvement, January 1973), pp. 28-30.
- <sup>37</sup> Executive Office of the President, *Strengthening Public Management in the Intergovernmental System* (Washington, D.C.: U.S. Government Printing Office, 1975), p. 36-7.
- <sup>38</sup> *Ibid.*, pp. 34-5.
- <sup>39</sup> Advisory Commission on Intergovernmental Relations, *Fiscal Balance in the American Federal System*, vol. 1 (Washington, D.C.: U.S. Government Printing Office, October 1967), pp. 184-200.
- <sup>40</sup> *Ibid.*, pp. 199-200.
- <sup>41</sup> *Ibid.*, pp. 24-25.
- <sup>42</sup> Mark I. Gelfand, *A Nation of Cities: The Federal Government and Urban America, 1933-1965* (New York: Oxford University Press, 1975), p. 177.
- <sup>43</sup> *Ibid.*, pp. 177-78. See also Connery and Leach, *Federal Government and Metropolitan Areas*, pp. 134-38.
- <sup>44</sup> *Ibid.*, pp. 180-81.
- <sup>45</sup> See Office of the Vice President, *The Vice President and Local Government: A Report to the President* (August 1968), and Office of Emergency Planning, *A Report to the President: Nine Months of Progress in Federal-State Relations* (August 1967).
- <sup>46</sup> *Executive Order 11455*.
- <sup>47</sup> Gulick, p. 22.
- <sup>48</sup> Deil S. Wright, *Federal Grants-in-Aid: Perspectives and Alternatives* (Washington, D.C.: American Enterprise Institute for Public Policy Research, 1968), p. 54.
- <sup>49</sup> ACIR, pp. 150-51.
- <sup>50</sup> Bernard J. Frieden and Marshall Kaplan, *The Politics of Neglect: Urban Aid from Model Cities to Revenue Sharing* (Cambridge, Mass.: The MIT Press, 1975), pp. 18-19.
- <sup>51</sup> See Grant Miller Davis, *The Department of Transportation* (Lexington, Mass.: D. C. Heath and Company, 1970).
- <sup>52</sup> J. Clarence Davies III and Barbara S. Davies, *The Politics of Pollution*, 2nd ed. (Indianapolis, Ind.: Pegasus, a division of Bobbs-Merrill, 1975), p. 120.
- <sup>53</sup> *Ibid.*, p. 224.
- <sup>54</sup> Eleventh Report by the Commission on Government Operations, *Executive Reorganization: A Summary Analysis*, House of Representatives, 92d Cong., 2d sess. (March 15, 1972), pp. 17-18.
- <sup>55</sup> See Hearings before the Subcommittee on Executive Reorganization of the Committee on Government Operations, *Federal Role in Urban Affairs*, Senate, 90th Cong., 1st sess.; Part 20 (June 28, 1967), pp. 4299-4304.
- <sup>56</sup> *Executive Reorganization*, pp. 6-7.
- <sup>57</sup> See Dom Bonafede, "White House Report/Bureaucracy, Congress, Interests See Threat in Nixon Reorganization Plan," *National Journal* (May 8, 1971), pp. 977-8.
- <sup>58</sup> William Lilley III, "White House Report/Community Development Proposal Will Test Nixon's Credibility and Power," *National Journal* (October 9, 1971), pp. 2030-2038.
- <sup>59</sup> William Lilley III, "White House Report/Hostile Committee Chairmen, Lobbies Pledge Fight Against Reorganization Plan," *National Journal* (October 16, 1971), pp. 2072-2081.
- <sup>60</sup> W. Brooke Graves, *American Intergovernmental Relations: Their Origins, Historical Development, and Current Status* (New York: Charles Scribner's Sons, 1964), p. 681.
- <sup>61</sup> U.S. Congress, Senate, 87th Cong., 2d sess. (Feb. 2, 1962), *Congressional Record*, pp. 2375-76.
- <sup>62</sup> Advisory Commission on Intergovernmental Relations, *Government Structure, Organization and Planning in Metropolitan Areas* (Washington, D.C.: U.S. Government Printing Office, 1961), p. 52.
- <sup>63</sup> Advisory Commission on Intergovernmental Relations, *Impact of Federal Urban Development Programs on Local Government Organization and Planning* (Washington, D.C.: U.S. Government Printing Office, 1964), p. 37. This recommendation pointed toward the process which was ultimately mandated by Title IV of the *Intergovernmental Cooperation Act of 1968*.
- <sup>64</sup> ACIR, *Fiscal Balance*, p. 16.
- <sup>65</sup> Felix A. Nigro, *Modern Public Administration*, 2nd ed. (New York: Harper and Row, Publishers, 1970), p. 132.
- <sup>66</sup> Harold Seidman, *Politics, Position and Power: The Dynamics of Federal Organization* (New York: Oxford University Press, 1970), p. 36.
- <sup>67</sup> William H. Kolberg, "The New Federalism: Regional Councils and Program Coordination Efforts," in *The Administration of the New Federalism: Objectives and Issues*, ed. Leigh E. Grosenick (Washington, D.C.: American Society for

- Public Administration, September 1973), pp. 53, 59.
- <sup>68</sup> John M. Pfiffner and Frank Sherwood, *Administrative Organization* (Englewood Cliffs, N.J.: Prentice-Hall, 1960), p. 190.
- <sup>69</sup> Herbert Kaufman, "Administrative Decentralization and Political Power," *Public Administration Review* 29 (January/February, 1968), p. 8.
- <sup>70</sup> Kaufman, p. 8.
- <sup>71</sup> Paul Appleby, *Big Democracy* (New York: Alfred A. Knopf, 1945), p. 104.
- <sup>72</sup> Gulick, pp. 29-30.
- <sup>73</sup> ACIR, *Fiscal Balance*, pp. 26-7.
- <sup>74</sup> For a discussion of the MBO concept, see the symposium on "Management by Objectives in the Federal Government," *The Bureaucrat* 2 (Winter 1974). *The National Journal* had a series of articles describing MBO which appeared in its issues of June 2, 1973; August 18, 1973; November 17, 1973 and April 27, 1974.
- <sup>75</sup> Joel Havemann, "White House Report/Nixon Approves 144 Agency Goals, OMB Begins Program to Coordinate Policy," *National Journal* (November 17, 1973), p. 1703.
- <sup>76</sup> Traditional administrative theory has also been attacked on a variety of other grounds: that it is not internally consistent; that "efficiency" should not be treated as the most important administrative goal; that the "technical" considerations of organization cannot in fact be divorced from various political considerations; that organizational structure can fit no universal model, but must reflect the various cultures found in each nation, and that the "formal" aspects of organization have been given undue stress, while those involving social and psychological motivations neglected. The attack on the "principles" was developed by Herbert A. Simon in *Administrative Behavior* (New York: The Macmillan Company, 1947).
- <sup>77</sup> Bertram M. Gross, *The Managing of Organizations: The Administrative Struggle*, vol. 1 (New York: The Free Press, 1964), p. 49.
- <sup>78</sup> Rexford Tugwell, "The President and His Helpers: A Review Article," *Political Science Quarterly* 82 (1967), quoted in Thomas E. Cronin, "'Everybody Believes in Democracy Until He Gets to the White House': An Examination of White House-Departmental Relations," *Law and Contemporary Problems* 35 (Summer 1970), p. 574.
- <sup>79</sup> Richard E. Neustadt, *Presidential Power: The Politics of Leadership* (New York: New American Library, 1964), pp. 31-37.
- <sup>80</sup> Robert A. Levine, *Public Planning: Failure and Redirection* (New York: Basic Books, Inc., 1972), p. 138.
- <sup>81</sup> Richard H. Leach, *American Federalism* (New York: W.W. Norton & Company, Inc., 1970), p. 170.
- <sup>82</sup> Thomas E. Cronin, "Presidents as Chief Executives," in *The Presidency Reappraised*, eds., Rexford Tugwell and Thomas E. Cronin (New York: Praeger Publishers, 1974), pp. 234-265.
- <sup>83</sup> Aaron Wildavsky, "The Two Presidencies," *Trans-action* (December 1966), p. 8.
- <sup>84</sup> Gawthrop, *Bureaucratic Behavior*, p. 249. This point is examined more extensively in the discussion of the generalist-specialist conflict in *Chapter I*.
- <sup>85</sup> Seidman, pp. 167-191.
- <sup>86</sup> Charles E. Lindblom, *The Intelligence of Democracy: Decision Making Through Mutual Adjustment* (New York: The Free Press, 1965).
- <sup>87</sup> *Ibid.*, pp. 5, 303.
- <sup>88</sup> *Ibid.*, pp. 21-48, 330-31.
- <sup>89</sup> *Ibid.*, p. 293.
- <sup>90</sup> *Ibid.*, pp. 137-143.
- <sup>91</sup> *Ibid.*, p. 151.
- <sup>92</sup> *Ibid.*, pp. 303-4.
- <sup>93</sup> *Ibid.*, pp. 306-7.
- <sup>94</sup> Vincent Ostrom, *American Public Administration: Theory and Practice* (Bloomington, Indiana: Workshop in Political Theory and Policy Analysis, undated), pp. 11-12.
- <sup>95</sup> William A. Niskanen, Jr., *Bureaucracy and Representative Government* (Chicago: Aldine-Atherton, 1971), p. 195.
- <sup>96</sup> *Ibid.*, pp. 200-201.
- <sup>97</sup> Martin Landau, "Redundancy, Rationality, and the Problem of Duplication and Overlap," *Public Administration Review* 19 (July/August 1969), p. 349.
- <sup>98</sup> *Ibid.*, p. 356.
- <sup>99</sup> Arthur M. Schlesinger, Jr., "Administrative Improvisation and Bureaucratic Competition in the New Deal," *The Politics of the Federal Bureaucracy*, ed., Alan A. Altshuler (New York: Dodd, Mead & Company, 1968), pp. 220-21. The selection is reprinted from Schlesinger's *The Coming of the New Deal*, pp. 534-36.
- <sup>100</sup> *Federal Role in Urban Affairs*, pp. 4261-4262.
- <sup>101</sup> Melvin B. Mogulof, *Federal Regional Councils, Their Current Experience and Recommendations for Further Development* (Washington, D.C.: The Urban Institute, March 1970), p. 10.
- <sup>102</sup> Vincent Ostrom, "The Study of Federalism at Work," *Publius* 4 (Fall 1974), pp. 10-13.
- <sup>103</sup> Levine, p. ix.
- <sup>104</sup> *Ibid.*, pp. 153-161.
- <sup>105</sup> Richard Wagner, *The Public Economy* (Chicago: Markham Publishing Co., 1973), p. 123.
- <sup>106</sup> For example, see the testimony of Martha Derthick in hearings before a Subcommittee on Government Operations, *New Federalism*, House of Representatives, 93rd Cong., 2d sess. (January 29, 30, 31; February 5 and 6, 1974), pp. 205-6.
- <sup>107</sup> This is the theme of a book by a Brookings Institution researcher and former assistant director of OMB. See Richard P. Nathan, *The Plot That Failed: Nixon and the Administrative Presidency* (New York: John Wiley & Sons, 1975).
- <sup>108</sup> The discussion in the following two paragraphs is based largely on an article by Allen Schick, "The Budget Bureau That Was: Thoughts on the Rise, Decline, and Future of a Presidential Agency," *Law and Contemporary Problems* 35 (Summer 1970), pp. 521-530.
- <sup>109</sup> William G. Colman, "The Role of the Federal Government in the Design and Administration of Intergovernmental Programs," *Annals of the American Academy of Political and Social Science* 359 (May 1965), pp. 24-26.
- <sup>110</sup> Hearings before the Subcommittee on Executive Reorganization of the Committee on Government Operations, *Federal Role in Urban Affairs*, Senate, 90th Cong., 1st sess.; Part 6 (August 31, September 1, 1966), p. 1382.
- <sup>111</sup> Donald H. Haider, *When Governments Come to Washington: Governors, Mayors, and Intergovernmental Lobbying* (New York: The Free Press, 1974), pp. 118-21.
- <sup>112</sup> Hearings before the Subcommittee on Executive Reorganization of the Committee on Government Operations, *Federal Role in Urban Affairs*, Senate, 90th Cong., 1st sess.; Part 20

- (June 28, 1967), pp. 4264-4266.
- <sup>113</sup> Percival Flack Brundage, *The Bureau of the Budget* (New York: Praeger Publishers, 1970), p. 88.
- <sup>114</sup> *Simplifying Federal Aid to States and Communities: First Annual Report to the President on an Interagency Program* (Washington, D.C.: Bureau of the Budget, March 1970), p. vi. Reports on FAR were also published in 1971 and 1973.
- <sup>115</sup> Brundage, *The Bureau of the Budget*, p. 86.
- <sup>116</sup> Schick, "The Budget Bureau That Was," p. 530.
- <sup>117</sup> Dom Bonafede and Jonathan Cottin, "Nixon, in Reorganization Plan, Seeks Tighter Rein on Bureaucracy," *National Journal* (March 21, 1970), p. 624.
- <sup>118</sup> "Message to the Congress Transmitting Reorganization Plan #2 of 1970, March 12, 1970, *Public Papers of the President: Richard M. Nixon, 1970* (Washington, D.C.: U.S. Government Printing Office, 1971), pp. 260-261.
- <sup>119</sup> Robert S. Gilmour, "Central Legislative Clearance: A Revised Perspective," *Public Administration Review* 31 (March/April 1971), p. 157.
- <sup>120</sup> Bonafede and Cottin, "Nixon Seeks Tighter Rein," p. 624.
- <sup>121</sup> Joel Havemann, "White House Report/OMB's Legislative Role is Growing More Powerful and More Political," *National Journal* (October 27, 1973), p. 1598.
- <sup>122</sup> Allen Schick, "The Taking of OMB: The Office of Management and Budget During the Nixon Years," unpublished paper prepared for the Princeton University Conference on Advising the President, October 31, 1975, p. 2. Used by permission.
- <sup>123</sup> *Improved Cooperation and Coordination Needed Among All Levels of Government—Office of Management and Budget Circular A-95* (Washington, D.C.: General Accounting Office, February 11, 1975), p. 58.
- <sup>124</sup> *Ibid.*, p. 84.
- <sup>125</sup> Kenneth C. Olson, "The States, Governors, and Policy Management: Changing the Equilibrium of the Federal System," *Public Administration Review* 35 (special issue, December 1975), pp. 766-67.
- <sup>126</sup> Gary Bombardier, "The Managerial Functions of OMB: Intergovernmental Relations as a Test Case," *Public Policy* 23 (Summer 1975), p. 344.
- <sup>127</sup> Bombardier, "The Managerial Function of OMB," pp. 349-350.
- <sup>128</sup> Marver H. Bernstein, "The Presidency and Management Improvement," *Law and Contemporary Problems* 35 (Summer 1970) p. 516.
- <sup>129</sup> Schick, "The Taking of OMB," p. 22. Used by permission.
- <sup>130</sup> Bombardier, "The Managerial Functions of OMB," p. 345.
- <sup>131</sup> There were six Directors in the period 1960-1970.
- <sup>132</sup> Hugh Hechlo, "OMB and the Presidency—the Problem of 'Neutral Competence,'" *Public Interest* 38 (Winter 1975), p. 84.
- <sup>133</sup> "Musical Chairs on High," *Time* (November 17, 1976), p. 11.
- <sup>134</sup> Bernstein also notes this factor. "The Presidency and Management Improvement," p. 516.
- <sup>135</sup> Bombardier, "The Managerial Function of OMB," p. 346.
- <sup>136</sup> Hearings before the Subcommittee on Urban Affairs of the Joint Economic Committee, *Regional Planning Issues*, 92d Cong., 1st sess.; Part 4 (May 19, 20, 25, and 26, 1971), p. 736. The need for better participation in the budget process by state and local government and the private sector is also indicated in the 1976 report of the Joint Economic Committee, which Senator Humphrey chairs.
- <sup>137</sup> Donald C. Stone, "Proposed Strategy and Action to Increase the Administrative Capability of the Federal-State-Local System," *Report of the OMB Study Committee on Policy Management Assistance, Volume III: Background Papers and Resource Materials* (Washington, D.C.: National Science Foundation, Research Applications Directorate, Office of Intergovernmental Science and Research Utilization), p. 567.
- <sup>138</sup> Bombardier, "The Managerial Function of OMB," p. 352.
- <sup>139</sup> Schick, "The Taking of OMB," p. 44. Used by permission.
- <sup>140</sup> *Task Force Report*, p. 4.
- <sup>141</sup> Bombardier, "The Managerial Functions of OMB," p. 323.
- <sup>142</sup> Stone, "Proposed Strategy and Action," pp. 571-2.
- <sup>143</sup> See Brundage, *Bureau of the Budget*, p. 87.
- <sup>144</sup> *Executive Order No. 1154*, "Prescribing the Duties of the Office of Management and Budget and the Domestic Council in the Executive Office of the President" (1970), *U.S. Code & Administrative News*, p. 6263.
- <sup>145</sup> "Advising the President: A Panel," *The Bureaucrat* 3 (April 1974), pp. 33-34.
- <sup>146</sup> Jonathan Cottin, "White House Report/Ash Council, Governors Fault Nixon's Intergovernmental Relations Office," *National Journal* (January 23, 1971), pp. 182-185. During the last year and a half of its operation, the OIR had a thoroughly professional staff and received higher marks.
- <sup>147</sup> *Executive Order 11690*, "Transferring Operations of the Office of Intergovernmental Relations to the Domestic Council," *Weekly Compilation of Presidential Documents* 8 (December 18, 1972), p. 1758.
- <sup>148</sup> Dom Bonafede, "White House Report/Erlichman Acts as Policy Broker in Nixon's Formalized Domestic Council," *National Journal* (June 12, 1971), p. 1235.
- <sup>149</sup> *Ibid.*, p. 1240. Dom Bonafede, "White House Report/Domestic Council Tries to Match Early Promise," *National Journal* (December 13, 1975), p. 1689.
- <sup>150</sup> John H. Kessel, *The Domestic Presidency: Decision-Making in the White House* (North Scituate, Mass.: Duxbury Press, 1975), p. 29.
- <sup>151</sup> James F. C. Hyde, Jr., and Stephen J. Wayne, "Partners in Presidential Policy-Making: White House – OMB Legislative Relationships," paper prepared for delivery at the 1975 Annual Meeting of the Southern Political Science Association, Nashville, Tennessee, November 6-8, 1975, p. 21.
- <sup>152</sup> Khalid B. Sayeed, "Public Policy Analysis in Washington and Ottawa," *Policy Sciences* 4 (March, 1973), p. 95.
- <sup>153</sup> Bonafede, "Erlichman Acts as Policy Broker," p. 1242.
- <sup>154</sup> Richard M. Pious, "Sources of Domestic Policy Initiatives," *Proceedings of the Academy of Political Science* 32 (1975), p. 102.
- <sup>155</sup> John D. Erlichman, "How It All Began . . . By A Man Who Was There," *National Journal* (December 13, 1975), pp. 1690-91.
- <sup>156</sup> Edward Jay Epstein, "The Krogh File – The Politics of Law and Order," *The Public Interest* 39 (Spring 1975), pp. 99-124.
- <sup>157</sup> Richard P. Nathan, *The Plot That Failed: Nixon and the Administrative Presidency* (New York: John Wiley & Sons, Inc., 1975), pp. 45-49.
- <sup>158</sup> Bonafede, "Domestic Council Tries to Match Early Promise," p. 1688.
- <sup>159</sup> Frederick C. Mosher, et al., *Watergate: Implications for Responsible Government* (New York: Basic Books, 1974), p. 10.

- <sup>160</sup> Dom Bonafede "White House Report/President Nixon's Executive Reorganization Plans Prompt Praise and Criticism," *National Journal* (March 10, 1973), pp. 335, 338.
- <sup>161</sup> Hugh Meclo, "OMB and the Presidency - the Problem of 'Neutral Competence'," *Public Interest* 38 (Winter 1975), p. 89.
- <sup>162</sup> Robert T. Gray, "Little-Known 'Brokers' Behind Presidential Programs," *Nation's Business* (May 1974), p. 24.
- <sup>163</sup> Rockefeller's stewardship of the Domestic Council ended early in 1976.
- <sup>164</sup> Dom Bonafede, "Domestic Council's Role Broadens," *National Journal* (March 10, 1973), pp. 335, 338.
- <sup>165</sup> Gerald R. Ford, "The President's Memorandum for Members of the Council," *Weekly Compilation of Presidential Documents* 11 (February 17, 1975), pp. 191-92.
- <sup>166</sup> Dom Bonafede, "Cannon Gets Grip on Domestic Council" *National Journal* (April 5, 1975), p. 522.
- <sup>167</sup> The council staff was increased to 40 in early 1976.
- <sup>168</sup> Thomas E. Cronin, *The State of the Presidency* (Boston: Little, Brown and Company, 1975), p. 127.
- <sup>169</sup> Bonafede, "Domestic Council Tries to Match Early Promise," p. 1696. The Vice President's stewardship of the council was discontinued early in 1976.
- <sup>170</sup> *Ibid.*, p. 1687.
- <sup>171</sup> Dom Bonafede, "Domestic Program Still Being Sought," *National Journal* (June 21, 1975), p. 928.
- <sup>172</sup> Other Executive Office agencies with policy development or coordinating functions (in addition to the National Security Council and Central Intelligence Agency, which are concerned with foreign affairs) are the Energy Resources Council (1974), the Council on Wage and Price Stability (1974), the Council on International Economic Policy (1971), the Federal Property Council (1973), the Council of Economic Advisors (1946), the Council on Environmental Quality (1969), the Office of Telecommunications Policy (1970), and the Special Action Office for Drug Abuse Prevention (1971). The President's Economic Policy Board (1974), though outside the Executive Office, is responsible for providing advice to the President on all aspects of national and international economic policy and the oversight of economic policy.
- <sup>173</sup> These staffs were increased (to five) in early 1976.
- <sup>174</sup> Neal R. Peirce, "Federalism Report/State, Local Officials Hit 'Unnecessary' Federal Regulations," *National Journal* (January 10, 1976), p. 50.
- <sup>175</sup> The Ford Administration also encouraged extensive participation in the development of its grant consolidation proposals in early 1976. See Joel Havemann, "Federalism Report/State, Local Officials Help Write Consolidation Plans," *National Journal* (February 21, 1976), pp. 228-233. Liaison relations established during this period were regarded by state and local government groups as excellent.
- <sup>176</sup> For assessments of the reports, see Hearings before the Subcommittee on Housing for the Committee on Banking and Currency: *National Growth Policy*, House of Representatives, 92d Cong., 2d sess.; Part I (June 6-7, 1972), and Hearings before the Subcommittee on Housing and Community Development of the Committee, on Banking, Currency, and Housing, *National Growth and Development*, House of Representatives, 94th Cong., 1st sess. (Sept. 4, 5, and 8, 1975).
- <sup>177</sup> Testimony of Arthur A. Davis, vice president for operations of the Conservation Foundation, in House of Representatives, *National Growth Policy*, p. 91.
- <sup>178</sup> In addition to the Davis testimony, see the remarks of Alan Rabinovitz, p. 380, and John D. Rockefeller, p. 462, in *ibid.*
- <sup>179</sup> *Housing and Urban Development Act of 1970*, section 703(c). Some state and local participation was permitted, for the first time, in the preparation of the third (1976) growth report, but no formal "advisory board" was created.
- <sup>180</sup> Advisory Commission on Intergovernmental Relations, *Fiscal Balance in the American Federal System*, Vol. 1 (Washington, D.C.: U.S. Government Printing Office, 1967), p. xxiii.
- <sup>181</sup> On January 28, 1976, Stephen G. McConahey was appointed as special assistant to the President for intergovernmental affairs, and staff assigned to this area were increased to five.
- <sup>182</sup> Late in 1975, the Domestic Council sought a supplemental appropriation to increase its total staff from 30 to 59. An increase of ten people was ultimately approved.
- <sup>183</sup> Cronin, *The State of the Presidency*, p. 139.
- <sup>184</sup> Hearings before a Subcommittee of the Committee on Government Operations, *Reorganization of Executive Departments*, House of Representatives, 92nd Cong., 1st sess.; Part 1 (Overview), (June 2, 3, 7, 8, 14, 16; June 7, 8, 22, 27, 1971), p. 269.
- <sup>185</sup> There are frequently proposals for new Executive Office policy development and coordinating mechanisms. For example, the Senate Nutrition Committee is reported to have proposed the creation of a food and nutrition policy board in the Executive Office of the President. "A National Food Policy," editorial in *The Washington Post* (December 28, 1975), p. A26. Brookings Institution researcher James L. Sundquist points to the "inescapable conclusion" that an office concerned with national growth within the Executive Office is required. He adds that "there is obviously a limit" to the number of such entities which may co-exist, but argues that "no satisfactory substitute has been devised for the Executive Office staff agency if coordination is to be provided." Sundquist does indicate that such an office might be placed under the Director of the Domestic Council. See James L. Sundquist, *Dispersing Population: What America Can Learn From Europe* (Washington, D.C.: The Brookings Institution, 1975), pp. 279-80.
- <sup>186</sup> Dom Bonafede, "White House Report/Scholars Tackle Problem of Presidential Advisory System," *National Journal* (November 22, 1975), p. 1609.
- <sup>187</sup> For a discussion of Presidential management styles, see Richard Tanner Johnson, *Managing the White House: An Intimate Study of the Presidency* (New York: Harper & Row, Publishers, 1974).
- <sup>188</sup> Aaron Wildavsky, "Salvation by Staff: Reform of the Presidential Office," *The Presidency* (Boston: Little, Brown and Company, 1969), p. 700.
- <sup>189</sup> Herbert Emmerich, *Federal Organization and Administrative Management* (University, Alabama: The University of Alabama Press, 1971), p. 200.
- <sup>190</sup> Stephen K. Bailey, "Managing the Federal Government," *Agenda for the Nation*, ed., Kermit Gordon (Washington, D.C.: The Brookings Institution, 1968), p. 312.
- <sup>191</sup> *Executive Order 11717*, "Transferring Certain Functions From the Office of Management and Budget to the General Services Administration and the Department of Commerce," May 9, 1973, *Weekly Compilation of Presidential Documents* (May 14, 1973), pp. 658-9.

- <sup>192</sup> *United States Government Organization Manual 1975-76* (Washington, D.C.: U.S. Government Printing Office, 1975), pp. 510-13.
- <sup>193</sup> For a discussion, see Scot MacDonald, "Federal Management Policy: Will GSA's New Office Succeed in Making Policy for All Agencies?" *Government Executive* (March 1974), pp. 37-41.
- <sup>194</sup> For a statement of the rationale for the transfer, see Hearings before a Subcommittee of the Committee on Government Operations, *New Federalism*, House of Representatives, 93rd Cong., 2d sess. (January 29, 30, 31; February 5 and 6, 1974), p. 110. The President's general statement of January 5, 1973, appears in "Redirecting Executive Branch Management," *Weekly Compilation of Presidential Documents* 9 (January 8, 1973), pp. 5-10.
- <sup>195</sup> In Reorganization Plan No. 1 of 1973 (January 26, 1973), the President proposed the abolition of the Office of Emergency Preparedness, the Office of Science and Technology, and the National Aeronautics and Space Council. See "Executive Office Reorganization," pp. 35-A to 37-A and "Congress Accepts Two Reorganization Plans," pp. 730-31, in *Congressional Quarterly Almanac 1973* (Washington, D.C.: Congressional Quarterly, Inc., 1974).
- <sup>196</sup> Haider, *When Governments Come to Washington*, p. 1212.
- <sup>197</sup> MacDonald, "Federal Management Policy," p. 37.
- <sup>198</sup> *New Federalism*, pp. 186-7.
- <sup>199</sup> *Report Together With Additional and Supplementary Views (to Accompany HR 8597), Treasury, Postal Service, and General Government Appropriation Bill, 1976*, House of Representatives, 94th Cong., 1st sess. (July 11, 1975), p. 48.
- <sup>200</sup> Hearings before a Subcommittee of the Committee on Appropriations, *Treasury, Postal Service, and General Government Appropriations for Fiscal Year 1976*, House of Representatives, 94th Cong., 1st sess.; Part 5, General Services Administration, pp. 78-83.
- <sup>201</sup> *Report*, p. 48.
- <sup>202</sup> Michael T. Fletcher and Timothy Saasta, "FMC's: New Uniform Federal Grant Administration Standards," *The Grantsmanship Center News* (September-November, 1975), p. 27.
- <sup>203</sup> An additional \$120,000 was appropriated for the transition period of July 1, 1976, to September 30, 1976.
- <sup>204</sup> *Executive Order 11731* (July 25, 1973).
- <sup>205</sup> See the excerpt from a BOB memo dated January 14, 1970, in Melvin B. Mogulof, *Federal Regional Councils: Their Current Experience and Recommendations for Further Development* (Washington, D.C.: Urban Institute, 1970), p. 5.
- <sup>206</sup> National Resources Board, *A Report on National Planning and Public Works in Relation to Natural Resources* (Washington, D.C.: 1934), quoted in James W. Fesler, "Standardization of Federal Administrative Regions," *Social Forces* 15 (October 1936), p. 12.
- <sup>207</sup> National Resources Committee, *Regional Factors in National Planning and Development* (Washington, D.C.: 1935), in *ibid.*, p. 13.
- <sup>208</sup> *Task Force Report*, p. 6.
- <sup>209</sup> Advisory Commission on Intergovernmental Relations, *Fiscal Balance in the American Federal System*, Vol. 1 (Washington, D.C.: U.S. Government Printing Office, 1967), pp. xxiii-xxiv.
- <sup>210</sup> See *ibid.*, pp. 193-4, and Harold Seidman, *Politics, Position and Power: The Dynamics of Federal Organization* (New York: Oxford University Press.
- <sup>211</sup> See Federal Reconstruction and Development Planning Commission for Alaska, *Response to Disaster* (Washington, D.C.: U.S. Government Printing Office, 1964).
- <sup>212</sup> Derthick, *Between State and Nation*, pp. 160-61. The task force report is summarized in *Chapter I*.
- <sup>213</sup> *An Analysis of Federal Decision-Making and Impact: The Federal Government in Oakland* (San Francisco: Oakland Task Force, San Francisco Federal Executive Board, August 1968), pp. 188-195.
- <sup>214</sup> Hearings before a Subcommittee of the Committee on Appropriations, *Departments of Treasury and Post Office and Executive Office Appropriations: Treasury Department, Related Agencies*, House of Representatives.
- <sup>215</sup> The Appropriations Committee again indicated its opposition to the creation of field offices during consideration of budget requests for Fiscal Year 1968.
- <sup>216</sup> *Executive Order 11647*, February 12, 1972; *Executive Order 11731*, July 25, 1973; *Executive Order 11892*, December 31, 1975.
- <sup>217</sup> House of Representatives, *New Federalism*, p. 93.
- <sup>218</sup> Timothy B. Clark, "New Federalism Report/Tulsa Agreement Demonstrates Attempts to Coordinate Grant Programs," *National Journal* (September 29, 1973), pp. 1435-1443. Annual arrangements are discussed in *Chapter V* of this report.
- <sup>219</sup> *New Federalism*, House of Representatives, p. 105.
- <sup>220</sup> Robert Heath, "Pennsylvania Council Studies Intergovernmental Relations," *National Civic Review* (March 1975), pp. 135-36.
- <sup>221</sup> An evaluation of the New England Municipal Center, upon which this brief description is based, was prepared by the Public Administration Service for the FRC in October 1975. The report indicates that the center has been both effective and useful.
- <sup>222</sup> These efforts have not always been successful. President Nixon was forced to ask OMB Deputy Director Frank Carlucci to assist in the development of an emergency aid program following Hurricane Agnes in 1972 when the Philadelphia FRC proved unequal to the task. See William Lilly III, *et al.*, "New Federalism Report/Nixon Attack on Grant Programs Aims to Simplify Structure, Give Greater Local Control," *National Journal* (January 20, 1973), p. 77.
- <sup>223</sup> Derthick, *Between State and Nation*.
- <sup>224</sup> Comptroller General, *Assessment of Federal Regional Councils* (Washington, D.C.: General Accounting Office, January 31, 1974).
- <sup>225</sup> Mogulof, *Federal Regional Councils*.
- <sup>226</sup> More detailed information about the methodology of this survey is contained in *Volume III* of this series.
- <sup>227</sup> Comptroller General, *The Integrated Grant Administration Program—An Experiment in Joint Funding* (Washington, D.C.: General Accounting Office, January 19, 1976), p. 14.
- <sup>228</sup> Kenneth C. Olson, "The States, Governors, and Policy Management: Changing the Equilibrium of the Federal System," *Public Administration Review* 35 (special issue, December 1975), p. 764.
- <sup>229</sup> Neal R. Peirce, "Federalism Report/State, Local Officials Hit 'Unnecessary' Federal Regulations," *National Journal* (January 10, 1976), p. 53.
- <sup>230</sup> GAO, *Assessment of Federal Regional Councils*, p. 22.
- <sup>231</sup> House of Representatives, *New Federalism*, p. 106.

- <sup>232</sup> See Chapter II.
- <sup>233</sup> Despite this, HEW representatives play a key role on many of the councils. The sheer number of programs and dollar amount of HEW aid makes their voice important on a great many issues. In addition, HEW regional directors have been given the authority to review and "sign-off" on grants actually awarded by other personnel. See the OMB comments on the GAO report included as Appendix III, *Assessment of Federal Regional Councils*, p. 44.
- <sup>234</sup> GAO, *Assessment of Federal Regional Councils*, p. 21.
- <sup>235</sup> For brief discussions of these considerations, with some examples, see Seidman, *Politics, Position, and Power*, pp. 158-9, and the written testimony of George Douglas Greenberg in *New Federalism*, House of Representatives, especially pp. 316-17 and 321-323. Representative John Buchanan has made a candid appraisal of the effect of decentralization upon the Congress. See *New Federalism*, House of Representatives, p. 33.
- <sup>236</sup> Richard P. Nathan, *The Plot That Failed: Nixon and the Administrative Presidency* (New York: John Wiley & Sons, 1975), p. 30. The recent "politicization" of top regional officials, discussed below, may have made this criticism much less relevant.
- <sup>237</sup> GAO, *Assessment of Federal Regional Councils*, pp. 29-31.
- <sup>238</sup> *Ibid.*, pp. 27-29.
- <sup>239</sup> Mogulof, *Federal Regional Councils*, pp. 150-53.
- <sup>240</sup> Derthick, *Between State and Nation*, p. 174.
- <sup>241</sup> House of Representatives, *New Federalism*, pp. 41-2, 63.
- <sup>242</sup> "New Federalism V: The Bureaucracy," *National Journal*, December 16, 1972, p. 1933.
- <sup>243</sup> Neal R. Peirce, "Federalism Report/State, Local Officials Hit 'Unnecessary' Federal Regulations," *National Journal* (January 10, 1976), p. 53.
- <sup>244</sup> The USG has recently adopted a new "lead agency concept," a process whereby USG members and their agencies are more directly involved in the development of FRC guidance and the evaluation of FRC activities in specific areas.
- <sup>245</sup> For example, see Derthick, *Between State and Nation*, p. 174.
- <sup>246</sup> William H. Kolberg, "The New Federalism: Regional Councils and Program Coordination Efforts," *The Administration of the New Federalism*, ed. Leigh E. Grosenick (Washington, D.C.: American Society for Public Administration, 1973), p. 54.
- <sup>247</sup> *Executive Order 11839*, February 15, 1975; *Executive Order 11856*, May 7, 1975, and *Executive Order 11887*, November 4, 1975.
- <sup>248</sup> Gerald R. Ford, "Amending the Civil Service Rules to Except Certain Positions in Regional Offices From the Career Service," *Executive Order 11893* (February 15, 1975), *Weekly Compilation of Presidential Documents* (February 24, 1975), pp. 199-200.
- <sup>249</sup> House of Representatives, *New Federalism*, p. 74.
- <sup>250</sup> *Ibid.*, p. 84.
- <sup>251</sup> *Ibid.*, p. 80.
- <sup>252</sup> *Ibid.*, pp. 88-9.
- <sup>253</sup> An illustrated directory of all Federal regions systems appeared in the *Federal Register*, Vol. 40, No. 190 (September 30, 1975), Part III.
- <sup>254</sup> GAO, *Assessment of Federal Regional Councils*, p. 18.
- <sup>255</sup> Comptroller General, *Improved Cooperation and Coordination Needed Among All Levels of Government - Office of Management and Budget Circular A-95* (Washington, D.C.: General Accounting Office, February 11, 1975), p. 67.
- <sup>256</sup> Mogulof, *Federal Regional Councils*, p. 112.
- <sup>257</sup> *Ibid.*, pp. viii, 122-23.
- <sup>258</sup> President's Advisory Council on Management Improvement, *Managing the New Federalism* (Washington, D.C.: President's Advisory Council on Management Improvement, 1973), pp. 43-4.
- <sup>259</sup> "New Federalism V: The Bureaucracy," *National Journal*, December 16, 1972, p. 1935.
- <sup>260</sup> Testimony in Hearings before a Subcommittee of the Committee on Government Operations, *Reorganization of Executive Departments*, House of Representatives, 92nd Cong., 1st sess.; Part I - *Overview* (June 2, 3, 7, 8, 14, 16; July 7, 8, 22, and 27, 1971), p. 261-263. See also pp. 284-5.
- <sup>261</sup> Testimony in House of Representatives, *New Federalism*, p. 191.
- <sup>262</sup> Mogulof, *Federal Regional Councils*, p. 146.
- <sup>263</sup> *Ibid.*, p. 18.
- <sup>264</sup> House of Representatives, *New Federalism*, p. 192.
- <sup>265</sup> Mogulof, *Federal Regional Councils*, pp. i-iii.
- <sup>266</sup> Comptroller General, *Assessment of Federal Regional Councils*, p. 33.
- <sup>267</sup> *Ibid.*, pp. 33-34.
- <sup>268</sup> Testimony in Hearings before the Subcommittee on Housing and Community Development, Committee on Banking, Currency and Housing, *National Growth and Development*, House of Representatives, 94th Cong., 1st sess. (September 4, 5, and 8, 1975), p. 484.
- <sup>269</sup> The Domestic Council, *Report on National Growth and Development: 1974* (Washington, D.C.: Government Printing Office, 1974), p. 43.
- <sup>270</sup> *Ibid.*, pp. 43-4.
- <sup>271</sup> President's Advisory Council on Management Improvement, *Managing the New Federalism*, pp. 43-4.
- <sup>272</sup> James S. Dwight, Jr., "The Four 'D's' of the New Federalism," *The Administration of the New Federalism*, ed. Leigh E. Grosenick (Washington, D.C.: American Society for Public Administration, 1973), p. 23.
- <sup>273</sup> House of Representatives, *New Federalism*, p. 30.
- <sup>274</sup> Bombardier, *Managerial Function of OMB*, p. 344.
- <sup>275</sup> Sundquist, *Dispersing Population*, p. 279.
- <sup>276</sup> Seidman, *Politics, Position, and Power*, p. 171.
- <sup>277</sup> *Ibid.*
- <sup>278</sup> "Special Message to the Congress on Executive Branch Reorganization, March 25, 1971," *Public Papers of the President, Richard M. Nixon, 1971* (Washington, D.C.: U.S. Government Printing Office, 1972) p. 477.
- <sup>279</sup> J. Clarence Davies III and Barbara S. Davies, *The Politics of Pollution*, 2nd ed. (Indianapolis, Ind.: Pegasus, a division of the Bobbs-Merrill Company, 1975), p. 121.
- <sup>280</sup> See pp. 32, 38.
- <sup>281</sup> See p. 52.
- <sup>282</sup> See p. 73.
- <sup>283</sup> Comptroller General, *How Federal Efforts to Coordinate Programs to Mitigate Juvenile Delinquency Proved Ineffective* (Washington, D.C.: General Accounting Office, April 21, 1975), p. 5.
- <sup>284</sup> *Ibid.*, p. ii.
- <sup>285</sup> *Ibid.*, pp. 24-26.
- <sup>286</sup> National Water Commission, *Water Policies for the Future* (Washington, D.C.: U.S. Government Printing Office, June

- 1973), p. 397.
- <sup>287</sup> Seidman, *Politics, Position, and Power*, pp. 180-181.
- <sup>288</sup> Report of the Committee on Government Operations, *The Role and Effectiveness of Federal Advisory Committees*, House of Representatives, 91st Cong., 2d sess. (1970), pp. 8-9.
- <sup>289</sup> *Ibid.*, p. 13.
- <sup>290</sup> *Ibid.*, p. 17.
- <sup>291</sup> *Ibid.*, p. 22.
- <sup>292</sup> PL 92-463, Sec. 3(2), October 6, 1972.
- <sup>293</sup> The current version of A-63 was issued March 27, 1974. It is based upon *Executive Order 11769*, issued February 25, 1974, which also followed the restrictive definition of advisory committees used in the *Advisory Committee Act*. It superseded two previous executive orders which had included both kinds of committees (*E.O. 11686*, October 7, 1972, and *E.O. 11671*, June 7, 1972). A draft revision of A-63 was issued by OMB on December 26, 1972, but apparently never took effect. It, too, was concerned solely with advisory committees as defined in the act.
- <sup>294</sup> While these two terms are often used interchangeably, they can be distinguished. Some OMB circulars have designated certain agencies as "lead agencies" in such technical areas as the acquisition of water data. The convener arrangement deals with more "political" issues. See Seidman, *Politics, Position, and Power*, p. 182. The term "lead agency" is also used in a rather different way in connection with integrated grant administration/joint funding projects.
- <sup>295</sup> The first of these was based specifically on Section 3(b) of the 1965 *Department of Housing and Urban Development Act*.
- <sup>296</sup> Similar coordinative functions were later assigned by President Nixon in 1969 to the Council for Urban Affairs (*E.O. 11452*) and Council for Rural Affairs (*E.O. 11493*), both of which were chaired by the President himself. These orders did not revoke the preceding convener orders, however. Both councils were ultimately superseded by the Domestic Council.
- <sup>297</sup> Robert C. Wood, "When Government Works." *The Public Interest* 18 (Winter 1970), pp. 40-41, 49-50.
- <sup>298</sup> Charles M. Harr, *Between the Idea and the Reality: A Study of the Origin, Fate, and Legacy of the Model Cities Program* (Boston: Little, Brown, and Company, 1975), p. 232.
- <sup>299</sup> Hearings before a Subcommittee of the Committee of Government Operations, *Reorganization of Federal Departments*, House of Representatives, 92nd Cong., 1st sess.; *Part I—Overview* (June 2,3,7,8,14,16 and July 7,8,22,27, 1971), p. 396.
- <sup>300</sup> *Rural Development Act of 1972*, PL 92-419, Sec. 603(b).
- <sup>301</sup> Comptroller General, *National Rural Development Efforts and the Impact of Federal Programs on a 12-County Rural Area in South Dakota* (Washington, D.C.: General Accounting Office, January 8, 1975), p. 7.
- <sup>302</sup> *Ibid.*, p. 9.
- <sup>303</sup> Morton J. Schussheim, et al., *Rural Development Goals: Critique of the Second Annual Report of the Secretary of Agriculture to the Congress* (Washington, D.C.: The Library of Congress, Congressional Research Service, August 22, 1975), p. 1.
- <sup>304</sup> *Ibid.*, p. 5.
- <sup>305</sup> Harold F. Wise, *Conflicts in Federal Subnational Development Programs: An Analysis with Recommendations*, report prepared for the National Public Advisory Committee on Regional Economic Development, Economic Development Administration, Department of Commerce, March, 1976, pp. 63-4.
- <sup>306</sup> See p. 53.
- <sup>307</sup> Wise, *Conflicts in Federal Subnational Development Programs*, pp. 65-6.
- <sup>308</sup> *Ibid.*
- <sup>309</sup> Seidman, *Politics, Position, and Power*, p. 182.
- <sup>310</sup> ACIR, *Fiscal Balance*, p. 189.
- <sup>311</sup> See Department of Health, Education, and Welfare, Office of the Secretary, *Federal Assistance Review: A Special Report from the Department of Health, Education and Welfare* (Washington, D.C.: U.S. Government Printing Office, 1972).
- <sup>312</sup> 38 Fed. Reg. 26274 (September 19, 1973).
- <sup>313</sup> The Region X (Seattle) Federal Regional Council was preparing a report on these difficulties in early 1976.
- <sup>314</sup> This description is based upon ACIR staff interviews.
- <sup>315</sup> Executive Office of the President, *Strengthening Public Management in the Intergovernmental System*, p. 36.
- <sup>316</sup> *Ibid.*, p. 37.
- <sup>317</sup> S. Res. 427, 93rd. Cong., 2nd sess. (October 10, 1974), *Congressional Record*, S18752.

# Federal Procedures for Strengthening State and Local Coordination and Discretion

State and local governments have had mixed success in recent years in strengthening their capacity for policy formation and program administration. Some of the obstacles they have encountered are related to the grant-in-aid system. That system has funded an increasing share of state and local expenditures,<sup>1</sup> and this share – particularly the categorical part of it – has had a powerful influence on the way state and local governments organize and make and carry out policy.

This impact was the subject of organized concern as early as the Kestnbaum Commission on Intergovernmental Relations in 1955. A consultant to the commission reported that, prior to creation of the commission in 1953, very little thought had been given in 25 states studied to the overall impact of Federal aid on the political structure and functioning of state and local government.<sup>2</sup> The attention given by the commission itself, in the consultant's report, seemed more concerned with gauging the kind and extent of adverse effects on the recipient jurisdictions than with the possible positive effects. Thus, a primary conclusion of the survey report was that "the overall impact of Federal grants had had relatively little adverse effect in a majority of the states studied. In other words, the political complaints on this score have been exaggerated."<sup>3</sup> Since that time, state and local governments have continued to be concerned with minimizing the negative impact of Federal grants. Witness the continuing outcry over red tape, the pressure

## OMB CIRCULAR A-95, EVALUATION, REVIEW, AND COORDINATION OF FEDERAL AND FEDERALLY ASSISTED PROGRAMS AND PROJECTS

for standardization and simplification of administrative procedures, and the general thrust for more flexibility and discretion for state and local governmental recipients. At the same time, the growing stake of the Federal government in the grant system, inherent in the expansion of Federal grant outlays from \$3.2 billion in 1955 to \$59.8 billion in 1976, has intensified the Federal government's interest in assuring that grant dollars are spent with maximum efficiency and effectiveness. And, since state and local governments are at the point of service delivery in the expenditure of these funds, this means that the Federal government is acutely concerned over the capacity of those governments to spend and administer effectively. It now is concerned not only with avoiding fraud and incompetence in the use of Federal grant funds, but also in improving the management capacity of state and local grant recipients.

Yet concern for strengthened state and local government is not, of course, narrowly confined to assuring "more bang for the Federal buck." It has a broader political and philosophical base as well: fostering a strong Federal system which can preserve and promote the traditional American values of pluralism, regional differences, experimentation, active citizen participation and involvement in the political process, and protection against concentration of power. All these objectives can be seen or implied in the theoretical bases of the Creative Federalism of the later years of the Johnson Administration and the New Federalism of the Nixon Administration.

This chapter looks at one slice of the Federal effort to strengthen state and local grants management. It is directed at appraising several new processes designed to help states and localities achieve better coordination of Federal programs at the point of service delivery and expand their discretion in use of program funds. The focus is on the coordinative processes made available to the grant recipients, not on the more direct Federal capacity building efforts, such as grants for planning and management (e.g., the "701" program) or for training of personnel (e.g., the programs under the *Intergovernmental Personnel Act*). The broad spectrum of capacity building efforts, existing and proposed, is covered in a recent report by an interagency group set up by the Office of Management and Budget.<sup>4</sup>

The specific coordinative measures examined here are *OMB Circular A-95*, Annual Arrangements and CERC, Integrated Grant Administration, the *Joint Funding Simplification Act*, and the proposed *Allied Services Act*. These represent another facet of the overall Federal efforts at "middle range" reform of the intergovernmental grant system.

*OMB Circular A-95* establishes procedures for coordinating Federal and Federally assisted programs and projects with each other and with state, regional, and local plans and programs. The need for such coordination stemmed from several conditions. At the Federal level, there were numerous programs of assistance to state and local government that developed piecemeal, reflecting no consistent policy or administrative procedures. Often these programs were duplicative and sometimes even conflicting. At the state level, governors were frustrated and "bypassed," since many Federal programs were operating outside their executive control. Local government suffered from the inability to deal with areawide problems in an organized, coherent way. Many Federally assisted programs had to transcend local boundaries in order to acquire the areal scope necessary to deal with the underlying problems. Often, beginning in the early 1960s, metropolitan areas experienced an increase of single and multipurpose areawide special districts fostered by Federal programs. This added to the fragmentation of local government.

The general thrust of the A-95 response to these problems was, and is, to promote communication and coordination between generalists and specialists at all these governmental levels and to encourage an expanded decision-making process. "It substitutes the politics of negotiation for the politics of bypassing,"<sup>5</sup> which had been characterized by "vertical functional autocracies" and debilitated general purpose governments. The end result sought is promotion of the sound and orderly development of urban and rural areas for the optimum social and economic development of the nation.

A-95 emanated from the Federal Assistance Review (FAR) effort. It was developed to carry out Title IV of the *Intergovernmental Cooperation Act of 1968* and Section 204 of the *Demonstration Cities and Metropolitan Development Act of 1966*. Section 401 of the former act establishes five management goals which are now incorporated in the A-95 process:

- 401(a) requires the President to establish rules and regulations to govern the formulation, assessment, and review of direct Federal and assistance programs having an areawide impact. The Congressional mandate was that such rules and regulations

shall provide for consideration of seven objectives (land use, natural resources conservation, balanced transportation systems, adequate recreation and open space, historic and natural beauty site protection, properly planned community facilities, and high design standards).

- 401(b) requires that, to the extent possible, all views – national, regional, state, and local – shall be considered in planning Federally assisted projects.
- 401(c) requires that Federal aid programs for urban development purposes shall be consistent with state and regional comprehensive planning goals.
- 401(d) establishes a Congressional policy of coordination and consultation between and among Federal agencies administering development assistance programs.
- 401(e) deals with the functional planning requirements under separate Federal assistance programs and seeks to coordinate and integrate them into local and regional comprehensive planning efforts.

The circular has four parts:

- Part I, “The Project Notification and Review System,” deals with state and local review of applications for Federal assistance.
- Part II, “Direct Federal Development,” provides for consultation by Federal agencies with state and local government on direct Federal development.
- Part III, “State Plans and Multisource Programs,” requires gubernatorial review of Federally required state plans and clearinghouse review of plans for activities being funded from several program sources.
- Part IV, “Coordination of Planning in Multijurisdictional Areas,” promotes coordination of Federally assisted planning at the substate regional level.

While directed at improved coordination and communication, the circular itself cannot assure achievement of those objectives. It provides an opportunity for state and local governments to do so within their jurisdictions. As stated in an OMB publication:<sup>6</sup>

All of the *requirements* of A-95 go to Federal agencies and applicants for Federal assistance. . . . A-95 is designed to provide an *opportunity* for governors, mayors, and county officials and other state and local officials, through clearinghouses, to *influence* Federal and Federally assisted programs and projects that may affect their own plans and programs.

### Part I: The Project Notification and Review System (PNRS)

The *Demonstration Cities Act of 1966*, section 204, had provided the foundation for the areawide review mechanism that is the focus of Part I. Implemented initially through *BOB Circular A-82*, the 1966 provision required that after June 30, 1967, all applications for Federal grants to aid the planning or building of public projects under 36 specified programs had to be referred to a policy board consisting of locally elected officials. The areawide agency reviewed and commented on a project based on its relevance to local comprehensive planning. The agency’s recommendations then accompanied the grant application to the Federal grantor agency for consideration in funding decisions. Title IV of the *1968 Intergovernmental Cooperation Act* strengthened and expanded this review process.

The Project Notification and Review System (PNRS), Part I of A-95, is the basic procedure for review of applications for Federal assistance under covered programs. It is designed to function at the outset as an “early warning system.” The early warning occurs when an aspiring applicant decides he will seek Federal assistance. At that point he submits a Notification of Intent (NOI) to apply for Federal assistance – a brief summary description of the proposed project – to the state and areawide clearinghouses. The clearinghouses are generally comprehensive planning agencies and, at the areawide level, are usually composed predominantly of elected officials of general purpose units of government. During an initial 30-day period, the clearinghouse circulates the NOI to organizations at the state and local

level which have a possible interest in the project and receives comments. If there are no controversial comments, the A-95 process is considered completed, and the applicant can submit a formal application.

If issues are developed during the first 30-day period, the review enters a second phase. The clearinghouses initiate fact-finding activities, conferences, and efforts to resolve issues. If agreement is reached, the review may be completed and comments may be submitted to the applicant. If problems cannot be resolved, the applicant can complete the formal application and initiate the second 30-day review period. At this point, the clearinghouse and other concerned parties comment on the formal application. These comments are then forwarded with the application to the Federal or state agency which administers the program involved.

If the review and comment process is initiated late in the application cycle, it becomes less effective. The early warning system also serves to alert applicants to problems before they invest considerable time and money preparing a formal application.<sup>7</sup>

## Clearinghouses

Most of the clearinghouses are councils of government (COGs). Many are the areawide comprehensive planning agency as well as the clearinghouse. Three types of clearinghouses are prevalent:

- **State** — an agency of the state government designated by the governor or state law to carry out Part I.
- **Areawide**
  - (1) In non-metropolitan areas, a comprehensive planning agency designated by the governor or state law. Most are COGs or regional planning commissions (RPCs), while some are economic development districts (EDDs).
  - (2) In metropolitan areas, an areawide agency recognized by OMB as an appropriate agency to perform the review functions under the circular. Usually it is a COG or RPC.

*OMB Circular A-95* does not actually define what clearinghouses are, but the functions identified in the circular suggest that they should be multijurisdictional, have a comprehensive planning capability, and employ planning and administrative staff. These functions include:

- receiving project notifications from grant applicants;
- identifying appropriate state or local agencies with possible interest and plans or programs which could be affected by the proposed project;
- disseminating project notifications to relevant agencies for review;
- acting as liaison between reviewers and applicants;
- conducting their own evaluation of the project based on statutory criteria and in relation to state, areawide or local plans and programs;
- sending comments to the applicant and, when necessary, to the Federal funding agency; and
- observing the time constraints on the review process so as to avoid undue delays in submitting applications.

## ACIR's 1972 Report

The 1972 report on substate regionalism by the Advisory Commission on Intergovernmental Relations included an evaluation of PNRS based on a survey by the ACIR and the National Association of Regional Councils (NARC) on the jurisdiction, structure, functions, and finances of regional councils, and a 1971 survey of clearinghouses by OMB.<sup>8</sup> Sixty-four percent of the respondents to the OMB questionnaire reported that most applicants sent in their NOIs early enough, and 71 percent said the information was adequate. Sixty-four percent indicated that about 90 percent of the reviews were completed within the first 30-day period. Nearly half said that conferences were needed in fewer than 10 percent of the cases. Seventy-six percent of the clearinghouses said that comments received from reviewers were added to their own and passed on to the applicant. Eighty-four percent claimed that critical or negative comments were submitted with the applications in less than 10 percent of the cases.

The OMB survey findings were confirmed by the ACIR-NARC survey. Well over 80 percent of the clearinghouses believed that the formal PNRS process benefited individual projects and general intergovernmental understanding and coordination in their region. However, only 45 percent of the respondents indicated that the formal A-95 process had caused substantive changes in, or withdrawal or consolidations of, applications. The report speculated that this clearinghouse

reluctance to make critical or negative reviews causing major application modifications could stem from a number of variables: the absence of areawide plans, policies, or other criteria for evaluating proposals; the tendency to rubber stamp projects due to limited agency staff, funds, and time; and the tendency for projects to be modified before they entered the formal review process. The last point was supported by the survey finding that 58 percent of the respondents felt that substantive changes had been made in project applications, and 40 percent stated that applications had been withdrawn.

The ACIR report concluded:

... the clearinghouses rate the performance record of PNRS as mixed, and their assessment of Federal agency A-95 activities is somewhat ambivalent. The survey results reveal that some clearinghouses are devoting their professional staff time and state and local funds to establishing an areawide planning and development intelligence system and to making the regional review process work. These bodies have been able to bring about substantive changes or withdrawals of state, regional, or local applications that propose duplicative or poorly conceived projects and indirectly save taxpayers' dollars. And some have provided technical assistance to local governments and educated county and city officials about regionalism and the utilization of Federal resources. At the same time, however, other A-95 agencies have been unwilling or unable to make the necessary staff, time, and financial commitments to the review process, and have done little more than rubber stamp applications.<sup>9</sup>

### Other Evaluations: 1971-1974

Other individuals and organizations have appraised the functioning of the PNRS, concurrent with and following the ACIR study, sometimes broadening their focus to include the role of the state, Federal grantor agencies, and OMB, as well as the performance of the state and areawide clearinghouses. Noteworthy among these are assessments by the Council of State Governments, the National Association of Regional Councils, the Urban Data Service of the International City Management Association, a group of consultants to HUD, and a specialist on civil rights matters.

CSG. The Council of State Governments (CSG) examined the PNRS in 1971 as part of an overall look at state implementation of the *Intergovernmental Cooperation Act of 1968*.<sup>10</sup> It found that, in general, the PNRS and clearinghouses had been well received and were operating effectively in promoting project-by-project planning and coordination. The early warning feature was the single most effective element in the system. The report cited numerous specific examples of PNRS benefits, compiled by OMB.

On the other hand, CSG concluded that the PNRS had not reached the point of being used as a major vehicle for implementing statewide and areawide policies and priorities. This was due to the fact that most clearinghouses had not developed sophisticated policy and coordination processes and, at the state level, had not received the necessary recognition and support of the governors.

Among the problems CSG found with PNRS implementation was inadequate applicant understanding of the process, failure of Federal agencies to inform their personnel of A-95 requirements (although this was a diminishing criticism), their failure to provide feedback to clearinghouses on the disposition of project applications, timing of notification of intent to apply, and the cost of conducting reviews and the lack of additional funding to pay for it. CSG recommended steps to deal with these problems, addressed to Federal agencies, OMB, and state governments.

A 1975 CSG study, focused on state planning, found that the most common complaint from state officials was directed at the inadequacy of the review process due to limited program coverage by A-95.<sup>11</sup> The study went on to note, however, that apparently most states do not realize that they have authority under the circular to exercise jurisdiction over all Federal programs, including those not listed in the circular, "unless the head of the Federal program agency determines that such requirement would be inconsistent with the Federal law on which the program is based and the objectives of the circular."<sup>12</sup> The study found that several states have moved to broaden the review process in this way, by executive order or legislation.<sup>13</sup>

NARC. In 1971 the National Service to Regional Councils (now the National Association of Regional Councils - NARC), made a generally favorable report on experience under PNRS.<sup>14</sup> At that time, about 340 clearinghouses had been established, all but a few of which were regional councils (in February 1976 there were 535 areawide clearinghouses). NARC said that while it was difficult to ascertain the actual payoffs of

the PNRS, important benefits were the establishment of a coordinative process and the direct monetary savings that stemmed from preventing poorly conceived, inconsistent, or duplicative projects. NARC gave examples of how the process improved projects, reduced costs, and prevented duplication.

**ICMA.** Also in 1971, the International City Management Association (ICMA) conducted a mail survey of city and county officials to give them an opportunity to describe their experience with the A-95 PNRS.<sup>15</sup> Sixty-six percent of the cities over 25,000 population responded, and 39 percent of the counties in the same population group.

Major findings included:

- Ninety percent of the cities and 93 percent of the counties had grant proposals reviewed by local clearinghouses. By July 1971, the average city had 10.1 proposals reviewed and the average county 18.8.
- Twenty-nine percent of the cities and 47 percent of the counties adjusted their grant applications as a result of the PNRS.
- Some of the principal accomplishments that the respondents saw stemming from the PNRS were, in order: (1) promoting orderly development; (2) getting meaningful feedback from local governments; (3) identifying weaknesses in project proposals; and, (4) identifying new project opportunities. The responding counties reflected a greater feeling of accomplishment in these areas than did the cities, because, according to ICMA, their size caused them to be more affected by the A-95 process.
- On a scale of one ("not helpful") to five ("very helpful"), counties rated the overall helpfulness of PNRS at 2.8 compared to 2.2 by cities. Larger jurisdictions gave lower overall evaluations than smaller ones.
- On the issue of the amount of time required for the grant application process due to A-95, cities and counties both gave an overall rating of 3.0 where five was

"no increase in time" and one was "much more time required."

- Both cities and counties agreed that PNRS made administrative procedures somewhat more complex.
- On a scale of one ("inadequate") to five ("very adequate"), counties rated adequacy of information available on A-95 procedures at 3.3 overall, compared to 3.0 for cities. The larger the unit, the better was the information.
- With regard to the overall usefulness of the PNRS, on a five-point scale, with one indicating that A-95 is of "no use" and five that it is "very useful," cities gave it an overall rating of 2.7, indicating that they were slightly critical of its usefulness. Counties registered an overall favorable ranking of 3.5. Looking at the distribution of the cities' responses, the author says it "suggests that there is only moderate satisfaction with A-95 on the part of the cities and that they feel that the process should be improved."
- Few respondents (7 percent for both cities and counties) identified Federal agencies which ignored local comments through PNRS. The author notes, however, that "many written comments indicate a feeling that the Federal agencies are not supporting the A-95 process."
- The most frequent improvements suggested by the respondents were the need for state governments' submission of their projects and programs for review, greater feedback and support from Federal agencies, extension of coverage to more grant programs, more effective state clearinghouses, and more guidance from OMB.

**HUD-Contracted Study.** In one of a series of studies on local government experience in coordinating programs affecting community development, HUD contracted with consultant firms to examine local government participation in the A-95 PNRS. The resulting 1973 report made a number of observations and

recommendations on the role of the several participants in the process.<sup>16</sup>

At the Federal level, it found limited commitment of staff and funds to PNRs. Most OMB effort was devoted to developing procedures and conducting orientation, so that there was no systematic monitoring and enforcement of Federal agency participation. Federal agencies responded to the letter of the PNRs requirements at their own pace and with no major efforts to emphasize use of PNRs comments in funding procedures. Despite this limited Federal commitment, PNRs had support from states, areawide councils, and public interest groups. This encouraged OMB to expand the program coverage substantially.

The report found that state governments had acted with alacrity to form state and areawide clearinghouses. Neither type of clearinghouse encouraged active local government participation in the PNRs process. This was one reason local government involvement was very limited. Others were local officials' narrow views of the responsibilities of their governments; local governments' fragmented and uncoordinated objectives; their shortage of staff; failure to exploit already existent opportunities for review and policy influence; and local officials' unawareness of the independent local role available in the PNRs process.

The report's recommendations for Federal action focused on improving local government participation in the PNRs process but were, in most cases, similar to other proposals to strengthen the process generally. It called for greater effort to provide information to potential participants, positive responses by Federal agencies to comments on grant applications, and increased funding for PNRs activities conducted by states, areawide councils, and local governments. Unlike other critics, however, the consultants thought OMB's enforcement through response to complaints "seems to be on the right track," though they felt that OMB should make its appeal function more formal and more generally recognized.

**HUD's 1974 Report on Coordinating Mechanisms.** In January 1974, HUD published an interim report on a comparative evaluation of the CERC procedures and other local coordinating mechanisms prepared by an interagency task force of representatives from OMB, HEW, DOT, EPA, Labor, and HUD for the Under Secretaries' Working Group.<sup>17</sup> The evaluation was conducted in Houston, Texas, and Seattle, Washington, and in addition to the A-95 Project Notification and Review System, dealt with the Chief Executive Review and Comment (CERC), the Integrated Grant Administration

Program (IGA), CDA Sign-Off (Certification of HEW Model Cities Relatedness), and the OEO Checkpoint Procedure for Coordination.<sup>18</sup> The preliminary findings were based on an analysis of the effectiveness of each of the five mechanisms in meeting the goals established for it by sponsoring agencies, the cities, and other grantees/participants.

In the two cities, the task force examined the several coordinating devices from the standpoint of their impact on planning and city priority setting, the impact on coordination, the impact on responsiveness of levels of government to the local chief executive and city departments, the role of Federal Regional Councils and Federal agencies, the procedures and organization for processing applications for review, the review of applications, and the funding and costs of the processes.

The report found that A-95 was significantly less effective as a coordinating mechanism than either CERC or IGA in both cities. In Houston, A-95 scored 34.5 on the rating scale (maximum score: 100) compared to a CERC score of 65.4. In Seattle, the difference was even larger. The major elements of A-95 that made it less effective than CERC, the report concluded, were: (1) lack of local staff capacity to provide city comments on applications submitted to the areawide clearinghouse for review, (2) lack of substantial Federal commitment (*i.e.*, Federal Regional Council support, Federal agency accountability to local comments, and direct contact between the local chief executive and Federal agencies), and (3) limited program coverage.

In a letter transmitting the evaluation report to the chairman of the Under Secretaries' Working Group (USG),<sup>19</sup> HUD's Office of Evaluation noted that the November 13, 1973, revision of the circular did not alter the report's findings on the relative effectiveness of A-95. The two most significant changes made by the revision, the letter said, were the new requirement that the Federal funding agency must provide the clearinghouse with an explanation in writing when it approves an application against the recommendation of the clearinghouse, and the expansion of coverage by 57 programs.

The evaluation identified a potential problem in the overlap among the six coordination mechanisms. This overlap was intensified by additional types of coordinating mechanisms being developed in other cities and states. The latter include the Metropolitan Area Review and Comment (MARC) procedure in the Dallas/Fort Worth area. HUD proposed that the Under Secretaries' Working Group consider the elimination or consolidation of some of the coordinating devices. It found the principal overlap was between CERC and A-95 and

suggested three alternative ways of partially or completely merging the two: (1) strengthening A-95 by merging CERC completely with it, similar to the MARC procedure, (2) operation of A-95 and CERC as parallel systems, similar to the approach used in Seattle, and (3) using A-95 for pre-notification and CERC for application review.

The Under Secretaries' Working Group chose the first option and asked HUD to develop a policy paper reflecting that decision. The paper was developed but never transmitted to the USG.<sup>20</sup> It stated that a merger of the best features of the two mechanisms should have due regard for both local priorities and metropolitan considerations. It identified the necessary features of such a merged mechanism, including the following new ones for A-95: (a) OMB should develop suggested criteria for assessing the areawide implication of funding requests; (b) each member jurisdiction should be encouraged to appoint an A-95 liaison person to receive applications for review and comment from the clearinghouse; (c) when an application is funded in spite of negative comments by a member jurisdiction affected by the project, Federal agencies should explain funding actions to the member jurisdiction (*i.e.*, not merely to the clearinghouse); and (d) local elected officials should select additional Federally aided programs to be reviewed by their respective A-95 body, which member jurisdictions, especially the larger, consider will have a significant impact on them.<sup>21</sup>

#### **The Joint Center for Political Studies – Civil Rights.**

One of the stated purposes of A-95 is to further the objectives of Title VI of the *Civil Rights Act of 1964*, which provides that

No person in the United States shall, on the ground of race, color or national origin, be excluded from participation in, be denied the benefits of, or be subjected to discrimination under any program or activity receiving Federal financial assistance.

The purpose of Part I, PNRs, includes providing "public agencies charged with enforcing or furthering the objectives of state and local civil rights laws with opportunity to participate in the review process. . . ." One of the prescribed functions of clearinghouses then is to provide civil rights agencies "with opportunity to review and comment on the civil rights aspects of the project for which assistance is sought." In addition, A-95

includes among the subjects for review and comment by clearinghouses, "(T)he extent to which the project contributes to more balanced patterns of settlement and delivery of services to all sectors of the area population, including minority groups."

In 1974, Milton D. Morris, a public policy fellow of the Joint Center for Political Studies, undertook a brief examination of the PNRs with special emphasis on its contribution to protecting the interests of blacks and other minority groups with respect to Federally funded projects.<sup>22</sup> Morris found that the process helped minority groups indirectly through its general contribution to greater efficiency in the use of Federal funds, although its full potential in this regard had not been realized. Yet minority groups had not, for the most part, taken full advantage of their opportunities to work through civil rights agencies to provide an input into the review process.

Morris saw the PNRs as a tool for engaging in new and more subtle forms of discrimination in Federally funded programs, such as exclusionary zoning and no-growth policies in the housing area. Also, citing experience in San Francisco, he identified several problems that impeded effective use of A-95 for civil rights ends: inadequate funding for staff and support facilities; provision for civil rights agencies to have the opportunity to review and comment, rather than a requirement that clearinghouses initiate civil rights reviews; and the lukewarm attitude of some Federal agencies toward A-95.<sup>23</sup> Morris believed that these problems arose from the fact that "the procedure was not really designed to accommodate civil rights, and the issue is not one in which OMB has demonstrated interest." The root cause was that the *Civil Rights Act* requires a finding of discrimination after a project has actually operated in a discriminatory manner, while A-95 functions at a much earlier stage.

To exploit the A-95 potential for promoting civil rights objectives, Morris urged civil rights groups to become more alert to the PNRs. In addition, he recommended that the circular be amended to require rather than permit reviews by civil rights agencies,<sup>24</sup> more clearly specify the scope of review, and require Federal funding agencies to consider only those applications that had received an A-95 review.<sup>25</sup> He also proposed basic funding to environmental and civil rights agencies to ensure effective review and comment. These moves, he recognized, would require a greater commitment of manpower and systematic and forceful administration by OMB. But he also called for a stricter state commitment in funding, education of clearinghouse officials and community organizations about civil

rights reviews procedures, and subjection of all state-funded projects to A-95 review.

## House Hearings

In its hearings on “New Federalism” in early 1974, the Intergovernmental Relations Subcommittee of the House Committee on Government Operations asked OMB to explain in detail the problems involved in securing compliance with A-95.<sup>26</sup> From the context of the question, it was apparent that the subcommittee’s interest was in Part I.

In its written reply, OMB stated that implementation problems centered on three factors: the natural lag in communicating governmentwide policies and procedures throughout the bureaucracy in Washington and the field; “(T)he radical aspect of A-95 in shifting evaluation of Federal and Federally assisted projects from purely Federal to a joint Federal-state local evaluation; and from an orientation to *internal* project quality to include consideration of its *external* impacts on other activities, both within the applicant jurisdiction and on plans and programs of other jurisdictions”; and the time needed for states and localities to develop institutional capability to make effective inputs into project evaluation.

On the second problem, OMB saw a slow but steady diminution in its importance. Acknowledging that oversight was essentially *via* complaints, OMB said that the number of complaints had decreased steadily, although they went up from time to time in response to the addition of new programs under the PNRS.

On the matter of state and local capability, OMB said that the then 470 areawide clearinghouses varied widely in competence. Inadequate staffing and the absence of a direct Federal funding source were problems. In contrast to these difficulties, OMB cited NARC’s estimated savings of \$500 million annually from the review process.

OMB noted the small oversight staff in OMB, resulting in unsystematic and sporadic outreach to the field, and indicated that limited oversight and compliance should be vested in the Federal Regional Councils, claiming that some FRCs had already tried to strengthen implementation on their own initiative. OMB said that greater use of the FRCs in the A-95 process was then under study.

## GAO Study

In early 1975, the General Accounting Office issued a report on its study of whether coordination among

Federal, state, and local governments had improved as a result of implementation of Parts I and II of A-95.<sup>27</sup> In regard to Part I, the Project Notification and Review System (PNRS), it found that some projects with significant impact on local planning and development were not subject to PNRS, because their funding programs were not covered by the circular, and there were frequent changes in the number and nature of Federal programs covered. As a result, participants in the PNRS were uncertain as to what programs were covered, clearinghouses were hampered in determining whether proposed projects had potential impact, and state and areawide planning activities were handicapped by incomplete data.

GAO found that the several parties in the PNRS process were not fully complying with the circular, mostly because of confusion and misunderstanding as to the requirements and procedures. Applicants were not entering proposals consistently, not giving clearinghouses enough time to review project proposals, contacting either the areawide or state clearinghouse but not both, and not transmitting review comments with the applications to funding agencies. Clearinghouses were uncertain about the time allowed to review applications, and generally not working with applicants and commentators to resolve conflicts. For their part, Federal agencies often reviewed and approved applications without evidence that applicants had complied with the PNRS requirements, did not adequately instruct applicants in those requirements, and failed to inform clearinghouses of the disposition of applications subject to PNRS. A result of these Federal agency failures was that state and local governments did not consistently have a chance to review proposed projects.

OMB administered the circular with very limited staff, GAO found, with the result that there were wide variations among Federal agencies’ implementing regulations, and the office relied on complaints rather than a positive approach for monitoring compliance. Policy interpretations were issued to individual parties rather than to the entire audience affected.<sup>28</sup> Overall, these practices contributed to inconsistent implementation of the circular. GAO supported use of the Federal Regional Councils to help in coordinating circular activities, but expressed concern over limited council staffing and Federal agencies’ commitment to the councils.

GAO recommended that OMB revise Part I of A-95 to make the PNRS apply to all Federal financial assistance programs that impact on area or community development. It also urged clarification and strengthening of some of the provisions of Part I, such as:

- explaining more fully the timing of steps in the notification and review process;
- encouraging clearinghouses to establish a focal point for receiving and clearing proposals; and
- directing Federal agencies to refuse acceptance of an application subject to A-95 unless clearinghouse comments or clearances are attached or the time for review has elapsed.

GAO also recommended that OMB tighten up PNRS administration by such steps as directing funding agencies to notify clearinghouses of the disposition of applications and aggressively monitoring compliance by initiating direct contact with Federal agencies, clearinghouses, and applicants. Further, GAO urged OMB and the Under Secretaries' Working Group to provide definitive direction and support to Federal Regional Councils for their role in administering the circular, and to give the councils the resources to pursue aggressive monitoring.

OMB agreed that the GAO report accurately identified the major shortcomings in implementation of A-95. While it found general support for the recommendations among all the participants in the process among whom it had circulated the report, it reported that there were substantial reservations centering on the question of resources to carry out the recommendations. The latter consideration led it to believe that the recommendations would have to be approached selectively. Among the changes OMB thought could be undertaken without new resources were:

- revision of the circular to provide many of the recommended clarifications;
- a study of selective expansion of PNRS coverage to assure inclusion of programs having major impact on state, areawide, and local plans and programs;
- a study of ways to make more effective use of Federal staff for monitoring; and
- exploration of the feasibility of having Federal agencies include evaluations of A-95 compliance in their internal audits.

Regarding the GAO's view of OMB's role in implementing A-95, OMB had this to say:

OMB, acting under delegation from the President, is assigned the responsibility of prescribing "such rules and regulations as are

deemed appropriate for the effective administration" of those laws by the various agencies. But it is clear that actual administration of those laws is the responsibility of the departments and agencies.

OMB's role, then, is to develop those rules and regulations, to provide overview of their implementation in order to make appropriate adjustments in them, and to encourage and assist their effective implementation by the departments and agencies. But OMB, by itself, cannot assure their implementation. This requires action by agency leadership with the support and encouragement not only by OMB and the Executive Office, but of the Congress and its agencies.<sup>29</sup>

In response, GAO stated that it "believes that only the Office of Management and Budget can insure that regulations and procedures of individual Federal agencies are consistent with the circular."<sup>30</sup>

Consistent with its position on resources, OMB has not expanded its staff or increased oversight activity. It looks increasingly to the FRCs for help in implementing the circular.<sup>31</sup> Each FRC has a designated coordinator for A-95, and each agency regional office designates an A-95 liaison officer, thus replicating the OMB agency pattern at headquarters. OMB views the FRCs as giving the PNRS much more visibility and helping to get Federal agencies more involved. To varying degrees, FRCs' activities include assisting clearinghouses in assuring responsiveness of Federal agencies, helping member jurisdictions of the clearinghouse in negotiating with funding agencies to determine proposals to be reviewed by member jurisdictions, and serving as a medium for resolving conflicting negative comments.

## Revision of Circular

On October 10, 1975, OMB published in the *Federal Register*<sup>32</sup> a proposed revision of A-95, which it indicated was in part generated by the GAO evaluation. It noted that the GAO recommendations took three main lines: expansion of Part I's program coverage; intensification of implementation efforts; and clarification of certain elements of the circular and of agency implementation procedures. OMB pointed out that the revision was very selective with respect to expansion of program coverage, "adding only programs having area or community impact or where there is probability of

overlap and duplication and, where appropriate, programs nominated for coverage by Federal agencies. The main changes in the revision are aimed at clarification of A-95 procedures and agency regulations." Some 38 programs were added, largely in the human resources area, bringing coverage to approximately 200 programs.

With regard to agency regulations, OMB noted for the particular benefit of Federal agencies that a new provision of the circular requires agencies to publish draft implementing regulations in the *Federal Register*. In an earlier memorandum to agencies' A-95 liaison officers,<sup>3</sup> OMB stated that agencies were being required to publish A-95 implementing regulations because of the inconsistencies among such regulations as had been promulgated, and the absence of regulations in some instances. OMB saw this new requirement as assuring a higher level of consistency and a wider knowledge and understanding of the circular among program personnel, applicants, clearinghouses, and the public-at-large. An-

other new provision requires agencies to send to OMB copies of any internal procedures that are not published in the *Federal Register*.

Other changes of note applicable to Part I in the proposed revision are:

- incorporation by reference of the explanatory guidelines; "A-95: What it is – How it Works" and "A-95 Administrative Notes;"
- note of the role of FRCs in A-95 implementation;
- provision for review participation by local chief executives;
- clarification of the review process;
- provision for re-review of projects;
- provision for consultation among Federal agencies on interproject conflicts disclosed by review; and

Figure V-1

City and County Responses on OMB Circular A-95

City Officials

	Number Responding	Yes	No
Are you aware of the circular?	403	63.5%	36.5%
Has change occurred in this referral procedure?	307	66.4	33.6
Is so, has the change improved grant administration?	198	65.2	34.8

County Officials

	Number Responding	Yes	No
Are you aware of the circular?	91	79.1	20.9
Has change occurred in this referral procedure?	75	82.7	17.3
If so, has the change improved grant administration?	60	73.3	26.7

- clarification of types of programs appropriate and inappropriate for coverage under Part I and criteria for exempting types of projects or for varying procedures under covered programs.

The final revision was published in the *Federal Register* on January 13, 1976, to become effective February 27, 1976. The final version differed in only minor respects from the proposed.

### ACIR-ICMA Survey of City and County Executives

The ACIR-ICMA questionnaire survey in the fall of 1975 queried city and county officials on one aspect of the Project Notification and Review System – the referral to general purpose local governments of grant applications from special districts. It was thought that this was one area of control through A-95 that was meaningful to general purpose local governments. The results are noted in *Figure V-1*.<sup>34</sup>

About two-thirds of the responding city officials were aware of this referral procedure, two-thirds thought that change occurred in that area, and two-thirds thought the change had improved grant administration. As with other circulars on which these officials were queried, awareness of these provisions of A-95 was sub-par among the smaller cities: 48.0 percent among officials of cities in the 25,000-49,999 population group, and 56.3 percent among those of the 10,000-24,999 group.

Though a relatively small number of county officials responded to this question, among those who did there was a high degree of awareness of this referral procedure under A-95; a large proportion believed that change had occurred and that such change improved grant administration. The county officials responded generally more favorably than did the city officials, but, in both cases, the overall reaction was quite positive. A matter for concern was the level of visibility of this A-95 provision among city officials of the smallest jurisdictions surveyed.

### Views of Federal Program Officials

The ACIR questionnaire survey of Federal grant administrators, in the summer of 1975, sought their judgments on how PNRS had affected their program: whether it (A) produced substantial improvement, (B) produced moderate improvement, (C) had no effect, (D) had a negative effect, (E) was not applicable. The replies are summarized in *Table V-1*, overall and by department

or agency (for complete analysis, see *Volume VII, Chapter IV*).

The large number of non-applicables is accounted for, of course, by the limitation of the PNRS coverage to those assistance programs having a significant effect on area and community development.

Thirty-nine percent of those who considered their programs subject to Part I of the circular feel that it has improved the program – substantially or moderately. The most sanguine about the impact are Commerce (70 percent reporting improvement), EPA (69 percent), Agriculture (67 percent), and ARC (66 percent). It is perhaps significant that the Economic Development Administration (EDA), which represented about half the responding programs from Commerce, and ARC have strong commitments to planned areawide development, while environmental impact – a factor involved in the review process – is critical of the administration of EPA programs. The most negative attitudes are those in HEW-OE (36 percent), and HEW-PHS and HEW-OS (33 percent each). Several of the respondents who indicated a negative impact said that the A-95 process caused delays or slowed down the application procedures.

The responses are distributed according to type of grant as noted in *Figure V-2*.

The breakdown in *Figure V-2* does not seem to indicate any significant difference associated with type of grant.

### Summary

The PNRS aims to encourage a process at the local, areawide, and state levels which will “substitute the politics of negotiation for the politics of bypassing,” in the interest of sound and orderly physical and human services development. The various appraisals of the system from 1971 through mid 1975 indicate a range of judgments as to how much progress there has been toward that goal.

ACIR’s 1972 survey reported mixed results in achieving areawide coordination. CSG in 1972 found the early warning most useful, but felt even this was not very effective in helping state-local coordination. Its 1975 survey found that the states themselves were in part to blame, because they did not take advantage of the opportunity to include state programs in the coverage.

NARC, the association of regional councils, saw clear evidence of improved coordination at that level. As the one group which clearly stood to gain from PNRS, their reaction was understandable. In a 1971 report, ICMA acknowledged PNRS contribution to orderly development. It was sensitive to the complexities that PNRS

added to the administrative process and saw the need for more support from Federal agencies, better OMB guidance, and more state involvement. A HUD-contracted study focusing on local government participation in A-95 reached many of the same conclusions and decried the limited amount of local participation, which it ascribed in part to inadequate Federal agency feedback and lack of financial support for conducting the process.

Dissatisfaction of city government interests was probably most sharply expressed in the report of the interagency task force on coordinating mechanisms.

Focusing on the overlap of such mechanisms in two large cities, it exposed the inadequacies of A-95 as a coordinating tool for city governments compared to CERC and the other devices which were oriented more to city rather than areawide interests. Indications were that many of the task force's findings were reflected in subsequent PNRS revisions.

From the vantage point of at least one civil rights expert, PNRS was deficient for not requiring civil rights agencies to review and comment, rather than merely offering the opportunity to do so. He would back up such a requirement with funding to support the review.

Table V-1

**Federal Grant Administrators' Views on the Effect  
of OMB Circular A-95, Part I, on Their Grant Programs,  
by Department or Agency  
(Summer 1975)**

Department or Agency	N	Provisions Applicable				Provisions Not Applicable NA
		(A)	(B)	(C)	(D)	
Agriculture	12	42%	25%	25%	8%	13
Commerce	10	0	70	30	0	5
HEW-PHS	21	5	29	33	33	13
HEW-OE	39	5	28	31	36	25
HEW-OS	6	0	33	33	33	2
HEW-SRS	1	0	0	100	0	4
HUD	6	17	33	50	0	1
Interior	4	0	25	75	0	5
Justice	5	0	0	100	0	0
Labor	4	0	25	50	25	5
DOT	9	0	22	56	22	3
ARC	9	33	33	11	22	0
EPA	13	0	69	15	15	3
All Other	31	0	26	74	0	17
<b>Total</b>	<b>170</b>	<b>7%</b>	<b>32%</b>	<b>42%</b>	<b>18%</b>	<b>96</b>
<b>Median</b>						
<b>Department or Agency</b>		<b>0%</b>	<b>33%</b>	<b>41%</b>	<b>12%</b>	

Key: N—number of respondents who said PNRS applied to their programs  
 NA—number who said it did not apply  
 (A)—PNRS produced substantial improvement in administration  
 (B)—produced moderate improvement  
 (C)—had no appreciable effect  
 (D)—had a negative effect

Source: ACIR questionnaire survey.

Figure V-2

**Has PNRS Affected Federal Programs?  
Responses of Federal Grant Administrators,  
by Type of Grant.**

Type of Grant	Number	Change Applicable				Not Applicable
		(A)	(B)	(C)	(D)	
Formula	35	6 %	31 %	40 %	23 %	29
Project	124	8	32	44	15	62
Formula/project	7	0	29	43	29	5

About two-thirds of the city executives responding to a question in the ACIR-ICMA survey felt that the requirement for special district government applications to be referred to general purpose local governments had improved grant administration. A slightly higher percentage of county officials responded positively. Almost 40 percent of Federal grant program administrators queried in mid 1975 thought the PNRS had brought improvements in their programs. Many of those who did not cited the same problem as ICMA's 1971 appraisal: the slowdown in the grant process by added complexity.

The general sweep of these assessments over four or five years in the early 1970s indicates some consensus that there had been steady improvement, doubtless reflecting the effects of greater familiarity and experience and step-by-step adjustment by OMB, the overseer. OMB stresses the importance of time for education, for orientation of Federal agencies to a strange new referral process, and for development of state and local capability. It also notes the small staff available for oversight.

GAO asked the basic question: Had coordination improved as a result of PNRS? Predictably, it gave no categorical answer, but rather concentrated on needed improvements. These it identified mainly as expanded program coverage, more aggressive monitoring by OMB, and adequate support for FRCs' monitoring responsibilities in the regions.

OMB's revision of the circular in early 1976 contains numerous changes in Part I, responding to many of the suggestions by GAO and others. The revision clarifies and tightens up procedures, gives FRCs clear responsibilities, establishes a procedure for closer monitoring of agencies' regulations, and expands coverage. In response to GAO's suggestions for improved oversight, OMB is placing greater emphasis on the FRCs' role. It is not assuming any greater responsibility for monitoring Federal agencies, however, largely because of staff limits.

**Part II: Direct Federal Development**

As noted in the earlier quote from the *Intergovernmental Cooperation Act of 1968*, the President is required to set rules and regulations to govern the formulation, assessment, and review of direct Federal as well as Federally assisted programs having an areawide impact. Part II of A-95 implements the requirement with respect to direct Federal programs. Federal agencies engaged in the planning and construction of Federal projects, such as civil works, military or scientific installations, and public buildings, must consult with state and local governments that might be affected by those projects. The agencies chiefly involved are the Departments of Agriculture, Defense, and Interior, the Energy Research and Development Administration, the National Aeronautics and Space Administration, U.S. Postal Service, Veterans Administration, and the General Services Administration. Such agencies must assure that the plan or project is consistent with state, areawide, and local development plans and programs. Exceptions can be made only where there is clear justification.

In addition, state, areawide, and local agencies that are authorized to develop and enforce environmental standards must be afforded adequate opportunity to review such Federal plans and projects pursuant to Section 102(2)(c) of the *National Environmental Policy Act*. The comments of those agencies must accompany the environmental impact statement submitted by the Federal agency. Regulations of the Council on Environmental Quality designate the clearinghouses as the appropriate channel for obtaining state and local review and comment as to the environmental impact. Moreover, the circular itself directs Federal agencies to use the clearinghouses "to the greatest extent practicable to effectuate the requirements of this part."

## Council of State Governments' Study

In its 1971 study of A-95, the Council of State Governments (CSG) found that implementation of Part II had proved significantly beneficial to Federal agencies.<sup>35</sup> Even so, it felt that this part had received inadequate emphasis from the affected Federal agencies and OMB surveillance personnel. CSG concluded that there were two reasons for this situation. First, more attention was given to the PNRS, which was understandable, since Federally assisted programs had more impact than direct Federal programs upon state and local governments. OMB surveillance, therefore, concentrated upon agency response to the PNRS and intergovernmental information flow. The second reason for insufficient attention to Part II, CSG found, was procedural confusion in the notification and consultation process. The language of Part II urged, but did not require, consultation with the state clearinghouse.<sup>36</sup> Key agencies responsible for direct development projects had dealt for years with their state functional counterparts and viewed that level of coordination as sufficient. Also, governors' offices often referred Federal officials seeking coordination to state functional agencies rather than to clearinghouses. Finally, many Congressionally mandated requirements for review and comment by state and local officials pre-dated the A-95 review procedure, and these earlier requirements had not been fully coordinated with the A-95 procedure.

CSG recommended that OMB seek to establish some uniformity among Federal agency guidelines for Part II, and that it improve its surveillance. It urged Congress to use the Part II procedure when establishing review and comment requirements in new legislation. It also proposed that the combined CSG-National Governors' Conference staff alert governors as to the role clearinghouses could play in coordinating direct Federal projects. Finally, CSG proposed clarification of Part II to plainly designate state as well as areawide clearinghouses as points of required contact.

## GAO Study

The General Accounting Office included Part II in the scope of its review of the functioning of A-95.<sup>37</sup> It found that the affected Federal agencies did not consistently notify state and local governments and clearinghouses of their planned development activities though required to do so by the circular. As a result, projects encountered delays, cost overruns, and adverse reactions from citizens and government officials, which

might have been avoidable if proper notification procedures had been followed. GAO noted that OMB directed the Federal agencies to issue their own regulations for implementing A-95, but did not provide necessary instructions to help in the implementation. It recommended that OMB revise Part II to clarify and strengthen certain procedures and requirements, including defining the nature and scope of projects to be covered, defining the point during project development at which Federal agencies should notify clearinghouses of proposed projects, and prescribing procedures for Federal agencies to follow in responding to clearinghouse comments and in providing feedback to clearinghouses on actions taken. OMB was also urged to review the instructions and guidelines developed by individual Federal agencies, and, as necessary, require revisions to make them conform with Part II of the circular. OMB acknowledged the merit of the recommendations.

## Revised Circular

The latest revision of *OMB Circular A-95*, effective in February 1976, contains several changes in Part II. It directs affected Federal agencies to use the PNRS of Part I to the greatest extent possible in affording state and areawide clearinghouses opportunities for review and comment. Where legislative or executive constraints or other conditions do not permit following those procedures, it directs the agencies to set forth for each program certain minimum procedural steps. These include the point in project planning at which clearinghouses will be contacted (advance notification), the minimum time clearinghouses will be given to review the proposed project, the minimum information to be provided to the clearinghouses, and procedures for notifying them of action taken on each project and for explaining, where appropriate, actions taken contrary to clearinghouse recommendations.

To give guidance to the clearinghouses in implementing Part II, the revision explains that they may use the criteria set forth in Part I in evaluating direct Federal development projects. The revision also requires Federal agencies to publish in the *Federal Register* all proposed agency procedures. A final new provision urges Federal agencies responsible for granting licenses and permits for activities significantly impacting on an area or community development or the environment to consult with clearinghouses on applications for licenses and permits.

Overall, the proposed revision responds to most of the GAO proposals for revising the circular.

## Summary

The revised Part II of *OMB Circular A-95* incorporates important changes suggested by CSG and GAO to overcome shortcomings they found in the coordination process set forth in that part. Yet the revision still indicates a more “hands-off” attitude on the part of OMB with respect to prescribing requirements and monitoring compliance than that recommended by GAO. It appears that this reflects the general OMB policy to leave primary responsibility with the agencies for complying with the intent of the *Intergovernmental Cooperation Act* mandate, its reluctance to assign more resources to administering this part, and the higher priority it has given to Part I.

Also, most significantly from the standpoint of compliance, the new regulations require publication of all agency implementing regulations. But they do not provide for OMB to review these and require revisions to make them conform with the circular. OMB is only expected to “assist and cooperate with agencies in developing such procedures and regulations.” However, an October 10, 1975, memo to agency heads explained why OMB was requiring publication and the main items that the agency regulations should deal with, and advised them to send drafts to OMB for review prior to publication.

### Part III: State Plans

Part III is the third string in the four string bow of *OMB Circular A-95* for carrying out the policy of Title IV of the *Intergovernmental Cooperation Act of 1968*. It mandates Federal agencies administering programs that require a state plan to give governors an opportunity to review such plans or associated documents indicating proposed program activities. The purpose is to permit the governor to relate development strategies among the Federally supported state programs to each other and to any overall strategies developed through the state comprehensive planning process. The circular also urges governors to involve areawide clearinghouses in these reviews, as appropriate, in view of the implications these state plans may have for areawide or local plans and programs.

The state plans required in Federal assistance programs vary widely. Some conform to the usual concept of plans, but others only set out the basic administrative apparatus through which the program will be implemented. Many such plans came into being as a result of efforts, particularly by HEW, to reduce the amount of paperwork involved in preparing state plans. HEW

shifted to a short “preprint” plan document, which is more a contract than a plan and essentially commits the grantee to carry out the requirements of the program legislation. In these abbreviated documents, however, associated documentation, required periodically, provides detailed information on how the funds are proposed to be spent.

Appendix II of the *Catalog of Federal Domestic Assistance* is a guide to programs requiring state plans. The June 1975, edition lists 65 such programs, 33 of which are administered by HEW. The catalog description of each of the 65 indicates the requirement of compliance with Part III.

Similar to state plans as a precondition for Federal assistance are the plans or annual work programs that provide the basis for funding of related projects from various program sources. Prior to the recent revision of the circular, Part III required such multisource programs to be reviewed by both state and areawide clearinghouses, and listed the following programs: Integrated Grant Administration, Unified Work Program, Environmental Protection — Consolidated Program, and Areawide Manpower Plans. However, the 1976 revision drops this section and adds a new section to Part I, making applications for assistance to activities under the *Joint Funding Simplification Act* (P.L. 93-510) or any other joint funding authority subject to the PNRS requirements. Requiring applications for funds to be subject to Part I will provide the same basic assurance as was provided under the previous provision under Part III.

### Council of State Governments' Study

In its 1971 appraisal of implementation of the *Intergovernmental Cooperation Act of 1968*, the Council of State Governments (CSG) reported that governors were enthusiastic about the opportunity presented by Part III for exercising policy control over state agencies and integrating the separate functional plans of the state.<sup>38</sup> They also viewed with approval Federal efforts, particularly in HEW, to employ abbreviated “preprint” plan documents, thereby eliminating burdensome paperwork which threatened to inundate the plan review process. However, CSG cautioned that the latter alone would not assure that states would reap the full benefits of Part III. For this, they emphasized the need for conscientious Federal agency compliance with Part III and state recognition and exploitation of the full potential inherent in rigorous policy level review of state functional plans.

The CSG report urged action by governors to effectuate state functional plan review, including seeking

a legislative mandate for the review process. Apparently many governors have not heeded this recommendation, however. A recent report by CSG for HUD states:

Even though Part III of A-95 established guidelines requiring the governor or his designated agency to review Federally mandated state functional plans, little effective coordination is taking place in many states. Apparently, functional planning program directors are circumventing effective review by going directly to the governor with a draft letter that states, in essence, that the governor has reviewed the plan and finds it consistent with other state plans.<sup>39</sup>

CSG's 1971 report urged that OMB require Federal agencies affected to publish lists of the programs involved and information pertinent thereto, and that OMB vigorously monitor compliance with Part III. The *Catalog of Federal Domestic Assistance*, published by OMB, now identifies the affected programs and provides the kind of information called for by CSG. OMB does little, however, in the way of monitoring compliance and has little notion of the degree to which Federal agencies are following the requirements of Part III. In its response to the GAO study, which covered only Parts I and II of the circular, OMB reported that many of the respondents to whom it had circulated copies of the draft (Federal agencies, Federal Regional Councils, state and areawide clearinghouses, and major public interest groups) felt that the report should have dealt with Parts III and IV as well, and recommended that GAO evaluate these requirements.<sup>40</sup> GAO made no comment on the OMB recommendation. OMB did plan to evaluate experience under Part III in a survey it proposed to launch in 1976.

## Summary

Part III of A-95 gives states an opportunity to influence Federal program plans to conform to state plans. It is a tool for the governor to exercise some control over functional specialists within his domain. Yet, it is a missed opportunity in many states, according to a study made by the CSG. At the Federal level, OMB pays little attention to Part III.

### Part IV: Coordination of Planning in Multijurisdictional Areas

Part IV of *OMB Circular A-95* has the following purposes:

- encouragement and facilitation of state and local initiative and responsibility in developing arrangements for coordinating comprehensive and functional planning activities;
- elimination of duplication in the conduct of local and areawide planning;
- encouraging the states to establish a single set of substate planning and development districts in each state; and
- encouraging Federal agencies to utilize the substate districts established by the states.

Before designating a planning and development district under any Federal program, Federal agencies must provide the governor of the affected state 30 days to review the proposed boundaries and comment on their relationship to state-established regions. The boundaries of areas designated under Federal programs must conform to the state-established regions unless there is clear justification for not doing so. Where the state has not established substate districts, major units of general local government and the Federal Regional Council involved must be consulted prior to Federal agency designation to assure consistency with districts established under the interlocal agreements and related Federal programs. Federal agencies are supposed to notify OMB through the FRC of proposed and completed designations.

Federal agency procedures for applying for multijurisdictional planning and development assistance must assure consistency with related planning and development activities being conducted by the areawide planning agency or clearinghouse designated under Part I of the circular. If the applicant is other than the substate district organization designated by the state, it must submit to the Federal agency a memorandum of agreement between it and such substate agency which spells out how planning activities of the two bodies will be coordinated. The circular specifies the minimum items that must be covered in the memorandum, including the organizational and procedural arrangements for coordinating the activities of the two agencies, and cooperative arrangements for sharing planning resources.<sup>41</sup> Federal agencies are required to develop appropriate draft procedures for implementing the requirements with respect to clearing with governors in the designation of substate districts and coordinating the activities of applicant agencies with those of Part I areawide planning agencies.

The original motivation for Part IV was a desire to correct the growing tendency among Federal assistance

programs to promote the creation of areawide planning activities that were uncoordinated geographically, functionally, or organizationally. The early thrust in implementing this part was to bring a degree of conformity, or at least consistency, in the geography of planning areas. As states have developed substate district systems, and Federally designated planning areas have tended to conform to them, the thrust has shifted to encouraging a strengthened linkage between functional planning and the comprehensive planning conducted by the substate district organizations. This is the intent of the encouragement of use of the substate district agencies and, lacking that, execution of a memorandum of agreement with such agencies.

OMB listed the following major programs assisting areawide planning:<sup>42</sup>

- HUD:** Comprehensive planning (701) program.
- DOT:** Urban highway planning; mass transportation planning; airport systems planning.
- EPA:** Water quality management planning; air pollution control planning; solid waste planning.
- HEW:** Comprehensive health planning (314b); planning for the aged.
- DOL:** Areawide manpower planning.
- USDA:** Resource conservation and development planning.
- OEO:** Community action planning.
- EDA:** Economic development district planning.
- ARD:** Local development district planning.
- LEAA:** Law enforcement planning.

### Council of State Governments' Study

The Council of State Governments' (CSG) 1971 evaluation of A-95<sup>43</sup> found that action promoting geographic uniformity of planning districts had been encouraging. It noted that this movement, which was the original thrust of Part IV as noted above, had actually been initiated under the predecessor *OMB Circular A-80* (January 1967) pursuant to a memorandum from President Johnson. The CSG report concluded that the principal continuing issue was achievement of organizational consolidation. It recommended that states enact legislation enabling formation of strong areawide planning and coordinating organizations. It also urged OMB to propose Federal legislation requiring a single substate

regional body for all Federal agencies administering aid programs.

### ACIR's 1972 Report

The 1972 report on substate regionalism by the Advisory Commission on Intergovernmental Relations<sup>44</sup> also looked at the effect of Part IV of A-95 on the formation of substate regions and their linkage to Federal assistance programs. It found that 40 states had acted officially to designate statewide substate district systems, and four others had taken tentative action. Nationwide, 488 substate districts had been delineated, but only 273 (less than 60 percent) were organized and in operation. Only 14 states had organized all their districts. While the 273 organized districts were performing needed planning, coordination, technical assistance and — in a few cases — operational functions, they were not yet providing full coordination of Federal, state, and local activities. The average substate district organization had been made responsible for only about one-half of the Federal areawide programs for which the areas were coincident with the state-delineated district boundaries.

A more recent examination of the status of substate regionalism by W. Eldon Hickey of the Economic Development Administration indicates progress was made between 1970 and 1973 in state actions to designate substate districts and the vesting of Federal program responsibility in such districts. Following are the figures for the two years:

	1970	1973
<b>States Designating Statewide Substate District (SSD) Systems</b>	40	42
<b>Number of SSDs Nationwide</b>	488	480
<b>Percentage of Total SSDs Organized and Functioning</b>	56%	76%
<b>The Average SSD Organization Was Made Responsible for the Following Percentage of Federal Areawide Programs for Which the Areas Were Coincident with the SSD Boundaries</b>	about 50%	about 50%

In looking at developments from the standpoint of the Federal programs supporting substate regionalism, the ACIR report briefly reviewed the history of Part IV up to that time, observing that by 1971 the circular had significantly affected only newly formed regions; it had not had much impact on areas designated for Federal assistance prior to 1967. The report found that in ten

programs, for which data were available, the jurisdictional coincidence between Federal program areas and state substate planning districts was only 35 percent nationwide in 1971. Thus, the Federal programs were using different boundaries from those established by the states in almost two-thirds of the cases. The report concluded:

The states have not taken full advantage of the opportunities given them by *OMB Circular A-95* to assure coincidence of Federally encouraged and established regional program boundaries, and co-funding of a single regional organization in each substate district. While some states and some Federal programs have done a commendable job, boundary coincidence plus organizational co-funding occurs, on the average, much less than half the time.<sup>45</sup>

ACIR staff has been unable to find more current readings on these same data to measure change since 1971. However, in March 1973 the Economic Development Administration (EDA) surveyed 15 Federal planning assistance programs to obtain information on multijurisdictional planning organizations and activities funded by the programs. EDA found that there were 2,356 Federal program areas (FPAs — geographic areas receiving program assistance) among the 15 Federal programs for the combined Fiscal Years 1972 and 1973. Of these, 2,199 were in states which had designated substate planning districts, and for 1,056 of the 2,199, the FPAs matched exactly the substate planning districts (48 percent). The total number of such FPAs matching SPDs represented an increase of 55 percent since FY 1971.<sup>46</sup> While these numbers measure somewhat different units from the ACIR's, they also indicate progress has been made in achieving coincidence of Federal programs and substate districts. Whether such progress was in any appreciable degree due to Part IV of A-95 was impossible to say. OMB did not seem to see much impact from that part of the circular.

In late 1975, HUD compiled data on the degree of coterminality of boundaries and common funding agencies that exists between the 701 Comprehensive Planning Assistance Program, EPA's section 208 areawide waste treatment planning program, EDA's economic development districts (EDDs), and recipients of DOT's Urban Mass Transportation Administration (UMTA) grants.<sup>47</sup> As of July 1, 1975, agencies designated by EPA for 208 planning in 66.4 percent of the planning areas were also funded as 701 areawide planning organizations. Many of the remaining section 208 designations were made in

areas which were not at that time under the jurisdiction of a 701 planning organization.

DOT found that, in FY 1974, about 61.4 percent of its metropolitan planning organizations also received 701 funds. DOT speculated that the degree of 701-DOT organizational conformance might be underestimated due to changes in an organization's name, which might cause it to be listed under different names by DOT and 701.

A 1975 HUD comparison of EDA's 162 authorized and designated EDDs with 701 areawide planning organizations showed that 83.3 percent of the EDDs had the same geographic boundaries as 701 areawides. An additional 3.7 percent of the EDDs had the same geographic boundaries as 701 areawide agencies having different names.

### House Subcommittee Hearings

In hearings on "New Federalism" in early 1974, members of the Subcommittee on Intergovernmental Relations of the House Committee on Government Operations queried OMB officials on a wide variety of matters dealing with organizational and procedural arrangements for Federal grant administration. In response to a question on activities of Federal Regional Councils, one OMB official submitted the following statement on Part IV, of A-95:

Part IV of *OMB Circular A-95* encourages the states to develop a system of unified, coordinated, and workable substate districts that can coordinate Federal and state-local activities below the state level. This is a cooperative effort with the governors which has been difficult and slow. What the Federal government is saying to the states is, "Governor, if you will decide how you want to organize within the boundaries of your state, what it is you want your substate districts to do, the Federal government will bind itself to work with whatever you decide in the state." In a public administration sense, it is sensible to coordinate both boundaries and operations below the state level. Yet this hasn't worked very well. The governors don't seem very enthusiastic about it, probably because of political problems. Regardless of present progress, however, this remains an important item on the [Federal] Regional Council agenda.<sup>48</sup>

## Summary

Part IV also offers states an opportunity to exert some rationalizing influence on Federal program effects, this time in the matter of substate districts. CSG was fairly sanguine about the degree of rationality that had been achieved by 1971. An ACIR study, in the same year, indicated less reason for optimism. But unofficial EDA figures for 1973 show marked progress was made in two years in the percentage of substate districts organized and operating and the degree to which the administrative areas for Federal programs conformed to SSD boundaries. OMB, the overseer of A-95, has no reading of the extent of compliance with Part IV.

## ANNUAL ARRANGEMENTS AND CERC

On March 5, 1971, President Nixon sent a message to Congress proposing a system of special revenue sharing for community development. Eventually, this and Congressional initiatives led to enactment of the *Housing and Community Development Act of 1974* (P.L. 93-383), which established the new block grant for community development. In making his proposal, the President noted that HUD had already taken a number of steps designed to achieve better coordination among grant programs and greater decentralization of decision making within the existing structure of categorical grants. Many of these steps were part of the Federal Assistance Review (FAR) effort. One was the process of "Annual Arrangements." Subsequently, on July 29, 1971, Nixon announced another HUD measure intended to smooth the transition to special revenue sharing or a block grant for community development. This was the system of "planned variations" of the Model Cities program. One of the three variations, the Chief Executive Review and Comment (CERC) process, was similar to Annual Arrangements in focusing on enhancement of the policy and management capacities of local governments.

### Annual Arrangements

An Annual Arrangement was a processing tool based on negotiation between HUD field offices and local government grant applicants enabling better coordination of the department's separate categorical grant programs. It aimed to simplify Federal procedures and expand the authority of local elected officials. It was designed to deal with HUD's subsidized housing assistance and categorical programs (such as urban renewal, Model Cities, and neighborhood facilities) by enabling

cities to convert these programs into citywide community development packages. It also provided HUD and the cities with a vehicle for discussing the cities' goals and objectives, their strategies for attaining them, and resources which HUD could offer to assist them.

The culmination of the Annual Arrangement was a written agreement between HUD and the local chief executive. In the agreement, HUD committed itself to approve specific grant programs, with dollar limitations, for the applicant city, provided the applications subsequently submitted by the city met project selection criteria and the city took certain steps prescribed in the agreement.<sup>49</sup>

The first arrangement was executed between HUD and the city of Gary, Indiana, in December 1970. This arrangement called for a number of actions by the city in return for which HUD approved a selected list of project applications. The negotiations emphasized the assurance of funding which the city received, and the leverage this gave HUD in requiring city action in such "Federal interest areas" as equal opportunity, provision of low- and moderate-income housing, and revision of building codes. A later regional office analysis also attached significance to the new role given to the mayor by involving him in the project selection and approval process and the consequent influence he had over previously independent agencies and departments.<sup>50</sup>

Following the Gary agreement, HUD took a number of other actions directed toward better coordination of HUD programs in community development. The position of assistant secretary for community development was established; the Task Force on Program Simplification and Consolidation was created, which prepared a report on methods of coordinating the various community development programs; and HUD central office officials held community development discussions with a number of cities across the country aimed at discovering how best to coordinate HUD programs at the local level.

On May 19, 1971, HUD Secretary George Romney formally announced the Annual Arrangements initiative in a memorandum to field officials titled "Administration of HUD Programs in Advance of Special Revenue Sharing." He cited President Nixon's concern that an effort be made to work categorical aids into total community development strategies, and stated:

In some localities, you will find it appropriate to develop Annual Arrangements or "packages" of grant assistance. This not only assures coordination of our grant programs but may permit at one time the resolution of basic difficulties affecting various programs

thus making easier the later processing of specific projects. In this way, communities can be given realistic figures with adequate lead time permitting better project planning and making unnecessary the preparation of applications for which there is no reasonable prospect of funding.<sup>51</sup>

### **“New Federalism” Hearings**

At the “New Federalism” hearings of the House Subcommittee on Intergovernmental Relations in February 1974, HUD Assistant Secretary for Community Planning and Development David O. Meeker, Jr., described the Annual Arrangements process and the results of the first two years’ operations.<sup>52</sup> The process worked differently in different parts of the country in order to permit maximum opportunity for experimentation and allow the process to be tailored to fit local situations. In general, the procedure began with the HUD area office and a local government deciding jointly to negotiate an arrangement. HUD briefed the local chief executive on the process and invited him to draw up a city strategy statement as the basis for negotiations. The city formed a committee made up of the major HUD grant recipients to prepare the strategy statement. This statement usually listed the locality’s community development goals and objectives, the problems in reaching them, and the city’s plans to deal with them, including the HUD resources it was requesting in the coming year. HUD field staff reviewed the statement in the light of legal requirements and available resources.

A face-to-face negotiating session between the local chief executive and the HUD field office director was the key to the Annual Arrangement process. In that session, the two officials worked out compromise positions on the issues raised by the city strategy statement. The resulting agreement was set forth in a memorandum, laying the basis for the relationship between HUD and the city for the coming year.

Since the major aim of the arrangement process was to enable cities to improve their coordination of HUD-funded programs and enhance their ability to set local priorities, the agreement focused on the local general purpose government and its chief executive and offered them the opportunity to plan for and manage these programs as part of a citywide community development strategy. The coordination focused on the local level where services are delivered. HUD had concluded that coordination had to take place at that level if programs were to operate at maximum effective-

ness in support of a comprehensive communitywide strategy.

Unfortunately, most communities lack the capability to prepare and carry out such a strategy because of organizational fragmentation and the independence of many local agencies. Federal laws and funding patterns have encouraged a situation in which, for example, local housing authorities and local renewal agencies are often not responsive to the elected general purpose government because their primary funding is from the Federal government.<sup>53</sup>

Meeker found that Annual Arrangements inserted the general purpose government and the chief executive into the funding process, promoting the coordination of these agencies and the programs they administered. In addition, the process gave a city reasonable assurance that certain funds would be supplied during the year, thereby ending the funding uncertainty that plagued local administration of Federal grant programs.

### **HUD Evaluation**

In May 1973, HUD published an evaluation of the Annual Arrangements experience, based on interviews with city officials in 20 cities, short profiles of the arrangement process in 52 cities, and analyses of the memoranda of understanding from 84 cities.<sup>54</sup> Ninety percent of the cities for which information was available had prepared strategy statements in preparation for arrangement negotiations, which HUD saw as the kind of comprehensive citywide strategies needed under a system of special revenue sharing for community development. City participation in the arrangement process led one out of every two cities studied to establish formal mechanisms to manage and coordinate these activities on a continuing basis. Also important in making a lasting impact was the involvement of the local chief executive in the arrangement process. An in-depth analysis in 20 cities indicated that the chief executive was the chief negotiator 70 percent of the time, and HUD believed that in 11 of the 20 cities local agencies became more responsive to the chief executives because of this greater involvement.

Other changes which HUD saw as indicating improved capacity for carrying out a coordinated community development strategy were the establishment of a review and comment authority, and the tentative assurance of

funds for specific projects, which improved operational decision making.

HUD also identified obstacles facing the arrangement process. Statutory restrictions prevented using funds from one program for other kinds of activities. Also, laws sometimes required certain funds to go to particular independent agencies, limiting the coordinating power of the general purpose government. Finally, localities did not always get full benefit from the tentative fund assurance, because the arrangement process was subject to the Federal budgetary cycle and not to local procedures.

### Other Assessments

In the "New Federalism" hearings, questions by subcommittee members and staff highlighted some other aspects of the experience with Annual Arrangements. Meeker was asked what percentage of the commitments in the Annual Arrangements was put into practice. HUD investigation indicated that all but one city made some progress on their commitments, but Meeker conceded that it was impossible to arrive at hard quantifiable conclusions. He also was unable to throw light on the question of the 50 percent of the cities studied that did not report any improved coordinating capacity as a result of the Annual Arrangements, except to say that some of those communities were already highly capable because of their unique structures.

Another reported criticism of the Annual Arrangements process was that, while HUD represented the process as a prelude to no-strings special revenue sharing, the department had used it to pressure cities to adopt social policies that often were controversial.<sup>55</sup> The reference here was to the key national goals that the department stressed should be taken into account in the strategies promoted by the Annual Arrangements. These included positive local actions to improve the living environment as reflected in the Workable Program for Community Improvement, hence ensuring proper relocation resources and practices for those displaced by governmental action, achieving coordinated and planned areawide development, providing low- and moderate-income housing, making housing available to all citizens, maximizing equal employment opportunity, and enhancing environmental preservation.<sup>56</sup>

Another observer noted that the "realities of local political life" had a lot to do with the fate of Annual Arrangements in individual cities. He cited Oakland, California, where local officials customarily avoided involvement with Federal programs. City representatives,

not wishing to disturb existing administrative relationships, were unsympathetic to a Federal request in the Annual Arrangements negotiating process that the city create a new position of assistant city manager for community development. Department heads were concerned about protecting their jurisdictions, and the city manager was reluctant to challenge them. For their part, the city's elected officials did not seem to show much interest in the Annual Arrangements program.<sup>57</sup>

### Chief Executive Review and Comment (CERC)

The second of the two administrative efforts to lay the groundwork for special revenue sharing for community development was Planned Variations. Announced by President Nixon on July 29, 1971, Planned Variations, like Annual Arrangements, was conceived as a demonstration. It was an expansion of the Model Cities program to allow 20 of the 147 Model Cities greater flexibility in the use of Federal funds and to provide greater coordination of all such funds coming into the cities. There were three variations:

- authorization to spend funds citywide, according to locally determined priorities, rather than in limited deteriorated neighborhoods;
- provisions for minimizing Federal administrative requirements, including use of a system of waivers; and
- a procedure for "Chief Executive Review and Comment" (CERC).

The first two kinds of variation were examined in detail in *Chapter II*. In this chapter the focus is on the third type, CERC, which aimed to increase the ability of local general purpose government to set local priorities and to carry out Federally assisted programs in accord with those priorities.

CERC operated in all 20 cities included in the Planned Variations experiment. Under CERC, the city's chief executive, representing the local general purpose government, was given the right to review and comment on all applications for Federal assistance affecting the city's services and activities before funding decisions were made. This covered assistance to overlying units of government, non-profit groups, and all units within the city government itself, whether or not they were otherwise independent of the chief executive (such as housing authorities or park boards). In addition, it

covered Federal grants from all sources and was not, like Annual Arrangements, limited only to HUD programs.

CERC was viewed as parallel to the project review and notification system (PNRS) under A-95, but confined to the central city rather than the metropolitan area and covering social services as well as physical development proposals. The chief executive was not given veto power, but he could attach negative comments to a grant application if the applicant agency and the city could not resolve their differences. HUD officials indicated that they would not fund applications with negative central city views without first giving the chief executive a chance to appeal. The other Federal agencies were to identify their categorical grant programs that were to be subject to CERC. State-local task forces were to give attention to the possible application of CERC to state-financed or Federally financed, state-administered programs.

### HUD Assessment of First Year

HUD surveyed experience with Planned Variations after the first full year of operations.<sup>58</sup> With respect to CERC, HUD concluded that the process had potential for improving the coordination of Federal and local programs in the cities but was slow in getting underway, in some cases, because cities were giving it low priority in the overall Planned Variations demonstrations. In a number of cities, disputes arose over who was the local chief executive (the mayor or city council, or the mayor or city manager). The involvement of the chief executive in the CERC process did not seem promising, with most delegating the assignment to staff. In addition, there were indications that most of the cities did not intend to devote much staff to the review process. As a percentage of total Planned Variations funds, the budgets for CERC activities ranged from less than 0.5 percent to about 5 percent, with a median of 2 percent.

The HUD survey also found that the CERC effort had motivated several county governments to become actively involved in the problems of the central cities, in a few cases to monitor possible city incursions on their interests. All the cities saw a clear connection between A-95 and CERC, and most of them intended to develop a working relationship between the CERC mechanism and the A-95 clearinghouse. Even so, the cities showed little enthusiasm for the A-95 process. Partly because the clearinghouses were understaffed, the cities viewed them as unresponsive to local needs, and Federal agencies did not seem to have much confidence in the process. Few cities could show how A-95 was of direct benefit to them.

### National Journal Report

Interviews with a few local and state officials conducted by the *National Journal*, in late 1972, revealed a wide variance in the effectiveness of the CERC process.<sup>59</sup> In Houston and Indianapolis, the mayors used the CERC power aggressively, frequently refusing to let Federal grants enter their city unless the grantees made specific concessions in project planning. They extended use of this veto power to projects of rival levels of government. The extra money provided under the Planned Variations helped to improve the cities' management structures, mainly strengthening the capacity of the mayor's office to evaluate grants.

Part of the success of Indianapolis and Houston, the *National Journal* concluded, stemmed from the mayor's basically strong position in the government structure. The opposite held in the City of San Jose, where the mayor's power was diminished by the existence of strong semi-autonomous city agencies and the extent of the city's sharing of powers with the county, the state, and special districts. The city, as a consequence, had to spend \$200,000 of its supplemental Planned Variations' money to first find out what Federal funds were flowing to city grantees. Even then, its limited control over local functions, in comparison to the county's, handicapped its efforts to establish effective coordination of Federal funds coming into it. The county, in fact, argued that it, rather than the city, should have been the designated CERC agency for that area. In like manner, at another level, the governor of New York felt that the state government would have been the most effective unit to perform the CERC function in his state, particularly since the state government was gradually taking over more local functions that had to be performed on a metropolitan basis.

### "New Federalism" Testimony

Assistant Secretary for Community Planning and Development David O. Meeker, Jr., testified on CERC in the "New Federalism" hearings held by the House Subcommittee on Intergovernmental Relations in early 1974.<sup>60</sup> He stated that experience with the 20 Planned Variations' cities indicated that CERC was the most successful aspect of the demonstration. Seventy percent of the cities planned to continue funding the CERC mechanism after the demonstration ended, he indicated, and a number of other cities expressed an interest in a CERC mechanism. The number of applications reviewed also indicated success in the HUD view. As of June 1, 1973, all Planned Variations' cities had begun reviewing

applications, and the average city reviewed 63 Federal aid applications. In addition, eight cities reported processing a total of 113 applications for state and other non-Federal aid.

Most importantly, according to Meeker, to take advantage of the review opportunities under CERC the cities had created governmental structures which provided continuing coordination. "All 20 Planned Variations' cities have made changes in their governmental structure to build the capacity of the local government, particularly the executive branch, to plan and manage Federally aided programs more effectively."<sup>61</sup>

Yet, all was not roses with CERC, Meeker conceded. It was hampered by the lack of adequate response by Federal agencies. The agencies lacked established procedures to notify the city of actions taken on applications (a complaint also frequently voiced against the A-95 project notification and review system). Also, the agencies made 11th-hour funding decisions, which hindered proper functioning of the review process, and frequently disregarded CERC comments. Finally, there was lack of uniform Federal agency support for CERC.

Cities also complained about lack of state support for CERC. This was damaging, they felt, because of the large amount of Federal funds which flowed through state governments to localities.

### **CERC in Rochester, N.Y.**

One observer, Victor A. Capoccia, looked at the CERC experience in Rochester, New York, which was one of the four cities that participated in CERC but not the other two aspects of Planned Variations.<sup>62</sup> He concluded that, while an informal review process similar to CERC had operated successfully in many large cities during the 1960s, formalization of the process improved its workings significantly by bringing the mayor's position on program applications more out into the open. It also centralized and standardized a base of information about the city and the distribution of funds and services that had been previously unavailable. This, in turn, made the parties involved with CERC aware that a rational local decision-making framework and a thorough pre-application development and screening process were essential to successful management. Whether those involved in CERC would use this awareness effectively would determine whether the formal process was really worth more than the informal process, and, in turn, whether the CERC formal process was worth the money, time, and energy spent on it.

In generalizing from the CERC experience, Capoccia

first raised questions about the validity of CERC's major objective, capacity building. For one thing, Capoccia felt, there is some doubt that local officials relish the sharpened accountability that accompanied the increased authority to allocate resources. Second, the grant-in-aid system operates at two levels: the administrative and the political. CERC aims to reform and strengthen the administrative dimension but does not affect the political system which is available to those who are dissatisfied with the new administrative system. They may continue to use the political system to undo the workings of administrative reform.

Capoccia noted that the CERC demonstration was attempting to review and comment on categorical assistance programs that, during the course of the experiment, had been severely curtailed by cuts, freezes, and impoundments at the Federal level. This failure to maintain the conditions of the experiment constant, he felt, cast doubt on the validity of the demonstration. He also thought that failure to subject all sources of pass-through and direct moneys and grants from all Federal agencies, undermined the CERC objective of achieving a more rational pattern of program support. Finally, Capoccia questioned CERC as process building for special revenue sharing on the grounds that it did not provide a decision-making framework or set of criteria by which to allocate funds. His final note was to caution that additional controlled demonstrations were necessary to understand and overcome potential problems with the proposed system.

### **Comparison with Other Coordinative Mechanisms**

A Federal interagency task force compared CERC with five other local coordinating mechanisms in a report to the Under Secretaries' Working Group in January 1974.<sup>63</sup> The evaluation was conducted in Houston, Texas, and Seattle, Washington, and in addition to CERC, dealt with the A-95 Project Notification and Review System, the Integrated Grant Administration (IGA) program, CDA Sign-Off (Certification of HEW Model Cities Relatedness), and the OEO Checkpoint Procedure for Coordination. Each coordinating device was examined from the standpoint of its impact on planning and city priority setting, coordination, and responsiveness of levels of government to the local chief executive and city departments; the role of Federal Regional Councils and Federal agencies; the procedures and organization for processing applications for review;

the review of applications; and the funding and costs of the processes.

The task force found that CERC and IGA were the most effective of the coordinating mechanisms studied. CERC seemed more effective than IGA, but this was not conclusive, based only on the experience in the two cities. CERC was clearly superior to A-95 in both Houston and Seattle in regard to staff capacity, Federal agency responsiveness to comments on program applications made by the cities, investment of time by the Federal Regional Councils' staffs, direct contact between the mayors and the regional heads of Federal agencies, and the breadth of programs subjected to review and comment. However, several problems in the CERC process were not resolved. Tensions were increased by CERC where both city and county had strong executives and offered several common services. Conflict occurred between CERC and A-95 when, as in Houston, the A-95 clearinghouse dealt with someone other than the chief executive in the clearance process. Finally, the task force concluded that CERC might have difficulty obtaining coverage of state programs and Federal formula grants to states.

In regard to the last point, one observer who examined experience with CERC in two of the 20 Planned Variations cities concluded that success of CERC as a local mechanism depended to a critical extent on appropriate action at the state and Federal levels to place the control of intergovernmental programing into the hands of elected and other policy generalists. "Unless such changes are made, it is likely that communities attempting to better manage intergovernmental activities will be constantly undermined by mindless functional preoccupations of Federal and state administrators non-responsive and non-accountable to their policy generalist superiors or to each other."<sup>64</sup>

## HUD's 1975 Evaluation

HUD conducted a final evaluation of CERC at the end of 1975. It reported that, in addition to the original 20 Planned Variations' Cities, 17 other jurisdictions had initiated CERC mechanisms. However, its evaluation was based on the experience of the original 20.

Only half of the cities were able to produce evidence that CERC was implemented as designed and produced improved coordination of public programs. The major problem was lack of commitment to the CERC process by local administrators and/or the CERC staff itself. Another problem, for most cities, was lack of commitment from Federal funding or support agencies. Several

CERC staffs reported that political conflicts limited their effectiveness. Such conflicts included disputes over who should make final CERC decisions — the mayor or the city council.

HUD concluded that:

All levels of government have often complained that lack of funds makes it difficult to commit staff and time to review of applications. Yet when funds were provided by the Planned Variations' program, only half the cities chose to use the system as a lever to effect changes in projects. This is an indication that local commitment to the CERC concept and Federal support of the review and comment authority appear to be more critical factors than funding in the coordinating effectiveness of the mechanism.<sup>65</sup>

In the 11 Planned Variations' cities, in which HUD found successful CERCs, the mechanism was used for centralizing planning efforts and coordinating public programs. These cities reported increased management efficiency, cost savings, and reduced duplication of services and functions. In at least two cities — Houston and Dayton — the improvements in savings were substantial. Nine other cities made moderate to substantial progress toward achieving the intended goals of CERC. Each city reported at least one example of changes in grant applications caused by the CERC reviews that resulted in either cost savings and/or management efficiencies for the programs involved.

HUD concluded that all CERC operations that gave evidence of effectiveness had certain common characteristics: early involvement of CERC staff in the planning stages of application, specific review criteria, and specific assignment of responsibility for review. On the other hand, the evaluation concluded that availability of funds for CERC could not automatically assure implementation, let alone an effective review process. No consistent relationship could be established between the number of staff assigned to CERC, the amount of funds allocated, and impact.

One of the original objectives of CERC was to involve personally the local chief executive in coordinating public programs. HUD found, however, that as the demonstration progressed, such personal involvement was not always practical and was not a necessary element to CERC effectiveness.

Finally, the HUD evaluation concluded that, with few exceptions, there appeared to be little correlation

between Federal Regional Council (FRC) support of CERC and the effectiveness of CERC in the Planned Variations' cities.

The 20 Planned Variations' cities processed a total of 3,538 applications during the two-year demonstration, an average of 154 Federal applications and 23 non-Federal applications. HUD reported that 15 of the 20 cities reported 88 examples of application changes resulting from CERC reviews.

As of August 1975, 12 of the 20 cities expected to continue CERC: Tucson, Arizona; San Jose, California; Wilmington, Delaware; Tampa, Florida; Indianapolis, Indiana; Des Moines, Iowa; Patterson, New Jersey; Winston-Salem, North Carolina; Dayton, Ohio; Houston, Texas; Norfolk, Virginia; and Seattle, Washington.

## Summary

Annual Arrangements and CERC were two experimental programs initiated to demonstrate how cities could prepare for their enhanced resource allocation and coordinative roles under the anticipated community development block grant. Both centered on strengthening the position of general purpose local government and its chief executive. Annual Arrangements also aimed to strengthen cities' relationships with HUD and provide greater assurance regarding the flow of Federal funds. Extension of a city's influence over Federal grants to other local governments and agencies within its jurisdiction was an additional goal of CERC.

HUD evaluations indicated substantial progress among Annual Arrangements cities in preparing citywide community development strategies, the creation of formal mechanisms to manage and coordinate community development activities, and enhancement of the role of the chief executive by his involvement in the strategy process and participation in review and comment on proposed projects. On the other hand, some cities did not respond positively to the process, and the degree of actual city commitment to agreed-on projects was uncertain. This may have been due, in part, to cities suspicion that the Federal government's interest was not as altruistic as advertised, that it was using the negotiation process to persuade cities to adopt controversial social policies.

In its nationwide evaluation of the CERC experiment in 1975, HUD concluded that only one-half of the 20 Planned Variations' cities could show that CERC was implemented as designed and produced better coordination of public programs. Where the process was implemented, cities reported increased management efficiency, cost savings, and reduced duplication of services

and functions. Essential to successful CERC operations were early staff involvement in planning grant applications, specific review criteria, and specific assignment of responsibility.

CERC did not achieve one of its prime original objectives: personal involvement of the local chief executive in coordination of public programs. HUD found that such involvement was not always practical, nor was it always a necessary element in the effectiveness of the process. Even so, controversial judgments often were reserved for local chief executives, and staff directors met with them periodically to report on substantive issues.

Other observers had mixed views on CERC. Some suggested that CERC's success depended on the city's underlying structure, *i.e.*, the chief executive's authority and the city's power *vis-a-vis* other local units. Others saw it aggravating tensions with counties, or suffering from lack of state support or inadequate Federal agency response. One questioned the value of CERC as a demonstration in light of the reduction in HUD grant funds and the exclusion of certain important fund sources from the review and comment process. Yet, as of August 1976, 12 of the 20 Planned Variations' cities expected to continue their CERCs.

The fact that HUD reported that 70 percent of the cities said they planned to continue CERC after termination of the demonstration spoke well for its accomplishments, although HUD sources were unable to verify whether this actually occurred. The preference given CERC over A-95 in a two-city evaluation also was an endorsement, although the comparison was somewhat questionable because of A-95's primary orientation to regional units rather than cities.

Annual Arrangements lost much of their steam in FY 1974 when the Nixon Administration made severe cuts in community development programs.<sup>66</sup> The program expired, as intended, with the enactment of the community development block grant. HUD also stopped dealing with CERCs with the advent of the block grant.

It seemed that a conclusive evaluation of CERC, as well as Annual Arrangements, would await assessment of the relative performance of the affected cities under the community development block grant.

## INTEGRATED GRANT ADMINISTRATION (IGA) AND THE JOINT FUNDING SIMPLIFICATION ACT

In his "Quality of American Government" message of March 17, 1967, President Lyndon B. Johnson first

publicly broached the idea of integrating or coordinating Federal grant requirements. His message included a directive to the then Bureau of the Budget to develop a workable system of grant simplification. BOB's study led to introduction of the first joint funding simplification bill in 1967. That proposal was not enacted, but the concept was incorporated two years later in the Federal Assistance Review (FAR) program, when OMB and several Federal grantor agencies began to test the feasibility of simplifying the funding and administration of projects using funds from several Federal sources. The test involved four separate projects undertaken by state, local, and regional organizations. It proved sufficiently successful so that in January 1972, OMB formally announced the Integrated Grant Administration (IGA) program to succeed the test program with a more comprehensive pilot demonstration of the funding integration process.<sup>67</sup> Both the initial test and the pilot demonstration were conceived as paving the way for eventually establishing the program by legislation.<sup>68</sup>

A bill specifically establishing a joint funding mechanism passed the House in the 91st Congress, and another passed the Senate in the 92nd Congress. Finally, in December 1974, the *Joint Funding Simplification Act* was enacted into law as P.L. 93-510 and formally established funding and administrative approaches similar to those used in the IGA program.

### **The Integrated Grant Administration Program**

Though the IGA program was formally initiated by OMB in 1972, administrative responsibility for the program was transferred to the Office of Federal Management Policy of the General Services Administration (GSA) in November 1972. OMB retained responsibility for policy oversight and for assisting in major policy or procedural changes.<sup>69</sup> The program objectives were identified by OMB memorandum as follows:

- to provide a mechanism by which state and local governments can be given Federal assistance in a timely and unified fashion;
- to enhance the capability of Federal Regional Councils to assist in solving critical problems of state and local governments;
- to encourage greater state involvement, in both a financial and technical sense, in solving local problems;

- to encourage the development of work programs, whereby state and local planning agencies jointly undertake common or coordinated activities and share staff;
- to synchronize, wherever possible, the funding cycles of Federal, state, and local agencies;
- to coordinate the monitoring of projects, including requests for modification of projects;
- to foster cooperation on the Federal, state, and local levels; and
- to cut red tape, eliminate duplication, and minimize overlapping at the Federal level by streamlining administrative requirements of Federal assistance programs used to fund individual projects.

The central objective was to simplify the process by which state and local grantees could identify, apply for, and administer funds from several Federal assistance programs to carry out a single project. All Federal assistance programs were included except those supporting construction or acquisition of land. To qualify as a single project, the separate programs included in the application had to be related through a commonality of purpose or ability to support related goals and be part of an overall strategy to achieve a common objective.

The IGA process set forth by OMB permitted the grantee to deal with one Federal contact point rather than separately with several different agencies. A consolidated grant application was submitted in lieu of a separate application for each of the programs under which funds were requested. A single grant award notice was issued, with synchronized funding periods in lieu of a number of grant awards, each with its own funding period. Federal funds were delivered through one channel rather than through several different advance payment or reimbursement systems. The grantee made financial reports through a single financial reporting system and was subject to a coordinated set of program monitoring requirements rather than separate requirements for each program. One project completion report was filed, instead of individual reports for each participating program, and a single audit was used rather than separate ones.

Federal Regional Councils (FRCs) served as the initial point of contact for IGA applicants and were responsible for regional administration of the program in accordance with GSA directives and under general supervision of the Under Secretaries' Working Group. Under the auspices of the Federal Regional Council, the IGA application was processed by a task force consisting of members of participating agencies, both Federal and state, and the approved grant was administered by a lead Federal agency designated by the FRC.

At the start, OMB authorized the FRCs to undertake 24 IGA projects, including continuation of the four that were part of the original 1969 test. As of December 1974, 24 projects were underway, involving a total of over \$33 million in Federal funds, and an additional seven proposed projects with total requested funding of \$9 million were under consideration.

### First Assessment of IGA

OMB issued an assessment of IGA in November 1973, covering the period from January 1972 to September 1973.<sup>70</sup> During that period, IGA was in effect in 26 pilot projects nationwide.

The overall assessment was positive, crediting IGA with a substantial contribution to interagency and intergovernmental relations. Success was attributed to the close cooperation of the FRCs, Federal and state agencies, and public interest groups. Yet the report found a need for refining policy and administrative procedures, encouraging a stronger commitment to IGA at all levels, and promoting greater experience among FRCs and Federal agencies in administration of the IGA projects. To promote additional experience, the report urged expansion of the pilot effort from 26 to a maximum of 65 projects nationwide.

In response to recommendations in the report, GSA took a number of actions, including establishment of a full-time IGA staff in GSA's Office of Federal Management Policy, expansion of pilot projects from 26 to 34 nationwide, establishment of an IGA information center and clearinghouse at GSA, and publication of a GSA newsletter. GSA also issued a policy statement which permitted land acquisition and construction grants in IGA projects on an experimental basis to a maximum of ten nationwide, and required use of certain forms mandated under *Federal Management Circular 74-7* in place of forms designed for IGA. The report also recommended revision of OMB's original guidelines, but this recommendation was deferred pending Congressional action on joint funding legislation. When the legisla-

tion was enacted, attention was directed to the development of implementing regulations rather than to revision of the guidelines.

### "New Federalism" Hearings

IGA was one of the focuses of the hearings on "New Federalism" conducted by the House Subcommittee on Intergovernmental Relations in early 1974. H.R. 11236, the proposed *Joint Funding Simplification Act*, was then before the subcommittee. In his testimony, Dwight Ink, then deputy administrator, General Services Administration, who had been responsible initially for launching IGA within OMB before transfer to GSA, commented and responded to questions on experience with IGA.<sup>71</sup>

He felt that the results to date had been encouraging. He discounted certain FRCs' estimates that IGA applications required more Federal administrative effort than would have been required for separate categorical grants, pointing out that pilot efforts usually took more effort than a program once fully operational. Varying degrees of decentralization among Federal agencies and their regional offices created difficulties for applicants in obtaining timely approval actions and funding decisions, Ink conceded, but he felt that the situation was improving. Standardization of administrative requirements through *OMB Circular A-102* (later *FMC 74-7*) and development of audit standards through *FMC 73-2* would, he said, facilitate use of joint funding.

Ink disagreed with the charge that IGA projects were selected because of political pressures rather than simply on merit. Among other reasons, he felt that the usual motivation for such pressure was absent, since IGA, unlike programs like Planned Variations, bestowed no additional funds on the applicant.

Ink stressed the importance of approaching IGA first as an experimental program, then as a pilot program:

I believe very strongly that one of the reasons that we have had so much difficulty with domestic programs in the past is that we have somehow expected these programs to have the capacity to suddenly start out full-blown across the country without experiments, without pilot operations. And then we find that the programs fail. All right, do they fail because their objectives were bad, or because the policies were bad, or do they fail because of bad administration, or do they fail simply because they were not properly planned, designed without the ade-

quate preliminary experience? That latter element is one which I think is overlooked.<sup>72</sup>

One questioner asked about the allegation that the program evaluations had concentrated more on procedure than substance. Ink agreed with the charge and that program substance would have to receive more attention as the program moved forward. This would require that substantive communications between agencies other than the lead agency and the grantee would have to be maintained and strengthened.

The subcommittee chairman wondered whether the pilot projects had been unbalanced toward planning projects. An OMB representative ventured that the primary reason for that was that state and local planning organizations already had the expertise and decision-making process for formulating areawide strategies to address interrelated problems. Ink pointed out that the experimental projects had been in the planning area. He felt that the pilot projects were giving an excellent test of planning and were testing some but not all of the problems associated with services operations, but were not testing many of the problems associated with construction.

The chairman also asked whether the increased workload falling on the FRCs in the IGA process would not tend to influence them to resist developing new types of joint projects rather than stay with combinations on which they had developed experience. Ink thought that, as time passed and the FRCs became more familiar with the whole process and developed more expertise, that tendency would disappear. Federal officials were unable to supply information on the size of workload IGA imposed on Federal personnel.

Elmer Staats, the Comptroller General of the United States, testified later on IGA and the proposed *Joint Funding Simplification Act*. He indicated that he saw no particular harm in the IGA, nor any great potential for solving the problem of proliferated grants and requirements, feeling that the real solution was simplification of requirements and legislative consolidation of separate categorical programs. He supported the idea of providing legislative sanction for IGA through the *Joint Funding Simplification Act*, but expressed some reservations about the adequacy of IGA experience at that point.<sup>73</sup>

### **GSA's Report: The Second Assessment**

In April 1975, GSA published a report of its findings and recommendations from a second assessment of IGA, covering the period from November 1973, to November

1974.<sup>74</sup> GSA found that the grantees endorsed IGA overwhelmingly, thought it was a viable process, and recommended that it continue. Grantees gave their strong support to IGA, GSA concluded, because of the actual administrative and programmatic benefits which accrued to them. In light of that positive reaction from state and local recipients, GSA said, "IGA merits the additional efforts that have on occasion been required of Federal officials to implement and administer the various pilot projects."<sup>75</sup>

Having established the value of IGA so unequivocally at the outset, the bulk of the report consisted of identifying IGA's shortcomings and measures for remedying them. Since the *Joint Funding Simplification Act* became law shortly before the report was issued, the findings and recommendations were focused on guiding the development of implementing regulations for the act and were organized according to the sections of the act. Among the key findings were the following:

- The lack of clear policies and procedures had inhibited consistent application of the IGA process by Federal agencies and FRCs. GSA pointed out that much of the vagueness of the policies and procedures was deliberate in order to promote flexible application of the process and make best use of the demonstration nature of IGA at that time.
- Failure of some local governments to consult with interested state agencies prior to submitting IGA applications to the FRCs inhibited full intergovernmental cooperation and/or prevented local grantees from realizing the full benefit of IGA participation.
- Considerable confusion existed among applications and Federal regional officials, because Federal agencies did not clearly identify the programs suitable for joint funding. Lack of information led to delays in application approval, substantial revisions in applicant work and budget plans, and inconsistent policies within the same Federal agency from region to region.
- Uniform application and report forms required by FMC 74-7 were not completely adaptable to IGA projects.

- Clear agreement did not exist on the legal interpretation of a non-statutory administrative requirement or the conditions for a waiver under IGA projects.
- Staff limitations and turnover in Federal agencies and FRCs had inhibited development of expertise necessary to process and manage IGA projects.
- Some Federal agencies assigned low priority to IGA projects, thereby inhibiting efficient use and development of the process at all levels. In some cases, this was due to the experimental nature of IGA.
- Procedures for processing IGA applications were too general in nature and lacked adequate controls, which led to delays in processing and unnecessary work for applicants.
- With respect to uniform technical and administrative requirements, IGA pilot projects had not been audited uniformly, nor had responsibility for project audits been clearly defined. On the other hand, conflicting administrative requirements on financial reporting, timing of payments, and record and property accountability could generally be worked out through negotiation among participants in an IGA project.
- Considerable confusion existed throughout the IGA pilot effort over the proper role of the lead agency and other participating grant agencies.
- On funding arrangements and procedures, experience indicated the need for flexible methods of payment to grantees when several assistance programs were involved. Experience in integrating block and formula grants had been mixed, so no general conclusions were possible.
- The majority of IGA pilot projects tended to be administered by grantees with relatively sophisticated and well established planning and management capabilities. This suggested the need for technical assistance and training for other potential grantees.

- State grantor agencies had had limited participation in IGA pilot projects, although such participation had begun to increase.
- Efforts to compare the costs to grantees and grantor agencies of integrated versus conventional grants proved inconclusive.

In its recommendations for implementing the *Joint Funding Simplification Act*, based on these findings, GSA urged that Federal agency heads give sufficient priority to implementation of the act and communicate this priority to agency field staff and potential applicants. They also recommended that agency heads identify their programs suitable for joint funding, especially block and formula grant programs, and designate joint funding coordinators for central and regional offices. Local government officials were urged to coordinate joint funding applications with appropriate state agencies before submitting them to Federal agencies.

The GSA report recommended a list of steps to be taken in writing the implementing regulations, including providing detailed descriptions for special administrative procedures; requiring maximum feasible compliance with the requirements of FMC 74-7; specifying joint funding responsibilities of Federal agencies, including lead agencies and other participating grantor agencies, Federal Regional Councils, state grantor agencies, and state and local applicants; providing a definition of non-statutory administrative requirements and providing for waiver of such requirements where appropriate; and requiring Federal officials to solicit state agency participation in review of applications from local governments, and to encourage state financial participation.

GSA felt that more consideration needed to be given to several problems before recommending specific actions on them: development of an acceptable, technical definition of a jointly funded project; definition of anticipated costs and benefits of joint funding; establishment of data requirements for reporting to Congress; and determination of the feasibility and need for a formal regional and/or national arbitration process to resolve disputes arising over conflicting administrative requirements.

## GAO Assessment

GAO also conducted a review of IGA operations, directed toward determining whether the program improved the delivery of Federal assistance to state and

local governments. It covered six projects in four Federal regions, primarily during FY 1974.<sup>76</sup>

The report, perhaps as expected, did not emphasize the positive results as much as OMB and GSA had. It found that the projects reviewed only partially achieved the benefits contemplated. Under each of the principal aspects of the IGA process – preapplications, consolidated single application, integrated award and funding, project monitoring, and audits – the report identified the program benefits and problems which limited their achievement. Many of the problems had been acknowledged in the GSA study. For four of the projects, an attempt was made to determine whether cost savings were achieved. The lack of pertinent data and failure of the projects to follow guidelines precluded a complete analysis, so GAO's conclusions on workload analysis were based primarily on impressions received from program participants. It concluded that the IGA process was more time consuming for Federal agencies and, occasionally, for grantees. Further, there was neither a reduction nor an increase in staffing by grantees and Federal agencies but rather a reallocation of priorities and responsibilities among staff.

GAO reached the general conclusion that:

The lack of adequate Federal coordination and commitment impeded the IGA program from achieving its full potential. The program's experimental nature may have contributed to this inadequacy. The Federal agencies' lack of clearly defined responsibilities for reviewing, approving, and administering IGA plans and projects and GSA's general lack of program guidance and clarification also contributed to the program's limited success. Violations of basic program requirements and confusion and misunderstandings among program participants were evident in each project reviewed and demonstrate the need for more training in joint funding principles and procedures. Nevertheless, grantee reaction was mixed concerning the level of benefits received under the program.<sup>77</sup>

GAO said that it believes that OMB, GSA, and FRCs cannot be expected to initiate measures to increase Federal agencies' commitment to IGA, because they do not have direct authority to control the level of participation by individual Federal agencies. It indicated that the Under Secretaries' Working Group (USG) must provide the stimulus. The report therefore recommended

that the USG monitor and periodically evaluate the guidance and leadership provided by OMB, GSA, and the FRCs and the level of Federal agencies' responses, and make appropriate suggestions and recommendations to help assure effective administration and an appropriate response level by Federal agencies.

In issuing regulations and program guidelines, the report recommended GSA should take a number of actions, including:<sup>78</sup>

- require FRCs to review joint funding proposals to weed out those for which packaged programs are not interrelated or do not accomplish a single objective;
- require FRCs to monitor joint funding projects periodically and provide feedback to GSA and the USG;
- establish task forces to help applicants in confirming funding sources and in preparing formal applications;
- clarify the roles and operating relationships of lead and participating agencies in project monitoring activities to reflect adequately the need for control over projects in each agency's area of program responsibility; and
- require timely review and approval procedures to facilitate integrated awards and synchronized project periods.

Both OMB and GSA generally agreed with GAO's conclusions and recommendations. OMB noted that many of the deficiencies reported by GAO had been identified in earlier studies by OMB and GSA. It felt that GAO should not have drawn general conclusions from the conditions disclosed in only the six projects reviewed. GAO responded that additional research had confirmed the general truth of the conclusions drawn from the six case studies. OMB suggested that GAO should have made more forceful presentation of two of its conclusions: that the expansion in the number of projects should be undertaken cautiously, and that joint funding projects should be used to package interrelated programs with common purposes rather than all assistance being received.

GSA made some of the same points as OMB. It also suggested that the report acknowledge GAO's participation in the development and early review of IGA. It further suggested that GAO stress that IGA is "an

experiment that can stimulate capacity building in state and local agencies by removing administrative impediments normally associated with grant administration, particularly when a grantee attempts to utilize several Federal grant programs to initiate new or modified delivery systems.”<sup>79</sup> GSA also observed that the GAO report did not distinguish between findings directly attributable to IGA and those which actually highlight deficient grant administrative practices that surface when brought into an IGA. “Without drawing such a fundamental distinction, the report leads to erroneous implications and has an unintended adverse effect on our continuing responsibility and efforts to implement the *Joint Funding Simplification Act of 1974*.”<sup>80</sup>

### **The Joint Funding Simplification Act of 1974**

In its report on the *Joint Funding Simplification Act of 1974*, the Senate Committee on Government Operations quoted Dwight Ink, deputy administrator of GSA, on why such legislation was necessary, when there had already been several years of successful experience with the concept under IGA without specific statutory authority:

... the experience gained through the conduct of the IGA program has convinced us that permanent legislative authority for joint funding is necessary, if we are to expand beyond a pilot operation. We regard Congressional endorsement and support as desirable, since we find it somewhat difficult and time-consuming to bring together resources from different programs to meet the related needs of grant recipients, when we must rely on individual agency authorities.<sup>81</sup>

With the earlier efforts, and the Administration’s strong support based on the experience of the IGA program, the *Joint Funding Simplification Act* was passed and signed into law on December 5, 1974.<sup>82</sup>

The act requires the President to promulgate regulations to assure that its provisions are applied by all Federal agencies consistently and in accordance with its purposes. Subject to the regulations and applicable law, Federal agency heads are authorized to identify programs suitable for joint funding; develop guidelines or model projects and common application forms; modify administrative requirements which may impede jointly funded projects; establish common technical or adminis-

trative rules with respect to jointly funded programs; and create common application processing and supervision procedures, including a system for the designation of “lead agencies.”

Other provisions permit the development of uniform procedures for financial administration and the scheduling of projects, and the review of applications by a single board or panel. Agencies may delegate their powers and functions with respect to jointly funded projects to other agencies in order to facilitate implementation. Agency heads remain responsible, however, for the proper and efficient management of projects funded.

The legislation authorizes the creation of a “joint management fund” to finance a multipurpose project. Each contributing agency may transfer its share of assistance into this fund for payment to the grantee, but the lead agency still is accountable for the amounts provided by program and by appropriation. Finally, the act permits determination of a single non-Federal share for such a project.

By *Executive Order 11867* on June 19, 1975, President Ford designated the Administrator of General Services to exercise the regulatory and other powers vested in the President by the statute. These powers were transferred to the Director of the Office of Management and Budget by *Executive Order 11893*, on December 31, 1975.

### **Proposed Regulations**

Proposed regulations implementing the 1974 act were published in the *Federal Register* on December 24, 1975, with final regulations expected in May 1976. The regulations appeared to be responsive to suggestions made in the GSA and GAO evaluations of experience under IGA. Among other improvements, they included more detailing of policies and procedures; clarification of the concept of a joint funding project, the meaning of non-statutory requirements that are subject to waiver, and the responsibilities of lead agencies and other Federal participants; and more specificity with respect to the processing of applications. Responding to the concern that Federal agencies might be reluctant to cooperate in joint projects because of the onerous responsibilities placed on lead agencies, the regulations permit lead agencies to delegate administration of the joint management fund to other participating grantor agencies.

In preparation for putting the new regulations into effect, GSA requested Federal agencies to submit lists of programs that they considered good candidates for joint funding. These were to help potential applicants avoid

programs that would not lend themselves to joint handling. They were to be published as another appendix in the *Catalog of Federal Domestic Assistance*.

## Summary

IGA was designed as a pilot and experimental program to test and develop another approach to grants management coordination, while Congress was still considering establishing it by legislation. Many of its shortcomings should be ascribed to its experimental nature: the vagueness of policies and procedures, the lack of commitment from Federal agencies and allied state programs, and the uncertainty about the role of the lead agency. Yet, over three years, it demonstrated sufficient promise, in terms of positive responses from grant recipients, FRCs, Federal agencies, and public interest groups, to satisfy Congress that it was worth establishing by law in the *Joint Funding Simplification Act of 1974*, albeit with a five-year expiration date and a deadline for an evaluation report one year prior to that.

The proposed regulations implementing the new act seem to respond to the criticisms leveled against the IGA demonstration in the OMB and GSA self-assessments and the GAO's study – at least those that could be dealt with in regulations. These pertain to such matters as soundness, clarity, and rigor of procedures, unambiguity of terms, appropriateness of assignment of responsibilities, and the linkages to related procedures and requirements, such as FMC 74-7.

The regulations do not, of course, answer the question as to whether other ingredients needed for a successful joint funding effort will be present in implementing the new law. Many of these had been identified in the assessments of IGA: less turnover of staff among assigned personnel from FRCs and Federal agency central and field offices so that an "institutional memory" will eventually be developed; greater dedication by Federal agency heads to the task of making joint funding work; more participation by the states; less turnover among the members of the Under Secretaries' Working Group so that body can provide the kind of oversight that GAO thought only it could provide; more careful selection of potential projects; and enough time to build the necessary understanding among all the parties involved.

The transfer of the joint funding responsibility to OMB holds out hope for a somewhat stronger central oversight function. Along with their responsibilities for general liaison between OMB and the FRCs, the ten FRC representatives in OMB will provide a communication

line to the FRCs specifically on joint funding, a service that the program did not have when it was administered by GSA.

## ALLIED SERVICES PROPOSAL

In May 1972, President Nixon announced his intention to propose the *Allied Services Act*, which would give "state and local officials authority to consolidate the planning and implementation of the many separate social service programs into streamlined, comprehensive plans – each custom-designed for a particular area."<sup>83</sup> Its principal initiator, one-time HEW Secretary Elliot Richardson, proclaimed that it would "help to build the capacity of service providers for joint plans and operations across program lines, to alleviate conditions of dependency."<sup>84</sup> This proposal, which was reintroduced in 1974 and 1975 in modified form,<sup>85</sup> is another, though yet unrealized, effort by the Federal government to help states and localities to strengthen their coordinative and discretionary powers in the management of Federally funded programs. Like IGA, CERC and Annual Arrangements, the allied services proposal is advanced as a demonstration.

The proposed legislation is aimed at the familiar symptoms of proliferated categorical grants, focusing on those in the field of human services. Hundreds of separate service programs, established one-by-one over a stretch of years, have been devised to deal with particular human problems without relation to other programs directed at similar problems. The *Allied Services Act* is designed to help states and local governments integrate these related program resources to attack the whole range of human services problems in a more coordinated, effective, and efficient manner.

The act defines "human services" as those provided to individuals or their families in need thereof to help them achieve, maintain, or support the highest level of personal independence and economic self sufficiency, including health, education, manpower, social, vocational rehabilitation, aging, food and nutrition, and housing services. It identifies the ways in which state and local governments create obstacles to the effective coordination of these services: "fragmentation among many service agencies and units of government of the responsibility for serving dependent individuals and families," "the lack, at state and local levels, of any single locus of accountability for the effective management and delivery of services," and "only informal and *ad hoc* means of coordination and communication among agencies and units of government providing human services." The

purpose of the act is to provide a program to develop, demonstrate, and evaluate the utility of coordinating human services delivery through such means as "new cooperative arrangements and reorganization of functions at all levels."

Five fundamental authorities would provide the administrative tools for developing, demonstrating, and evaluating integrated delivery of human services at the local level:

- It would provide demonstration planning grants to participating states, and through them, to localities. The grants would be for a maximum period of two years. After initiation of a work plan, the planning authorities contained in each participating categorical program supported by HEW could be consolidated into a single planning grant in each state and local government.
- Upon approval of the plan, the act would provide implementation grants for up to three years to states and localities to cover the costs of installing comprehensive, integrated management and support systems. These would include management information systems.
- It would authorize the transfer of up to 30 percent of the funds from any participating program to any other related program purpose contained within the work plan. Exempted from this provision are funds available to the states under Medicaid, the cash assistance programs of the *Social Security Act*, and grants to state or local educational agencies under Title I of the *Elementary and Secondary Education Act of 1965*. The exclusions are made basically because these are means-tested programs.
- It enables joint funding across agency lines to maximize resources and reduce duplication.
- The act authorizes the Secretary of HEW to grant administrative, regulatory, and technical waivers when the allied services plan demonstrates that existing require-

ments impede the logical integration of human services.

These provisions are dependent upon state compliance with minimum Federal standards and guidelines and upon regular evaluations of state performance.

There are four key elements in the *Allied Services Act* process. First is the planning and development process, which involves Federal, state, and local participation but places the major responsibility on the state governor. Initially, he designates (a) appropriate planning and service districts within the state and (b) local agencies which have agreed to participate within each substate district and be responsible for development and implementation of local plans. Upon designation, local agencies develop local allied services plans based upon comprehensive need assessments, services inventories, and participation of interested agencies, organizations, and individuals. Upon receiving these local plans, the governor or his designated state agency prepares a statewide allied services plan for submission to HEW for review and approval. HEW regional offices participate in the preliminary review and approval, as well as the monitoring and evaluation of individual state plans. Consultation with, and review by, other Federal departments or agencies occurs where state plans include service programs outside the jurisdiction of HEW.

The second key element is the range of programs to be included in the allied services plans. States must include services under Aid to Families with Dependent Children, Child Welfare Services, and Title XX (Social Services) of the *Social Security Act*. They must also include a minimum of three additional human services programs under HEW. Eventually the hope is to integrate all human services.

The third element in the ASA process is the evaluation report. States must provide such reports assessing the impact of integration and consolidation on client conditions.

Finally, basic support services (e.g., information systems and intake and referral procedures) must comply with minimum Federal specifications.

The *Allied Services Act* is a measure which the Administration intended to push for adoption in 1976.<sup>8,6</sup> Supporters attribute lack of success since introduction of the first proposal in 1972 to a number of factors, including opposition from interest groups associated with individual programs susceptible to consolidation or fund transfer, the sharing of legislative jurisdiction over the measure by as many as four committees in Congress, and the difficulties of any Administration proposal in a Congress heavily dominated by the other party.

## SUMMARY OF FINDINGS AND CONCLUSIONS

This chapter has examined another Federally initiated effort to improve the intergovernmental grant system short of consolidation of categorical grants or substitution of block grants, and special revenue sharing. This "middle range" reform effort consists of Federal measures to enhance the processes by which state, regional, and local grant recipients set program priorities and coordinate Federally funded activities. These measures are *OMB Circular A-95*, HUD's Annual Arrangements and Chief Executive Review and Comment (CERC), *Integrated Grant Administration (IGA)* and the *Joint Funding Simplification Act*, and the proposed *Allied Services Act*.

Although these efforts have or had (some have expired) a common objective of improving the capabilities of the states and their political subdivisions, they differ, in some cases, in respect to their origins, intended duration, scope of functional programs to which addressed, and the aspect of state, regional, and local capacity that they are intended to enhance.

- **OMB Circular A-95** implements Title IV of the *Intergovernmental Cooperation Act of 1968* and will continue as long as that legislation endures.

- Part I, which establishes the Project Notification and Review System (PNRS), is the best known and most influential of the four parts. PNRS is a process by which state, regional, and local governments are given the opportunity to review and comment on proposed applications for Federal grants that affect physical development and human resources. Some 200 Federal programs are involved. Ideally, it can strengthen the planning and decision-making capabilities of affected jurisdictions by impelling them to consider the impact of Federal programs on their jurisdictions. It can also enhance their ability to influence that impact.
- Part II establishes the framework for a similar review and comment system applicable to direct Federal development projects. A system is not prescribed, but use of the PNRS by Federal agencies is encouraged. If functioning effectively, it can have beneficial effects on state, area-

wide, and local bodies similar to those of Part I.

- Part III gives governors the opportunity to review and comment on state plans required under Federal programs. It encourages state comprehensive planning and gives the governor and his generalist aides a handle for exerting policy influence over functional specialists.
- Part IV provides for the coordination of Federal planning and development districts with substate districts. It encourages states to exercise leadership in establishing a system of substate districts which can provide a consistent geographic base for planning and coordinating Federal, state, and local development programs.
- **Annual Arrangements**, a demonstration program, was an administrative initiative of HUD to help prepare local officials for their broadened discretionary powers anticipated under the community development grant. Confined to HUD programs, it expired with the advent of the block grant.
- **CERC** was also a HUD demonstration program keyed to preparing local chief executives for their expected expanded role under the block grant. Like the PNRS under A-95, it aimed to strengthen the chief executive's influence over Federal grants coming into the city and encourage a strengthening of the city's planning and decision-making process. Unlike PNRS, it focused on local government rather than areawide coordination and embraced more Federal programs, and, unlike Annual Arrangements, it extended beyond purely HUD programs. Sometimes CERC provided the chief executive with Federal funds to develop the review and comment process. These came by virtue of the city's participation as a "Planned Variation" under the Model Cities program. As a demonstration program, CERC also expired with the coming of the community development block grant.
- **IGA** was an experimental, then demonstration, program launched by the Administration without explicit statutory sanction. From the standpoint of strengthening state and local processes, it aimed to simplify recipients' task of obtaining Federal funds and enhance their capacity to integrate Federal and other

programs directed at common objectives. Funds from all agencies could be combined in an integrated grant. The program was intended to prove the feasibility and value of a *Joint Funding Simplification Act* and expired when that legislation was enacted in 1974.

- **The Joint Funding Simplification Act of 1974** has the same objectives and scope as IGA. It has a termination date of 1979.

- **The proposed Allied Services Act** has been a legislative proposal since 1972, and its current version is endorsed by the Administration. It seeks to demonstrate how state and local governments can improve delivery of human services programs by integrating presently separated programs through state and local "allied services plans." Ideally, it would enhance planning processes in the human services area at both the state and local levels, improve the consistency of such planning between the two levels, and encourage the simplification and effective delivery of related services. It would provide Federal funds to states (with permission for pass-through to localities) for human services planning purposes.

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The chapter reviewed the various evaluations of the performance of these programs, except for the *Allied Services Act*, which remains in the status of proposed legislation. The assessments varied.

### **Circular A-95**

The four parts of A-95 have had varying effects on the processes of the states and their political subdivisions for controlling and coordinating the impact of physical development and human resource grants. Probably the most notable effect is from Part I, the Project Notification and Review System, and the support it has provided for areawide planning and coordination performed by regional councils. The unofficial 1973 figures on substate districts provided by EDA indicate marked strides in bringing order out of the tangle of substate districts spawned by Federal grants, but it is unclear how much this can be credited to Part IV of the circular. GAO's report on A-95 raises serious doubts about the degree to which Part II has helped state, regional, and local jurisdictions effect the plans and decisions in direct Federal development projects. Similar doubts are raised by the Council of State Government's 1975 report on state planning with regard to the extent that governors have availed themselves of the opportunities offered by

Part III to coordinate Federal program plans with state comprehensive plans.

One key to the effectiveness of A-95 is the degree to which state, regional, and local jurisdictions take advantage of the opportunities presented by the circular: the initiatives asserted by governors and their generalist budget and planning staffs, regional councils, and mayors, county executives, and city managers. The evaluations reviewed indicate that not only have governors fallen short in this regard, but also mayors and managers. When governors routinely sign-off on functional plans presented by functional specialists, and mayors delegate their responsibility for review and comment to department heads, they are foregoing a golden opportunity to assure that general policy concerns take precedence over narrow functional interests, a most important objective of policy coordination. When states, regional units, counties and cities fail to commit enough resources to make their participation effective, they are also passing up their opportunities.

On another level, the report of a civil rights observer indicates that civil rights agencies are bypassing the chance afforded by A-95 to see that their concerns are respected in the processing of grants under the circular.

And yet, the opportunities offered by A-95 are not just sitting there, waiting like ripe plums to be picked. Their accessibility depends a good deal upon the apparatus established by OMB, the Federal agencies, the states, and perhaps to a somewhat lesser extent regional bodies and local governments for channeling information and making decisions. Equally important, it depends on the resources and zeal that each dedicates to making the several processes function. Criticisms in the various appraisals, with justification in most instances, have been directed at these aspects of A-95 — the clarity of the procedures, the precision and consistency of the requirements for Federal agencies' compliance, the commitment of the agencies and OMB in staff resources and policy support, the cooperation of the states in making the processes work as they affect regional and local bodies as well as state government itself, and the resources assigned and interest shown by the various participants at the substate and local levels.

Most of the attention and criticism have focused on Part I. There has been notable progress in responding to those criticisms, insofar as it is reflected in improving the provisions of the circular and the efforts of the limited OMB staff managing it. Some of the changes in the circular are so recent that it will take time to ascertain how effective they are. The same goes generally for the relatively recent effort to assign more responsibility to the FRCs for improving the Federal

government's role in implementation. As it is, serious question remains whether this alone will be adequate without added OMB central staff. An additional question mark applies to the issue raised by GAO — whether Federal agency compliance can be achieved when primary responsibility is left with the Federal agencies, or whether OMB must play a more aggressive implementation role.

One criticism of Part I of the circular is that it does not do enough for participation of local chief executives in the review and comment process. The criticism is based on Part I's adverse comparison with other Federally inspired coordinative processes, particularly CERC. The recent revision includes some changes to improve such participation. Experience in the coming months should show whether the change brings improvement.

The differential impact of the different parts of A-95 is in large part inherent in the varying objectives and scope of the several parts. To some extent, it may also be due to the differential attention that OMB has given them. OMB has little knowledge about what has happened under Parts III and IV, and probably not much more with respect to Part II. The assessment study projected for 1976 is expected to cover all four parts. Then it should be possible to make better judgments about what needs to be done, if anything, to improve the functioning of all parts of the circular.

### Annual Arrangements and CERC

Evaluation reports on Annual Arrangements were mixed. Some indicated substantial progress in the preparation of citywide community development strategies, the creation of coordinating mechanisms, and the enhancement of the chief executive's leadership role in community decision making. Others indicated tepid responses from some cities for various reasons, including

their feeling that the Federal government had ulterior motives involving the acceptance of controversial social programs, or a basic local apathy to involvement in Federally initiated programs.

CERC seemed successful in a large percentage of the relatively few cities where it was tried in helping strengthen chief executives' influences over Federal programs affecting their communities. But there was some indication that a chief executive's profiting from CERC depended on the authority that he and his government already wielded in his community. CERC was clearly superior to Part I of A-95 in helping local chief executives exert influence over Federal grants coming into their jurisdictions.

Annual Arrangements and CERC were designed to prepare localities for their broadened responsibility for allocating Federal community development funds under the new block grant. As Annual Arrangements and CERC cities accumulate experience under the block grant, there should be a better opportunity to evaluate how useful the two demonstrations were.

### IGA and Joint Funding

Many of IGA's weaknesses were characteristic of an experimental program. The vagueness and apparent inconsistency of policies and procedures, for instance, reflected, in part, at least an attempt to try a variety of approaches. The program scored enough successes and showed sufficient promise of improvement to persuade Congress to sanction a full-blown, five-year trial through the *Joint Funding Simplification Act*. Regulations implementing the act responded to most of the suggestions that were made for improving the IGA process. Transfer of oversight to OMB promises some advantages in implementation, but Federal agencies', OMB's and FRCs' commitment to joint funding is still a critical question.

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### Footnotes

<sup>1</sup> Federal grants as a percent of state and local expenditures increased from 10.4 percent in FY 1950 to an estimated 25.2 percent in FY 1976. Office of Management and Budget, *Special Analyses, Budget of the United States Government, FY 1977* (Washington, D.C.: U.S. Government Printing Office, 1976), p. 264.

<sup>2</sup> *A Survey Report on The Impact of Federal Grants-in-Aid on the Structure and Functions of State and Local Governments*, submitted to the Commission on Intergovernmental Relations by the Governmental Affairs Institute, June 1955, p. 18.

<sup>3</sup> *Ibid.*, p. 18.

<sup>4</sup> Executive Office of the President, *Strengthening Public Management in the Intergovernmental System* (Washington, D.C.: U.S. Government Printing Office, 1975). Also see Task Force on Local Government Capacity Building, Western Federal Regional Council, *Federal Support for Local Decision-Making: What Works?* (San Francisco, Calif.: 1975). For a discussion of approaches to coordination in subnational programs, including *OMB Circular A-95* and joint funding, see Harold F. Wise, *Conflicts in Federal Subnational Development Programs* (Washington, D.C.: Economic Development Administration, Department of Commerce, March 1976).

<sup>5</sup> Advisory Commission on Intergovernmental Relations, *Regional Decision Making: New Strategies for Substate Districts, (A-43)* (Washington, D.C.: U.S. Government Printing Office, 1973), p. 140.

- <sup>6</sup>Office of Management and Budget, Executive Office of the President, *Circular A-95. What It is, How It Works*, p. 4.
- <sup>7</sup>See GSA's *Federal Management Circular 74-7*, Attachment M, "Standard Forms for Applying for Federal Assistance."
- <sup>8</sup>Advisory Commission on Intergovernmental Relations, *Regional Decision-Making: New Strategies for Substate Districts (A-43)*, (Washington, D.C.: U.S. Government Printing Office, 1973), p. 148.
- <sup>9</sup>*Ibid.*, p. 153.
- <sup>10</sup>The Council of State Governments, *Coming Together, The Intergovernmental Cooperation Act of 1968: A Survey of State Implementation* (July 1971).
- <sup>11</sup>Leonard U. Wilson and L. V. Watkins, *State Planning* (Council of State Governments, August 27, 1975), p. 107.
- <sup>12</sup>The quote was from paragraph 3(a) of the circular in its penultimate version. The current version has a similar provision (Attachment A, 8g.) but without the escape clause for Federal agencies.
- <sup>13</sup>See for example Executive Order No. 75-7, State of Arizona, May 30, 1975. In its 1975 annual report, the Maryland Commission on Intergovernmental Relations recommended legislation to require state agencies to file a copy of all applications for Federal assistance with the Department of State Planning, except for research or instructional contracts or grants.
- <sup>14</sup>National Service to Regional Councils, "Coordination Eliminates Conflicting Efforts," *Regional Review*, Vol. IV, No. 1 (January 1971), p. 19.
- <sup>15</sup>Urban Data Service, B. Douglas Harman, *Areawide Review of Federal Grant Applications: Implications for Urban Management*, Vol. 4, No. 2 (Washington, D.C.: International City Management Association, February 1972).
- <sup>16</sup>Department of Housing and Urban Development, *Local Government Participation in A-95, Project Notification and Review System*, Community Development Evaluation Series No. 11 (Washington, D.C.: U.S. Government Printing Office, 1973).
- <sup>17</sup>Department of Housing and Urban Development, Office of Community Planning and Development, *The Chief Executive Review and Comment (CERC) Procedure and Other Local Coordinating Mechanisms: A Reconnaissance Evaluation in Two Cities* (January 2, 1974).
- <sup>18</sup>See later sections in this chapter for discussions of CERC and IGA. For discussion of OEO Checkpoint Procedure, see *Chapter II*. One 1973 report on CERC found that city officials showed little enthusiasm for PNRs.
- <sup>19</sup>Letter, Donald G. Dodge, Acting Director, Office of Evaluation, Community Planning and Development, HUD, to Vincent Puritano, Chairman, Under Secretaries' Working Group, April 9, 1974.
- <sup>20</sup>Department of Housing and Urban Development, Office of Evaluation, Program Evaluation Division, "Policy Guidelines to Strengthen Program Coordination under the Project Notification and Review System," *OMB Circular A-95*, June 7, 1974.
- <sup>21</sup>OMB notes, with reference to melding CERC features into A-95, that paragraph 3.b. of the new A-95 revision permits chief executives of general local governments to request areawide clearinghouses to send them notifications of all projects affecting their jurisdictions. "While this does not, perhaps, go as far as CERC, it can obviate bypassing the executive in favor of the functional local agencies, reduce scattershot reference, and otherwise assure unwanted passing of paper . . . the recommendation that local elected officials can extend the coverage of A-95 may be manageable on a limited pilot basis, as in the MARC project. To extend that principle nationwide is a recipe for chaos, and it would place an unconscionable burden on Federal agencies and their clientele to keep track of what each of thousands of units of local government wants to see." Letter to ACIR, February 20, 1976.
- <sup>22</sup>Milton D. Morris, "The A-95 Review Process: Its Implications for Civil Rights," Joint Center for Political Studies (Washington, D.C., November 7, 1974).
- <sup>23</sup>A 1975 Council of State Governments' study found that "Surprisingly, many states are not, at the present time, submitting the PNRs forms to state and local public agencies which have the responsibility for the enforcement of civil rights laws." Wilson and Watkins, *op. cit.*, p. 131.
- <sup>24</sup>OMB views this proposal as unworkable and without foundation in law. Letter to ACIR, February 20, 1976.
- <sup>25</sup>Paragraph 6.b. of the February 1976, revision of A-95 instructs agencies to return applications that bear no evidence that clearinghouses have been given the opportunity to review them.
- <sup>26</sup>House Subcommittee on Intergovernmental Relations, "New Federalism," *Hearings*, 93rd Cong., 2nd Sess., January and February 1974 (Washington, D.C.: U.S. Government Printing Office, 1974), pp. 99-100.
- <sup>27</sup>General Accounting Office, *Improved Cooperation and Coordination Needed Among All Levels of Government - Office of Management and Budget Circular A-95 (GGD-75-52)*, February 11, 1975.
- <sup>28</sup>Since mid 1974, OMB has been issuing "A-95 Administrative Notes" which were designed specifically to meet this problem.
- <sup>29</sup>*Ibid.*, p. 84.
- <sup>30</sup>*Ibid.*, p. v.
- <sup>31</sup>A-95 implementation and policy oversight responsibilities were delegated to the FRC chairmen by the chairman of the Under Secretaries' Working Group on May 10, 1974.
- <sup>32</sup>*Federal Register* (October 10, 1975), pp. 47960-47970.
- <sup>33</sup>Office of Management and Budget, "Agency Regulations for Implementing the New Revision of OMB Circular No. A-95," (memorandum), October 10, 1975.
- <sup>34</sup>See *Volume VII, Chapter I*, for a full description of the survey, limitations, and more detailed results.
- <sup>35</sup>The Council of State Governments, *Coming Together, The Intergovernmental Cooperation Act of 1968: A Survey of State Implementation (July 1971)*, p. 29.
- <sup>36</sup>This was an inadvertent error that was corrected in the first revision in 1971.
- <sup>37</sup>GAO, *op. cit.*
- <sup>38</sup>Council of State Governments, *op. cit.*, pp. 33-36.
- <sup>39</sup>Leonard U. Wilson and L. V. Watkins, *State Planning* (Council of State Governments, August 27, 1975), p. 108.
- <sup>40</sup>GAO, *op. cit.*, p. 83.
- <sup>41</sup>This provision and the provision encouraging Federal agencies to use substate districts established by the states were adopted in response to the ACIR recommendations in *Regional Decision Making: New Strategies for Substate Districts (A-43)* (Washington, D.C.: U.S. Government Printing Office, 1973), p. 348.
- <sup>42</sup>Office of Management and Budget, *Circular A-95. What It is. How it Works* (undated), p. 26.

- <sup>43</sup>The Council of State Governments, *op. cit.*
- <sup>44</sup>Advisory Commission on Intergovernmental Relations, *Regional Decision Making: New Strategies for Substate Districts (A-43)* (Washington, D.C.: U.S. Government Printing Office, 1973), Chapter VI.
- <sup>45</sup>*Ibid.*, p. 218.
- <sup>46</sup>W. Eldon Hickey, "Prospectus for a Federal Program Area (FPA) Analysis System" (August 9, 1973) (processed).
- <sup>47</sup>Letter, Assistant Secretary, Community Planning and Development, HUD, to Executive Director, ACIR, December 3, 1975.
- <sup>48</sup>House Subcommittee on Intergovernmental Relations, "New Federalism," *Hearings*, 93rd Cong., 2nd Sess., (Washington, D.C.: U.S. Government Printing Office, 1974), pp. 49-50.
- <sup>49</sup>Department of Housing and Urban Development, *Annual Arrangements Phase I*, Community Development Evaluation Series No. 6 (March 1972), p. 1.
- <sup>50</sup>*Ibid.*, p. 3.
- <sup>51</sup>*Ibid.*, p. 70.
- <sup>52</sup>House Subcommittee on Intergovernmental Relations, "New Federalism," *Hearings*, (Washington, D.C.: U.S. Government Printing Office), Jan.-Feb., 1974, pp. 274-277.
- <sup>53</sup>*Ibid.*, p. 275.
- <sup>54</sup>Department of Housing and Urban Development, *Annual Arrangements: Improving Coordination of Community Development Programs*, Community Development Evaluation Series No. 14 (May 1973).
- <sup>55</sup>*National Journal*, Vol. 5, No. 9 (March 3, 1973), pp. 301-304.
- <sup>56</sup>Department of Housing and Urban Development, *Annual Arrangements Phase I, op. cit.*, p. 5.
- <sup>57</sup>Jeffrey L. Pressman, "Political Implications of the New Federalism," *Financing the New Federalism*, Wallace E. Oates, Ed. (Washington, D.C.: Resources for the Future, 1975), p. 31.
- <sup>58</sup>Department of Housing and Urban Development, *Planned Variations: First Year Survey*, Community Development Evaluation Series No. 7, October 1972. See also Department of Housing and Urban Development, *HUD Challenge*, "Planned Variations," Vol. IV, No. 7, July 1973.
- <sup>59</sup>*National Journal*, Vol. 4, No. 51 (Dec. 16, 1972), pp. 1937-38. On the Houston and Indianapolis experience, also see *HUD Challenge, op. cit.*
- <sup>60</sup>"New Federalism," *Hearings, op. cit.*, p. 278.
- <sup>61</sup>*Ibid.*, p. 280.
- <sup>62</sup>Victor A. Capoccia, "Chief Executive Review and Comment: A preview of New Federalism in Rochester, New York," *Public Administration Review*, Vol. 34, No. 5 (September/October 1974), pp. 462-469.
- <sup>63</sup>Department of Housing and Urban Development, Office of Community Planning and Development, *The Chief Executive Review and Comment (CERC) Procedure and Other Local Coordinating Mechanisms: A Reconnaissance Evaluation in Two Cities* (January 2, 1974). Also see reference to this report in section on Circular A-95 earlier in this chapter.
- <sup>64</sup>Walter H. Plosila, *The Response of Federal, State, and Local Governments to "Revenue Sharing" Approaches to Intergovernmental Relations*, paper presented at 1975 ASPA National Conference on Public Administration, April 2, 1975, p. 22.
- <sup>65</sup>Department of Housing and Urban Development, Community Planning and Development, Office of Evaluation, *Planned Variations: A Demonstration in Local Capacity Building* (May 1976).
- <sup>66</sup>Pressman, *op. cit.*, p. 30.
- <sup>67</sup>Office of Management and Budget, *The Integrated Grant Administration (IGA) Program* (January 14, 1972).
- <sup>68</sup>House Subcommittee on Intergovernmental Relations, *Hearings*, "New Federalism," 93rd Cong., 2nd Sess., (January-February 1974), p. 128.
- <sup>69</sup>*Executive Order 11717*, May 9, 1973.
- <sup>70</sup>General Services Administration, *Integrated Grant Administration—Assessment Report* (April 1975), pp. 7-8.
- <sup>71</sup>House Subcommittee on Intergovernmental Relations, *Hearings*, "New Federalism," 93rd Cong., 2nd Sess. (January, February 1974), pp. 111-159.
- <sup>72</sup>*Hearings*, "New Federalism," p. 128.
- <sup>73</sup>*Hearings*, "New Federalism," p. 169.
- <sup>74</sup>General Services Administration, *op. cit.*
- <sup>75</sup>*Ibid.*, p. 1. Kentucky was one state that reported good results from IGA. "In order to produce ten Federally required state plans, each is accounted for through a single system of administrative procedures for funding, reporting, accounting, and auditing. 120 Federal-state-substate contracts have been replaced by one Federal-state-regional contract. Grant administration costs to the state have been reduced by \$1 million. Substate district staffs spent 30 percent less time on grant administration within the first year of the program. The key to the integrated grant (Governor Carroll) said, "is the power to waive requirements written, not in law, but in regulation." *Federal Contracts Report*, No. 618, 2-16-76, p. A-15. Rhode Island and a few other states reported some success under IGA in achieving integration of functional plans. See Wilson and Watkins, *op. cit.*, p. 141.
- <sup>76</sup>General Accounting Office, *The Integrated Grant Administration Program — An Experiment in Joint Funding*, GGD-75-90 (January 19, 1976).
- <sup>77</sup>*Ibid.*, p. 30.
- <sup>78</sup>In a special note at the beginning of the report, GAO notes that recommendations to GSA should be construed as recommendations to OMB because of return of the IGA function to OMB subsequent to preparation of the recommendations.
- <sup>79</sup>*Ibid.*, p. 37.
- <sup>80</sup>*Ibid.*, p. 37.
- <sup>81</sup>Senate Committee on Government Operations, *Joint Funding Simplification Act of 1973*, Report No. 93-506, 93rd Cong., 1st Sess. (November 15, 1973), pp. 2-3.
- <sup>82</sup>P.L. 93-510, 42 U.S.C. 4251-4261.
- <sup>83</sup>Weekly Compilation of Presidential Documents, Monday, May 22, 1972, p. 872.
- <sup>84</sup>House of Representatives, Committee on Education and Labor, *Hearings on H.R. 12285*, "Allied Services Act of 1974," 93rd Cong., 2nd Sess. (May and July 1974), p. 213.
- <sup>85</sup>H.R. 9981, H.R. 10248, H.R. 10879. See U.S. Department of Health, Education, and Welfare, *The Allied Services Act of 1975, Fact Sheets* (October 1975).
- <sup>86</sup>Office of Management and Budget, *Special Analyses, Budget of the United States Government, FY 1977* (Washington, D.C.: U.S. Government Printing Office, 1976), p. 257.



# Findings, Issues, and Recommendations

## INTRODUCTION

This phase of the Commission's study of the inter-governmental grant system has focused chiefly on organizational and procedural efforts undertaken at the Federal level to remedy some of the operational defects in its grant system. These might be called "middle range reform" efforts because they work within and accept the likely continuance of categorical grants. Moreover, they stop short of a transformation of Federal aid into a general revenue sharing and block grant oriented system. Hence, they seek to improve the management of Federal grants, which at this point includes a still growing number of categorical as well as block grants.

Some have viewed these measures as a necessary prelude to more far-reaching block grant and revenue sharing approaches. Others view these efforts as mere palliatives and see in block grants and general revenue sharing the only real cure to the problems of categoricals. Still others interpret them as a necessary component of a Federal assistance undertaking that includes all three of these intergovernmental fiscal transfer devices. This group notes that with the advent of block grants, the difficulties of coordinative management among them, as well as between them and categoricals, only underscores the need to pursue further these undertakings.

*Chapter I* in this volume provided a historical and analytical introduction to these "middle range reforms." *Chapter II* assessed the role of three "target grants" in

seeking new approaches to better grant coordination and management. *Chapter III* probed Federal efforts to standardize and simplify grant procedures and to strengthen interlevel communications. The following chapter considered the Federal organizational response within the Executive Branch to the challenges of achieving better grants management and improved inter-governmental relations. Finally, *Chapter V* examined various Federal procedures geared to bolstering recipient state and local coordination and discretion, both in administrative and substantive program areas.

This portion of the Commission's study, then, is restricted to Federal organizational, procedural, and certain program efforts geared toward upgrading grant management either at the Federal and/or recipient levels. The organizational focus is chiefly on the Federal executive branch, not on Congress or state and local governments. The procedures cover governmental circulars and the mechanisms relating to improved grant administration, not those that seek to implement environmental, civil rights, or other policy objectives. Moreover, those procedures that deal with recipient coordination and discretion concerns are simply that — procedures, not programs of technical or program assistance like the 701 planning effort or the *Intergovernmental Personnel Act*.

## BACKGROUND AND SUMMARY FINDINGS

The following provides a brief background and summary of the findings regarding these "middle range" procedural and Executive Branch organizational responses at the Federal level.

### Organizational Responses

An initial set of changes in the organization of the Federal Executive for intergovernmental relations was made during the Johnson administration. This period saw the development of three "target grants," all of which were intended (among other objectives) to redirect the flow of Federal assistance to especially needy areas and to promote better coordination among various Federal programs. Among the organizational developments associated with these programs were the creation of the Office of Economic Opportunity within the Executive Office of the President and its interdepartmental Economic Opportunity Council, which President Johnson hoped would become the domestic equivalent of the National Security Council. The Appalachian Regional Commission was established on a Federal-multistate partnership basis, while at the local level,

community action agencies, city demonstration agencies, and local development districts were formed. During this period, the Bureau of the Budget also became increasingly concerned with achieving more effective coordination among Federal agencies and with its own internal organization and processes. The first pilot Federal Regional Councils were created, and the President designated the Vice President and Office of Emergency Planning as his liaisons with mayors and governors, respectively.

Reorganization Plan #2 of 1970, proposed by President Nixon, was the genesis of the current organizational framework for Federal assistance policy and management and, indeed, for all domestic activity. The plan created a new cabinet-level Domestic Council which was to be concerned with "what" the government was to do, while the Bureau of the Budget was redesignated the Office of Management and Budget and assigned responsibility for "how" these activities were to be carried out and "how well" they were performed.

Other important actions were the establishment of the Office of Intergovernmental Relations and the ten Federal Regional Councils (FRCs) in 1969. The office which operated under the direction of the Vice President, provided another element of the new machinery — a center for liaison between the President and state and local governmental officials. The FRCs provided mechanisms for program coordination, information, and liaison in the field. A process of decentralizing grant administration to the regional offices and the standardization of regional boundaries and office locations also was begun.

By a series of separate actions, significant changes in the roles of many of these organizations were made in late 1972 and early 1973. The Office of Intergovernmental Relations was disbanded, with its activities transferred to the Domestic Council. The Domestic Council itself also was altered by the development of the system of Presidential "counselors" as a new coordinating element and the reduction of the council staff by about 50 percent. At about the same time, overall responsibility for several grants management procedures was transferred from the Office of Management and Budget to the General Services Administration (GSA) and another to the Department of Treasury. These changes were justified on grounds that the size of the Executive Office of the President should be reduced by placing certain "line" functions in other agencies. In late 1975, the GSA's activities in intergovernmental management were returned by action of the Congress (and over OMB's opposition) to the Office of Management and Budget.

**Major Findings.** The review of activities and performance of these organizations in Chapters II and IV suggests the following general findings:

- Considerable attention has been devoted to the better “coordination” of assistance programs throughout the past decade. A wide variety of administrative reforms have been executed, and still others proposed, in the service of this objective. However, none of these have had more than limited success in eliminating conflicts or differences of policy and procedure among Federal agencies and their grant programs. To date, it has proven impossible to make more than marginal improvements by means of organizational and procedural change in the operation of a system of Federal assistance programs largely characterized by fragmentation, inconsistency, complexity, and duplication.
- Traditional administrative theory suggests that organizational coordination can best be obtained through a hierarchical organization under the direction of the chief executive. Hence, many analysts have recommended the creation of a “focal point” unit for intergovernmental relations located close to the President. An alternative theory suggests that sufficient coordination often can be attained without recourse to hierarchical organization or centralized management. These conflicting theories make the selection of an optimal coordination system difficult. Moreover, the past record of efforts based on both theories in the intergovernmental area show few positive results.
- The attempts to improve coordination among programs have demonstrated that Federal agencies have few incentives to standardize, simplify, or “target” their activities. Their primary concern (shared by most Congressional committees which oversee them, as well as most interest groups) is to be able to account for and make effective use of each specific grant program they administer. This naturally leads to differences in requirements and procedures.
- One of the most important constraints on coordinative activities and Federal coordinating agencies has been the limited interest and attention of the President and his top-level

staff. While many observers believe that steady Presidential involvement in domestic program management is essential, the record offers little reason to suppose that priorities will change.

- A multiplicity of coordinating agencies sometimes has led to conflict among them and made it difficult to identify specific areas of authority and responsibility. Coordinating systems frequently have been altered or discarded and replaced after short periods of use.
- Since 1970, the Domestic Council has been formally responsible for developing basic domestic policy, while the Office of Management and Budget is charged with budget development and management oversight. In practice, this division of functions between the two has not been sharply defined, and neither has monopolized the activities assigned to it. Some management activities were transferred to other Federal agencies, while the OMB, special White House working groups, Presidential counselors and assistants, other cabinet-level organizations, and sometimes departments have played significant roles in policy formulation.
- The Bureau of the Budget, later the Office of Management and Budget, initiated (sometimes in response to Congressional enactments) many of the procedures to coordinate and simplify the operation of the categorical grant system. However, despite several reorganizations, the office has not become the significant force for management improvement which had been anticipated; most of its attention and resources continue to be concentrated on its budgetary activities and these, in turn, rarely have been geared to management purposes.
- Since late 1972, the Domestic Council has served as the primary liaison between the President and policy-level officials of state and local government. Hampered by a small staff, the council has devoted little attention to intergovernmental relations and has not provided sufficient representation of state and local concerns. Similar responsibilities had been assigned previously to the Office of Intergovernmental Relations, the Vice President, and the Office of Emergency Planning. While results were mixed, these arrangements were somewhat

more effective, with a key variable seeming to be the degree of personal commitment on the part of the President and the official assigned responsibility for the liaison activity, as well as the ability of staff.

- The Federal Regional Councils have engaged in a variety of useful special projects and provided important communications links. But they, as yet, have made only minor contributions to the coordination of Federal program operations and the strengthening of relations among the levels of government. The most significant constraint upon their activities is the continuing centralization of decision making for many assistance programs and the lack of full administrative authority among the regional officials who make up the council membership. Other problems have included insufficient policy guidance from Washington and inadequate staffing.

## Procedural Reforms

Three of the major procedural thrusts of the recent movement for “middle range” reform of categorical grants have been the standardization and simplification of grant administration procedures through management circulars, the improvement of intergovernmental information and communication, and development of Federal procedures for strengthening state and local coordination and discretion.

**The Management Circulars.** The reform of grant procedures has been approached mainly through three key management circulars administered by OMB, then GSA, and finally (in January 1976) again OMB:

- GSA’s *Federal Management Circular 74-7* (formerly *OMB Circular A-102*) – Uniform administrative requirements for grants-in-aid to state and local governments.
- *FMC 74-4* (formerly *A-87*) – Cost principles applicable to grants and contracts with state and local governments.
- *FMC 73-2* (formerly *A-74*) – Audit of Federal operations and programs by Executive Branch agencies.

*FMC 74-7* was a landmark circular. It standardized and simplified 15 areas of grant administrative requirements, and placed restraints on Federal grantor agencies’

imposition of “excessive” requirements. Its major objectives were to ease the burden of time-consuming grantee requirements, emphasize performance rather than procedures, require only essential information in reports and applications, and decentralize managerial responsibility while still enabling effective Federal managerial oversight.

*FMC 74-4* established the principles for determining allowable costs of programs administered by states and localities under Federal grants and contracts. Besides standardizing direct cost definitions, it provided a standard method for state and local recipients to recover indirect costs associated with administrative support services in Federal grant programs.

*FMC 73-2* was the Federal audit circular. In conjunction with the promulgation of audit standards by the Comptroller General and the initiation of the Intergovernmental Audit Forum, it was designed to improve the efficiency and effectiveness of Federal program auditing. Equally important, it was designed to promote the acceptance of non-Federal audits and encouraged greater consistency and quality of audit work.

What were the general findings concerning this trio of circulars?

- Responses to ACIR questionnaire surveys of state budget officials, city and county executives, and Federal grant program administrators, comments by Federal agency grant coordinators, and the reports of the General Accounting Office and others, indicate that the three management circulars as a group have achieved improvement in the administration of the categorical grants. Congressional consideration of the possibility of action to force abandonment of the circulars in late 1975 provoked strong support for continuation of the circulars from state and local public interest groups and others.
- A review of the experience under the circulars also suggests that they have not been complete successes and that they need different kinds and degrees of improvements to attain their potential. While they have shortcomings in the substance of their provisions, their major deficiencies are in the manner and degree of their interpretation and implementation.
- On substance, for example, some Federal administrators feel that the procurement provisions of *FMC 74-7* place too much trust in the

adequacy of state and local procedures and safeguards. Others feel that this circular imposes too much standardization on Federal programs, with too little regard for the differences that are vital to the achievement of individual program objectives. On the cost circular, staff members of the GAO, who are in the midst of an appraisal of the circular's effectiveness, have voiced concern over the clarity of the concepts incorporated in the circular and some states charge that the audit standards in FMC 73-2 are not as standardized as claimed.

- Regarding implementation, public interest groups are concerned that GSA and OMB have not held Federal agencies' feet to the fire sufficiently, and have relied too much on complaints as the chief, if not sole, means of monitoring compliance. Federal grant administrators have complained that GSA interpreted the circulars too rigidly and without regard to the realities of day-to-day operation. Moreover, some observers feel that GSA and OMB do not put enough weight behind circular provisions which merely encourage rather than require certain practices. An example is the encouragement of non-Federal audits used under the audit circular.
- These criticisms of the circulars and their administration highlight a paramount point that must be understood when judging experience under the circulars: parties representing different interests in the grants process have different kinds of complaints. The public interest groups stress enforcement failures, whereas Federal grantor agencies chafe at efforts to standardize or complain about "unrealistic" interpretations of circular provisions. This suggests that in the development of improvements in grant management, the nature of the grantor-grantee relationship is such that it will never be possible to completely satisfy both ends of the grant process.

**Intergovernmental Communications and Consultation.** In the field of intergovernmental communications and consultation, the new measures initiated over the past decade also have worked to ease some of the strains in the categorical grant system. Yet, the record is more spotty than that of the management circulars, perhaps

reflecting the plowing of newer ground than in the areas covered by the management circulars.

- The Regional Management Information System (RMIS) was an effort to equip the Federal Regional Councils with new tools for their task of interagency and intergovernmental coordination in the field. Only one of its three components, the Program Budget Information Subsystem (BIS), survived the period of experimentation, and there was some question about how useful it continued to be.
- Another component, the Grant Tracking Information Subsystem (REGIS), focusing on regional offices, helped underscore the need for a better system of tracking grant applications. This contributed to the development of a new system for tying together grant award information and information on grants subjected to the A-95 review and comment process.
- TC 1082, the Treasury circular requiring Federal grantor agencies to inform states of grant awards made within their jurisdictions, has not attained its potential. But again, the new system for reporting on grant awards holds forth hope for better compliance by affected Federal grants agencies.
- The Catalog of Federal Domestic Assistance has become well established as an indispensable source of information, despite continuing complaints about inadequacies and imperfections. Year-by-year refinements were making it more useful and enhancing its value as the basic reference for information on all Federal assistance programs. A recurrent complaint, however, was and is the inadequacy of fiscal data: current information on how much money is available under specific programs.
- Information on past expenditures began to be reported by location of the expenditure through the *Federal Outlays* report initiated in 1967. While it also has limitations, it is accepted by many as better than anything else available.
- Not the least of the efforts to improve communications and involve state and local officials more as partners in the grant process was the

A-85 procedure for consultation with chief executives of state and local general purpose governments in advance of the issuance of new regulations. Initiated in 1967 in response to longstanding pleas from public interest groups for an opportunity to be heard before regulations were frozen in concrete, the process was and is falling short of original expectations. Some have questioned whether the procedure is worth the effort being expended on it, but the public interest groups at least are unwilling to give up on it.

### **Federal Procedures for Strengthening State and Local Coordination and Discretion**

The six measures examined in *Chapter V* are *OMB Circular A-95*, HUD's Annual Arrangements, and Chief Executive Review and Comment (CERC), Integrated Grant Administration (IGA), the *Joint Funding Simplification Act*, and the proposed *Allied Services Act*.

*OMB Circular A-95* implements Title IV of the *Intergovernmental Cooperation Act of 1968* and has four parts:

- Part I establishes the Project Notification and Review System (PNRS). This is a process by which state, regional, and local governments are given the opportunity to review and comment on proposed applications for Federal grants that affect physical development and human resources. The objective is to strengthen their respective planning and decision-making processes and offer them a chance to influence Federal program decisions affecting their jurisdictions.
- Part II establishes the framework for a similar review and comment system applicable to direct Federal development projects.
- Part III gives governors the opportunity to review and comment on state plans required under Federal programs with respect to their consistency with state plans and policies.
- Part IV provides for the coordination of Federal planning and development districts with substate districts to help bring some order to the tangled undergrowth of Federally spawned districts.

What effect have the four parts of A-95 had on state and local processes for controlling and coordinating the impact of physical development and human resources grants?

- Probably the most effective is Part I through the support it has provided for areawide planning and coordination performed by regional councils. Serious doubts exist about the degree to which Part II has helped states and their political subdivisions.
- Similar doubts are raised regarding the extent to which governors have availed themselves of the opportunities offered by Part III to coordinate Federal program plans with state comprehensive plans. Unofficial figures indicate some strides in bringing order out of the multiplicity of substate districts stimulated by Federal grants, but it is unclear how much this can be credited to Part IV of the circular.
- A clue as to A-95's effectiveness is the degree to which state, regional, and local jurisdictions take advantage of the opportunities presented by the circular: the initiatives asserted by governors and their generalist budget and planning staffs, by regional councils, and by mayors, county executives, and city managers. Indications are that not only have governors fallen short in this regard, but also local chief executives.
- The possibility of taking advantage of the opportunities offered by A-95 depends critically upon the apparatus established by OMB, Federal agencies, the states, and perhaps to a somewhat lesser extent regional bodies and local governments for channeling information and making decisions. It also depends on the resources and zeal which each dedicates to making the several processes function.
- Criticisms have been leveled at these aspects of A-95, particularly under Part I, and with justification in many instances. There has been notable progress in responding to these criticisms, insofar as it is reflected in improving the provisions of the circular and the efforts of the limited OMB staff managing it. Yet, there is serious question whether the procedure can work effectively without additional OMB

central staff and as long as primary responsibility for compliance is left with the Federal agencies.

Annual Arrangements and CERC were demonstration programs initiated by HUD to help prepare local officials for broadened discretionary powers expected under the community development block grant. An Annual Arrangement culminated in an annual negotiated agreement between the local chief executive and HUD whereby HUD agreed to approve specific grant programs in exchange for the city's meeting certain project selection criteria and taking certain prescribed steps. Limited to HUD programs, it expired with the advent of the block grant.

Like the project notification system under A-95, CERC aimed to strengthen the chief executive's influence over Federal grants coming into the city and to support the city's planning and decision-making process. It embraced more Federal programs than A-95 but also was terminated with the coming of the community development block grant.

What does the brief record of these two procedural innovations suggest?

- Evaluations of Annual Arrangements were mixed. Some indicated substantial progress in preparation of citywide development strategies, creation of coordinating mechanisms, and enhancement of the chief executive's leadership role. Others indicated tepid city responses for various reasons, including suspicion of the Federal government's motives and a basic indifference to Federally initiated programs.
- CERC seemed successful in many of the few cities where it was tried, in helping strengthen chief executives' influences over Federal programs affecting their communities. Yet, some felt that a chief executive's profiting from CERC depended on the authority that he already wielded in his community.
- As Annual Arrangements and CERC cities accumulate experience under the block grant, there should be a better opportunity to judge how useful the two demonstrations were.

IGA was an experimental, then demonstration program of the Administration geared to simplifying the job of recipients in obtaining Federal funds and to enhancing their capacity to integrate Federal and other pro-

grams, including their funds, directed at common objectives. The program was intended to test the feasibility of a *Joint Funding Simplification Act*, and expired when that legislation was enacted in 1974.

- Many of IGA's weaknesses were inherent in the experimental nature of the program, such as the vagueness and apparent inconsistency of policies and procedures.
- The program scored enough successes, however, and showed enough potential for improvement to help persuade Congress to authorize a five-year trial through the *Joint Funding Simplification Act*.
- Implementing regulations for the new act respond to most of the suggestions that were made for improving the IGA process.

A proposed *Allied Services Act* was first introduced in Congress in 1972; the current version, like its predecessors, is endorsed by the Administration. It seeks to demonstrate how state and local governments can improve delivery of human services programs by integrating presently separate programs through state and local "allied services plans." It would enhance the processes of planning human services at both the state and local levels and promote the simplification and effective delivery of related services. Its slow legislative progress is ascribed to the opposition of interest groups supporting programs they fear would be folded into an integrated program and to the sharing of legislative jurisdiction by four House committees.

## MAJOR ISSUES

The record of these various organizational and procedural efforts at the Federal level to strengthen grants management in Washington, the field, and among recipient jurisdictions inevitably raises certain basic questions. The following analysis of some of these, along with the previous catalogue of summary conclusions, provides a foundation for considering the range of recommendations that completes this chapter.

### Basic Organizational Questions

Three fundamental issues emerge from the efforts to mount an effective organizational response in the Federal Executive Branch to the challenges of better grants management and of improved intergovernmental communications and relations:

1. Can and should a much greater degree of centralized, hierarchic, organizational control be exerted over the performance of Federal activities having an impact on intergovernmental relations?
2. Related to the above, but couched in more specific organizational terms, can and should there be a unification of all Federal central management and policy development activities that impact on intergovernmental relations?
3. What do such activities actually include at the present time? Existing assistance and assistance-related efforts? Existing and planned assistance and assistance-related undertakings? Or all these, as well as various direct Federal activities and national economic matters (in short, the bulk of the Federal domestic sector)?

The first question is raised in several different contexts: at the national headquarters level, at the regional level, and within the various departments. Moreover, it has generated at least two contending schools of thought. On the one hand, those with a traditional approach to public administration believe that coordinated action is most readily obtained by a properly structured organization headed by a "strong" chief executive, whose oversight capacity is strengthened by the assistance of his staff agencies. On the other hand, a second group offers a variety of criticisms of the traditional approach, which they find has little relevance to many contemporary problems of policy and administration, especially in the intergovernmental area. The practical and political limits on the ability of a chief executive to impose coordinated action also are stressed. Large-scale, centralized organizations, these critics argue, are often inefficient, unresponsive, and unreliable. Moreover, they contend that an adequate degree of coordination can often be attained without organizational centralization, and that some positive advantages flow from a certain amount of "overlap and duplication" — "competition," in their view — among administrative agencies.

To complicate matters, the issue is confronted in a variety of guises. At the national level, it is raised in connection with the appropriate role of the Office of Management and Budget (OMB), as the management arm of the President. Many regard the OMB as the "proper" location of central management activities, and believe that it should exert considerable leverage upon the departments in attaining conformance to its circulars

and other management initiatives. The opposing view holds that program management is at the core of Federal domestic administration and that it must be viewed primarily as a departmental and agency, rather than a Presidential responsibility. Where the first concept places the President at the top of an administrative pyramid, the second places him in a secondary role, emphasizing instead the links between the Secretaries or bureau chiefs, on the one hand, and the Congressional committees which have authorized and oversee their programs, on the other.

Few now hold to this second conception of administrative roles in its most extreme form. In between, however, there is an entire spectrum of intermediate positions, with some tending more one way, some the other. Moreover, and in the wake of Watergate, some of the antihierarchic proponents have developed new arguments. Those in this group stress that the President, while the chief executive, is also a political leader concerned with his own reelection and that of members of his party or other supporters. The danger, they warn, is that he will seek to use the central administrative apparatus for his personal, political objectives. For this reason, some would place more restraints upon him, limiting his administrative authority. The opposing group, however, believe that an energetic executive is a key to the effective operation of the American national government and argue that such measures may cause more harm than they are worth. An alert press, a probing Congress, and effectively functioning public interest groups, they claim, provide adequate checks at this point. Here again, there is a wide range of opinions between these extremes.

This same general issue arises when considering the Federal Regional Councils (FRCs). As currently conceived, the councils are chiefly meeting places for discussion and action by coequal agencies. This is symbolized most clearly by the status of the chairman who, though appointed to the office by the President, serves on a part-time basis for a brief period, after which the job is rotated to one of his colleagues. The underlying theory is that adequate coordination can be achieved without administrative force, simply through consultation and cooperation. But the critics argue for placing the councils in a stronger line of hierarchical authority. Frequently advanced reforms include linking them directly with OMB; a permanent, full-time FRC chairman; and an independent FRC staff. Some of these critics even argue that the FRCs should become (or should be replaced by) "little OMBs" which can serve as representatives of the President in the field. This is, of course, what the Bureau of the Budget had sought

initially: the re-creation of its field offices and the addition of a field staff. But Congress, at least through its Appropriations Committees, has generally opposed such moves, which leaves the impression that this body adheres tacitly to an antihierarchic viewpoint regarding Federal field mechanisms.

Interagency agreements are a third area in which this issue presents itself. These, in the traditional administrative view, are weak and generally inappropriate coordinative management instruments, to be used in only those cases in which they are absolutely essential. Such agreements, the traditionalists argue, evidence poor organizational design. Moreover, they contend such agreements are often ineffective, since they often rely simply on the desire of two individuals in different agencies to work together. Their basis then is fragile, and a change in personnel or circumstance may void the agreement. For this reason, some have proposed that such agreements be given firmer official standing, and be "policed" and enforced by a central management agency.

The proponents, on the other hand, find that the *ad hoc*, semi-voluntary, and fairly informal character of these agreements are what make them so useful. After all, the most effective interagency cooperation, they claim, is that which emerges out of shared needs, not higher level coercion. Moreover, they dispute the charge that such agreements are a sign of poor organizational design, arguing that no structural rearrangement(s) could possibly take into account the wide variety of interprogram contacts and conflicts that present-day Federal activities can generate. Similar points of view – both pro and con – are expressed regarding the use of interagency committees.

This question of organizational centralization also is raised in connection with the various departments. Many of these, like the Executive Branch generally, have little internal cohesion, but follow widely varying policies, practices, and procedures – dictated by their internal functional divisions. Some argue that the responsibility for grants management and other intergovernmental relations activities should be centralized within (or at least centrally monitored by) a unit located close to the office of the Secretary. The rationale here is that there is likely to be a better balance between specific program concerns and those of coordinative management at this level. Yet, this position, in turn, raises serious questions for those seeking more of a governmentwide effort from OMB.

The second question raised by the organizational record deals with the functional breadth of the central administrative and policy units. The chief problem here

is to determine the best organizational placement of the several activities having intergovernmental impacts which may be distinguished: budget preparation, policy development, state-local liaison, evaluation, governmentwide management procedures, and legislative reference.

One common view suggests that these functions are essentially only two, those relating to policy (some would say "politics") and those relating to administration or management. The first involve the setting of basic goals and program strategies and is held to be a function of the highest levels: the President, the Congress, and to some degree the cabinet. The second, or administrative function, is that of executing or implementing these predetermined activities. This is a departmental responsibility, though one which a central management agency is supposed to oversee. This split-level theory is, of course, that which underlies the division of responsibility between the Domestic Council and OMB as set forth in Reorganization Plan #2 of 1970.

Another approach to this organization locational issue proposes the unification of many of these activities. A single central unit, it is argued, should assist the President in conceiving, developing, and then executing a coherent strategy. "Policy," some of its proponents argue, is partly the sum of an array of budgeting and central management actions as well as day-to-day administrative and program decisions. Those who oversee and those who operate programs are in a very real sense involved in this policy process, these analysts claim. Moreover, decisions regarding the development of policy must take into account the practical administrative problems which determine the capability of central management and line departments to implement policy and programs. For these and other reasons, these activities are seen as essentially interrelated and all but those pertaining to the departments and agencies are regarded as susceptible to unification under a single central unit.

Still others see many of these activities as discrete and necessarily separable. While there is a need for a certain amount of communication and "coordination," actual performance may be dispersed. Indeed, in the view of some, there are benefits to separation. "Monopolies" over an activity or service are thought to be as detrimental in the public as in the private sphere. A number of centers with closely related or even overlapping functions, they contend, offer greater assurance that all important issues will be raised and all crucial tasks performed. A certain "separation of powers" permits each unit to act as a watchdog upon the others.

Some would argue that this is preeminently the case

with the Federal Executive Branch's role in contemporary intergovernmental relations. Here, they point out, there is a range of fairly discrete activities that all fall under the coordinative management heading but would be difficult, if not impossible, to subsume under a single central unit. Communications regarding existing intergovernmental programs and procedures as well as emerging problems and proposals; liaison on specific difficulties with specific jurisdictions as against liaison on more general questions affecting several governmental units; policy development for intergovernmental programs as against that for management; and management of programs versus management of the program managers, they stress, are all intergovernmentally related activities, but they inevitably involve a range of Executive Branch actors.

These pluralists usually concede the need for a better monitoring and coordination of these various efforts, but they reject the idea that any single unit within the Executive Office of the President should or could assume a direct role in, and responsibility for, all of them.

Looking at the recent record more directly, it is apparent that the Bureau of the Budget, until the mid-1960s, was the primary center for budget preparation, legislative review and policy analysis, management improvement and "coordination," and was also a key contact with generalist officials of state and local governments — especially their own budget staffs. Thus, many activities were unified, although the BOB's control over the departments was by no means absolute and some questioned its effectiveness in some of its directly assigned activities.

In the period since, these activities have been divided in a wide variety of ways. Key staff units have included the Office of Economic Opportunity, the Council for Urban Affairs (and another for rural affairs), the Domestic Council, a network of Presidential counselors, an Office of Intergovernmental Relations, the General Services Administration's Office of Federal Management Policy, and a variety of special purpose boards and Presidential assistants. Yet, this pattern, too, has produced its critics. Hence, the organizational location question explored here is still very much an open one.

A third issue pertains to the very definition of "intergovernmental relations." To some, the concept is very broad, essentially identical with domestic affairs. There are few domestic activities, these commentators argue, which do not involve all levels of government. The Federal government, they point out, offers some support for nearly every type of state and local service — or, to put the matter the opposite way — state and local

governments are a primary instrument of the Federal government's efforts to meet its own national objectives. Moreover, direct Federal initiatives in the national economic, fiscal, income maintenance, and health areas—to cite only the more obvious—can critically condition state and local operations. Clearly, the levels are more interdependent than ever before, so this argument runs. Hence, a strong case can be made for joint action and considerable state-local participation in the development of domestic policy proposals as well as in the Executive budget process.

Others argue that intergovernmental relations is a much narrower field, properly embracing only the range of assistance issues and those few Federal actions that impact directly on state or local governments. State and local governments have no special role, according to this view, in setting the Federal government's own basic national objectives. Instead, they are seen as one interest group among many, acting as special pleaders and claimants upon the Federal treasury.

Though this debate appears to hinge simply on contrasting perspectives, the outcome can condition one's position on the earlier organizational location issue. And depending on the outcome, it could even buttress arguments that the internal organizational pattern of the Executive Branch of the Federal government, especially the components of the Executive Office of the President, is or is not a proper topic of analysis and criticism by state and local governments or by a commission whose chief concerns are intergovernmental relationships.

### Procedural Issues

There seem to be two general issues with regard to the procedural reform measures reviewed in *Chapters III and V*: (1) Are they worth the effort, even assuming they achieved reasonably good standards of performance? (2) If they are worth the effort, what are the ingredients needed to make them more effective?

Are these reform efforts worthwhile? The answer seems obvious, in light of the fact that the management circulars, improved communication efforts, and Federal procedures for strengthening state and local coordination capabilities are rational responses to the problems they were designed to deal with; are managed and, in some cases, were initiated by such top management bodies as OMB, GSA, and the Federal Assistance Review (FAR) group; have been pursued over the past decade with considerable (though some would say inadequate) amounts of time, money, and talent drawn from many parts of the Federal government; and have the en-

couragement and support of interested parties, particularly the public interest groups.

Yet, there are those who hold that the answer is not so selfevident, particularly in relation to FMC 74-7, *OMB Circulars A-85 and A-95*, and the *Joint Funding Simplification Act*. In relation to FMC 74-7, the circular requiring standardization and simplification of grant requirements, these skeptics contend that the full range of project, formula-based categorical and block grants are inherently difficult to manage in a uniform and simplified way because of their sheer number and variety. Their different forms and requirements, these observers note, reflect the fact that they are aimed at discrete and different kinds of problems; hence, it is impossible to standardize and simplify them without interfering with their capacities to deal with individual problems. The truth of this analysis, they claim, is demonstrated by the difficulties of obtaining compliance with FMC 74-7, the requests for exceptions, and the complaints by some grant administrators that the circular is a blunderbuss approach to a problem that requires the targeting precision of a rifle. With regard to *OMB Circular A-85*, they point to the frequent failure of Federal agencies to channel proposed regulations through the consultation process and the apathetic response of the public interest groups in many instances. On *OMB Circular A-95*, they contrast the volume of paper flow generated with the lack of feedback from Federal program administrators on comments submitted by clearinghouses and state and local agencies. A papermill procedure is their summary judgment here. The *Joint Funding Simplification Act*, they contend, while directed at helping overcome the burdens of grant applicants, defeats its purpose by overburdening Federal grant administrators, making them hesitant to commit serious support to the joint funding idea. The act, some feel, is totally ignorant of the realities of interdepartmental and interprogram competition.

These critics are very skeptical of making much improvement in the present system without interfering with the achievement of individual program goals. Some would prefer to see more effort put into grant consolidation and the development of support for block grants. This, they feel, would really give more discretion to grant recipients in the administration of Federal funds and thereby dispense more and more with the need for the kinds of detailed and different requirements that created, in the first place, the need for standardization and simplification, better interlevel information exchange, and strengthened state and local coordinative capability. Others see some merit in standardization and unification efforts, but urge their application on a

departmental (broadly functional) or on an intergovernmental transfer mechanism (project, formula-based categorical, and block grant) basis. Either of these approaches, these middling critics claim, would help eliminate two of the most stubborn obstructions to effective governmentwide undertakings in this area.

Defenders of the governmentwide approach, while usually conceding the advantage of consolidation of narrow categoricals and promotion of more block grants, believe that there will always be a large number of categorical grants, given Congress's desire, indeed the national obligation, to direct funds to specific high priority needs and the inexhaustibility of new needs. That being the case, they are convinced that for the foreseeable future there will be the necessity on an across-the-board basis to ease the task of the grantor and particularly of the potential recipient. In addition, they acknowledge the great diversity in the problems that categoricals and block grants address and in the conditions under which grant funds need to be spent. They, therefore, would accept the need to look more carefully at the differences among programs and review FMC 74-7 and other circulars to ascertain whether such differences would be reflected in less standardization, or a greater willingness to allow exceptions, at least on a temporary basis. But they insist that all this can and should be done within the context of a governmentwide undertaking. They would acknowledge the existing shortcomings of A-85, A-95, and *Joint Funding Simplification*, but point to the progress that has been made in improving each since their inception and the basic support they elicit from the groups representing state and local grant recipients.

These supporters of continuing efforts to improve grant management also point out that even under block grants, it is necessary to guard against the danger of too many and too diverse requirements, to strive constantly to improve interlevel consultation, and to upgrade coordinative capacities at the state and local levels. As noted in *Chapter III*, there are some indications that in some statutes authorizing block grants there is a tendency to establish more detailed requirements than now are permissible under FMC 74-7. If funds are not delivered to the chief executives of local and state governments, then interprogram coordinating capacity, if anything, becomes a greater problem under block grants than under the categoricals.

A final point made by those who support these procedural kinds of middle range reform efforts is that government, like any enterprise, must always strive to improve its operations.

*On balance, while fully supporting the enactment of additional block grants where appropriate and the effective administration of existing ones, the Commission concludes that categorical grant programs will continue to be an integral component of the Federal assistance system. Hence, the Commission believes that efforts must be continued to improve grant<sup>1</sup> administration through such means as management circulars, measures to improve intergovernmental information and consultation, as well as procedures for strengthening state and local coordination and discretion.*

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The second general question regarding procedural reforms is: What are the ingredients needed to make the management circulars, the various communication/consultation measures, and the procedures for enhancing state and local coordination more effective? Answers to this question involve recommended changes and therefore are proposed in *Part III* of the recommendations section that follows.

## RECOMMENDATIONS

The foregoing section probed four major questions raised by the recent Federal efforts to mount effective Executive Branch organizational and procedural responses to the challenges of better grants management and improved intergovernmental relationships. After considering these issues and the summary findings, the Commission adopted the following 14 recommendations.

### *Part I* RESPONSIBILITY FOR MANAGEMENT IMPROVEMENT

The Commission concludes that legislators, chief executives, and the central management agencies<sup>2</sup> at all levels generally have failed to come to grips with the crucial impact of intergovernmental fiscal transfers and programs on contemporary governmental operations. The Commission concludes further that the political branches at all levels have the prime responsibility for strengthening the central management agencies within their respective administrative systems. The Commission recognizes that short-term and specific program concerns along with usual executive-legislative tensions tend to undercut the development of this management capacity. At the same time, the Commission is convinced that both the special program and institutional goals of political executives and legislators will not be achieved

until the broader questions of interprogram and inter-level conflict and of better bureaucratic accountability are addressed. The Commission believes that these systemic challenges cannot be overcome without this management capacity.

## RECOMMENDATION 1: BASIC POLICY POSITION

Hence, the Commission recommends that the political branches of the Federal, state, and general units of local government assume their historic responsibility for jointly establishing and sustaining the necessary central management mechanisms to achieve improved operations of governmental programs and to render the civil service more fully accountable. The Commission further urges that the intergovernmental dimensions (fiscal, programmatic, and policy) of public management be made an integral component of all such administrative systems.

Any analysis of recent Federal efforts to establish and maintain an Executive Branch structure and the procedures needed to manage better the Federal grant system leads one to the general conclusion that the role of central management is less recognized today than a decade ago when most of these efforts first got underway. Moreover, the prime place that intergovernmental relations must occupy within the range of central administrative activities is only slightly more apparent to top Executive Branch decisionmakers than it was to their predecessors in the mid-1960s. Commission survey and other findings suggest that nearly identical problems exist in a majority of state and local governments.

From its beginnings until now, this Commission has adopted a series of policy recommendations that underscore its support for certain prime contemporary governmental principles.

- A strong Executive Branch is needed at nearly all levels and among most jurisdictions; this, in turn, should be matched by a strong, unshakled, and professionally staffed legislative body.
- Strength in the Executive Branch is partially a product of effective staff functions in the budgeting, planning, and personnel areas.
- Intergovernmental fiscal and program relationships impact heavily on these functions, hence

key decisionmakers should adapt these functions to give proper recognition to these fundamental features of an increasingly interdependent age.

These principles now appear to be ignored or rejected by many. Yet, the Commission is convinced that they are as valid today as they ever were. Perhaps more so! The current rampant skepticism about political leaders, public programs, and civil servants should strengthen – not weaken – the drive for a more effective management of the public’s business in both the legislative and executive branches. And a vital component of this effort is the effective establishment (in some jurisdictions, the reestablishment), full utilization, and adequate support of the range of central policy and administrative support activities without which a political executive is armless and the legislature is ill-informed. In light of these current conditions, the Commission believes it appropriate to restate, perhaps in stronger terms, its traditional position on the basic role and general significance of properly charged central management.

Hence, the Commission urges the executive and legislative branches of the Federal, state, and appropriate general units of local government to assume their basic responsibility for effectively establishing and sustaining the central management units and mechanisms necessary to help achieve a more efficient and effective operation of their governmental functions. The Commission believes this is vital to achieving a more responsible public service and to enabling political executives to be more responsive to their electorates. The Commission also stresses the undeniable need to incorporate within the activities of these central management units the procedures and mechanisms necessary for giving full weight to the intergovernmental fiscal, program, and operational impacts that condition so heavily the administrative systems at all levels. Finally, the Commission is convinced that the traditional concept of legislative oversight must be broadened to include periodic reassessments of these jurisdictionwide management activities.

## *Part II* **FEDERAL EXECUTIVE BRANCH ORGANIZATION**

In light of the Federal Executive Branch’s ineffective response to ongoing domestic/intergovernmental policy and management challenges, the Commission adopted five organizational recommendations relating to the central management mechanism, Federal Regional Councils, and the Executive departments and agencies.

## **RECOMMENDATION 2: THE CENTRAL MANAGEMENT MECHANISM**

The central management mechanism is the organization for dealing with a number of vital domestic and intergovernmental-related management activities. The most important of these include intergovernmental liaison, governmentwide grants management, domestic policy development, budget preparation, and legislative reference. These activities could be distributed among existing or newly created Executive Branch agencies in a variety of combinations, with each distributional pattern reflecting a different set of political, organizational, and management values. In light of the experience of the past decade or so, the following alternatives seem to be the more obvious ways of handling these five management activities:

1. Converting the Office of Management and Budget (OMB) into the focal point for intergovernmental relations and domestic policy and management more generally at the national level. The Domestic Council would be terminated and its responsibilities (which now include domestic policy analysis and intergovernmental liaison) transferred to OMB. Other measures would secure the office’s control over those grants management procedures now entrusted to other agencies and would provide for full intergovernmental consultation in the development of the President’s budget recommendations. All this would require reorganization of OMB’s internal structure and additional staff.

2. Building the central management mechanism around the Domestic Council. This could be accomplished by creation of an “Office of Domestic Policy and Management” (ODPM) under the Executive Director of the Domestic Council to serve as the central policy and assignment body. This office would assume all of the OMB’s non-budgetary functions, including the management improvement activities and legislative reference services, and budgeting would be treated as an activity distinct from policy formulation and management, rather than as a component of them. The ODPM would constitute a major revitalization of the old cabinet system, fusing domestic policy and management functions and some related activities.

3. Establishing a separate Office of State and

Local Governmental Affairs, thereby providing a clear, tangible recognition of the close interrelations among Federal, state, and local activities. Such an office would have liaison, management, coordinative, and also operating responsibilities in the area of intergovernmental relations. The latter would include administration of general revenue sharing and other management and planning assistance programs, including HUD's 701 and programs established under the *Intergovernmental Personnel Act*. Both OMB and the Domestic Council would be left in place and intact.

4. Sharpening the division of functions between the existing Domestic Council (the policy unit) and OMB (the management unit) which was established in Reorganization Plan #2 of 1970; and strengthening the performance of each of the units. This approach accepts the thesis that there is a fundamental distinction between "policy" and "management." The organization, staffing, and internal operating procedures of OMB would be reviewed to make its performance consonant with the objectives set forth in the Executive Order establishing it. OMB would assume full responsibility for the range of grants management procedures. The Domestic Council would be upgraded by eliminating other cabinet-level units with similar or duplicative objectives and membership, and the importance of the intergovernmental liaison function reaffirmed and better staffed. Finally, the legislative reference activities of OMB would be transferred to the council, since they involve primarily policy rather than managerial issues.

5. Strengthening the performance of each of the most important specific activities that have a bearing upon intergovernmental relations, rather than emphasizing the overall organizational design. These activities include intergovernmental liaison, the governmentwide grants management circulars, related management activities, and the development of domestic policy. Alternative approaches to improvement of these activities are recognized, as is the necessity for some general monitoring and some overall consistency in approach. This might most readily be supplied through the adoption of a general intergovernmental administrative policy and the appointment of a Presidential counselor for state and local governmental affairs, with the prime job of overseeing for the President the activities of the various Executive Branch units

involved in one or another of the activities affecting Federal-state-local relations.

6. Giving the President full discretion in organizing central management. While indicating the need for a stronger central management capacity within the Federal Executive Branch, no specific organizational format is proposed. Instead, this is held to be a matter best left to each individual President. The President is urged to exert vigorous and visible leadership of the central management activities which condition and are essential to smoother and more productive Federal-state-local relationships.

7. Giving the President full discretion in organizing central management but assuring that, upon taking office, he has adequate institutional staff for conducting his various management activities affecting intergovernmental relations, and providing him with a high-level assistant to help him monitor those activities however they may be distributed through the Executive Branch.

When considering these or any other alternatives for the organization of central management, certain caveats need to be kept in mind. First, it is by no means certain that the fundamental dilemma of effectively coordinating the several activities is wholly organizational or structural in nature. Some observers believe the problem is primarily political in that political decisionmakers have assigned effective coordinative management a very low priority. Existing units, they claim, could do an adequate job with more leadership and better top-level support.

Second, public administration theorists are by no means in agreement on many of the fundamental issues subsumed in these seven alternatives. Several of the traditional canons of organization theory are under attack, and many of these canons never really dealt with the intricacies of Federal-state-local administrative, program, and fiscal relationships. At the same time, the divisions among the theorists are reflected in the fact that seven options are identified here, and these by no means exhaust the list of possibilities.

Finally, many of the management activities and organizational questions covered in some of these alternatives (especially 1 and 2) go well beyond what some would deem to be properly intergovernmental. Those adhering to a wholly grants and grants-related definition of the Federal government's intergovernmental management role could argue that proposing

changes in the overall domestic central management and policy area is an improper action on the part of state and local governments and on the part of this Commission. Yet, not to be overlooked is the fact that the ACIR has had no hesitancy in recommending reforms in the executive and legislative structures of state and local governments. And in its 1967 *Fiscal Balance* and 1968 *Urban and Rural America* reports, it dealt with Federal Executive Branch organization and procedures, though chiefly from the grant management and growth policy vantage points.

In the *Fiscal Balance* report, the Commission took the following position:

The Commission recommends an elevation of attention on the part of the President and the Congress to the more general need of insuring the conduct and coordination of Federal grant and other programs in such a way as to improve the overall capability of state and local government and consequently strengthen the American federal system. Its importance warrants assignment by the President of major responsibility in this area to an appointee having status equivalent to that of a member of the cabinet. This official should be responsible for general liaison with state and local governments and be accessible to them regarding problems encountered in the administration of Federal grants-in-aid. Also this official should report at appropriate intervals to the President, Congress, and the public on the extent to which grant-in-aid programs are achieving their objectives and the extent to which state and local government is being strengthened in the process.

The Commission further recommends the strengthening of the Bureau of the Budget's capability to sustain a vigorous program of interagency coordination of Federal grants-in-aid.

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In light of the foregoing considerations, and after careful review of the strengths and weaknesses of the various alternatives, the Commission concludes that the Federal Executive Branch needs a stronger central management capacity, but recognizes that no single strategy for organizing the Executive Office of the President could or would over time suit the varying administrative styles of individual Presidents. Hence,

The Commission recommends that the organization of the Executive Office of the President for central management purposes be flexible enough to reflect Presidential desires, but that there should be in place sufficient institutional staff to enable the President to exert vigorous and visible leadership in the five basic central management activities essential to smoother and more productive Federal-state-local relations: budget preparation and consultation; management, including governmentwide grants management; domestic policy development; intergovernmental liaison; and legislative reference. The *Executive Reorganization Act* concept should be revived to allow the President expeditiously to achieve his desired Executive Office organizational objectives.

The Commission further recommends that the President appoint a high-ranking assistant for intergovernmental affairs having direct access to the President who, with a small professional staff, would monitor and evaluate for the President the various intergovernmental relations activities performed on a governmentwide basis under whatever organizational arrangements the President may establish. A key official in agencies responsible for budget preparation, management, and domestic policy development, as well as officers of Presidential appointive rank responsible for intergovernmental affairs in each department, would serve as strategic points of contact for and consultation with the Presidential assistant.

Furthermore, recognizing the present essentially bifurcated pattern of management-budget and policy organization, the Commission recommends that, if this present arrangement is continued, the organization, staffing, and internal operating procedures of the Office of Management and Budget be thoroughly reviewed and evaluated by the President, the Director, and the appropriate committees of the Congress, with a view toward making OMB the primary focal point with adequate staff for management improvement on an interdepartmental, interprogram, and intergovernmental basis. Specific provision should be made for regular consultation between the Office of Management and Budget and officials and representatives of state and local governments on long and short-range budgetary and fiscal issues. Activities relating to intergovernmental relations and grants management delegated by Executive Order to the Department of the Treasury (TC-1082) and by *OMB Circular A-85* to the Advisory Commission on Intergovernmental Relations should be vested in the Office of Management and Budget. A key OMB official should be specifically assigned intergovernmental responsibilities.

The Commission also recommends that the performance of the Domestic Council or its successor in the identification of domestic problems requiring national attention and the development of general domestic objectives and policies through the report on national growth and other activities be improved. Meetings of the full membership of the council for the consideration of domestic policy problems and issues should be held on a regular basis. Other domestic policy-related councils and boards with membership which largely duplicates that (in full or part) of the Domestic Council should be consolidated with the Domestic Council. The creation of similar bodies in the future should be avoided.

The Commission further recommends that OMB and the Domestic Council continue to collaborate, but more effectively, in "the determination of national domestic priorities for the allocation of available resources" and in assuring "a continuing review of ongoing programs from the standpoint of their relative contribution to national goals as compared with the use of available resources," as was called for in Executive Order 11541.

Finally, the Commission recognizes that organizational arrangements may change from time to time, but believes that the essence of this recommendation pertaining to the budget, management, and policy functions will remain valid and compelling.

Consistent with the basic policy position that the political branches of government at all levels must give proper recognition to the needs of central management, the Commission believes that for the Federal Executive Branch this means preeminently that the President must provide vigorous and visible leadership for key central management activities. The Commission believes, moreover, that if the President is to exercise that leadership, he must be given freedom to make key organizational decisions on central management. In addition, he must be assured certain basic resources so that he can discharge his central management responsibilities. This recommendation seeks to provide him such freedom and resources.

First, it gives him a free hand to organize the central management function according to his own style. Second, it aims to assure that from the day he takes office, he will have adequate staff to help him discharge his intergovernmental management responsibilities, however he may eventually decide to organize that staff. Finally, it provides him with a special high-level assistant to keep track of the performance of the various intergovernmental activities wherever they are conducted.

Apart from the greater likelihood of challenging a

President to provide managerial leadership, the granting of a basically free hand to the President has a number of arguments in its favor.

First, it recognizes that the organizational design of the central management mechanism is not the most significant determinant of its performance. Leadership and a commitment to effective domestic programming on the part of the President and other high-level officials are more crucial. A variety of organizational arrangements might be equally effective, depending upon the specific organizational style and personal preferences of a President. Past organizational reforms have often proven disappointing in terms of actual results. Moreover, organizational change, in the absence of continuous Presidential interest, probably would do no better. Giving the President basic discretion in developing his central management organization gives him flexibility to pick and choose among the various alternatives available, or parts thereof, and to arrive at a combination of the several parts that reflects his organizational objectives and personal management style. After all, to prescribe a specific pattern here would ignore the stark reality of the still heavily personalized character of the Presidency.

In addition, giving the President flexibility reflects a judgment that available theory and experience do not provide a clear indication of the desirability of any particular organizational system. For this reason, a strong case cannot now be made for any specific design for the central management mechanism. Experts in public administration and political science offer quite conflicting counsel.

Third, even in the aftermath of Watergate, many would hold that the organization of the Executive Office of the President should be regarded as a Presidential prerogative. The issues raised involve the relationship between the President and his closest advisors and staff aides. The design of the central management mechanism, then, is viewed by some as an area in which citizens, state and local officials, or even the Congress should not intrude. As indicated previously, the Advisory Commission on Intergovernmental Relations has at some points in the past restrained itself from taking a position on certain matters relating to the organization of the Federal Executive Branch.

Some observers add, finally, that it is difficult or impossible, as a practical matter, to bind a President to the use of a staff agency against his own inclination, no matter how well designed it is. Differences in the past roles of the cabinet, the National Security Council, the Domestic Council, Office of Economic Opportunity, and various other advisory bodies from Administration to Administration are noted in evidence.

Rather than prescribe an organizational format, then, the Commission stresses the need for vigorous and visible Presidential leadership of the central management activities which condition and are essential to smoother and more productive Federal-state-local relationships. At the same time, however, the Commission believes that it is important to recognize that a President coming into office must have adequate staff immediately available and in place to conduct these central management activities, regardless of how he may eventually decide to organize them. In addition, regardless of what form the organization of intergovernmental management activities takes, the President needs a person he can hold responsible for monitoring the performance of those diverse activities throughout the Federal establishment. That person must, on one hand, be situated high enough in the Executive Office to have ready access to the Chief Executive and carry authority in dealing with departmental officials. On the other hand, he must be in direct contact with authoritative officials in units that perform key intergovernmental duties. These include key officials in agencies responsible for budget preparation, management, and domestic policy development, and officers of Presidential appointive rank responsible for intergovernmental affairs in each department or agency. The recommendation therefore proposes that the President appoint a high-level person to serve as his assistant on intergovernmental affairs, acting as his eyes and ears on intergovernmental matters, proposing intergovernmental policies, and providing state and local officials with an assured avenue to the President on issues of significance to them.

The five central management activities identified here merit further elaboration, particularly regarding their intergovernmental aspects which are to be the concern of the President's assistant for intergovernmental affairs. The first activity is the administration of government-wide grant management procedures. This includes the development and effective oversight and implementation of management circulars and other procedures (including the joint funding process) which are intended to coordinate, simplify, and decentralize the administration of Federal assistance programs. Equally important is intergovernmental liaison, which involves communication between the President and his staff and officials of state, county, and municipal governments. Such communication in some instances is relatively unstructured, providing for the presentation of the most pressing problems and specific administrative difficulties not otherwise able to be resolved to the President. In other cases, communication is highly structured, as in the A-85 regulations consultation process.

Communication through intergovernmental liaison is, of course, a two-way street. It also embraces the provision of information on the policy objectives of the Administration as well as information on the nature, availability of funds for, requirements, and awarding of Federal assistance.

Other activities of concern include the development of domestic policy, the preparation of the President's budget, and the legislative reference process. The representative of state, city, and county concerns and viewpoints in the development of domestic policy (including the preparation of the *Report on National Growth and Development*) is critical. Intergovernmental consultation should extend to the budget process, since most budgetary decisions have direct or indirect intergovernmental implications. Similarly, the legislative reference process should identify provisions likely to impact upon state and local governments, and should aid in the implementation of a consistent Administration intergovernmental policy and management strategy.

Yet, more than the most obvious intergovernmental aspects of these activities are of concern to state and local governments. The overall quality of Federal policy-making affects, at least indirectly, the nature of the issues which face governments at the other levels. This provides added rationale for including domestic policy development, budget preparation and legislative reference in the cluster of activities requiring firm Presidential support. Some degree of coordination among the five activities is essential. Though distinguishable, the five are (or should be) mutually supportive processes. This should be taken into account in whatever organizational framework a President may decide upon.

In time, every President tends to evolve a central management organization in tune with his experience, his administrative style, and his policy goals. President Nixon developed, and President Ford has continued, a bifurcated organization, with the Office of Management and Budget responsible for budgetary and most management activities, and some intergovernmental liaison functions, and the Domestic Council responsible for policy development and other aspects of intergovernmental liaison. The two agencies between them thus share the five basic central management functions affecting Federal-state-local affairs.

Should this essentially bifurcated arrangement continue, the Commission believes that it is essential that measures be taken to strengthen the functioning of both offices in their respective spheres, as well as their cooperation in the pursuit of mutual goals. As the central management unit, OMB would need to be made

the primary focal point with adequate staff for leadership and direction on management improvement on an interdepartmental, interprogram, and intergovernmental basis. To this end, the organization, staffing, and internal operating procedures of OMB would need to be carefully examined and evaluated by the President, the Director of OMB, and the appropriate committees of the Congress. On intergovernmental liaison matters, specific provision would need to be made for periodic consultation between OMB and officials and representatives of state and local governments regarding long and short-range budgetary and fiscal issues. To draw into OMB all management-related matters affecting intergovernmental relations, those procedures relating to informing states about Federal grants, now administered by the Department of the Treasury, and relating to consultation with state and local officials on new regulations and guidelines, now administered by ACIR, should be assumed by OMB along with its other intergovernmental responsibilities. In recognition of OMB's central intergovernmental role, an official in the office should be designated in charge of intergovernmental responsibilities.

For its part, the Domestic Council or its designated successor would need to strive to improve its performance in the identification of domestic problems requiring national attention and the development of national growth and other activities. Among other changes, this would mean the conduct of regular meetings of the full membership of the council for consideration of domestic policy problems. Also steps would need to be taken to merge with the council other domestic policy-related councils and boards with membership which largely duplicates the council's, and to avoid setting up similar boards in the future.

Finally, to strengthen the central roles of these two units, they would have to strive, pursuant to Executive Order 11541, to collaborate more effectively "in the determination of national domestic priorities for the allocation of available resources" and in assuring a "continuing review of ongoing programs from the standpoint of their relative contribution to national goals as compared with the use of available resources."

### **RECOMMENDATION 3: THE FEDERAL REGIONAL COUNCILS**

**The Commission recommends that the President, the Office of Management and Budget, and the Under Secretaries Group for Regional Operations move aggressively to eliminate the impediments to the more effective operation of the Federal Regional Councils by (a) fully familiarizing policy-level officials of state and local**

**governments with the purposes and activities of the councils; (b) analyzing the political and administrative factors that permit decentralization of grant sign-off authority in some assistance programs and not in others and securing the decentralization of the former under the direction of the principal regional official of each appropriate department and agency; (c) obtaining greater conformity to the standard administrative regions and field office locations set forth in OMB Circular A-105; (d) assuring the assignment by each FRC member agency of the staff members required for ongoing council operations including the A-95 review and comment procedure, joint funding, and special task forces; (e) providing to council staff such special training as is required for the effective performance of their duties; and (f) assuring continuing communications with and support from Washington, largely through a more active Under Secretaries Group.**<sup>3</sup>

The ten Federal Regional Councils (FRCs), described in *Chapter IV*, have been the object of considerable attention and discussion. Several evaluations have been prepared by governmental and non-governmental agencies. In addition, some FRC activities have brought them into contact with a considerable number of governmental officials at all levels and these have offered assessments based upon their experiences. Out of this comparatively intense examination emerged a number of alternative approaches to improving council operations, especially as they relate to intergovernmental relations.

In general, three basic strategies may be identified. First, some would propose that the councils no longer be relied upon as a basic means for strengthening relationships within the federal system and for more coordinated, uniform administration of grant-in-aid programs. A second group suggests certain fairly limited changes for the FRCs that would enhance their capacity to handle presently assigned responsibilities. These changes could be initiated by Executive Order and not involve any major organizational alterations.

A third group proposes a more rugged series of reforms including some or all of the following: placing the FRCs on a firm statutory basis; establishing a real executive capacity within the councils, and expanding their functions by law to include a range of added liaison and multistate regional activities.

These differing schools of thought clearly have different assumptions about the politics and purposes of the councils. The first would restrict their use to internal Federal management improvement, not intergovernmental relations. This change is called for because its proponents are convinced that program politics, Con-

gressional politics, and public interest groups politics are combined to make a mockery of decentralized program authority, of improved interprogram coordination in the field, and of more constructive contacts with state and local governments. The second group seeks to strengthen the performance of the council's current agenda of activities, largely because it views an expansion of their services or a major reorientation of their role as unlikely. Hence, they are willing to settle for the forum formula for the moment. The third group, while somewhat divided, believes that the basic weaknesses of the FRCs will never be overcome by a series of band aid applications. Fundamental systemic challenges confront the FRCs, they contend, and the opposing forces must be confronted head on. For these reasons, they focus on the Congress, on the nature and authority of the FRCs' leadership and on the FRCs' present, but even more, potential mission.

The Commission supports the second of these three alternative approaches. It believes that the FRCs should be retained, but must be strengthened if they are to function more effectively for both intergovernmental and management purposes. A wide range of reforms, some limited, some very aggressive, are needed. While not altering the FRCs in any important way, these actions would reaffirm their roles and objectives and enhance their ability to achieve them. Most importantly, more vigorous leadership and better management on the part of the Under Secretaries Group for Regional Operations, the Office of Management and Budget, and the FRCs themselves could bring about marked improvement.

The Under Secretaries Group (USG), particularly, has offered inadequate guidance and support thus far. Yet, continuing pressure on the FRCs to come to grips with the problems of interagency coordination should force a more affirmative response on their part. Similarly, the USG and OMB should attempt to build the foundations of the councils by obtaining full decentralization of grant administration wherever possible, securing more rapid conformity to the standard regional boundary system, and assuring that each member agency provide the full-time staff member for FRC work which current policy requires (e.g., A-95, Joint Funding), plus additional staff for special projects.

Other steps also are necessary. Too often, FRC staff have proven to be unfamiliar with the full range of Federal assistance programs and with the organizations and operations of state and local government in the areas which they serve. These weaknesses could be largely overcome if intensive training were provided. An effort also should be made to familiarize all officials of state

and local governments – especially those in the smaller jurisdiction – with the purposes and services which the FRCs should offer. Too frequently a lack of such knowledge deprives them of useful assistance and the FRCs of much of its potential constituency.

In short, the Commission is convinced, that much could be done to enable the FRCs to achieve their existing mandate. And the effort would be well worth the investment of time and resources. In effect, the present format has not been given a full opportunity to prove itself. It should have that opportunity. On the other hand, it would be premature to push for expansion of the FRCs' role until their existing role is fully realized along the lines suggested here.

#### **RECOMMENDATION 4: ASSIGNMENT OF RESPONSIBILITY FOR INTERPROGRAM GRANTS MANAGEMENT WITHIN INDIVIDUAL DEPARTMENTS AND AGENCIES**

**The Commission recommends that the President require the heads of Federal grant administering departments and agencies to assign leadership responsibility for interprogram grants management activities to a single unit with adequate authority, stature, and staff in their respective departments or agencies. Such activities, at a minimum, should include oversight of the agency's compliance with OMB Circulars A-85, A-89, and A-95 and management circulars (including FMC 74-7, FMC 74-4, FMC 73-2, and OMB Circular A-105), and responsibility for leadership and compliance with regulations under the *Joint Funding Simplification Act of 1974*.**

The departments and agencies administering domestic programs are numerous, complex, and powerful. To some degree they possess separate lives of their own and – short of a massive transfer of responsibility for day-to-day operational direction to the Executive Office of the President – there is no way that a central management agency can command performance by the line departments and agencies and by that command alone expect to see it happen. The program allegiances of grant administrators, fortified by their strong linkages to clientele and other interest groups and to their allies in the appropriations and subject matter committees of Congress, give them formidable power to challenge and often determine whether a centrally directed effort will succeed or fail. Hence, it is of key importance to the success of efforts to improve grant management that the departments and agencies support the objectives of the management and other procedural

circulars and make a dedicated effort to achieve them as they apply to their own fields of operation.

Just as effective implementation requires a focusing and strengthening of management responsibility in the Executive Office of the President, adequate recognition and manifested support in the top administration of the departments and agencies is just as critical. This should take the form of clear assignment by the departmental Secretary or agency head of leadership responsibility for interprogram grant management activity to a single unit with adequate authority, stature, and staff. This does not mean that responsibility for day-to-day administration of all circulars should be vested in the same organizational unit – usually this is not the case at present. It does mean that a single unit in the department or agency is responsible for seeing that the various activities under the circulars are being discharged effectively. The key words are “leadership” and “responsibility.” It also requires that whichever units have day-to-day responsibility for one or more of the circulars be sympathetic to and have knowledge of the circulars as well as be dedicated to seeing that the affected program offices understand their importance and meaning and are committed to seeing that they are carried out.

ACIR staff interviewed grants management coordinators in the major grant administering agencies. Most of these officials were responsible only for FMC 74-7, the circular on standardization and simplification of administrative requirements. Most, but not all, held management positions of substantial authority in their agencies. In one department, the responsibility for monitoring FMC 74-7 had been shifted among several organization units during the effective life of the circular, indicating that the matter was not assigned very high priority within the department.

Several of the grant coordinators expressed concern over the lack of understanding and awareness on the part of agency personnel. To what degree this was due to lack of interest or failure of the central coordination office to provide orientation and consultation is not known. It does suggest the need for these offices to take steps to see that the circulars are understood by all those who have a role in carrying them out.

It goes without saying that field staff awareness of the circular is highly important. They are the ones who deal on a daily basis with state and local grant recipients who are the beneficiaries of improved grant administration procedures. This study did not survey field staffs by questionnaire as it did Federal program administrators and state and local officials. However, a staff interview with one departmental regional representative who happened also to be the chairman of a Federal regional

council revealed that he was not very familiar with FMC 74-7. This suggests a need for greater departmental effort to educate field staff on the objectives and importance of the management circulars.

Policies and practices with respect to assignment of headquarters oversight responsibility vary among the four other grants management procedures: *OMB Circulars A-85, A-89, and A-95* and the *Joint Funding Simplification Act*. A number of agencies currently do not assign such responsibility for A-85 or A-89 to a position or office with enough stature and authority to do the job. In rare cases is the same office also charged with oversight of the management circulars, joint funding, or A-95. A similar situation exists with regard to A-95. Agencies have appointed liaison officers but their stature in the organization structure varies widely, and the position is usually not the same as the other management oversight positions. The proposed regulations implementing the *Joint Funding Simplification Act of 1974* require agency heads to designate an official within headquarters to coordinate intra-agency implementation and serve as the primary point of contact for other Federal agencies and prospective applicants with respect to agency joint funding activities and policies under the act. There is no assurance that this official will be linked to his agency counterparts with similar duties under A-85, A-89, A-95, and the management circulars.

Vesting the responsibilities for all these activities in the same oversight unit would bring together related grant management activities. The broad scope of responsibilities would warrant the staff and position in the agency hierarchy necessary to assure more effective agency compliance with these intergovernmental grant procedures.

## **RECOMMENDATION 5: MONITORING INTERAGENCY AGREEMENTS**

The Commission concludes that existing Federal aid legislation and administrative regulations establish duplicative planning and application processes as well as overly complex and confusing rules for applicants to follow. They also create duplicative Federal reviews of state and local planning, waste of Federal funds, and lost opportunities for one Federal aid program to reinforce the benefits of another. These problems are often susceptible to amelioration by interagency agreements. While such agreements have been in use for many years, there is a continuing and growing need for greater emphasis on their use and for creating the means to strengthen them.

The Commission recommends that the Office of Management and Budget be given responsibility for compiling and updating a list of the interagency agreements in effect, for evaluating them, and for initiating new ones or improvements to existing ones as needed to effectively further and support maximum feasible coordination among the various Federal aid programs. The Office of Management and Budget, acting through the Under Secretaries Group for Regional Operations and the Federal Regional Councils, also should be given responsibility for monitoring and supporting the proper and full implementation of these agreements. All new and amended interagency agreements having a significant and broad intergovernmental impact on the management of Federal aid programs should be reviewed and commented upon at the draft stage by state and local governments through the A-85 consultation process.

Working relations among different Federal agencies administering related Federal aid programs have been established in a number of ways over the years — by legislation, by Presidential direction, by formal interagency agreements, and by informal agreements. In addition, working relationships have been established between units within agencies and departments both by legislative and administrative means. Such relationships are quite common, and in fact affect in one way or another almost all Federal aid programs. These agreements and working relationships have been used to (1) economize on the use of specialized government personnel, (2) share Federal aid application review responsibilities in an effort to help coordinate physical development activities more fully, (3) consolidate planning requirements to reduce duplication by applicants, and (4) jointly or cooperatively fund applicant activities of interest to more than one Federal department or agency, thereby using one program to reinforce another. Such agreements often can be more satisfactory and appropriate than more general coordinating mechanisms, because they are specifically tailored to the detailed characteristics of each program involved and to any special legislative circumstances which govern their administration.

Nevertheless, a large share of these working relationships, laboriously developed and agreed upon, have only been half-heartedly pursued on a day-to-day basis, or have actually fallen into disuse. The less formal the agreements are, the more they need constant attention from sympathetic staff in each agency, and the more dependent they are upon continuity in both political and professional staff leadership. Too frequently, this cannot be counted upon. Thus, there is a need to more

firmly institutionalize such work relationships and the interagency agreements which underlie them.

The interagency agreements covered by this recommendation would be systematically developed with the assistance of the Office of Management and Budget to help cover many of the major grant coordination problems created by the separateness of programs which have interrelated objectives. This would help to overcome the hit or miss way in which such agreements are currently arrived at. With central assistance, the Federal agencies involved would reach agreement about how needed coordination could be achieved, and then while still tentative, the proposed agreement would be submitted for consideration by affected state and local governments (including affected areawide units and special districts). This state-local review would be achieved through the existing A-85 Federal aid regulation clearance process which is used by the individual Federal agencies in developing administrative regulations for their own grant programs. Although the types of interagency agreements referred to here are presently subject to A-85 review, they are not being submitted now. Assigning to the Office of Management and Budget, in cooperation with the Under Secretaries Group for Regional Operations and the FRCs, specific responsibilities for seeing that these agreements are lived up to, introduces an element of central management, while retaining the participation of affected departments and agencies and designating a field staff for actual follow through.

The need to reduce the number of separate and duplicative planning requirements imposed on those recipients of Federal aid who deal with more than one Federal aid program has been recognized for years. The Planning Assistance and Requirements Coordinating Committee (PARC Committee), originally established by HUD in 1967 and given new emphasis under the Nixon Administration, identified this need in great detail. Yet its recommendations went largely unheeded for lack of practical means to accomplish them. Interagency agreements, systematically sought and systematically implemented, provide a vehicle for simplifying the planning work which is done in the field by Federal aid recipients, for making best use of scarce Federal aid funding, and for coordinating plans and project proposals by having them result from a single planning process. A greater institutionalization of these agreements would help to avoid their usual fate whereby they fall into disuse after their original authors have moved on to other jobs, or after administrations have changed.

Implementation of this recommendation would create a systematic attempt to initiate those agreements

which are needed for coordinating and jointly funding appropriate Federal aid programs. No longer would the government have to depend upon sporadic initiatives by individual agencies, undertaken because of the individual interests of certain officials who happen to occupy appropriate positions at one time or another in those agencies. It also would give such arrangements continuing stature, so that they could be monitored and enforced over a substantial period of time. Where certifications of common plans, common geographic areas, and common recipient agencies are needed to help coordinate Federal aid activities below the national level, the FRCs would be in a position to act in a consistent way on behalf of all the concerned Federal agencies.

The Commission is aware of opposing arguments to the effect that the long established use of interagency agreements makes a new recommendation on this subject unnecessary. If such agreements do not spring up naturally from the bureaucracy, it is argued, they may not be needed at all. Nevertheless, Congress has expressed several overarching concerns in existing legislation on such matters as civil rights, environmental protection, intergovernmental cooperation, and joint funding simplification. While the present pluralistic mixture of individual functional programs may provide greater opportunity for getting quick and effective action in these individual programs without the slow-downs often associated with coordination activities, it does not, in the Commission's view, allow adequate opportunity for coordination on a broader basis. Overall management objectives need to be given more nearly equal consideration along with the particular objectives of single function programs. In the Commission's view, this recommendation would help to meet this need.

### *Part III*

## PROCEDURAL REFORMS

The remaining nine recommendations, one way or another, are all geared to improve the procedural response of the Federal government to the challenges of better grant management and improved intergovernmental relations.

The review in *Chapters III and V* of experience with the simplification and standardization of grant requirements, new mechanisms for intergovernmental communication, and Federal procedures for strengthened state and local coordination and discretion suggests what is needed to make these procedural reforms more effective. Preeminent are recognition by Congress and the President of the importance of grant management and their willingness to take steps to improve it.

*Recommendations 1, 2, and 3* have addressed this issue by providing for Congressional and Presidential action to strengthen the central management and field office components of the Federal government's grant management capability. These recommendations also provide another ingredient required for strengthening procedural reforms: adequate staff. The President and Congress can clearly signal their support for effective grant management by assuring adequate manpower for the coordinating and directing agencies on which these recommendations focus. Certainly, one of the principal weaknesses in securing compliance with the procedural reforms adopted over the past decade has been the understaffing of central management agencies and key grant management offices in the Federal Regional Councils and the departments and agencies.

## RECOMMENDATION 6: INTERAGENCY COMMITTEE MANAGEMENT

**The Commission recommends that the President reinstitute administrative guidelines and instructions regarding the establishment, use, and termination of interagency committees, with a view toward (a) monitoring and evaluating the operation of such committees within the Executive Branch; (b) supporting and strengthening those committees necessary to the effective operation of Federal assistance programs and related activities; and (c) discouraging the formation or continuation of unnecessary or unproductive committees.**

At the present time, the numerous Federal interagency committees are not "managed" on the governmentwide basis in any way. This is a change from past practice. *BOB Circular A-63*, first issued in 1964, provided guidelines regarding the establishment, use, and termination of interagency committees. The circular, formerly titled "Management of Interagency Committees," has since been rewritten so as to include only advisory committees (those having non-governmental members), following the passage of the *Advisory Committee Act in 1972*. That act exempted interagency committees from its provisions. One consequence of this action is that current information on the number, composition, and activities of interagency committees is not available. Previous OMB data indicated that there were approximately 620 such committees in 1971.

The argument for the re-creation of procedures for central management of interagency committees reflects the criticism and skepticism with which such organizations were, in the past and still continue to be regarded. Traditional administrative theory holds that such com-

mittees should be strictly limited in number, and regards an excess of interagency committees as evidence of poor organizational design. Contemporary critics argue that such committees are frequently ineffective. The record of poor performance by interagency committees created in support of the Appalachian, OEO, and model cities programs discussed in this report are among the many examples offered.

The Commission believes that, despite their shortcomings, interagency committees serve a useful purpose. In the management of complex and interrelated activities they provide a technique for strengthening relationships between particular programs as the need arises, and constitute a flexible *ad hoc* method for meeting coordination problems at the agency level.

Yet, they need to be strengthened, to remedy their obvious weaknesses. This means reinstating administrative guidelines and directives governing their creation, use, and termination. OMB, which should monitor compliance with these directives, should maintain an accounting of the committees on a current basis. It should provide support to those committees that are essential for effective operation of Federal assistance programs and related activities. At the same time, there are now many committees which have outlived their usefulness or which require greater investments than their activities justify. These should be eliminated and the continuing committees should be subjected to periodic review.

## RECOMMENDATION 7: CONGRESSIONAL SUPPORT FOR CIRCULARS

The Commission recommends that Congress provide specific statutory authorization for *OMB Circulars A-85 and A-95* and existing and future circulars issued by the Office of Management and Budget directed toward standardization, simplification, and other improvements of grants management.

The Commission further recommends that Congress enact legislation clearly vesting in the Office of Management and Budget the responsibility for developing the circulars, interpreting them, and otherwise enforcing compliance by the grant administering agencies. Monitoring by the OMB of agencies' compliance with the circulars should include approval of agency regulations and related documents implementing these circulars.

Finally, the Commission recommends that Congress enact legislation requiring submission of periodic evaluation reports on the circulars to the Congress by the Office of Management and Budget.

The management circulars and *OMB Circulars A-85 and A-95* are addressed to the Federal departments and agencies, placing certain requirements on them. These sometimes call for agencies to adopt new procedures or otherwise alter their patterns of behavior. When agencies resist the requirements or otherwise delay in following them, compliance problems arise. Responsibility for trying to achieve compliance falls on the central management agency. Its leverage on the grant administering agencies to get them to comply depends on several factors. A key one is the source of the authority for the circular being implemented and specifically, the extent to which Congress has specified support for the procedure in legislation.

Grant program administrators often have strong and direct ties to Congress and its appropriations and subject matter committees. Administrators' responsiveness to those committees is well known. With that power relationship, any central management agency, whether OMB or some other, attempting to compel a Federal agency to follow a certain practice knows the danger of antagonizing the cognizant Congressional committees. Preferably, it should have the clear support of those committees for whatever it wishes to have the agencies do.

At present, of the three Federal management circulars only the one on standardization and simplification (FMC 74-7) is based to any extent on specific statutory authorization. The others are based on general authority granted by the *Budget and Accounting Act of 1921* and the *Budget and Accounting Procedures Act of 1950*. In the case of FMC 74-7, moreover, the statute (the *Intergovernmental Cooperation Act of 1968*) relates narrowly to three kinds of requirements: deposits of grants-in-aid, scheduling of fund transfers to the states, and waivers of single state agency requirements. The general thrust of the circular – for simplification and standardization of a wide array of administrative procedures – is not given specific recognition in law.

*OMB Circular A-85* states that it is "in accordance with certain general purposes of Title IV of the *Intergovernmental Cooperation Act of 1968*." That title of the *Intergovernmental Cooperation Act* and Section 204 of the *Demonstration Cities and Metropolitan Cooperation Act of 1966* are also the principal statutory basis for *OMB Circular A-95*. In both instances, fairly broad statutory language is cited as the basis for quite specific administrative procedures.

The lack of specific statutory endorsement of the circulars gives recalcitrant or dilatory grantor agencies a powerful reason for a casual attitude toward compliance. They know that their cognizant Congressional commit-

tees have not explicitly sanctioned the objectives of the circulars; they may indeed fear that the committees actually are antagonistic to the circular. Providing a specific statutory basis for the circulars would therefore lend needed support to the central office responsible for administering the circulars. It would also be an explicit acknowledgement of Congressional interest in and concern for administrative improvement.

Statutory authorization could take either of two forms. It could place the burden of interpreting and complying with the circulars directly on the grant administering agencies, reserving to the central management unit the supportive role of advising, coaxing, and otherwise backing up the agencies in carrying out the intent of the legislation. Alternatively the statute could direct the central management unit to administer the circular, making it plain that this means the power to interpret the provisions of the circular and otherwise see that agencies comply.

The first alternative leaves the basic authority in the hands of the individual agencies, which would feel that they had discretion to comply with the mandate of the legislation at their own pace. *OMB Circular A-85* illustrates this approach. Subsection 401(b) of the *Intergovernmental Cooperation Act*, the authority for the A-85 consultation requirement, provides that "All viewpoints – national, regional, state, and local – shall, to the extent possible, be fully considered and taken into account in planning Federal or Federally assisted development programs and projects." Unlike subsection 401(a) of the act which directs the President to establish rules and regulations to the end that certain Federal programs and projects most effectively serve basic objectives set forth in the subsection, subsection (b) does not mention the President. This provision of the law addresses the administrators of Federal or Federally assisted development programs and projects, placing the obligation for compliance directly on them, subject to the requirement of Section 403 that "The Bureau of the Budget or such other agency as may be designated by the President is hereby authorized to prescribe such rules and regulations as are deemed appropriate for the effective administration of this title." This vagueness of the consultation language in the statute, plus the absence of specific direction to the President in the relevant section, indicates a legislative intent that first responsibility for implementation rests with the departments and agencies, not with the President and his designated central management agency.

This weakness is avoided under this recommendation by specific authorization for the circulars and – most importantly – by a clear vesting in the central manage-

ment unit of authority to prescribe, interpret, and otherwise enforce rules and regulations. Agencies would then be unable to "self-exempt" themselves from the application of the circulars by means of their own interpretations. The central management unit still might have problems in achieving compliance because of insufficient staff or lack of top level support in disputes with agencies. But those would be administrative problems and not matters of fundamental authority.

The Commission recognizes that long-standing Congressional suspicion of vesting too much power in OMB and strong linkages to categorical program administrators dispose Congress to shy away from giving OMB this kind of authority, and the staff needed to carry it out, which would be required under this recommendation. The Commission believes, however, this kind of action is necessary to make the administration of the circulars effective.

It is vital that the central management unit play a positive monitoring role. The limitations of staff in OMB and GSA assigned to the management circulars have undoubtedly contributed to their restricted monitoring activity. Thus strengthening of central management staff, called for in *Recommendation 2*, should help strengthen the central monitoring capacity.

Another shortcoming of current central monitoring is major reliance on a system of responding to complaints rather than positively seeking out and correcting non-compliance. The principal exception is that new forms used by the departments in implementing the various administrative procedures covered by the circulars must be cleared through OMB's general forms control process.

Along the lines of the forms control review, monitoring would be strengthened if the circulars required that agency regulations, guidelines, and other policy, plans and procedural documents issued to implement the circulars be submitted in advance to OMB for approval. This would give OMB an opportunity to head off potential misinterpretations of the circulars.

Prior approval would give OMB a more thorough coverage of department and agency implementation activities. This is vital to more effective monitoring. In addition, funneling implementation instruments through OMB would help to regularize its opportunities for providing advice and assistance to the departments and agencies in living up to the requirements of the circulars. In light of the unawareness of the circulars that now exists in some agencies, assistance activities also need strengthening in OMB.

A final measure for strengthening management of the circulars involves evaluation. The statute authorizing the circulars should include provision for periodic evaluation

reports to the Congress by OMB. In addition, Congress should arrange for appropriate committees to undertake prompt review of these and other reports prepared by the General Accounting Office on any aspects of the management and implementation of the circulars.

## **RECOMMENDATION 8: POSSIBLE MODIFICATIONS OF STANDARDIZATION REQUIREMENTS**

The Commission recommends that the Office of Management and Budget organize and head an interagency review of FMC 74-7 for the purpose of determining whether additional areas of administrative requirements should be standardized and whether existing standardized requirements should be modified. Representatives of state and local governments should be given the opportunity to review and comment on any revisions recommended by the interagency group.

FMC 74-7 has been in effect since October 1971. During that period the number of standardized administrative requirements has remained constant at 15. These are mainly in the field of financial administration. The generally satisfactory experience with the circular suggests the need for considering other requirements for possible addition to the list.

Two such areas arousing criticism among many recipients because of program-to-program variations are environmental impact statements and civil rights compliance requirements.

In undertaking a re-examination of the circular and its coverage, attention should also be focused on an opposite question: whether certain existing standardized requirements should be modified. *Chapter III* noted that some administrators felt that the standardization requirements of FMC 74-7 force a uniform approach which ignores real differences among grants, differences that matter in assuring the achievement of specific program objectives. One example was the limitation of fiscal reporting to one time per quarter. This provision was criticized as unduly restraining for a new block grant program — *Comprehensive Employment and Training Act (CETA)* — which needed more up-to-date progress reports in order to satisfy the monitoring demands of Congress. Another example was the Department of Transportation (DOT), which has certain programs, such as highways, that are long-standing formula grant programs in which over many years the Federal government has developed working relationships on a rather routine basis with state highway departments for the carrying out of the Federal objectives. At the same time, it has

other programs, such as mass transit, that are newer programs of project grants for which eligible recipients are a host of local or regional bodies, some of them with little experience, with whom DOT has had less frequent contact in the past. DOT feels less need of firm project control for its highway grants than for its mass transit grants, though both are covered by similar procedural requirements under the circular. As a final example of problems under FMC 74-7, GSA's assessment of the Integrated Grant Administration (IGA) experiment found that uniform application and report forms required by FMC 74-7 were not completely adaptable to IGA projects.

The uneasiness over standardization was evidenced by Federal grant administrators' answers to the survey questionnaire. Nineteen percent of those responding said standardization of preapplication procedures had had a negative effect on their programs, and 40 percent reported such an effect from standardized procedures for payments, determining matching shares, budget revisions, reporting grants close out, and record retention.

Several responses are made to the charge that too much emphasis is placed on achieving uniformity and simplification. First, FMC 74-7 permits agencies to request and be granted exceptions, and a dozen or so have actually been granted. One of these — a temporary one — was to permit CETA to require monthly reporting. A second response is that objections to standardization should be expected. No one likes to make changes, but changes are the name of the game if the vast array and variety of requirements covering essentially the same administrative procedures are to be reduced in any appreciable degree and made easier for the recipients. Such simplification is after all the primary reason for undertaking the effort in the first place.

A third response to the criticism of over standardization and simplification in the circulars is that it may not be the circulars that are at fault, but rather the way in which they are interpreted and applied by the central management agency. Several grant coordinators expressed the view that GSA's Office of Federal Management Policy was too rigid in applying the terms of the circulars. Some thought that one of the virtues of returning management responsibility to OMB would be to make application of the circulars more flexible due to the greater opportunity for infusion of realism from closer association with budget staff.

A final rebuttal is that the central management staff has been conscious of the need for constant examination of the circulars and their execution, as evidenced by the establishment of a special group to examine possible

changes in the procurement provisions which have been among the most frequently criticized components of FMC 74-7. Three amendments to FMC 74-7 have been promulgated in the past year.

A concerted review of FMC 74-7, as suggested here, would offer the opportunity to explore the validity of the contentions that the pendulum has been allowed to swing too far in the direction of uniformity. Such a review can be successful, of course, only if the complaining agencies can give persuasive evidence of the hardships caused by existing provisions and can help in developing suitable modifications. Representatives of state and local governments should be assured a chance to participate in such a review to assure that the practical effects at the receiving end of the grants are fully taken into account.

### **RECOMMENDATION 9: THE STATES AND THE MANAGEMENT CIRCULARS**

**The Commission recommends that the states examine their legislative and administrative policies and practices applicable to the expenditure of Federal grant funds by the states or their political subdivisions, including conditions attached to the pass-through of Federal funds to localities, with a view toward resolving in cooperation with the Office of Management and Budget any conflicts between those policies and practices and the provisions of Federal grant management circulars. Such examination should include problems involved in claiming allowable overhead costs in performance of audits by non-Federal agencies.**

State governments are involved in implementation of the management circulars, both in their role as "passers-through" of Federal funds to their political subdivisions and as direct spenders of Federal funds. Their actions in these roles can have significant effects on the manner in which the management circulars are implemented.

One of the criticisms voiced by local governments in the application of the allowable costs circular, FMC 74-4, is that state governments impose interpretations of indirect costs in the expenditure of pass-through funds which conflict with those of the Federal government under FMC 74-4. The criticism is commonly made in connection with the Safe Streets program. Thus, localities claim that Federal policies are nullified or at least compromised, and the localities are not able to recover the costs that they are entitled to under FMC 74-4. In response to the localities' requests for the Federal government to forbid such state interpositions, OMB has adopted the view that this is a matter between the states

and their subdivisions in which the Federal government traditionally does not interfere.

This seems like a defensible Federal position. On the other hand, if state actions endanger the effectiveness of the Federal allowable costs concept, at a minimum the Federal government should take the initiative to work with the states to see if a procedure can be developed whereby both Federal and state objectives can be achieved. Since the National Association of State Budget Officers had a lot to do with instigating the Federal allowable cost circular, and cooperated in its development, they would be a logical group to cooperate with the central management office to see what could be worked out.

State action could also be helpful in getting better mileage out of the auditing circular, FMC 73-2. An important part of the circular encourages use of non-Federal audits as a way of satisfying the Federal requirement that grant programs be audited at least every two years. Use of non-Federal audits offers economies in the use of limited audit resources. Experience to date has revealed several obstacles to wider employment of state, local, or private auditing firms for performance of the Federal audit requirements. Federal agencies complain about the unreliability of state auditors, and states charge that Federal requirements are not as standardized as is claimed. State audit agencies also are inhibited by the difficulty of getting reimbursed for performing audits on behalf of Federal agencies. This relates to the unwillingness of program officials, both Federal and state, to use funds for other than direct program purposes (overhead), and the tendency of state legislatures and budget offices to credit any such reimbursements to general revenues rather than to the state auditing agency.

GAO has proposed that Federal agencies contract directly with state auditors to perform Federal audits as a way of avoiding some of these problems, and GSA agreed to explore that possibility. Another possibility which would make better use of the state audit function, as is intended by the circular, is for state legislatures and budget offices to examine their policies for allowing state audit agencies to be credited for work performed by the Federal government. In addition, states could direct greater attention to adopting the Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities and Functions" as guidance for performing audits for Federal programs.

States could take positive steps in still another way to improve the administration of Federal grants. The Federal interagency study of ways of implementing the Procurement Commission's recommendations on simpli-

fication of Federal contract and assistance relationships proposed a classification of Federal assistance according to degree of Federal involvement in financing and administration of each assistance award. The classification of a grant would serve to let potential recipients know in advance the degree of Federal involvement in financing and administration that they could expect. Thus forewarned, they would be better prepared to cope with Federal administrative requirements.

The interagency study pointed out that adoption of the recommended Federal system would not be effective or helpful for local governments which receive Federal aid as a pass-through from the states or other local governments. State governments passing Federal aid on to local governments would be free to use their own instruments and establish their own degree of involvement in the programs. To fully realize the objectives of clarifying Federal involvement in assistance programs, the interagency study asked Federal agencies to urge state governments to achieve more consistent patterns of state involvement. In addition, they recommended that Federal agencies require the states to communicate specifically the intended Federal involvement in subgrantees' and subcontractors' activities.

#### **RECOMMENDATION 10: THE STATES AND A-95**

**The Commission recommends that states upgrade their participation in the Circular A-95 process. Specifically, the Commission recommends that governors and/or legislatures take steps to assure that Federal program plans are reviewed for their conformity with state policies and plans pursuant to Part III of the circular; and that where states have developed and adopted statewide policies and plans impacting on local government, the legislatures enact statutes or the governors issue executive orders making state grants to political subdivisions that relate to such policies and plans subject to the A-95 clearance process.**

*OMB Circular A-95* presents governors and state legislatures with a variety of opportunities to have an impact on certain vital aspects of the Federal grant system as it affects their states. Through the Project Notification and Review System under Part I of the circular, state officials are offered the chance to review and comment on proposed Federal projects as they might affect state plans and programs. A similar opportunity is presented with respect to direct Federal development projects under Part II. Part III requires Federal agencies to obtain the views of governors on new

and revised Federal program plans as they affect state plans. Part IV encourages states to develop arrangements for coordinating comprehensive and functional planning activities and establish a single set of substate planning and development districts within their jurisdictions.

Properly used, these procedures can help governors and state legislatures influence the impact of Federal grant programs upon their jurisdictions, build up their central coordination, planning, and policy-making capabilities, and, as a fallout of the latter, bolster their ability to impose generalist considerations on program decisions that frequently give too much weight to narrow functional concerns. Yet states have lagged in exploiting the opportunities offered by A-95. A recent study of state planning conducted by the Council of State Governments found that in many states there is little effective coordination of Federally mandated functional plans with state plans. Evidently program officials obtain routine sign-offs from governors on plans and plan amendments, and thereby governors pass up a key opportunity to exercise policy control over functional specialists and to strengthen their central planning and coordination capacity.

This recommendation calls on governors and/or state legislatures to better exploit the opportunities offered by A-95 in several ways. First, it urges that they take steps to assure that Federal program plans are carefully reviewed for their consistency with state policies and plans, pursuant to Part III of the circular. Effective use of this tool can have three beneficial effects: it can influence the direction of Federal program policy; it can give the governor a weapon for exercising direction and control over state programs; and it can heighten the importance of state comprehensive planning, thereby strengthening general policy and planning processes in the state government.

The other part of the recommendation encourages states to make better use of the Project Notification and Review System under Part I of the circular. It is addressed to states that have taken the initiative to develop, adopt, and implement statewide policies and plans impacting on local government; in other words, states that have demonstrated concern for controlling the effects of their programs on their political subdivision. The recommendation proposes that such states piggyback the notification and referral system for Federal grants by making the same procedure apply to local applications for state grants. This might be done by legislative mandate or executive order. While state grants are less important numerically than Federal grants, they generally have a substantial fiscal effect on state, areawide, and local development and this cannot be

ignored. From the standpoint of state planning and program policies, this procedure would provide a mechanism for assuring that all affected state agencies are consulted when any one agency is asked to make a grant to a political subdivision. This provides support for interagency, interprogram coordination and again should help emphasize the importance of comprehensive planning. It is also another way by which the chief executive can exercise control over specialized program influences.

### **RECOMMENDATION 11: A-85 AND THE PUBLIC INTEREST GROUPS**

**The Commission recommends that the public interest groups involved in OMB Circular A-85 re-examine their internal A-85 procedures and the resources they deploy to them and take steps necessary to assure more fully responsive participation in the process.**

Implementation of *Recommendation 7* would enhance OMB's authority to administer *OMB Circular A-85* and *Recommendation 4* would bolster departmental implementation efforts. A serious question would still remain regarding the effective use of the circular's opportunities by the public interest groups. They share in the causes of its ineffectiveness, as was noted in *Chapter III*.

To assure that efforts to strengthen the Federal government's consultative role are not wasted, and indeed to counter arguments that the whole process is little more than a time consuming, paper shuffling exercise, the public interest groups need to examine their own procedures for reviewing and commenting on proposals sent to them. This would include providing additional staff resources as needed. The public interest groups naturally resist the abandonment of any channel of communication between them and the Federal government, particularly when they have had a key role in getting it established. They should be certain that they are bearing their share of the burden of seeing that it continues to be worthwhile.

### **RECOMMENDATION 12: FRCs AND A-95**

The Commission concludes that there is a need for better coordination within the Federal establishment itself with respect to Federal aid programs and project funding decisions, as well as direct activities having interagency and intergovernmental impacts. Without such coordination, program and project conflicts may go unidentified and unresolved, and opportunities for one

program to reinforce another may be lost. The A-95 project review and comment process, the Commission believes, recognizes this need by requiring individual Federal agencies that are considering the funding of projects of potential concern to other Federal agencies to consult with such agencies; but these consultation opportunities are limited only to those identified by the "interested" funding agency itself. The Commission further concludes that applying the A-95 notification, review, and comment procedures internally within the Federal government (rather than only at the state and areawide levels) could meet this recognized need for Federal interagency coordination more fully than it is presently being met; and that FRCs would be appropriate mechanisms to do this, because they already have an A-95 role for monitoring Federal agency compliance with the state and areawide review processes.

**The Commission recommends that the Office of Management and Budget designate the Federal Regional Councils as Federal clearinghouses under Circular A-95, making them responsible for (a) notifying affected Federal agencies of grant applications having regional impact and intergovernmental significance, as well as comparable direct Federal activities subject to A-95, (b) preparing comments concerning the interprogram and intergovernmental effects of these proposed projects, (c) transmitting their own comments as well as individual agency reviews to the Federal action agency, and (d) more vigorously pursuing their currently assigned responsibilities for enforcing Federal agency compliance with existing Circular A-95 provisions. The Commission further recommends that Federal Regional Councils provide the means for resolving issues raised in the Federal interagency review process.**

This action would complete a three level system of Federal aid review clearinghouses, consisting of over 470 areawide clearinghouses, 50 state clearinghouses, and ten Federal clearinghouses. Such action probably could be taken without additional legislation, but an amendment to the *Intergovernmental Cooperation Act* specifically calling for Federal clearinghouses might be helpful in sanctioning their legitimacy and confirming their continuing role.

The A-95 Federal aid review and comment process, as it has been established at the state and areawide levels under the provisions of Section 204 of the *Demonstration Cities and Metropolitan Development Act of 1966* and Title IV of the *Intergovernmental Cooperation Act of 1968*, has proved itself to be a very useful information tool for the exchange of views among the various

levels of government, and for applying areawide planning analysis and recommendations to the process of making funding decisions on Federal aid programs. Not only has this process achieved much greater contact among and between the various units of state and local government, but it also has created significant pressure for these diverse bodies to do more planning and adopt more comprehensive sets of interrelated and consistent public policies than they ever had before. This pressure results from the need for a research and policy base to use in commenting on the likely effects of individual projects.

Nevertheless, A-95, as presently conceived, is an alternative to Federal interagency coordination rather than a spur to it. Its basic reliance is on delegating Federal program coordination responsibilities to the state and areawide clearinghouses without recognizing interagency and interprogram coordination responsibilities at the Federal level itself.

The Commission believes that it is essential to delegate a share of the Federal program coordination responsibility to states and to areawide clearinghouses, in accordance with the existing A-95 procedures. Yet, the Commission is equally strong in its belief that the Federal government should retain a significant share of the responsibility for coordinating its own programs. Interchange among Federal agencies and coordination of their programs with one another ultimately must rest with the Federal government, simply because the Federal government in most cases reserves Federal aid funding decisions to itself.

Applying the A-95 process within the Federal establishment could be expected to have many of the same effects that it has had at the state and areawide levels. It would increase the contacts and communication among Federal agencies. It could make the FRCs significant parties in Federal aid, decision-making processes (just as it has done with the areawide planning agencies which have been designated as A-95 clearinghouses and with the governors' designated state clearinghouses). It also could be expected to reinforce the intergovernmental and interprogram coordination concepts of the *Intergovernmental Cooperation Act of 1968* and the national growth policies planning concepts spelled out in Title VII of the *Housing and Urban Development Act of 1970*, as they relate to Federal aid, project funding considerations.

On a much more limited basis, the Environmental Protection Agency's (EPA) involvement in interagency reviews of environmental impact statements provides a precedent for the broader interagency reviews recommended here. In fact, the environmental impact reviews themselves might be strengthened through broader inter-

agency participation in the Federal A-95 clearinghouse process. Additionally, the FRCs would be in a good position to aggregate state and areawide plans, and coordinate Federal agency planning at the regional level, as a basis for strengthening the preparation of the President's National Growth Report.

The additional recommended A-95 activity within the Federal government would undoubtedly take some additional Federal effort, but it would not have to take additional time in the processing of grant applications. If the Federal agency reviews were going on at the same time as the local government and state agency reviews under the existing circular, and subject to the same time limits, there would be little, if any, difference in total lapsed time for application processing. Those things that state and areawide clearinghouses now are required to do at their levels of government would also be required by the FRCs. Yet, gearing up the FRCs and the Federal agencies for these new tasks should be considerably easier than it was at the state and areawide levels, because of the experience gained in trying it first outside the Federal government.

The increased workload implied for FRCs by this proposal could be kept manageable by the same means that the A-95 circular now provides for the state and areawide clearinghouses. Any project found to be of insufficient significance can be "signed-off" and spared further processing at any stage of the procedure, including the initial stage. Presumably there would be relatively few projects which would raise major interagency and intergovernmental issues needing FRC attention. Thus, initial screening by FRC staff would dispose of most projects, allowing the FRCs to concentrate on the few cases having major significance.

Finally, there is the issue of whether the existing A-95 process should be strengthened to provide some means of resolving any significant interagency or intergovernmental issues raised by the review process. The Commission has previously recommended (in its *Sub-state Regionalism* series of reports) that such means be provided in A-95 as it relates to state and areawide levels, and believes therefore that a similar strengthening should take place at the Federal level, with the FRCs taking on the responsibility for resolving any such issues.

The Commission is keenly aware that large segments of the Federal establishment consider interagency coordination impossible. This is one of the basic reasons why the A-95 process as it relates to state and local levels of government has been embraced by the Federal establishment. Moreover, the lack of success in many previous interagency coordination attempts stands as eloquent testimony to the soundness of this position.

There is also the danger that applying A-95 within the Federal establishment may do little more than insert another layer of coordination and another opportunity for slowing down the making of grant decisions. It might produce additional comments on individual projects which have to be laboriously resolved before grants are made. And, the FRCs are not now capable of administering this process. They have little if any staff of their own, and what staff they do have (as well as the Councils themselves) are parochially oriented toward the concerns of the individual members. Moreover, the record of state and areawide clearinghouses has been uneven enough to suggest that the record of FRCs as Federal clearinghouses would not be any better. Some might do a good job, but others might not.

Finally, the Commission is aware that, just as the state and areawide clearinghouses often lack any overarching policies to guide their clearinghouse reviews and the preparation of comments, the FRCs also lack such a policy base. The national growth policies called for by the *Housing and Urban Development Act of 1970* are considerably further from realization than most areawide and state plans. Thus, the Federal clearinghouses may have little to offer except their assistance as a notification and information mechanism in fostering additional contacts among Federal agencies. The benefits, then, which might reasonably be expected from Federal clearinghouses could be substantially less than might be anticipated at first.

Yet, despite these difficulties, the Commission firmly believes that the Federal government must make the effort to set its own house in order by coordinating the impact of its various programs. The A-95 process already has been tested, and shows the best promise of any process now known for achieving this objective. The FRCs should be substantially strengthened to allow them to perform a significant interagency A-95 clearinghouse role.

### **RECOMMENDATION 13: JOINT FUNDING AND RECIPIENTS**

**To strengthen state and local support for and use of the *Joint Funding Simplification Act*, the Commission recommends that states and larger units of general local government assign to a single agency leadership responsibility for participation by their respective jurisdictions in jointly funded projects. Such responsibility should include the development of proposed projects and coordination of the joint funding activities of participating departments.**

As the name indicates, joint funding is a process that draws together separately funded programs. As such, it seems logical that the structure set up to administer the process should emphasize the capability to integrate diverse elements. This was certainly the emphasis in the title of the predecessor experimental program: "Integrated Grant Administration." It is also the emphasis in the Federal procedure set forth in the proposed regulations implementing the *Joint Funding Simplification Act*. That procedure requires Federal grant administering agencies to designate one office or official within headquarters to coordinate intra-agency implementation of joint funding activities and a parallel single official or unit in each regional office. Upon receipt of a preapplication for a joint funding project, the FRC or a Federal agency designated by the FRC appoints a coordinating officer to oversee preapplication review. If the project receives favorable preapplication review, the FRC designates a lead agency to chair a project task force of representatives from each agency participating in the project. And the regulation goes on to provide for further fixing of responsibility in a single official, office or group for seeing that the Federal side of the joint funding process can be made accountable at every step of the way. The lack of such precise fixing of accountability gave rise to many of the criticisms of vagueness and inconsistency directed at the Integrated Grant Administration demonstration phase of the joint funding experience.

At the local level there is similar need for providing a focal point of responsibility among the larger jurisdictions that are expected to assemble joint funding projects. Initiative must come largely from the potential applicants, which in most cases will be local governments. Localities will be better able to exercise that initiative if one individual or office is responsible for surveying the community's needs and identifying the possible ways in which they might be met through a project drawing together individual Federal programs that commonly contribute to meeting those needs.

The logic of concentrating general leadership and coordination responsibility also extends to other parts of the joint funding process. One office or official can do a better job for the city or county in maintaining contact with the various officials at the Federal regional and central offices. In turn, one office makes it easier for those Federal offices to maintain easy communication with the grantee. It also facilitates the development of an "institutional memory," which can be invaluable in perfecting the locality's skill in playing the joint funding game as time goes on. That office is also the natural agency for keeping abreast of all new developments in

Federal grants, particularly those that seem likely candidates for joint projects. This aspect of its responsibilities suggests certain advantages of the joint funding coordinator's being closely allied with, if not identical to, a grant coordinator, assuming the locality has one.

All these considerations clearly apply at the state level, if the state itself initiates joint funding proposals. Yet, the state may have an additional involvement in joint funding which fortifies the case for its centralizing responsibility for leadership and coordination. This additional involvement stems from the possibility of a project drawing together both state and Federal funds. In such cases, Federal regulations provide for state representatives to join the Federal agencies in reviewing and passing on preapplications and applications for a project. For this reason, the proposed Federal regulations urge governors to designate a single state agency or function to receive and coordinate all requests for state participation in the jointly funded projects. It seems reasonable that the same office should have responsibility for initiating and overseeing the processing of proposals from state agencies for integrating Federally funded projects.

#### **RECOMMENDATION 14: IMPROVING GRANT INFORMATION**

**The Commission recommends that Congress and the Administration take steps to improve information that is available on grants-in-aid through the *Catalog of Federal Domestic Assistance* and other sources. Specifically, the Commission recommends that:**

**a) Congress amend Section 201 of the *Intergovernmental Cooperation Act of 1968* to require Federal agencies, upon request of the chief executive or legislative body of larger cities and counties, to inform them of the purpose and amounts of grants-in-aid that are made directly to such localities;**

**b) the Office of Management and Budget publish annually, prior to the conclusion of each calendar year, a list of grant-in-aid programs that are scheduled to terminate in the following calendar year;**

**c) the Office of Management and Budget assume the initiative for assuring that all authorized programs are listed in the *Catalog of Federal Domestic Assistance* instead of relying on grantor agencies to identify such programs; and**

**d) the Office of Management and Budget revise the**

**format of the *Catalog of Federal Domestic Assistance* so that each listing represents not more than one discrete program or clearly identifies the separate programs included under that listing; that all authorized programs are listed whether or not funds are appropriated therefor; and that the program titles in the state and local government indexes show the code for the type of assistance provided (for example, formula grants, project grants, direct loans, technical assistance, training).**

**The Commission further recommends, in connection with paragraph (a) above, that states explore the possibility of providing their larger localities with information on the purpose and amounts of grants-in-aid which the state sends to such localities. Such information should cover both direct grants from the state and Federal grants passed through the state government.**

The review of Federal efforts to improve intergovernmental communication and consultation found that there has been movement along a broad front in the past decade, but with mixed results. This recommendation seeks to bolster some of the weaker points in the communication process.

Part (a) of the recommendation is concerned with Section 201 of the *Intergovernmental Cooperation Act of 1968*. While that section calls for Federal agencies to provide states with information about grants awarded to the states and their jurisdictions, it carries no parallel mandate for reporting to localities on grant awards made within their boundaries. Yet, the larger cities and counties also have difficulties in coordinating grants-in-aid within their jurisdictions and therefore could profit from having the kind of information on Federal grants which states are now entitled to under Section 201.

Localities' need for such information has been recognized in other Federal grants management procedures. One of these is the A-95 process of review and evaluation of grants for their consistency with local or areawide plans. Another was the Chief Executive Review and Comment (CERC) part of the Planned Variations experiment that preceded the Community Development block grant. CERC provided the chief executive with information on all Federal grants having an impact on his community, whether they were going to a city agency outside his control, to a county or special district, or to a public or private non-profit agency. The purpose was to increase the ability of local general purpose government to set local priorities and to carry out Federally assisted programs in accord with those priorities. The chief executive was not only informed about applications for Federal assistance within his

community, but he was given the right to review and comment on them.

CERC was closed out with the termination of the Planned Variations experiment. However, the January 1976 revision of *OMB Circular A-95* requires areawide clearinghouses to send notifications of all projects affecting his jurisdiction to the chief executive of every general local government if he requests them. The list of programs subject to the A-95 process has now risen to 200 but is still far short of all the programs providing funding within local areas. Inasmuch as *Treasury Circular 1082* requires that state governments be provided information on all programs sending money to their jurisdictions, which includes many more than the 200 affected by A-95, a good case can be made for the same service being provided to the chief executives of local governments. This requires amending Section 201 of the *Intergovernmental Cooperation Act*.

It would be wasteful and of dubious utility to have such grant information sent to chief executives of all general local governments, regardless of size. A population cutoff should be established based on analysis of the numbers of direct Federal grants and their dollar amounts that go to localities of different sizes. Also, the requirement should be limited only to direct Federal-local grants, since Federal agencies have no quick and reliable way of knowing which grants to states are passed through to which localities and in what amounts.

The latter provision raises an important question about the large amount of Federal grants that reach localities via state governments. The last paragraph of the recommendation urges states to explore the possibility of plugging this gap by furnishing the larger localities with information on such pass-through funds, as well as on grants that are strictly state funded.

Part (b) of the recommendation addresses the general problem of helping state and local grant recipients, not to mention the Congress, anticipate possible changes in Federal grant policy. Federal failure to give states and localities more forewarning of such changes is one of the most persistent criticisms of the present system. Part (b) would serve to give them official notice of which specific grant programs would come up for renewal or termination within the next year and enable them to adjust their plans accordingly.

Parts (c) and (d) of the recommendation are directed at improving the *Catalog of Federal Domestic Assistance*. The stated purposes of the catalog are to aid potential beneficiaries in identifying and obtaining available assistance, and to improve coordination and communication on Federal program activities among Federal, state, and local governments as well as to

coordinate programs within the Federal government. At present, the catalog is compiled by OMB from information submitted by each agency providing Federal domestic assistance. While OMB compiles, edits, and publishes the document, responsibility for accuracy and completeness rests in the first instance with the reporting agencies. This means that those agencies decide what they think meets the definition of the programs to be included. In these judgments, the agencies probably reflect other factors than a central desire to provide potential recipients with the most complete inventory of Federal programs. They are, therefore, less likely to include all the programs that should be included than would a central office for which the catalog is the sole or principal responsibility, and which can focus more completely on meeting the primary purpose of such a document. It seems that publication of a truly inclusive document would, therefore, be more likely if the compiling and editing agency were made responsible for centrally determining what programs should be included. This would mean a careful monitoring of all Congressional actions on assistance programs. It would probably require an expansion of staff over the one person now assigned the circular responsibility in OMB. Such expansion should come about as part of the general expansion of the central management unit proposed in *Recommendation 2*.

Part (d) of the recommendation identifies three shortcomings of the present catalog which make it less than a comprehensive, authoritative source of information on Federal assistance programs now on the books and the changes that occur from year to year. First, the catalog often conceals within one listing a number of discrete programs that are available to potential recipients. For example, the *Child Abuse Prevention and Treatment Act* (single catalog listing – 13.628) includes three programs and the *Housing and Community Development Act of 1974* (two catalog listings – 14.218 and 14.219) covers 14 programs. Apart from the serious effect this has on applicants wanting clear and precise knowledge about what is available, this practice has contributed to the uncertainty and confusion surrounding the number of Federal assistance programs that actually exist. Part of that confusion arises from failure to distinguish the all-inclusive term “assistance” from the more limited term “grant.” But in part, it stems from the inconsistent practices with regard to the separate identification of discrete programs. This recommendation would help to end that confusion.

Another shortcoming of the catalog as a comprehensive listing is its failure to include programs that are authorized, but currently not funded by Congress. These

should be included because they at least indicate that Congress has acted in these areas, although it has not seen fit to provide money for them in the current fiscal year.

Another change is suggested to make the catalog easier for state and local officials to use. The ACIR-ICMA questionnaire on Federal grants asked city and county chief executives what improvements, if any, were needed in the catalog. Most frequently mentioned was information on actual funds available. Several said that the estimated amount of grants available for the year and the range and average of assistance actually granted in the past are of little help. They want to know as precisely as possible how much money is likely to be available when their application is at the point of approval or disapproval. They are frustrated when they take their application through the often tortuous approval process only to be told finally that funds are exhausted.

Discontent with the currency and accuracy of fiscal information is understandable, yet, doing something basic about it through the catalog raises real problems. On one hand are the uncertainty of the legislative and appropriations process and budgetary actions, such as impoundments and rescissions. On the other hand is the difficulty of publishing with sufficient frequency (say monthly) such data on hundreds of individual programs. It is highly questionable that the product would be worth the effort even if the resources were available to maintain such currency and accuracy.

A number of the questionnaire respondents volunteered that, because the catalog was not very useful on fiscal data, they relied on their contacts with the regional representatives of the agencies from whom they sought grants. Others suggested developing more of a fiscal information capability under the aegis of the Federal Regional Council. One said that he relied on the National League of Cities for updates on grant monies available.

Even though the catalog does not seem a likely vehicle for the kind of up-to-the-minute funding data needed, it could be more useful in steering people to the right sources. It might make plain that such information should be sought from field or central office representatives or Federal Regional Councils, if they are prepared to provide that service. To back up those directions, OMB should work with grantor agencies to see that they make the sources identified in the catalog

fully capable of providing the kind of current information sought.

The second most common suggestion for improving the catalog received from city and county executives was that there be more frequent updates. Currently, the catalog is published in June and updated in December. Again, considering the size and detail of the volume and the number of copies published, more frequent revision would be questionable on cost/effectiveness grounds. And again, if potential applicants use the catalog as a "first screen" with regard to programs they may be interested in, they can turn next to the individual grantor agency to verify the currency of the information they find in the catalog.

A number of comments reflected a wish for a catalog which is easier to use, particularly for smaller jurisdictions which have limited staff time to become familiar with the 1,026 programs listed and are likely to be interested in only a relatively few programs. Some coupled this wish with a suggestion that more be done in the catalog to identify the programs keyed to the interests of state and local potential recipients. The catalog now contains a separate index of programs for which local governments are eligible and a similar one for state governments. These lists do not distinguish which of the 16 kinds of assistance are available under each of the programs: formula grants, project grants, loans, technical assistance, training, etc. That information is found in the listing of programs by agency. It would simplify the task of state and local governments if the code for the type of assistance were carried opposite the program title in the state and local government listing as well as in the agency listing, as is called for in this recommendation.

(NOTE: Subsequent to the adoption of this recommendation by the Commission, the 1976 catalog was issued. It contains a coding by type of assistance in the state and local government indexes, as proposed in part (d) of the recommendation.)

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## FOOTNOTES

<sup>1</sup> This includes block as well as categorical grants.

<sup>2</sup> Meaning those units responsible for policy management and administrative support (budgeting, financial management, procurement and supply, and personnel administration) efforts.

<sup>3</sup> Mr. Cannon and Mr. White dissented on *Recommendation 3*.

# what is ACIR?

The Advisory Commission on Intergovernmental Relations (ACIR) was created by the Congress in 1959 to monitor the operation of the American federal system and to recommend improvements. ACIR is a permanent national bipartisan body representing the executive and legislative branches of Federal, state, and local government and the public.

The Commission is composed of 26 members—nine representing the Federal government, 14 representing state and local government, and three representing the public. The President appoints 20—three private citizens and three Federal executive officials directly and four governors, three state legislators, four mayors, and three elected county officials from slates nominated by the National Governors' Conference, the Council of State Governments, the National League of Cities/U.S. Conference of Mayors, and the National Association of Counties. The three Senators are chosen by the President of the Senate and the three Congressmen by the Speaker of the House.

Each Commission member serves a two year term and may be reappointed.

As a continuing body, the Commission approaches its work by addressing itself to specific issues and problems, the resolution of which would produce improved cooperation among the levels of government and more effective functioning of the federal system. In addition to dealing with the all important functional and structural relationships among the various governments, the Commission has also extensively studied critical stresses currently being placed on traditional governmental taxing practices. One of the long range efforts of the Commission has been to seek ways to improve Federal, state, and local governmental taxing practices and policies to achieve equitable allocation of resources, increased efficiency in collection and administration, and reduced compliance burdens upon the taxpayers.

Studies undertaken by the Commission have dealt with subjects as diverse as transportation and as specific as state taxation of out-of-state depositories; as wide ranging as substate regionalism to the more specialized issue of local revenue diversification. In selecting items for the work program, the Commission considers the relative importance and urgency of the problem, its manageability from the point of view of finances and staff available to ACIR and the extent to which the Commission can make a fruitful contribution toward the solution of the problem.

After selecting specific intergovernmental issues for investigation, ACIR follows a multistep procedure that assures review and comment by representatives of all points of view, all affected levels of government, technical experts, and interested groups. The Commission then debates each issue and formulates its policy position. Commission findings and recommendations are published and draft bills and executive orders developed to assist in implementing ACIR policies.

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