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MODEL CITIES: A STEP TOWARDS THE NEW FEDERALISM



The Report of
The President's Task Force on
Model Cities

August 1970

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United States President's Task Force on Model Cities

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A STEP TOWARDS
THE NEW FEDERALISM**



**The Report of
The President's Task Force on
Model Cities**

August 1970

HARVARD UNIVERSITY
FACULTY OF ARTS AND SCIENCES

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DEPARTMENT OF GOVERNMENT

CAMBRIDGE, MASSACHUSETTS 02138

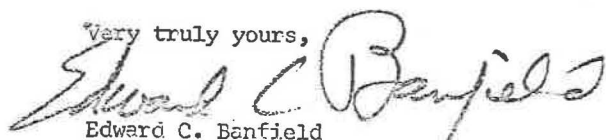
December 16, 1969

The President
The White House
Washington, D. C.

Dear Mr. President:

I have the honor of transmitting herewith the report
of the Task Force on Model Cities.

The Task Force would like to acknowledge the assistance
generously given by Assistant Secretary Floyd H. Hyde and his
associates in the Model Cities Administration, Mr. Christopher
DeMuth, staff assistant to the President, Mr. Sidney Gardner,
director of the Center for Community Planning of HEW, Mr.
Marshall Kaplan of San Francisco and Mr. Dennis Durden of
Cincinnati.

Very truly yours,

Edward C. Banfield
Chairman, Model Cities Task Force

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SEPTEMBER 24, 1969

The White House

The President today announced the second of the present series of task forces that are being established to assist the Administration with ideas and recommendations for 1970 and beyond. Edward C. Banfield, Professor of Government at Harvard University, will be chairman of the Task Force on Model Cities. The Task Force will review the current status of the Model Cities program, evaluate its operations to date, and make recommendations concerning its future direction.

The members of the Task Force on Model Cities are:

EDWARD C. BANFIELD, *Chairman*
Professor of Urban Government
Harvard University
Cambridge, Mass.

JOSEPH W. BARR
Secretary, Department of Community
Affairs
Commonwealth of Pennsylvania
Harrisburg, Pa.

JAMES M. BUCHANAN
Professor of Economics and Director,
Center for Public Choice
Virginia Polytechnic Institute
Blacksburg, Va.

BERNARD J. FRIEDEN
Professor of City Planning
Department of Urban Studies and
Planning
Massachusetts Institute of Technology
Cambridge, Mass.

CHARLES M. HILL, SR.
Deputy Secretary, Department of Local
Affairs and Development
State of Wisconsin
Madison, Wis.

RALPH LAZARUS
Chairman of the Board
Federated Department Stores, Inc.
Cincinnati, Ohio

RICHARD G. LUGAR
Mayor
Indianapolis, Ind.

WILLIAM H. ROBINSON
Director, Department of Registration
and Education
State of Illinois
Chicago, Ill.

DAVID D. ROWLANDS*
City Manager
Tacoma, Wash.

JAMES Q. WILSON
Professor of Government
Harvard University
Cambridge, Mass.

* Presently Executive Vice President, University District Development Council, Seattle, Wash.

Summary

Although federal support of the cities has increased sharply in recent years, it has not had the results that were hoped for in those parts of the cities where conditions are worst. This is partly because the biggest federal outlays have been in the suburban fringes and in rural areas. It is also because the federal government has tied too many strings to the aid it has given. Over-regulation has led to waste and frustration.

With about 400 grant-in-aid programs involving roughly \$10 billion a year, federal aid to cities is now on such a scale that the federal bureaucracy is incapable of administering it. In the view of the Task Force, most city governments can be trusted to use federal funds in the manner Congress intends, but whether one trusts them or not it is necessary to allow them much more latitude because the alternative is waste and frustration and/or their replacement by a vastly expanded federal-state bureaucracy.

Because it was designed to reduce waste and increase efficiency by giving the cities much greater freedom in deciding how federal funds were to be used in poor neighborhoods, the model cities program was—in its conception—a long step in the right direction.

Unfortunately, the federal government did not fully live up to its promises. The program has been both over-regulated and under-supported. It has nevertheless made a useful contribution by sensitizing city halls to the problems of poor neighborhoods, bringing mayors and citizens groups together, improving management methods, and initiating projects that on the whole compare favorably with those supported by other programs.

The key elements of an urban program will be ones for increasing employment of the low-skilled, raising incomes, and eliminating barriers to movement from places of poor opportunity in the inner cities to places of good opportunity in the suburban fringes. The potential of the model cities program should be judged in this context.

The principal recommendations of the Task Force are as follows:

1. Most federal aid should go to the cities by way of revenue-sharing rather than by categorical grants-in-aid.

2. The categorical programs should be consolidated into a much smaller number.
3. The model cities program should be continued as a means of asserting the interest the nation has in improving the quality of life in the city slums.
The program should be limited to the 150 cities already selected and funds should be distributed among these cities on the basis of a formula. The cities should be required to use the funds to improve conditions in their poorest neighborhoods, to keep current a plan, to afford citizens of affected neighborhoods opportunities to contribute to the planning and operation of model cities programs, and to meet a few other standards. The Model Cities Administration should make an annual review to see that these requirements are met; beyond this it should not regulate the model cities.
4. The Model Cities Administration should make such evaluations as will be useful for national policymaking; it should make post-audit evaluations only as may be required for the annual review or at the request of the city.
5. The Model Cities Administration should provide technical assistance to the cities only at their request. The need of small cities for technical assistance can best be met by: a) creation of a federal-state system modeled on the Agricultural Extension Service, and b) long-term exchanges of personnel among city, state, and federal governments. Elected neighborhood boards should be enabled to secure some technical advice from sources of their own choosing.
6. To assure adequate support of the model cities program, the President should make it unmistakably clear to heads of urban agencies that he attaches importance to it. Agencies should be directed to "hold back" at least 25% of their non-formula grant funds and to free these special funds from usual processing and routing complexities; Section 108 of the Demonstration Cities Act should be implemented; information on grants flowing into the states should be made available; agencies should be required to consolidate their state planning requirements and to treat model city plans as sufficient for purposes of all applications.
7. The President should be authorized to transfer certain funds from urban categorical programs to the model cities program.
8. Direct appropriations to HUD for supplemental grants should be in amounts sufficient to assure that total federal support will not fall below what the cities were led to expect when they made their plans.

Supplementary Views

Two members of the Task Force, Messrs. Barr and Hill, have submitted a supplementary statement of their views. Professor Buchanan disagrees on one point: he would not authorize the Model Cities Administration to withhold funds to secure compliance with federal requirements; instead he would have any failures to comply reported by the Model Cities Administration to the President and the Congress.

Report of The President's Task Force on Model Cities¹

BACKGROUND

In recent years the federal government has taken many important steps in the direction of supporting the cities in their efforts to provide more and better services. The creation since 1960 of two new departments concerned mainly with urban affairs (housing and transportation) and of the Council for Urban Affairs are examples of this greater support: as is the increase in federal aid to urban areas from \$3.9 billion in 1961 to \$10.3 billion in 1968. There is little doubt that when the Vietnam War ends the federal contribution to local government revenues will rise sharply again. Some expect it to double almost immediately.

Unfortunately these efforts have not produced the results that were hoped for in the places where conditions are worst, especially the inner parts of the older and larger cities. One reason for this is that the really big federal outlays—for subsidized mortgages, highway construction, hospital construction, and aid to elementary and secondary schools—have gone mainly to the suburban fringes, where most of the growth has been taking place, and to rural areas. The central cities have not had anywhere near as large a share of federal expenditures and tax subsidies as is generally supposed.

Another reason why the money has produced disappointing results is that almost every dollar of it has had a thousand strings attached to it. There are about 400 federal grant-in-aid programs, each with its own set of rules and regulations, some statutory and some administrative, often very detailed. Because a city receiving a grant can use the money (as well as whatever matching money it may put up) only for the purposes and in the manner specified by these rules and regulations, a great deal of

¹Two members of the Task Force, Joseph Barr and Charles Hill, have submitted a supplementary statement. Those signing the report are Edward C. Banfield, Chairman; James M. Buchanan; Bernard Frieden; Ralph Lazarus; Richard Lugar; William Robinson; David Rowlands; and James Q. Wilson.

waste and frustration results. Cities commonly find themselves able to get federal money that they can spend only for things that are relatively low on their list of priorities (highways and urban renewal projects, say) and at the same time unable to get money that they can spend for the things that they consider most urgent (hiring more teachers and policemen and paying them better salaries, say). Everyone knows of instances in which a city has done things with federal money that it would not have done with its own simply because otherwise the federal money would be "lost." Everyone knows, too, of instances in which a city was unable to do something that should have been done simply because the 400-odd "categorical" programs did not authorize the doing of that particular thing.

Federal laws and regulations not only restrict the purposes for which money can be spent: they also prescribe how the cities are to organize and manage their programs. In this manner city governments are prevented from using the full strength of their local styles and capacities in the creation of organizational forms and procedures. They are rendered incapable of dealing effectively with problems that in the opinion of a Washington official (but not necessarily in fact) fall in the space between categorical programs, and they are made objects of distrust by citizens who see that they are serving the interest of others (those eligible for something that is federally supported) at their expense. We believe that if mayors and other local elected officials did not have to play second-, third-, or fourth-fiddle to so many federal officials they could do a much better job of managing the conflict that is so characteristic and important a feature of American city life.

The jungle-growth of aid programs is formidable. The planners of the model cities agency of Cambridge, Massachusetts, for example, have identified 134 federal and 17 state programs that they think might contribute to their model cities program. They must make separate applications to each program; if they should receive aid from all, they will have to follow 153 different sets of rules and regulations, most of them very detailed.

It would be easy to blame these developments on arrogant bureaucrats and the almost universal tendency of bureaus to aggrandize themselves. These are indeed important factors in the situation. But it must be remembered that it is Congress which attaches the largest and most important of the strings to the federal dollars. Some of these it attaches at the behest of special interests. Others it attaches in an effort to assert what may be called a national will or purpose. Most of the rules and regulations made by executive agencies are justified by them on the grounds

that they are responsible for seeing to it that the money is spent as Congress intends.

This is the way the American system of government works, and we do not think that it is either possible or desirable to change it in its essentials. We would note, however, that as a rule Congressional purposes are stated in very general terms. Agency heads, in prescribing the detailed regulations by which these purposes are to be given content in particular circumstances, necessarily rely heavily on their own more or less arbitrary judgments. There is no reason to suppose that their judgments about what is or is not implied by a statement of Congressional intent is necessarily sounder than the somewhat different judgments that might be made by other persons—local government officials, for example. To be sure, the agency heads are under the discipline of knowing that they may be called publicly to account before a Congressional committee if they make determinations that are clearly inconsistent with the spirit, not to mention the letter, of the law. The effect of this discipline, however, is to incline them to play it safe by piling on regulations and then more regulations. They know that they will not be praised for getting things done; their problem is to avoid being blamed for doing things that Congress—or rather certain Congressmen—do not want done, and the way to avoid blame is to take as few chances as possible. It is probably safe to say that timid bureaucrats produce more red tape than arrogant ones.

We believe that city and state officials are as capable as federal ones of reading the laws that Congress passes and of interpreting them correctly. We believe also that in general they can be trusted to respect the intentions of Congress and this even though they, unlike the federal officials, do not have to answer hard questions before Congressional committees. There can be no doubt that the capacity of local officials to do these things has been growing steadily and that in most parts of the country it is now fairly high.² Looking ten to twenty years ahead, we feel reasonably confident in predicting further dramatic improvement in the quality of local government provided that the Federal government allows it greater freedom.

Even if the quality of local government is much poorer than we suppose it to be, it is essential, in our opinion, that there be an immediate and large-scale shift of responsibility from federal to local officials. The scale of federal operations in the cities has suddenly become much too great to be carried on under the present arrangements. Now that billions instead

² We say this despite the deplorable record of the cities in cheating their poverty areas of a fair share of the \$1.3 billion spent for improving elementary and secondary education. Possibly the insulation of the schools from city politics accounts for this very bad record.

of millions are being appropriated, the system simply will not work as it used to; Congress and the federal bureaus cannot possibly regulate and supervise the details of hundreds of programs operating in thousands of cities. It is necessary either to give local governments vastly greater freedom in the use of federal funds or else in effect to replace them with a much enlarged federal and state bureaucracy. We have no doubt whatever as to which alternative is preferable.

The brief history of the model cities program must be seen in this perspective. The intention of those who drafted the legislation was to increase the capability of at least a few cities for providing needed public services in slum neighborhoods. This was to be done by giving selected cities grants which could be used for a much wider range of purposes than any of the other federal grants. The city government, in consultation with the citizens of the affected neighborhoods, would make a comprehensive plan for dealing over a five year period with at least some of the main problems of the neighborhoods in a manner and on a scale that would make a "substantial impact" on the "quality of life." It would set its own priorities without regard to the many restraints that normally accompanied federal grants; indeed, it was actually encouraged to try things that it could not do under the existing grant-in-aid programs. Once a plan had been agreed upon in the city and approved by the Model Cities Administration, the many federal urban programs would get behind it in a coordinated way and give it the financial and other support needed to carry it into effect. Having this inducement before it, the city government would (it was assumed) give more attention to the special problems of the poorest neighborhoods, would organize itself for more effective planning and administration, and would drop old programs that were not working in order to try new and innovative ones. Inevitably all this would strengthen the position of the chief executive (mayor or city manager), thus enabling him to improve coordination among local, state, and federal activities.

In short, the model cities program was conceived as a way of dealing with the grave problems that we have been discussing. It promised the cities much greater freedom to use federal funds in poor neighborhoods in the ways that local people thought best. In our opinion, it was—in its conception—a long step in the right direction.

Unfortunately, its execution has fallen short of its promise. Instead of letting the cities proceed in their own way, the Model Cities Administration persistently has substituted its judgment for theirs, thereby causing delay and uncertainty and eventually waste, confusion, and frustration. The cities have been required, for example, to follow very elaborate and stringent federal regulations ("guidelines" was the euphe-

mism) in preparing their plans—regulations that took very little account of the realities of local government processes. Consequently enormous amounts of time have been spent collecting and arranging facts and figures to be sent off to Washington under the label “plan.” (The Chicago plan, for example, ran to 2,500 single-spaced, legal-sized pages.) We will not say that none of the cities have gained anything of importance from this planning (or “planning”), but it seems clear that the amount gained has not been large in relation to the time and money spent. We are inclined to think that many of the cities would have done more and better planning if the Model Cities Administration had left them alone.

One of the Model Cities Administration’s regulations was generally understood to mean that a city would have to initiate programs for dealing with *all* of the major problems of the affected neighborhoods. The effect of this was to prevent the cities from concentrating on the one or two, or the several, matters that they considered most important. Under real or imagined pressure from Washington, they scattered their shots more than they would have if left to themselves. (Atlanta’s initial proposal, for example, included 78 projects.)

Another of the Model Cities Administration’s regulations gave priority to projects that were innovative or experimental. This meant, of course, that a city that proposed extending to a model neighborhood something that was working well would be at a disadvantage in competition with one that proposed doing something the chief merit of which was that it had never been tried.

Our review of the projects proposed by the first 35 cities to receive supplemental grants convinces us that most of them cannot, without much more careful development, have the “substantial impact” that the law envisions. To be sure, they were necessarily drawn up in great haste and they addressed very difficult problems. Many do show evidence of a new awareness of what is needed in the poor neighborhoods, but the federal pressure for documents called “plans” left too little time for detailed project planning and the federal pressure to be “comprehensive” resulted in a spread of small projects rather than in a concentration of effort.

In the past few months, under the leadership of Floyd H. Hyde, a former mayor who himself went through the model cities planning process, some of the Model Cities Administration’s regulations have been greatly simplified and reduced. The planning “guidelines,” for example, have been cut from about 40 single-spaced pages (with appendices) to eight pages. The cities are no longer under pressure to be “comprehensive” in their proposals. We have no doubt that these and other changes will result in a very material improvement in the quality of the projects

that the cities propose. We must add, however, that in our judgment the cities are still nowhere near as free as they should be. They are still required to prepare too many documents according to specifications from Washington (in our opinion the full set of “guidelines,” amounting to some 400 pages, which is 25% more than there were a year ago, should be reduced drastically), and they are still required to run too long a gauntlet of review bodies before their proposals are approved and funded. One might think that once a city’s plan has been approved and funded interference from Washington would cease. Not so. The Model Cities Administration will not ordinarily permit a city to assign operating responsibilities to the agency (the City Demonstration Agency) that does the planning even if the Mayor and City Council judge that there are good reasons for doing so.

If over-regulation by the Model Cities Administration has tended to prevent the program from realizing its full potential, so has under-support of the model cities plans by the federal urban agencies in general. The plain fact is that the federal government has not lived up to its part of the bargain. As we said above, 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. Within the past few months, the Urban Affairs Council has recommended that the agencies set aside funds for use in the model cities program and most of them have agreed to do so. HEW, however, is the only one (aside from HUD itself) to have set aside a substantial share of its uncommitted discretionary funds for model cities, and the indications are that voluntary action will not produce anything like the support that is needed. This is partly because most of the agencies do not have latitude under the law to decide where to place their funds (HEW’s billions, for example, go mostly to state governments under statutory formulas) and partly because it is in the nature of a government agency to use such discretion as it has in ways that will contribute to its own maintenance and enhancement.

Despite over-regulation and under-support, the model cities program has made a useful contribution. It has succeeded in making some city halls more aware of the special problems of poor neighborhoods; it has brought some mayors and citizens groups into mutually advantageous relations; it has given some encouragement to the improvement of management methods, and, especially in the larger cities, it has given rise to some projects that are both new and promising. Our impression is that on the whole the model cities proposals, although they do not open

new vistas, compare very favorably with the general run of proposals being supported by other federal programs and by local governments. In short, the model cities program is better than what went before. We think that if the cities are given greater freedom and more substantial support the program will be a great deal better still.

It should be recognized, however, that although the model cities program can be an important component in a general strategy for dealing with the serious problems of the cities, no single program has the potential of being *the key* element of such a strategy. Any "solution" to the fundamental problems of the large cities will have to be found largely in the suburban fringes, the area where most of the growth is taking place. The key measures will be ones that hasten the movement of the poor and the black out of the inner-city slums and semi-slums and to the places where job and other opportunities are relatively good: we have in mind particularly measures to maintain an active demand for low-skilled workers, to raise incomes (as, for example, the Administration's family assistance program would do), to improve job training, to eliminate barriers that prevent the poor and the black from securing housing in fringe areas (unreasonable zoning ordinances and building codes, for example), and to repeal laws the tendency of which is to price the low-skilled worker out of the labor market altogether.

In our view, the potential contribution of the model cities program is in relieving immediate distress in the poorest neighborhoods of the larger, older cities, in raising the level of amenity in these neighborhoods, and in preparing the residents to get better jobs in other places eventually. We would not want to see the model cities program used to keep the poor and the black in neighborhoods where their long-run opportunities are not good. In our view, the program should emphasize—as it has so far—the improvement of job, housing, education, and health opportunities for residents of poverty areas. Investment in major new physical facilities should not be made except to support these objectives.

RECOMMENDATIONS

The model cities program has proved to be a short step in the right direction. The time has come to take several more steps.

1. Most of the federal funds going to the cities should go to them by way of a revenue-sharing plan rather than through categorical programs. The Administration has already proposed a revenue-sharing plan,

and presumably when the Vietnam War ends a large part of any increase in federal support for the cities will go to them in this way. (This report is not about how much the federal government should spend on the cities, but it is appropriate for us to observe that the objectives of Congress with respect to the model cities program cannot be achieved without a much greater federal investment in the cities at large.)

We recommend that the President use his influence with Congress and his control over the budget to reduce new appropriations for categorical programs while building up a fund for revenue-sharing; a reasonable goal would be to shift 25 percent of the present level of categorical funds to revenue sharing by fiscal 1972 and another 25 percent by fiscal 1974. If this is to be done, it is clear that the President must take the lead in making the many hard decisions as to where the cuts in the categorical programs will come: he alone is in a position to view all 400-odd of these programs and to judge their proper relative levels of funding.

Whatever revenue-sharing plan is adopted should give the largest cities at least their per-capita share of the total revenues being shared, and should require the states to "pass through" the cities' share. We would leave it to a properly programmed computer in the basement of the Treasury Department to decide each year how much each city is to get.

2. Whatever reduction is achieved in the level of funding of categorical programs, it will be desirable, in addition, to consolidate many of them into a much smaller number of categories that are defined very generally—for example, "health," "transportation," "education"—and also to make their administration more nearly uniform and less complex. The Administration has proposed legislation allowing the President to consolidate grant programs, and the Bureau of the Budget's Federal Assistance Review Committee has been working along these lines. We would like to see faster progress, however. Particular attention should be given, we think, to possibilities for joint funding and administration, use of a single application form by several (or many) agencies, establishing planning requirements that are the same for several (or all) agencies, concurrent (as opposed to seriatim) review of applications, and making federal funding schedules conform to city budget cycles.

3. In view of the fact that the poor and the black constitute a large and growing proportion of the electorate in all of the large cities we have little doubt that if the cities are left free to spend the federal money as they see fit a considerable part of it will be spent to improve public services in poor neighborhoods. We judge from the model cities act, however, that

Congress deems the national interest to require a considerably larger investment in the improvement of the conditions of life in these neighborhoods than would probably be brought about by the normal processes of city politics. (As we remarked above, experience so far with grants for aid to elementary and secondary education raises serious doubts as to whether at the present time the poorest neighborhoods would get their fair share, not to mention the share that the national interest requires that they get, if the distribution were to be made by local electorates.) Consequently we recommend continuing the model cities program and using it as a device for asserting the interest that the nation has in a strenuous effort to improve the quality of life. In particular, we recommend that:

a. The program be limited to the 150 cities that have already received grants; in another four or five years the situation should be reviewed with a view to admitting more cities to the program.

b. Funds be distributed among the eligible cities in accordance with the formula (based upon the estimated population of the model city, the amount of substandard housing, the number of families with under \$3,000 income, and the number of adults with less than an eighth grade education) that is presently used in determining the allocation of supplementary grants. Although we are opposed to so-called "variable funding" plans, under which the amount a city receives depends upon a federal assessment of the quality of its program, we think it would be well for the Model Cities Administration to have at its disposal some special funds that it might use to support projects of particular national interest that would not otherwise be undertaken by cities because of the high risk associated with innovation or experiment.

c. Cities be required to:

(1) Use the model cities funds to improve the conditions of life of those people who live in the poorest neighborhoods. The decision as to which neighborhoods are poorest we would leave entirely to the city government. Undoubtedly most cities would not change the boundaries of the present model cities neighborhoods very much.

(2) Treat model cities funds as an addition to, not a substitute for, what they would normally spend to improve conditions in these neighborhoods. Without this requirement, the one above would mean little or nothing.

(3) Keep current a plan for their model cities program and afford citizens of the affected neighborhoods genuine opportunities to contribute to the planning and operation of the model neighborhood program. The Model Cities Administration should not concern itself with the content of the plan or with the particular nature of the arrangements through

which citizen participation occurs; all that is necessary is that there be an appropriate planning process and that citizens have real opportunities to participate.

(4) Take reasonable precautions against negligent or dishonest use of the federal funds. We do not think it necessary or desirable that the city be required to follow federally-prescribed accounting procedures; it should suffice that its own procedures are not clearly inadequate.

(5) Give assurance that none of their model cities projects will violate federal civil rights laws.

The Model Cities Administration should make an annual review to see that these requirements are met; in the event that any are not, it should withhold from the city an amount of grant funds sufficient to secure compliance.³ However, funds should not be withheld pending completion of this review.

The intent of this recommendation is to eliminate all of the many reviews that presently burden the cities and create delay and uncertainty. In particular, we would eliminate the Regional Interagency Coordinating Committees, the Washington Interagency Coordinating Committees, the midyear planning reviews, the procedures for passing on proposed modifications in plans and work programs, and the frequent progress reports.⁴ All that should be required is evidence once a year that the five requirements listed above (1 through 5) are being met.

d. The Model Cities Administration should make such evaluations of model cities projects as may be useful to the President and Congress in their deliberations. This implies making studies only of projects that have some particular relevance to questions of national policy and (normally) making them only in a sample of the cities. Although such studies may contribute to systematic social science, they should not be designed for this; rather they should be designed to provide information and analysis that will be useful to policymakers. The Model Cities Administration should make other (post-audit) evaluations of model cities programs and projects only as required for the annual review.

e. The Model Cities Administration should provide technical assistance (meaning here both technical information about substantive matters and guidance in penetrating the federal maze in search of grants)

³ Professor James Buchanan does not agree with the recommendation that the Model Cities Administration withhold funds from a city in the event of its non-compliance with the requirements; he would instead have the non-compliance reported to the President and the Congress.

⁴ David Rowlands would add that there will be a continuing need to ensure ready communication between the federal agencies in funding urban programs. Presumably the current reorganization of the regional offices will contribute greatly to this.

to the cities only at their request. There is a need, especially among small cities, for such assistance, but we think that in the long run it can be best met by:

(1) creation of a federal-state system, modeled on the Agricultural Extension Service, in which the federal role is to contribute to the support of a state agency that supplies technical assistance; the federal contribution would consist mainly of the preparation of informational materials to be used by state specialists and of assistance in training such specialists. This function (analogous to that of the Federal Extension Service) might well be performed by the Model Cities Administration. If a revenue-sharing plan is adopted, we see no reason why the federal government should make a direct financial contribution to the states for the operation of a state agency, however; that nine state governments have already established urban affairs departments suggests that others can and will do so before long.

(2) establishment of arrangements for long-term (two year minimum) exchanges of career administrators and technical personnel among city, state, and federal governments. In this connection all that is necessary, in our opinion, is to establish conditions under which the normal inter-governmental labor market can work more freely—viz. to assure employees that they will not lose retirement and seniority rights by temporary service in another government. We recognize that because of differences in salary scales some state and local governments will have to make special arrangements if they are to attract federal civil servants of the kind that they would want. It would be to their interest to do so, however, and we see no reason why the federal government should make up the difference in salary when the arrangement is one proposed by a state or local government.

Elected neighborhood boards and citizen task forces should not be obliged to rely entirely upon city governments or the Model Cities Administration for advice and information. To assure them some independence, a separate fund should be available on which they can draw to hire some technical advisors of their own choosing.

4. The preceding recommendations were intended mostly to end over-regulation of the model cities program. But as we stressed above, under-support of the program is also a problem. The following recommendations deal with that.

a. We recommend that the President make it unmistakably clear to the heads of the urban agencies that it is his wish that the federal government keep the promises that it has made to the model cities. It is safe to say that unless the White House attaches importance to the model

cities program, the departments and bureaus will not attach importance to it either.

In particular, we recommend:

(1) That each urban agency be directed to "hold back" at least 25 percent of the categorical grant funds over which it has discretion (i.e., non-formula funds).

(2) That the agencies be directed to put these funds into special accounts that are not subject to the usual processing and routing complexities.

(3) That the White House implement section 108 of the Demonstration Cities and Metropolitan Development Act. This permits federal agencies to hold over to the next fiscal year grant funds that have been reserved for model cities projects. Knowing that they could count on funds for the next year would enable cities to plan more rationally and it would reduce their incentive to spend unwisely funds that otherwise would be "lost."

(4) That the White House take steps to make possible the provision of accurate and up-to-date information on the flow of federal grant funds to the various states. At present model cities agencies have no way of knowing what are the potential sources of support for their projects in federal grants already received by the state; if they had this information, their opportunities to negotiate with the state agencies for a share of the grant funds would be much improved.

(5) That the agencies be directed to consolidate their requirements for state planning, to see to it that state plans do not preclude implementation of model cities plans, and to give model cities plans some priority over other plans. (At present funds for many categorical programs are routed through the states; in general, cities must "prove" that their projects conform to a state plan for the use of the particular categorical grant fund on which they hope to draw: HEW alone requires 39 such plans for each state).

(6) That the agencies be directed to treat the model city plan as sufficient for the purposes of all categorical program applications. (At present, a City Demonstration Agency may have to fill out as many as 100 applications in order to be considered for the federal funds needed to implement its plan).

b. We recommend that the President ask Congress to authorize him to transfer formula grant funds from urban categorical programs to the model cities program in amounts not in excess of what would go to model cities neighborhoods under the existing formulas. Such transfers would give the cities greater freedom in the spending of the money and therefore, as we explained above, would reduce waste, confusion, and frustration.

c. Direct appropriations to HUD for supplemental grants will be necessary under any circumstances to support such model cities projects as cannot be funded from categorical programs. To the extent that the federal agencies fail to support projects that *can* be so funded, additional appropriations for supplemental grants will be needed if the plans that the model cities have made are to be carried out. We hope that the President will find it possible to recommend direct appropriations large enough to assure a total level of support that does not fall below what the cities were led to expect when they made their plans.

SUPPLEMENTARY STATEMENT OF MESSRS. BARR AND HILL

Introduction

We welcome the majority report for its general support of continuing the Model Cities program. However, we have submitted a supplement to reflect a difference in rationale, to voice our disagreement on specific points, and to make other points more discrete.

It is our opinion that the crisis of our cities demands a national response of the same magnitude as the need. To date, this has not been forthcoming.

We find that the Model Cities program is the most flexible and comprehensive tool yet devised to deal with a broad range of community problems. City and state governments, as well as community groups, have spent considerable time, money and energy investing in this experiment. It should receive an adequate test, with the full support of the Administration.

However, we recognize that improvements should be made in the administration of the Model Cities program, and offer our critical comments with this in mind.

Background

Title I of the Demonstration Cities and Metropolitan Development Act of 1966 or the Model Cities Program was a response to a proliferation of well-intentioned but fragmented earlier federal grant programs that

attempted to meet urban needs. In short it was expected to be the vehicle for coalescing all Federal commitment into meeting inner city problems. It was also anticipated that the model cities program would provide a substantial increase in the total amount of federal revenues available to cities.

It called for cities organizing new administrative machinery, entering into new relationships with key actors including state government, independent local public agencies, and the private sector and establishing a coalition with residents of affected neighborhoods. Within the short space of approximately one year, cities also were required to prepare a sound plan for meeting the multiplicity of city problems.

Similarly, Federal agencies long accustomed to "doing their own thing," now were expected to work together in new ways to assist local communities in solving their problems and in making the wealth of Federal resources available to the affected cities. Against this background cities have spent considerable time and energy in organizing for action, entering into these new relationships and attempting to implement the new urban strategy promoted by this new Federally assisted program. Because no city has completed its first year of action, the full impact of the Model Cities program on depressed areas cannot be evaluated at this time.

However, our assessment of the overall effort today has been that cities (and a considerable number of states) are moving rapidly toward the goals set forth in the Demonstration Cities and Metropolitan Act of 1966. In short, the program has not been adequately tested but shows strong promise of becoming a major instrument for federal urban strategy. We believe that the President should endorse unequivocally continuation of the Model Cities program for at least five years and evaluate carefully the impact of the program at that time.

Findings

While we generally agree with the recommendations of the majority and are pleased with its endorsement of the program, the report fails to discuss some of the specific positive benefits that have been achieved from the Model Cities planning process.

1. The Model Cities planning process has resulted in a reallocation of local resources to poverty areas,
2. The planning process has served as a buffer for Mayors in resisting "pet" projects,

3. It has provided a forum for dialogue and negotiation with residents of the affected neighborhoods,
4. It has resulted in some improvement in the local capacity to coordinate departments of local government and other public bodies.

Any failures to date attributable to the Model Cities program have centered largely on the lack of response of those agencies controlling more than 400 categorical grant programs rather than the Model Cities Administration of HUD. Because of its flexibility, Model Cities has laid bare the inadequacy of the Federal system to respond to the needs of the cities in channeling categorical grants into the Model Cities effort.

Previously, the Model Cities Administration itself tended to prescribe rather than guide and monitor the planning process. Even with the recent elimination of onerous guidelines and unnecessary reviews, we believe that the Federal monitoring and review process can be further simplified. Furthermore we agree that a greater commitment must be made to model neighborhoods by insuring that sufficient funds are appropriately channeled into our major cities.

Finally, we believe that states have become increasingly aware of urban problems and should be encouraged to participate in the Model Cities effort. For example, with an investment of less than \$1 million the Department of Housing and Urban Development has already secured participation of more than 30 states in the Model Cities effort. We also believe that the success of the Model Cities program as a major tool for an urban strategy will depend on the development of consistent national goals to which the efforts of Federal, state and local governments can be directed.

Recommendations

1. We recommend that the President fully endorse Model Cities and recommend to Congress its continuation for a five-year period with an average appropriation for supplemental funds equal to \$1 billion.
2. We recommend that the majority report recommendation for revenue sharing provide not only for a shifting of 25 percent of the present level of categorical aids to revenue sharing, but also a corresponding expansion of appropriations to increase the level of assistance that goes to cities.
3. We further support the consolidation of grant programs into a smaller number of categories.

4. More specifically with respect to Model Cities, we recommend that:
 - a. The program presently be limited to the 150 cities that have already received grants, and expansion of the program to other cities be deferred until additional substantial Federal appropriations are available.
 - b. That funds be distributed among eligible cities in accordance with the internal HUD formula now used to determine the allocation of supplementary grants;
 - c. That greater simplification be given to the Model Cities planning process by limiting the Federal role to monitoring and review of procedures, process and requirements rather than a review of particular programs. We agree that review and monitoring are essential to the program, but believe that this process should be streamlined by using onsite program audits to evaluate performance.
5. We also recommend that the Model Cities plan be recognized as the basic plan acceptable for all categorical applications.
6. We believe that the basic requirements in the annual plan must include:
 - a. An adequate Model Cities plan which includes provision for coordination of facilities, services and programs.
 - b. Widespread citizen participation.
 - c. A primary focus on the needs of the poor and disadvantaged.
 - d. Maintenance of previous effort.
 - e. Appropriate equal opportunity and civil rights regulations.
7. We recommend that no restrictions be placed on investment in major physical facilities in Model Neighborhoods. In the absence of a strong national policy of moving the poor and minorities out of the ghetto, such a restriction would merely provide another excuse for failure to provide the full range of services and facilities now available to other neighborhoods.

Furthermore, regardless of the nature of the model neighborhood's future inhabitants, such facilities will be necessary to support the increase of population in future generations.
8. We recommend that states be encouraged to play a strong role in the Model Cities program and that a minimum of \$3 million per year of discretionary funding be made available to governors for use of state Model Cities agencies.
9. While we agree that the regional interagency coordinating committees (RICC's) and Washington interagency coordinating com-

mittees (WICC's) can be criticized for their poor performance, we feel it is premature to eliminate them (particularly the RICC's), since they constitute a long-needed instrument of Federal coordination, and are organizing to work within common regional boundaries. However, those states which have adequate monitoring and review capabilities for Model Cities should be included as an integral part of the review and monitoring process. As RICC's increase their capability in the review process, consideration should be given to the elimination of the WICC's.

