FEDERAL ASSISTANCE REVIEW: DID IT MAKE A DIFFERENCE?

by

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I suppose one can talk and talk and talk about management in government and improving management and how bad management is in various parts of government. One can talk about the general problems in government, the perennial poor image that most people seem to have of government. But, I think one has to break these problems down into their details and dissect them a little bit to understand why people have this perception. It's easy to attribute this negative perception to the factual claim that government doesn't work. One must break the problem down for it is useful in terms of getting some feel for how one goes about trying to deal with these management problems and how to improve management. So, I'm going to take you through the life cycle of one major effort which had some success and some failure, as these things generally do, in improving government in a very complicated and messy area--the grant area.

Some people talk about the grant system but I always talk about the non-system because I don't think anyone in the world ever intentionally designed something like our grant-in-aid system. It is more chaotic, more confusing, and more fragmented than anyone in his right mind would ever purposely design. It really evolved, but in a very uneven way.

The Setting

The setting for the Federal Assistance Review (F.A.R.) was the middle 1960s. Social problems and urban problems existed long before then, of course. They've existed as long as there have been cities, as long as there have been communities. But in this country it wasn't until the mid 1960s that the general public became aware that we had some very serious social problems, and some very serious urban problems in this country. Frankly, it wasn't until the

ghettos erupted, the cities began burning, and we had widespread violence, that as a nation we realized we had a very serious problem. All this, of course, gave tremendous impetus to the effort of trying to help people, neighborhoods, and communities. The Great Society blossomed in the 1960s with a tremendous rush of programs to help communities and people, but while this was happening the resentment seemed to build and we had larger blocs of people that were dissatisfied, distrustful of government and, certainly, more vocal.

The fact that the people were more vocal was not just a function of the severity of the problems but also a new awareness that people could now begin to say things that they couldn't say earlier. The setting then for this F.A.R. effort was one of a great deal of turmoil, some bloodshed, and a lot of burnings. I'm going to move back a little bit and develop some of the roots of the F.A.R. effort to try to deal with this problem. I will focus on things that I have personal knowledge of and, consequently, it will be somewhat incomplete.

The Alaska Experience

In 1964, Alaska suffered a very severe earthquake--it was so severe that over 70,000 square miles either rose or sank permanently a number of feet. All the harbors were knocked out. Many roads and highways were knocked out; the railroads were knocked out; the airports were knocked out; thousands of homes were destroyed or made uninhabitable; most of the water and sewer lines were destroyed. Needless to say, it was very frightening to be in a situation where you didn't have any water or sewer, and goods and supplies were coming in via emergency airstrips. We had to rebuild in a hurry. The President designated me to direct the rebuilding work in Alaska. I realized very quickly that the frustrations I had had some years earlier, in a city of 50,000, in trying to deal with federal programs was nothing compared to what I was confronted with in this situation. There were too many federal programs--eight Urban

Renewal Programs alone. If any of you know anything about Urban Renewal, which, normally stretches out over 8, 10, 12 years or so, you can imagine trying to use eight Urban Renewal Programs as part of your vehicle for bringing rapid aid for emergency reconstruction and public housing. We had a number of public housing projects which had to be redesigned as well as reconstructed. Soil studies were needed before sewer and water lines could be put in place. Moreover, it was imperative that much of the emergency reconstruction be completed before the cold Alaska winter set in.

Trying to work within the federal system of grants posed the critical problem. The application process, earmarking of funds, conditions imposed with different grants, etc., made it nearly impossible. So, in order to give people homes, water, sewage, and food, we just cut through reams and reams of red tape. In three or four months we had the soil studies completed, we had the public housing designed, the harbors back in operation, the railroads running, the highways running and so on. However, we learned through that experience how tremendously laden with red tape the grants system was. The reason I mention this is that when we moved very quickly and swept away most of that red tape, two things happened: first, there wasn't much, if any, loss that we could find in terms of the quality of the programs; and, second, the people of the communities had a very different attitude toward their government. We were heroes up there in Alaska. They saw a response that they hadn't seen before.

Another important point is that we worked as a federal system. We had what we called the community plan, which helped us rebuild the city of Valdez and a number of other Alaskan communities. It was a plan that we worked out sitting around the table with federal people. state people from the State of Alaska, and local community leaders from both the public and private sector. We agreed at the meeting on what we were going to do and how we were going to do it. We laid out the construction schedules and agreed on a funding

strategy. These were the partners in the federal system operating as a team, not competing with each other, not working independently of each other--and that made quite a difference.

Neighborhood Center Program

The Neighborhood Center Program which was established in 1967 provides another relative experience. Remember, that in 1967, the ghettos were burning and the violence was just about at its peak. The program was designed to facilitate the delivery of services to the disadvantaged--those most in need of such programs as food stamps, prenatal care, day care, etc. The objective of the program was to provide a "one stop place" located within the ghetto areas where these important educational, social, and medical services could be more readily obtained.

The concept was great. The problem is that when it was announced by the press there was total confusion with respect to funding and responsibility. Two agencies, the Department of Housing and Urban Development, and the Office of Economic Opportunity thought that they were responsible for administering the program. Both agencies developed implementation plans. However, even after both plans were drawn up, no funding had been appropriated by the Congress.

There were other problems as well. For example, the centers were to be located in ghettos. But, no one was quite sure what a ghetto was when the program was announced. There was no definition of ghetto so that initially there was much uncertainty as to where specifically these neighborhood centers would be placed. Also, the program was not very well designed. One would never undertake to build a bomber without having designed the system first. You run into some surprising problems even after a system has been designed but never would you be foolhardy enough to go into a weapons system without putting a lot of time and effort into designing that system, resource procurement, funding, and the training of personnel. But when we deal with human service or

social programs, somehow they're not considered important enough to require investing those kinds of resources, to spending that kind of time planning. Apparently, no one had given much forethought to the Neighborhood Center Program, but it was important to move forward in light of the violence occurring in the ghettos. It was so important to move forward, that we (those administering the program) couldn't wait a couple of weeks to design a common application form. We decided it was going to take about two weeks to do that and that was time we couldn't afford. After a couple of months, it was decided which agency would have responsibility, more or less. It was a kind of compromise--each agency had a role. The program "inched" forward and after several years there were three Neighborhood Centers which seemed to be rather promising, and something like six or seven others that we were still struggling with (out of an intended 70 centers).

Model Cities

The final bit of background is Model Cities, which was a massive effort to overcome the fragmentation of our federal grant system through the use of funding incentives. It also was intended to provide an incentive for local leadership to become more assertive. The feeling was that local and state government had largely abdicated their responsibilities, that they were attacking problems on a piecemeal basis, and that the leadership lacked vision. (It should be noted that one of the reasons for the piecemeal approach to urban problems was the fragmented federal categorical grant system.) In my judgment, Model Cities was a program that was considerably overdue from the standpoint of need but way ahead of its time from the standpoint of the managerial state of the art. It was launched with the view that we ought to keep management in the background as much as possible because there's something dishumanizing about management, it stifles initiative, it stifles innovation. The Budget Office of The Department of Health, Education and Welfare (H.E.W.) for example, was deliberately kept out

of it until the latter stages of the implementation process; but we were all surprised when H.E.W. couldn't find the money for Model Cities. We were also surprised that H.E.W. had by far the most money applicable to the Model Cities Program. The Department of Housing and Urban Development, of which I was Assistant Secretary, was administering the program but we did not have very much money. We had the front end or incentive money but in terms of the basic programs, H.E.W. and the Department of Labor had a good deal more money than we did. They hadn't been brought into the planning of the program, in part, because H.U.D. hadn't done much planning. So, Model Cities represents another instance of providing hope to a number of communities but being unable to deliver. It was a good concept, but one which totally outstripped the funds that were available and was far ahead of the state of the art in terms of the management and managerial design capacity of the federal system.

Federal Assistance Review

Regional Councils

I began to work on Federal Assistance Review when I moved from HUD into the Executive Office of the President. I believed strongly that a system should be designed, that one cannot expect a system to evolve. Thus, we started up on a pilot basis with what we called Regional Councils. These councils consisted of federal people out in the field working together in the regions. The problem was one of jurisdictional overlap. Many of the federal agencies had different regional boundaries. The region for H.U.D. was different from the region for H.E.W. The geographical boundaries for Labor were different still, as was OEO, etc. Moreover, many of them had their regional offices located in different cities. Consequently, even if the grant process had been simple (which it wasn't), and the people at the federal, state and local levels had been heavily committed to working together, they absolutely couldn't do it. Given this jurisdictional fragmentation and complexity, intergovernmental cooperation was nearly impossible.

A local administrator or a city manager who wanted to put together some kind of a program that drew upon different federal funding sources might have to go to three, four, or five different states just to deal with the federal people who were involved in that one project. Let's say the project is estimated to cost $50,000. Can you imagine trying to go to three, four, or five different states to put the project funding together? You incur travel expense and invest a lot of time trying to deal with the red tape so that often you end up with practically no gain to the city. The problem for the city manager is that he doesn't know this when he starts out. It isn't until he has spent $50,000 trying to get $50,000 from the federal government that the balance sheet begins to look pretty dismal. During that period of time, the city manager or the mayor is trying desperately to explain the unexplainable to the voters--as to why he can't get something done in this neighborhood. Two-thirds of the people in that neighborhood think he really isn't interested; they think he is talking out of both sides of his mouth; or, that he is taking a rake-off somewhere. When the money does come in, since an awful lot of it has gone into overhead over which he had no control as mayor, it's exceedingly difficult to explain. A lot of good mayors have gone down the drain not really knowing why.

The Executive Office of the President gave H.E.W., H.U.D., Labor, O.E.O., and The Small Business Administration 18 months to get common regional boundaries throughout the country and to put their regional offices in the same ten cities. This was tried on a much, much smaller scale during the Eisenhower administration. I urged President Johnson to do such a reorganization but politically he could not afford to do it in light of his growing unpopularity as a result of the Vietnam experience. When President Nixon came into office he was really interested in management and he didn't have much of a program in the social areas developed. Consequently, he was willing to do this kind of reorganization in the early part of his administration. Since I was in charge of

the reorganization, I was beseiged by congressmen, mayors and others, each urging that the regional office be placed in his home town. I was hauled up to the Hill by this group and that group, and individual Congressmen. I fully expected some opposition, but there were a couple of things that we had going for us. One, we did it on such a massive scale that a lot of opposition counteracted each other. Also, there was no alternative plan that didn't have at least as many problems as ours, so they couldn't focus on an alternative plan. Almost everyone agreed that something should be done to simplify the system even though some were not very enthusiastic about our reorganization plan. As you know, it passed but I'm not current with it because I've been out of this field for about two years. After three years into the project we had about 75 agencies--federal agencies that had common regional boundaries and common regional cities. I would suggest that this is something of a landmark in terms of the structure of federal government and will indeed have an impact in terms of the future of the federal system.

Decentralization

Another important part of the program, the F.A.R. program, was decentralization. I'm a great believer in decentralization, although you can overdo it. I'm convinced that, on the whole, the federal people in the field who are closer to the people that they're supposed to serve and closer to the problems they have to deal with, are more responsive than bureaucrats in Washington. However, effective decentralization presumes the people in the field are of equal ability to those in Washington; that they have decision-making flexibility; and, that they have the needed resources. What I am saying is that if you design decentralization in a serious way and design it to make it work, it generally works very well in most programs--not all programs. If, on the other hand, you issue an order decentralizing but keep the system designed in a centralized fashion, it's worse than doing nothing because you

have the illusion of decentralization. We did decentralize about 18 billion dollars worth of programs and partially decentralized six to eight billion. This represents a very major shift in terms of the focal point of the administration of federal programs.

Devolution of Authority to States and Localities

Another part of the program included an increasing reliance on state and local government. Here we were a bit cautious, perhaps even a bit too cautious as we didn't accomplish a whole lot outside of the revenue sharing area. I've been a little bit reluctant to wholeheartedly support revenue sharing because I think there's a lot to be said for the loss of accountability involved in the revenue sharing program. I think the elected officials who spend the money ought to be responsible for raising the money. However, since it was clear to me that meaningful tax reform would take so long, and the human problems were so severe, I rose to the principle and supported revenue sharing up on the Hill. In transferring authority to state and local governments, a critical problem was their capacity for decision-making. We did not move soon enough in our efforts to build up that capacity and when we finally did move, it was too late and we could not sell it. I tried very hard to get a capacity-building element into the revenue sharing program, but I could not sell it to Ehrlichman or Haldeman on the basis of merit or on the basis of getting more votes up on the hill.

Standardization of Procedures

Standardization of procedures means an awful lot if you are an accountant in a city such as San Francisco. Mayor Alioto hired an accountant to improve the accounting system. He had a difficult time trying to improve the system because he was spending most of his time trying to keep track of the different ways federal funds had to be accounted for. The City of San Francisco relied on 63 different fundings sources from the federal government and were

responsible for maintaining 32 or 33 different sets of accounts. In other words, most of the different funding sources had different sets of accounts. Now, there is no way that an undermanned, understaffed and antiquated system of accounting in the City of San Francisco could do a good job on any of those systems. It would have been a challenge to do a really good job on one system, but when they had over 30 systems to try to maintain, it was impossible. What the federal government was doing in effect, was making it virtually impossible for that city to improve its financial management. The federal government was virtually destroying the city's capacity for good financial management.

Intergovernmental Cooperation

An essential ingredient of the program was the establishment of clearinghouses all over the country. The primary instrument serving this purpose is the OMB Circular, A-95. Let me explain A-95 review by giving you an example. If a community is getting help from the federal government to put in a sewer line or a sewer system, it has to get comments from its neighboring units of local government to see if they have any objection to the plans for the outflow of the sewer system because they might be affected by it. Thus, it represents an effort to induce regional communication and interaction.

Validation

One of the things that distresses me so much at the federal level is how seldom the leadership in a department or an agency really finds out what that program is doing at the point of impact. First of all, little attention is paid to how long it takes to get the program implemented. In a survey of some 30 different programs, we found that it frequently took a year or more before the people at the operating level got the word on what they were supposed to do. We found one very important program having to do with discrimination which took one agency, with some 20,000 employees

and about a three billion dollar a year program, as I recall, four years before the policy reached the operating level. While that's happening, the bureaucrat is accused of being slow-moving, lethargic, or not interested in people. The other aspect of this problem involves the need to follow-up on the policy or program after it is operational. Beyond discussing the impact and whether or not the program is working with agency officials and state and local government administrators, the agency head has got to seek empirical data. The program must be validated, the facts must be gathered and assessed, the impact must be examined carefully.

Concluding Comments

The items that I have just discussed with you are elements of the Federal Assistance Review effort which I was personally involved with--except revenue sharing. (Grant consolidation is another important aspect of the "new federalism" which I did not discuss.) Thus, I really cannot assess the effort in any objective fashion but I can share my impressions with you.

I believe that the concept of a federal system is a system of partners. Of course, the federal partner is a stronger partner in many respects, but the overall system can still be characterized as a partnership. When this partnership breaks down, when there are gaps in the delivery system, it is the citizen who suffers, who bears the frustrations of the red tape, the slowdowns, the problems of all three levels of government. Thus, it is very important to assess the impact of these programs in terms of the effect on the citizen. We tried very hard to build this kind of evaluation (looking at the poverty program through the eyes of the poor) into this program. I think I spent more time on that than any other philosophical concept; I probably made very little progress. There is much work to be done in this area. However, I do think that the standard regions and the standardization of procedures have been extremely successful. I think they will remain an important part of our Federal system.

DIALOGUE

QUESTION: Have any of the ideals behind A-95 been fulfilled, have we got better grant programming?

MR. INK: Yes, but having said yes, I really can't say how much better. One positive sign is that a number of states and a number of governors have taken a much stronger interest in regional cooperation and development. Some states have been picking up responsibilities from local government which they had ignored for many years.

QUESTION: On the question of raising hopes as in the neighborhood centers program, is there a way to be a little more sure of a program's implementation before all the publicity and the raised hopes?

MR. INK: Oh, yes. One fairly obvious way is to know where the funds are. Now, the Nixon Administration was interested in doing that; unfortunately, it wasn't greatly interested in doing a lot of things for people. President Lyndon Johnson, on the other hand, wanted so much to help everybody that he just couldn't come to grips with whether the resources were there or not. I developed a check list while at the Executive Office of the President, which was designed to force an articulation of some fundamental elements before a program was launched. It was concerned with such features as whether the funds were available and, if so, from what source; who was responsible; what role, if any, the states would play. These are the kind of things which I think make a world of difference if they're worked out before the program is actually launched. And I'm not talking about 200 items; I'm talking about 10 or 12 pretty basic, fundamental questions. The irony is, that if these things are cleared first, you can move more rapidly in terms of the actual product; you can provide the service a lot faster. You don't get the press releases out as fast, and perhaps you don't get some of the broad general regulations out as fast, but you do produce a product an awful lot

quicker. I think we demonstrated this in Alaska with the amount of time and effort that went into the planning of the reconstruction.

QUESTION: Although you weren't really personally supportive of the revenue sharing in the beginning, what do you think its future is now and do you think it should be passed again and in the same form?

MR. INK: Yes, and I think it will be passed with very little change. I still would like to see some kind of capacity, building incentives, built into the revenue sharing program, particularly with regard to special revenue sharing.

QUESTION: You said before that you tried to build into your program, although unsuccessfully, an ability to assess the feelings of those people affected by certain programs. You said it failed. Why did it fail and what did you try to do and how?

MR. INK: There was one part of the validation effort in which I think we were successful. If you talk to an individual in one of these offices about how a particular program is going, he or she will generally say, "Reasonably well. It could be improved, but it's not too bad." You ask them how long it takes to process applications. They say, "Well, it's taking a little too long but it's moving pretty well. There are always people that gripe and always people that complain." Their perspective, for the most part, dealt with their part of the process--how long it took them to get it from their in box to their out box. Now, that's looking at it from the perspective or the vantage point of one bureaucrat inside the bureaucracy. However, if you talk to the individual who put in that application for the grant, his perception is entirely different because he was thinking not of the in box to out box of one of these pieces of the process but he was thinking of the totality. We tried to deal with this totality, which is simply a very difficult task.

QUESTION: Do you think that general revenue sharing is creating a problem of too much state power and perhaps hurting the urban environment by taking resources away from the area that needs it the most?

MR. INK: There is some of that problem. My view is that so long as general revenue sharing represents the small proportion of total federal aid that it now represents, there is not a very serious problem. I think it's offset by the opportunity it provides state and local levels to strengthen their managerial capacity. These funds are more easily used for institution building because of the lack of federal strings. Many of the federal grants are so fragmented and so specialized that it's very difficult to, for example, use them to build a strong central audit staff, or a centralized purchasing office or a consolidated or centralized automatic data processing system. If the proportion of the funds increase to a substantial amount, then I would begin to be quite concerned about the point you raise.

QUESTION: It appears that revenue sharing and grant consolidation have actually reduced the money available to confront our urban problems. How do you feel about that?

MR. INK: In some areas they have, in some areas they haven't. I think the bigger problem is that resources have been allocated through the budget in such a way that the inner cities are receiving less funding.

QUESTION: Are there any steps being taken now to increase the power of the A-95 clearinghouses by the federal government?

MR. INK: The Advisory Commission of Intergovernmental Relations (A.C.I.R.) has done more than anyone else in terms of focusing on this problem, although much of their focus has really been on Council of Governments which would build upon and strengthen the A-95 process as a part of the overall approach. I do think that one of the most interesting developments over the next ten to twenty years will be where we go with respect to metropolitanwide problems, how we deal with those problems. Ideally, I suspect

we'll sort out what the functions are or should be at a particular level of government, with particular attention focused upon problems which cut across local government jurisdictions. Remember, A-95 provides an opportunity for the Governor to comment as well as a host of other local government officials. It does not require that they comment. Also, if the mayor, for example, does not like a particular program, he can withdraw--or threaten to withdraw because there is no provision presenting this kind of playing with the process. Perhaps, a way of strengthening A-95 would be to tighten up with regard to these two issues.

QUESTION: What is the status of the A-85 process where the agencies are supposed to consult with state and local executives?

MR. INK: Again, I haven't been too close to that for the past 18 months, but it is my general impression that it has not changed very much. A-85 was generally observed in about four out of five cases. This isn't tremendous but it does provide a much better opportunity for participation of state and local government executives than existed ten years ago. There are some mayors and some governors who feel they are not participating when they really are, through their associations. It's impractical to give every mayor and even every governor an opportunity to comment on changes in rules and regulations before they come out.