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A Report and Recommendations

on the Posture of

The Department of Housing and Urban Development

toward the States. *Report for the  
Department of Housing and  
Urban Development.*

Prepared by  
Lester S. Hyman,  
Consultant

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U. S. Department of Housing and Urban Development  
Robert C. Weaver, Secretary  
Washington, D. C. 20410

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This report was undertaken by Mr. Lester S. Hyman as a consultant to the Department of Housing and Urban Development. The views are those of Mr. Hyman, and do not necessarily reflect the views of the Department of Housing and Urban Development.

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## A. INTRODUCTION

Adlai Stevenson once remarked that "if we paid more attention to States' wrongs, there would be less controversy about States' Rights." In a sense, that is what this report is all about. For far too many years, the States--taken as a group--have abdicated their responsibilities toward urban America. Into the vacuum has stepped the federal government. Now the States are becoming what Professor William I. Goodman of the University of Illinois has described as an "awakening giant." This poses both a threat and a challenge to the other units of government involved in the urban renaissance. The problem is: How do you work with the States in helping them make up for the wrongs of the past while treating the needs of the present and future?

There is no doubt of the stated intention of the Administration<sup>1</sup> and the Department of Housing and Urban Development<sup>2</sup> that the federal government welcomes the States as an equal partner in the adventure known as Creative Federalism.

In addition it is clear from an examination of the Congressional hearings preceding the passage of legislation creating HUD, that it was the intent of the Congress to include the States as a full partner in executing the programs administered by HUD.

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1 - President Johnson (March 2, 1966): "The Secretary has responsibility under the Act (creating HUD) to consult and cooperate with State Governors and State agencies...with respect to Federal and State programs for assisting communities in developing solutions to community and metropolitan development programs..."

2 - Secretary Weaver (June 15, 1966): "Our cities face critical problems. To meet them will require the vigorous and cooperative actions of the States, the Federal Government and the localities themselves. Each level of government must use its capacities to the utmost if we are to succeed."

The notion of Creative Federalism now has become part of the "conventional wisdom." It is this year's vogue expression for the working relationship that everyone professes to want, but no one expects to get, among the various levels of government: Federal, State and Local.

By and large, there is no such concept as Creative Federalism at work. The word "Creative" implies accomplishment - it would be far more accurate to talk in terms of the challenge: Creating Federalism.

It is a mistake, then, in my judgment, to try to rationalize the "fact" (Federal-Local relationships) with the "wish" (Federal-State-Local relationships) and complacently talk of both as Creative Federalism.

An excellent example of this phenomenon can be found in LeRoy F. Harlow's report of May 1966 entitled "Implementing the Metropolitan Desk Concept," where the author states (page 65):

...(T)he national government is making a valiant effort to enlist the active participation of the urban governments in this national war on urban problems. This combined national and local effort is part of what the President calls "creative federalism." (Italics supplied)

To my mind that is somewhat like announcing the folk-singing group of Peter, Paul and Mary--but Mary isn't there.

Or again, on pages 89 and 90 of the Harlow report:

HUD's program relations with the state governments will result from the state's role as agent for one or more local governments, or acting in its own behalf. In either case, the state government is likely to be well enough informed and have sufficient staff to get along without "Metropolitan Desk" assistance. Thus, there is no need to describe the state environment in which "Metropolitan Desk" employees will have to operate.

Hopefully this report will show the inadequacy of this cavalier approach toward State participation.

As the result of visits to eight State Capitols throughout the country, I learned that most State officials believe that, with regard to Creative Federalism,

there is a world of difference between the word and the deed. They feel the federal establishment is giving lip-service to the role of the State while, in reality, ignoring it as a viable unit of government. It must be said, in all candor, that talks with certain officials in Washington support this reaction, although I would describe the federal attitude as one of skepticism rather than hostility.

These cynics say that genuine State participation is an exercise in futility. As one HUD official expressed it: "The cities have their role to play. The States have their role to play. The two should get together--but never will. And you can research as long as you want, but I bet that's what you will come up with in the end."

The recommendations in this report will determine who wins that bet.

Although it is important to understand the thinking within the Department, we are here concerned with what the States think and why. Like the tort of "assault," the determining factor is not what the aggressor intended but rather what the victim thought the aggressor intended.

What are the facts concerning the status of Creative Federalism vis-a-vis the program of HUD?

Because the cities--and more especially the large cities--are the natural constituency of HUD (as distinguished from other federal agencies such as HEW, whose natural constituency is the State), there has been established a tradition of the federal government's working directly with the cities, almost completely by-passing the States. The lines are being drawn non-stop between Washington and the cities.

Why? Partly because the major object of HUD's program is the city. But largely because of the States' past failure to come to grips with contemporary problems--their unwillingness to modernize--their stubborn insistence on retaining horse-and-buggy methods in the nuclear age.

But just because the States have acted irresponsibly in the past does not mean that we should wring our hands in despair and ignore them.

For those who are genuinely concerned about a monopoly of federal control, there is only one real alternative: strengthen the States. Any federal program that is as ambitious and all-encompassing as that administered by HUD must involve everyone if it is to work. Without State participation, you have a vital missing link that can cause the breakdown of the whole machinery. There is room for both the federal government and State government, since each should complement the work of the other.

Legislation in the field of urban development can never be static. "Urban Renewal," only a few years ago considered revolutionary, now is practically "old hat." Today we talk of "Rent Supplements," of "New Towns" and "Demonstration Cities"--of horizontal programs involving many agencies, rather than vertical programs on a Department-by-Department approach.

Tomorrow there surely will be new developments--new techniques requiring new legislation. To pass that legislation, political considerations must come into play. Today HUD's constituency is the city. Tomorrow it must enlist the State, if there is to be a reasonable likelihood of getting future programs passed by the Congress. For the States are beginning to flex their political muscles.

Certainly many of the States stood by apathetically while the lines of communication were being forged between Washington and the cities. Now, however, the States are springing into action. They are forming coordinating agencies to cope with urban problems. This is the urban generation--and the States finally have come alive.

Some cities still blame the States for their ills. Some states blame the federal government. The reverse also is true. (See Section entitled "Attitudes".) Continuation of this process of "placing the blame" is self-destructive. The fact is that all levels of government share some responsibility for the erosion of our cities. Until recently, the American power structure has not faced up to the urgency of the urban crisis or taken steps to meet it.

The States now are ready to assume the role of full partnership assigned them by the President and Congress. HUD can help make this transition possible.

While it is not its mission to revitalize the American form of government, I suggest that the need is clear and the opportunity at hand for this Department to play a singular role in helping re-create our system of federalism.

This report will attempt to show "how."

B. SUMMARY OF RECOMMENDATIONS: AN ACTION PROGRAM

For convenient reference, there is listed in this section a compilation of those recommendations which will be made throughout the report. By referring to the appropriate sections, the reader can obtain the explanatory material that supports each recommendation. The first three suggestions are general and go to "attitude"--the others are more specific in nature.

1. The Department should adopt a policy of ESCALATION OF RESPONSIBILITY toward the States. Simply stated, this means that when the States demonstrate by specific actions--whether it be the creation of a State Department of Local Affairs, or buying into the federal Urban Renewal and Housing programs--that they recognize their responsibilities toward urban areas and are willing to act, they should be given more and more responsibility and recognition by the Department. This responsibility and recognition can take various forms. Examples would be giving the States an opportunity to comment on local applications for federal aid, soliciting the views of the States on forthcoming Departmental legislation, working with the States to establish guidelines for programs, setting priorities within a State, and even allowing the States to carry out the administration of HUD programs. The degree of responsibility granted by HUD would increase or decrease in response to State action or inaction.

2. The Department should adopt a FLEXIBLE APPROACH toward the States. This is a correlary to the "Escalation of Responsibility" doctrine. It means that States should not be lumped together with one rule for all. Rather each State must be treated as an individual entity with recognition given to its geography, economy, traditions, and political attitudes. A Flexible Approach necessarily rejects rigidity. It would eliminate the posture that a Departmental decision sets a

precedent which must be followed in the future. It means that various approaches may be used concurrently, such as placing a HUD man in a State Capitol when a Governor so requests--or working through the conventional Regional Office system where the Governor does not.

3. The Department must abandon a PASSIVE in favor of an ACTIVE attitude toward the States. This means that HUD officials should no longer wait until they are contacted by the States regarding specific problems. They must initiate conversations with State officials and offer to help wherever possible. They must seek out the States and show how HUD can provide information or services the States can use. They must encourage the States to provide financial assistance to localities, to enable metropolitan planning, to formulate State plans, to coordinate all State agencies and programs dealing with urban problems, etc.

4. Establish a STATE DESK in Washington manned by a Special Assistant for the States. This would be a contact point for the States when they seek help or advice from HUD in Washington. Some of the responsibilities a State Desk would have are:

- a) Arranging appointments for State officials with appropriate HUD officials;
- b) Acting on behalf of States to obtain information or help expedite applications for funds; shepherding State officials through Washington red tape;
- c) Provide full informational service to the States of HUD programs and important administrative decisions; speech material for Governors when requested; current information on appropriations available for programs;
- d) Solicit opinions of State officials on proposed HUD legislation, as well as review of existing legislation with an eye to perfecting amendments;
- e) Encourage State officials to testify on behalf of HUD legislative programs and requests for Congressional appropriations; assist in preparation of testimony for Governors;
- f) Act as Clearinghouse so States can swap information on their programs and progress in handling urban problems;

- g) Promulgate Model Codes and assist States in reviewing their legislation (establishing State Departments of Local Affairs, enabling Metropolitan Planning, etc.);
- h) Encourage States to participate more fully in HUD programs, to publish catalogs of State programs by function which mesh with federal programs to buy into HUD programs, to establish State Departments of Local Affairs, etc.;
- i) Evaluate the performance of each State and recommend to the Secretary how much responsibility each State should be given;
- j) Work with HUD officials in Washington, with Regional Office officials, and with HUD men in State Capitols and Metro Expeditors to encourage increased contacts with States and promote constructive attitudes toward State participation; and
- k) Organize workshops, seminars, and periodic meetings with the States.

In terms of internal lines of responsibility, the State Desk would work closely with the HUD Intergovernmental Division in order to strengthen Federal-State-Local relationships.

5. Expand the Regional Office operation to include STATE DESKS when requested.

Under this program, each Governor would be given the option to have a HUD man in his own State Capitol to serve as a resource person within his State. These State Desk men would report directly to the Regional Office. They would assist the State and localities in preparing applications and advise them on methods of maximizing their effectiveness under HUD programs.

6. Provide INFORMATIONAL MATERIAL TO STATES ON LOCAL APPLICATIONS FOR FEDERAL GRANTS.

As a start, automatically send a copy of every Form 101 application (for water and sewer systems and sewage treatment works) to the States. This gives them the power of comment. If the calibre of the comment is high, and the results beneficial to the Department, expand the process until all local applications for HUD programs automatically go to the States. Note that Form 101 goes to other agencies as well. HUD should take the lead in urging all agencies involved to follow this procedure of informing the States. States also should be informed when the federal government either approves or rejects a particular proposal.

7. Conduct WORKSHOPS, SEMINARS, AND REGIONAL MEETINGS.

As a first step in implementing the new approach to the States, the Secretary should call to Washington that person in each State most responsible for the coordination of urban affairs (as designated by the Governor). The Conference should explore ways and means of improving relations with the States, as well as discussing HUD plans for the coming year. Most of the recommendations in this report, if adopted by HUD, should be fully discussed.

As a second step, Secretary Weaver should meet with the Governors, preferably on a regional basis, and outside of Washington. The same process should ensue, but a far more frank discussion of the relationship between HUD and the States could be conducted (for example, the Secretary could point out that HUD is prepared to take positive steps to strengthen its relationships with the States, but he expects the States in turn to become active in supporting the programs and legislation of HUD).

As a third step, a regular series of workshops or seminars could be conducted for the States on a wide range of subjects such as: Problems of State Taxation, Metropolitan Planning, Zoning, Conforming Administrative Districts, Interstate Planning, etc.

8. Consider all local applications in light of STATE PLAN.

Within a short time, a number of States will have completed their Master Plans. Grants to localities should, insofar as is possible and practical, be consistent with the State Master Plan. In addition, the States should be urged to exercise more responsibility in reviewing local and regional plans drawn up under the 701 program to make certain they are 1) competent and 2) conform to the overall State plan. Withholding funds should be a suggested safeguard.

9. Work with States to CONFORM PLANNING DISTRICTS.

Wherever possible, HUD should urge the States to set the planning units and then abide by this determination, working on the federal level to get all other federal agencies to do the same.

10. Earmark STATE PLANNING FUNDS. HUD should separate out funds for State planning so States are not placed in the position of competing with the localities for this money.

11. FEDERAL GRANTS FOR STATE PUBLICATIONS. In addition to encouraging the States to take advantage of Title IX of the Demonstration Cities Act by seeking federal grants to establish State Departments of Local Affairs (or its equivalent), they should be encouraged to seek grants for the purpose of publishing guides to State programs, by function, which mesh with federal program guides.

12. IMPROVE INFORMATION ON FEDERAL PROGRAMS. HUD should update its own publications on a functional basis and make them widely available to the States--more important, as the coordinator of federal urban programs, the HUD guide should not be limited to HUD programs but to a functional listing of all federal programs affecting urban problems. Consideration should be given to proposals to provide computerized information to the States and establishing such a computer information center at HUD.

13. Improve GUIDELINES. Effort should be made either to make more specific the guidelines for administering HUD programs so as to avoid confusion and uncertainty, or the guidelines should be made extremely broad and have States administer them taking into consideration local conditions.

14. Improve FISCAL INFORMATION. States should be told how much money has been appropriated by the Congress for particular HUD programs, how much has been allocated, and how much remains. This information should be kept current so States are not applying for programs which have no funds to support them.

15. Consider HELLER PLAN. HUD might assist and encourage the States in their efforts to develop a program along the lines of the Heller plan for consideration by the Administration at a later date, when "Fiscal Dividends" are available.

16. The following actions should be taken with regard to the REGIONAL OFFICES:

- a) Expand its service so each State can have its own HUD man, responsible to the Regional Office, if the Governor so requests;
- b) Implement the policy of decision-making in the field;
- c) Issue a directive to the Regional Administrators urging them to work with appropriate State officials so long as the States evidence the interest and the capability. Recommend increased visits to State Capitols;
- d) Work on procedures for expediting application processing in the Regional Office;
- e) Consider the one-man-one-city decision making process; and
- f) Give the State Desk man in Washington responsibility for coordinating activities of Regional Offices and State HUD men regarding State activities.

17. The following actions should be taken with respect to METRO EXPEDITERS:

- a) If there is a HUD man in the State Capitol, establish a close liaison with him, since he can assist the Metro Expediter to "plug in" to State programs;
- b) Instruct Metro Expediter to welcome inquiries and offers of assistance from the States at all times; and
- c) If the States accept the option (which should be presented to them by HUD) to place their own man in the Metro area, then HUD should instruct its Metro Expediter to form a close working relationship with that State man. Consider placing the Metro Expediter in the same physical location as the State man (if the State operation is as sophisticated as it is in California with the State Service Center system--call this project: Demonstration State).

18. ASSERT HUD'S ROLE AS COORDINATOR. Working closely with the President and Vice-President, HUD must eliminate the confusion as to who is the coordinator of programs affecting urban affairs. This information must be disseminated on the federal level and especially on the State level and should be implemented as vigorously as possible.

C. ATTITUDES

In attempting to make intelligent recommendations for strengthening Federal-State-Local relationships, it is important to assess the attitudes of each level of government toward the other.

First, I deal with the States: their attitudes toward themselves, toward the federal government, and toward the cities. Second, the attitudes of the cities toward the States. And third, with the federal government's attitude toward the States.

1. The attitudes of the States:

a. Toward themselves. By and large, the States are facing up to their responsibilities toward urban problems. If they were complacent and felt they had been doing a good job right along, I would be most pessimistic about trying to develop a better relationship with them. However, they are trying to be quite honest with themselves and freely admit their past failures to meet the needs of the times.

Symptomatic of this critical self-appraisal was a recent meeting of the Midwest Governors' Conference where the Governors in attendance candidly acknowledged that they had been "dragging their feet" for too long in terms of participation in federal programs. They are currently developing specific plans of improvement.

In December the United States Governors' Conference will hold a special meeting near Washington to discuss this same problem and hopefully translate their discussions into concrete programs.

My talks with the Washington staff of the Council of State Governments confirmed the view that the States finally are waking up to the active role they must play in contemporary society.

A candid appraisal of the States came from a key member of the Michigan Governor's staff: "There is no question but that the States have defaulted in their responsibilities. This created a vacuum. The federal government filled that vacuum."

At the same time the States apparently are moving to cope with their deficiencies, they believe they have the expertise to bring to bear on their problems. They feel the calibre of State government generally is high. A California official expressed it this way: "By and large, the States are demonstrating honest government, high technical competence and non-partisan consistency."

So the States, for the most part, concede their errors of the past and believe they have the capability to move forward as a responsible partner in federal programs. While such a statement is difficult to demonstrate either in quantitative or qualitative terms, I think it fair to say that the increasing trend toward establishment of State Departments of Urban Affairs, toward encouragement of metropolitan planning, toward creation of State Master Plans, and toward "buying in" to federal programs, can be taken as positive indicators--of this healthier attitude toward federal cooperation.

b. Toward the federal government. The most charitable comment I heard about the federal government was: "There have been delays and mistakes and red tape on both sides." Other than that concession of mutual deficiency, the comments uniformly were those of resentment and frustration.

A New York official spoke of "the George Wallace syndrome." By this phrase he was trying to describe a condescending attitude on the part of the federal government toward the States; that all the States are treated with the same brush. "We especially resent this attitude since so many of the programs now being promulgated on the federal level were initiated by individual States and long preceded the federal experience."

In North Carolina I was told that the reason for the lack of close Federal-State relations was that "the federal government chose not to deal with the States just as much as the States were inactive." They are concerned that too many federal officials view State officials as "clowns" and "aren't hesitant to say so."

A Missouri official commented on the cordial reception he receives at many federal agencies but feels that "no one is really listening or cares what I have to say". The Missouri Office of State and Regional Planning supervises many diverse federal programs within the State. "We have been discouraged so far in getting anywhere with HUD, except for the 701 program. We have high hopes that some of the new people like Wood and Taylor will help. If HUD will work with the State, fine. Otherwise we'll go to those agencies that will help." The Missouri people are frank to admit that they will try to play one agency off against another in order to get results. They are in a position to do so because they now have State coordination to a degree that does not yet exist on the federal level, just the opposite of the condition one would expect.

The opinion of one California official toward the federal government is: "All States are treated like the lowest common denominator. There is the feeling: if we do something for you, then we've got to do the same for Mississippi. This is a lot of nonsense. Each State must be treated differently."

The States, then, feel that they have been snubbed and downgraded unjustly by the federal government. This is important to recognize, since any progress must be predicated on the federal government demonstrating a change in attitude toward the States.

c. Toward the cities. It is in this area that the States demonstrate much more sympathy, if not outright empathy, with the problems of the cities than one would expect. There still is some back-biting (Example: "The reason we needed urban renewal was that the cities weren't doing their job")--but comparatively little.

The reason is that the States share the same basic problems as the cities: lack of revenues and an increasing need to rely on the federal government.

In some States there is a long tradition of State cooperation with the cities. North Carolina is a good example. There the Governor has experienced little competition between the State and the cities. To the contrary, when the Governor recently wrote to the Mayors throughout the State and asked whether they wished him to send out State officials to consult and work with them, the response was overwhelmingly enthusiastic. North Carolina enjoys this enviable situation largely because the State contributes more money and technical assistance to the localities than do most States. This has significance in terms of Federal-State-Local relationships since it tends to prove that where the State "buys in" to local programs, there is a distinct lessening of State-Local friction.

Even where the traditional and financial relationship is missing, the attitude of State toward City remains affirmative. In Michigan, for example, despite a political division, State officials said: "Mayor Cavanaugh is doing a good job. He isn't trying to 'put it' on the State."

A chief assistant to Governor Scranton of Pennsylvania concedes that the States "often are not aware of the day-to-day problems of the cities. To remedy this situation we have established a Cabinet-level Department of Community Affairs. In this way we have put a representative of the cities in the inner circle of the Governor's official family."

Some States -- notably those where the State Administration and the Big City Administration are of different political suasions -- see the federal-local relationship in darkly suspicious terms. "The federal programs," said one, "feed the political machinery of large urban cities." Said a second: "The Democratic Party is dependent upon the big-city vote; therefore the Administration caters to them to the detriment of the States." Specious though this argument may be, it is significant in that it points up the importance of considering political factors as one of the main irritants in the Federal-State-City relationship.

On the other hand, political factors can serve to bring together State and City administrations. In Missouri, for example, it was pointed out that the City of St. Louis and the State of Missouri are extremely close because of the political dependency of one upon the other.

Again in Michigan, this theme was repeated. One State official told of attending the U.S. Governors' Conference a few years ago in Ohio. Before the group was a resolution which called for strengthened Federal-State relationships. One Governor was asked to introduce the resolution but candidly refused for fear of offending a Big-City Mayor in his State, upon whose support he counted heavily at election time. The Mayor in question enjoyed a direct pipeline to Washington and did not want any change that might interpose the State.

This situation was raised with sufficient frequency to conclude that the political dependency of a Governor upon the big city vote is a good reason why

Governors will work to help cities, not hurt them. (The question is whether the reverse holds true when the two are of different Parties.)

Another significant development that leads to healthy State-Local relationships is the growing number of former Mayors who are filling State level positions dealing with local affairs.

For example, Joseph Barr, new Secretary of Community Affairs in Pennsylvania, is the former Mayor of Oil City.

The key man in Kentucky for Urban Affairs, Ernest Lackey, was a Mayor. His counterpart in North Carolina, Wilbur Clark, was Mayor of Fayetteville. In Missouri the new Office of State and Regional Planning has recruited a number of former Mayors and City Managers.

In my judgment it would be most helpful if more State government oriented personnel were brought to HUD's Washington office, since the same beneficial results would almost certainly occur regarding Federal-State relationships.

## 2. The attitudes of the cities:

In general the big cities oppose any extension of the State role, based on the States' past performance in urban affairs. However, these same cities acknowledge that they would welcome State partnership if the State is genuinely willing to carry its (the State's) load.

The smaller cities have a more positive attitude toward the States, since they have more to gain from them. The small cities often lack the expertise and technical capacity, as well as the financial assistance, which the State can provide.

In North Carolina, for example, the cities depend greatly upon the State for dollars. One-half cent of the gas tax goes to the cities to maintain their streets. There is a strong tradition of State aid in other areas, especially education. The Mayors, therefore, welcome the help of the State.

But what of the big cities' view toward the States? The position of Edward Logue, Boston's Redevelopment chief, basically is: until the States share in the city's tough political decisions, who needs them? But significantly he adds: "If they really would cope, then welcome!"

In Detroit the City government maintains "good lines of communication with Washington. We know where to go and whom to see." They feel that if they had to go through Lansing (the State Capital), there would be an added layer of bureaucracy. "The State has shown itself unresponsive to the needs of the City. If they do respond, it is in anticipation of political benefit." They suggest an examination of those federal programs that do go through the State: health, education and welfare. They don't work, it is alleged. In the case of highways the State has short-changed the cities. The dollars go to rural areas. "Some States understand urban problems -- States like New York, Pennsylvania and Connecticut. Where this is true, the city is delighted to work with them."

So we see that the big cities reflect the federal government's attitude of cynicism, based on past experience -- however, they hold out hope for a genuine change of heart. The small cities always have had better relationships with the State and thus hold more complimentary views toward the State role in urban affairs.

### 3. The attitude of the federal government:

From limited discussions with federal officials, my impression is that the federal government takes the "Missouri posture" toward the States: Show me.

Federal people readily acknowledge the doctrine of Creative Federalism but, aside from planning, they are skeptical that the State can become involved in a meaningful way, at least for the present.

Two views were repeatedly expressed. First, that the States can play an increased role vis-a-vis the smaller cities, but they will only get in the way of

the big cities. And second, as referred to in the Introduction, everyone agrees that the States should be an equal partner but no one will do anything about it.

Senator Edmund Muskie, in a speech on the floor of the Senate on March 25, 1966, gave his findings (as Chairman of the Senate Committee on Intergovernmental Relations) on federal attitudes:

"We learned that too many Federal aid officials are not interested in, and in fact are even hostile to coordinating programs within and between Departments, and that they are reluctant to encourage coordination and planning at State and local levels..."

In all fairness, most HUD officials with whom I spoke sincerely wished to improve State relationships -- otherwise this study never would have been commissioned -- but only lack specific suggestions as to methodology.

One Assistant Secretary thought the States have been "too slow in recognizing the urban trends in America." He said that he had little dealings with the States. "I regret this fact, but they have not come to me to seek out information or aid."

This same official believes that the State's role, when it provides a share of money toward local projects, should be the same as the federal policy: "be responsible for the integrity of the money in accordance with the Congressional intent and make sure expenditures of money fulfill this intent under broad guidelines. For the rest, let the locality make its own decisions."

Another Assistant Secretary expanded on this sentiment and expressed the thought that HUD "should not be in the position of soliciting business with the States."

It is my view that, at this crucial period in Federal-State relations, it will be increasingly important for the federal government to actively seek to expand its working relationship with the State. This question of Activity vs. Passivity is treated at greater length in the section on Recommendations.

To sum up this section on Attitudes, I think it fair to say that the States recognize their past deficiencies and show indications of moving in the right direction. The small cities welcome State assistance. The federal government and the big cities are skeptical, if not cynical, that the move will be accomplished. But there seems little question but that all parties involved would welcome it.

D. GO WHERE THE MONEY IS: STATE FINANCIAL PARTICIPATION IN FEDERAL PROGRAMS

There is near-unanimous agreement among the States that they can expect to be assigned a major share of responsibility in the development and execution of federal programs assisting the localities only if they are willing to "buy into" those programs, in the form of supplemental financial assistance.

Yet most States do not do so, at least in the areas of housing and urban renewal. Of those who do, some exercise a concomitant degree of responsibility. Others, unfortunately, act merely as a conduit through which federal monies, plus their own share, runs.

This raises four questions:

First, should the States "buy into" the federal programs?

Second, can they buy into the programs; i.e., do they have the capacity to do so?

Third, once having bought in, should the States then exercise a degree of responsibility?

And fourth (assuming the answer to the previous question is affirmative), should the States exercise this responsibility even if they don't "buy in"?

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As to the first, the answer clearly is "Yes." This is predicated on purely pragmatic considerations. From the point of view of the localities, the overriding questions are: Who's got the money? How do I get it?

If the States are unwilling or unable to meet the need, they will be ignored and bypassed in favor of Washington. This notion was given voice by a New York City official who said: "Our City cannot achieve fiscal salvation on its own. It is unlikely to do so through the State. So we must look to the federal government." State participation will, to some degree, stem the one-way tide from Washington to the cities.

The States themselves agree that they must make a financial contribution.

This is clear from the following statements by key State officials:

Michigan - "You've got to have a piece of the action."

New York - "It is unfortunate but true: The State must buy into the federal programs if it wants participation. This poses no problem for New York but does for many other States. If a State doesn't contribute, it shouldn't be consulted."

North Carolina - "We have demonstrated the ability and willingness to participate in federal programs. Therefore we should be received as an equal partner by the federal government."

Kentucky - "The State can't do much unless it gives money."

Missouri - "The States must buy into housing and urban renewal. The programs should be administered through the States providing the States pay half the local share and set up a competent office."

Even State legislative leaders are coming around to this point of view. In California, for example, the Speaker of the House, Jesse Unruh, is one of that State's leading exponents of the State buying into federal programs.

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As to the second question (can the States buy in), the answer depends upon with whom you talk. There is no question but that some States (in the mid-West, for example) just do not have the financial capacity because they lack sufficient industrialization or a solid tax base.

Three States which have bought into federal programs are New York, Massachusetts and Pennsylvania. How do they manage it?

In New York 60% of the State budget goes to local governments, "much of it to supplement federal grant programs." Much of the money comes from the General Fund. It is not earmarked and is distributed on a per capita basis. It comes from a solid base graduated income tax geared to the federal income tax.

Pennsylvania pays one-half of the city's share of urban renewal costs, as does Massachusetts. The new Secretary of the Pennsylvania Department of Community Affairs believes that "if the States are willing to play a responsible role, they must be brought into the picture by the federal government." In addition to urban renewal costs, the Commonwealth contributes ten million dollars a year to its Redevelopment Authority.

Massachusetts, only last month, created a Massachusetts Housing Finance Agency (the second in the country -- New York was the first), empowered to make low-interest mortgage loans to developers of non-profit and limited-dividend housing through the sale of bonds. At the same time Massachusetts became the first State in the nation to establish a rental assistance program for the poor, a million dollar program patterned after the Federal Government's Rent Supplement Program.

In all three cases the tax structure of the State reflects growth in a primarily industrial economy.

But what of a State like Michigan? State officials there maintain that they want very much to participate in urban programs but do not possess the wherewithal to do so.

They base this statement on a number of factors. First, the Michigan Constitution prevents the use of deficit financing, contrary to the federal tradition.

Second, the Constitution forbids the use of a graduated income tax -- in fact Michigan has no income tax at all. (By contrast, Massachusetts has the same constitutional prohibition, but does have a flat rate income tax, in addition to a sales tax, which provides a major source of revenue.) Therefore Michigan has no base to build on; i.e., no tax which would reflect a growing economy.

And third, the Governor of Michigan has little power in a Department-oriented government, where the legislators have direct ties with the Department heads. The

officials interviewed contrast this situation with New York where the tradition is for a strong Governor who can use his power to bring about State participation, and where there is a broad base of taxation. So Michigan's position is that "we would be happy to buy in if we had the financial capacity and legislative climate."

There apparently is another side to the coin. I tried out the State's apologia for lack of State participation in federal programs on City of Detroit officials. The answer was short but direct: "The State Administration says it has no money to buy in because it has no tax that is based on an expanding economy. It was Governor Romney who led the fight to prevent a graduated income tax from being included in the new Michigan Constitution."

Without making a judgment in this controversy, the differing views point up the areas of conflict between Big City and State Government, as well as the political facts of life (the Governor of Michigan is a prominent Republican while the Mayor of Detroit is a prominent Democrat).

So the answer to our question, I submit, is that some States can contribute and do; some State can contribute and don't; and some States cannot contribute. In the second category of States, I suggest that it should be one of the responsibilities of HUD to use its powers of persuasion to induce those States to change their attitude in that regard. This can be accomplished by increasing the role of the State in accordance with its contribution (I am not persuaded that any long-range gain can come, in this situation or any other, from taking the converse position and penalizing States which do not comply with federal wishes). Note that the implementation of this policy would require HUD to abandon its essentially passive attitude toward the States (help only when asked to help) and take active steps to induce greater State participation. This would be an important step for the Department and is treated further in the section on "Recommendations."

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As to the third question (should responsibility accompany contribution), again there appears to be a dispute. The States feel it incumbent upon themselves to exercise responsibility in this situation. The Big City people say no. The smaller city people, by and large, welcome State participation and responsibility.

Edward Logue, Director of the Boston Redevelopment Authority, in his usual pithy manner, states the case for the Big City: "Until the States are willing to share responsibility for making the tough political decisions in the fields of urban renewal, schools and civil rights, who needs them?"

The States would reply that this is chicken-and-egg reasoning. First the State must be given responsibility before it can be expected to share in these tough political decisions.

To resolve the impasse, let me suggest that the States should be given a share of responsibility where monies are contributed, but that responsibility will be recognized by the federal government only so long as, in Washington's judgment, the State acts as a real partner with the cities in sharing the burden of these difficult political decisions.

It might be argued that placing the federal government in the position of judge and arbiter smacks of federal dictatorship. My answer is that anything which serves to strengthen and improve State participation automatically acts as a check against greater federal power. I am suggesting, as one State official put it, that "the interposition of the States, in the long run, will benefit the federal government because the States will work for the federal government in helping administer its programs."

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As to the fourth (should there be responsibility even without contribution), the States would argue that, even without specific contributions to housing and

urban renewal, they send back a major share of the State budget to the localities.

Here is how Michigan develops that argument. The total State budget runs about two billion dollars a year; 56% of that amount is earmarked for local units of government as follows:

- part of gas and weight tax
- 2¢ of 4¢ sales tax to schools
- $\frac{1}{2}$ ¢ of 4¢ sales tax to cities and townships

The other 46% of the budget is general fund (about 975 million), and a certain percentage of that amount goes to the localities, on a program formula, to make up the overall 56%.

What is the Big City reply? City of Detroit officials point out that most State money goes to Counties, to Special Districts, and for Education. Very little else goes to the cities. Former City Comptroller Richard Steichartz suggests: "In reality there has been a diminution of State aid to the cities (in terms of total State aid)." In rebuttal, it should be noted that, although all the State money did not go to the cities, the recipients noted by Mr. Steichartz all are forms of local government, and therefore the Michigan contention is true.

My own inclination would be to give the State no authority if it refuses to buy in when able to do so; a small degree of responsibility if it clearly is unable to buy in; and a great degree of responsibility if it does buy in. These determinations will vary from State to State. To use contemporary jargon, let me call this an "Escalation of Responsibility" policy. In addition, this kind of State by State analysis -- this "flexibility of approach", if you will -- must be the hallmark of the Department's attitude toward the States in the foreseeable future.

A word about the long-range fiscal plight of the cities and States. At this time, all but eight States have a general sales tax ranging from 2 to 5 percent. All but 17 States collect a personal income tax and a growing number of cities are imposing income taxes as well. Only one State, New Hampshire, has neither a general income nor sales tax. There is only one State left, North Carolina, which does not tax cigarettes. Elsewhere the cigarette tax ranges from 2 cents to 11 cents a pack. In addition, there is an 8 cent federal tax on cigarettes and a growing number of municipal taxes as well.

Every single State taxes auto gasoline, at rates ranging from 5 cents to 11 cents a gallon -- and this is on top of the federal 4 cents per gallon tax.

Since 1950 our total State-Local tax bill has soared from \$15.9 billion to \$51.6 billion in fiscal 1965.

The relentless rise in demand for State and Local services is making the rise in State and Local taxes equally relentless.

What can be done?

Over and over again, in every City and State I visited, the answer is: The Heller Plan. Basically this proposal, by the former Economic Advisor to the President, would send unearmarked chunks of money back to the States and/or localities through block grants, tax credits, and the like, for those local units of government to administer and allocate as they see fit.

Here are some comments on the Heller proposal:

New York -- "We like it because it employs an ubiquitous tax as the source of dollars. Business can't move to get from under."

San Francisco -- Mayor Shelley, a former Congressman, now favors the Heller Plan because of the practical impossibility of the city meeting its needs alone. "Federal financial aid should not be tied to particular programs but rather should be in the form of 50 chunk grants for local governmental purposes. This would be

a clean-cut way of giving local officials the ability to self-govern. This would be far better than having to compete with every other application from every other city in every other State."

Michigan -- "We favor some form of the Heller plan. The question is whether the Federal Government and the States can solve the fiscal disparity between them. The Federal dollars are, in effect, discounted while the same job could be done by the State on a dollar-for-dollar basis. What some people forget is that Washington money is not free money - it comes from the people and corporations at the State and local level."

Detroit -- They favor the plan "in the sense of urban block grants."

Kentucky, Missouri, Pennsylvania, California and North Carolina all echo this support.

Note that although both States and Cities favor the Heller plan, one wants the grants to go to the States, while the other wants them to come directly to the cities. That is only one of the thorny questions which would have to be resolved before the idea could become a reality.

Not only did I hear strong sentiment for the Heller plan, but there is a move by a number of Governors (among them, Romney of Michigan, Brown of California, and Scranton of Pennsylvania) to move forward with the plan. They hope to draft legislation which would be submitted to Congress; failing that, they would seek a Constitutional amendment.

I suggest it would be a mistake to ignore the strong tide building in this direction. Because the Heller plan presupposes a federal surplus from income tax collections, it would seem necessary that the Vietnamese War be successfully concluded before this fiscal situation once again becomes a reality. I understand that preliminary consideration will be given the proposal at the special Governors' Conference, heretofore mentioned, to be held in December.

The proposal makes sense. The demand is present. If it is the conviction of the Administration that it is a sound proposal and that it may come to pass at a later date, prudence dictates that HUD, with the consent of the Administration, encourage the States and Cities and help them formulate their suggestions to the Administration for a realistic and practical program embodying some form of the Heller principle.

Here is one program in which the States and Cities have a mutual interest. The added involvement of HUD would provide the possibility of a constructive Federal-State-Local relationship. In the section on "Recommendations", I deal with HUD-sponsored workshops and summer institutes. Certainly one of the best subjects for one of these conferences would be the revenue problems of the State and Cities. Once again, HUD partnership with the States and Cities means HUD's active involvement on its own initiative (not waiting to be asked). Such action would inure, in my judgment, to the overall strengthening of the federalist process.

E. ADVANTAGES OF WORKING WITH THE STATES

It is the contention of this paper that the Department of Housing and Urban Development must establish a closer working relationship with the States. Why is this so? Why is it more advantageous to work through the States than go directly to the cities? From discussions in eight States, the following arguments were developed:

- 1) States are in a better position to set priorities;
- 2) States have a better knowledge of local conditions and problems;
- 3) States eventually must bear the responsibility for programs;
- 4) States have legal and constitutional authority over localities;
- 5) States are able to experiment and act as innovators; and
- 6) States must be involved in programs crossing State lines: Appalachia

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1) Priorities. The major question here is whether the State has an obligation to set priorities regarding applications for federal grants so the money will go where the need is the greatest.

Those cities which have the greatest technical capability and local initiative carefully follow the development of federal programs and are likely to have an application on the proper desk in Washington the moment one of these programs becomes operative.

But should we ignore those cities whose needs are as great, or greater, but whose local capacity and initiative prevents them from making application?

My own view is that government has a responsibility to the people who live in these "passive" cities to provide them the same opportunity for service as is provided the more active and aggressive cities. To do so, someone must make judgment as to relative needs and someone must act as a stimulant to help develop

local capacity and initiative where it is missing. There is only one unit of government capable of performing that task: The State.

To cite a specific example, Michigan State officials were concerned that, in the city of St. Clair, "because they got themselves a 'hot shot' federal coordinator, they cam away with a sizeable slug of federal money."

Or in North Carolina where it took one small community four and one-half years to get federal approval of a public housing project, when a larger community (because of its superior capability) could have cut two years off that time.

There are some Governors who feel that the State should receive federal money from HUD and then decide where it should be apportioned in accord with need; there are many more who want review power before any federal program can go forward in their State.

To be quite candid, with rare exceptions, the States have not demonstrated their responsibility in the field of urban affairs to a degree which would warrant giving them such sweeping powers at this time. They are heading in the right direction but still have a long way to go. In accordance with the Escalation of Responsibility policy outlined in a previous section, the State should receive more and more responsibility from HUD as they prove themselves capable of handling such responsibility.

For the time being, the States are in an excellent position to aid communities in developing the local initiative and technical capacity so "passive" cities can become "active" and take full advantage of federal programs.

As an example, the State of New Jersey administers a "Green Acres" program, which is their equivalent of the federal Open Spaces program. Through speeches and other publicity, the Department of Conservation and Economic Development of New Jersey, which administers Green Acres, was able to demonstrate how certain

New Jersey counties were making maximum utilization of the program while other counties with equal needs were not involved at all. If these "passive" counties now respond, the State will work with them to help develop their capabilities.

Most States are convinced that there is a dollar allocation set by each federal department for each individual State. They believe that, assuming this to be true, they are in the best position to apportion that money according to need.

They also are convinced that the Department of Housing and Urban Development operates under a "time-stamp syndrome", i.e., that applications are granted on a first-come, first-serve basis; that, as a result, the cities (especially the Big Cities with maximum capability) have their applications filed and acted upon quickly, and, by the time the smaller cities get around to making their applications, the money is gone.

Let us examine a few examples which were cited by various States.

In North Carolina the State approves all sewer grant applications. They base their decision on three factors: promotion of pollution abatement, financial need, and local ability and readiness to administer.

The officials interviewed said that often the cost figures, as presented by a locality, are "way off"; or a sewer collection unit is planned without reference to a sewer treatment unit. He cited a particular EDA grant for sewer treatment. The cost figures for the project "literally were dreamed up at a meeting of officials, without being checked out." Amazingly, the program allegedly was approved by Washington without any further checking and would have been grossly underfinanced had not the State interceded and pointed out the discrepancies to the federal government officials.

Again in North Carolina, State officials pointed to the relationship between the Federal Bureau of Public Roads and their own State highway department as a

perfect example of Federal-State cooperation that works. "Chaos would have resulted if the Bureau of Public Roads had dealt directly with the cities. The BPR should be a model for Federal-State-Local programs."

By contrast, they cited OEO as an example of poor structuring. They felt the program was extremely wasteful -- that the Governor has "no idea what was going on" -- that he had the power to delay a program for 30 days but, in reality, this was no power at all since the program first was announced in the locality to be served. Consequently, as a political matter, the Governor could not afford to oppose a program that would bring money into a locality. (Although the North Carolina officials did not say so, in all fairness to OEO we should point out that their technique developed only because the "power structure" at every level of government had failed to take action.)

But the North Carolina conclusion is fair: "The State is in a better position than the federal government to set priorities -- mutual respect between the State and Federal officials must replace mutual suspicion."

In Kentucky, the airport program was cited as an example of Federal-State cooperation that benefited the localities. "In each case, the money goes to the State, and the State decides where it best can be spent. We think this is a good precedent for other federal programs."

The Kentucky people also referred to HEW practice where no sewer treatment grant is approved unless the State Department of Health approves as well. "This procedure makes good sense to us."

They also told of a situation where the town of Horse Cave wanted a million dollars for a sewer plant. Nearby Cave City also applied for a million dollars for a sewer plant. Without the State's action, they contend that each of these applications probably would have been approved by federal authorities. However,

because of the proximity of the cities, the State officials were able to recommend one large sewer plant to serve both cities at a cost of 1.5 million dollars (as opposed to 2 million dollars for two separate systems).

Reference also was made (although I was unable to document it) to a situation in California where a city extended its water lines beyond its boundaries and found themselves building on one side of the street, with a federally sponsored water line being constructed parallel to it on the other side of the street. Here again, it was the feeling that increased State participation could prevent these instances of waste and duplication.

In California the point was made that the State could promote better local cooperation if only it knew what the federal government was doing. For example, San Jose and Santa Clara each have urban renewal programs but they don't work together in any way. The State feels that their problems are overlapping and that by working together, much time and effort and money could be saved. "But since we don't know what they are doing, we can't help coordinate."

2) Local Conditions. Not only should the States be consulted in setting priorities, but they should be used to carry out federal programs because of their superior knowledge of local conditions. Probably the best statement of this concept was made by a California official who said that "the States are in the best position to understand the local situation, local sensitivities and make local judgments."

Most of the State officials interviewed said that, for this very reason, most cities would prefer to work with the State than the federal government. "Just as the Federal Government is becoming alienated from the States, the Federal Government also is becoming alienated from the localities. The cities don't like the idea that the Federal Manual runs the show. These local units of government more and more are looking to the States as intermediaries."

(California)

A Michigan official put it this way: "Federal officials just can't deal with the 'minimal end products' of their programs. The State has the personnel - the proximity - as well as the knowledge of local problems. Also there is an existing administrative interplay between the State and its subdivisions, not to mention the constitutional and legal interplay. The interposition of the States in the long run will benefit the federal government."

The Michigan people claim that local officials constantly complain of dealing with federal officials "who just don't understand our problems."

The point here is that it is the philosophy of the federal government to select the best programs for the most people. The States, however, can refine this philosophy to a much greater degree by tailoring those programs to the particular needs of the States and localities.

Some States believe that federal ignorance of local conditions often can pervert the original intention of the government. A striking example was alleged in California, in connection with the Proposition 14 controversy.

In order to promote the federal policy of Open Housing, the Department of Housing and Urban Development let it be known publicly in California (in 1964) that passage of Proposition 14 (which would have nullified the provisions of the existing fair housing law) would result in a cut-off of federal funds.

The California people maintain that, because of an unfamiliarity with local conditions, the result of this statement of policy was exactly the opposite of what was intended.

A majority of Negroes in California resented Urban Renewal because it threatened to displace them from their homes. Accordingly they seized upon HUD's statement and interpreted it in light of their own desires; i.e., if we vote for Proposition 14, then HUD will cut off federal funds for Urban Renewal,

and we won't be threatened with eviction. And indeed Proposition 14 was passed.

HUD did proceed to cut off funds as it had indicated it would. When California officials then asked to open conversations to explore ways of resuming HUD programs, they say they were rejected in these efforts. In addition the federal people allegedly refused to allow State officials to file suit to test the new law. The federal people did it themselves, but five months later. In the meantime HUD cut off many existing contracts and stopped all future grants. The end result, according to the California officials I spoke with, is that HUD first helped pass Proposition 14 (when they really wanted to defeat it) and then ceased its Urban Renewal activities (when they needed to be continued). All this, they say, stemmed from a basic misunderstanding of local conditions.

3) Responsibility. Thus far we have discussed the advantages of working with the States in terms of the States' superior ability to set priorities and in their knowledge of local conditions. A third factor often mentioned is the continuing responsibility which the States must bear.

This thought was expressed in North Carolina: "Whatever the Federal Government does, whether it's in a city or in a metropolitan area, deeply affects the State -- whether it be highways, schools, or social services -- so why not bring in the State as an equal partner at the beginning rather than having to drag them in reluctantly after the program has been implemented."

In Pennsylvania: "Urban renewal usually involves highways -- sometimes streams and forests -- all of these are activities in which the State plays a prominent role. So the State should be involved in these Federal programs from the beginning." When the discussion turned to Demonstration Cities, the same thought was repeated: "Demo Cities will involve highways, social and welfare problems. The State has most of the major social programs, so we should be involved."

There also is a fear of what happens to the federal programs after they are accomplished and the federal government no longer is involved. "We have a tremendous fear of the Federal Government building capital improvements without determining if there is local ability to maintain them."

In Missouri, one comment was: "More and more, the State is taking over municipal functions such as roads, regional jails, police training and welfare. State government has doubled in the past ten years, both in terms of dollars and personnel. When you meet State people versus local people, generally speaking the States are more qualified. The Federal Government should use the States."

The New York Regional Office of HUD, while expressing certain skepticism toward expanding the role of the State, conceded that the State can be, and has been, of help. They cited a situation in Vermont where three cities were involved in a Federal program. Burlington and Barre went along with the project, but Montpelier didn't have a plan and so was not participating. Through the intercession of the State, the problem was resolved and the three-city project became a reality.

The problem of continuity of program (which goes to State responsibility) arose in discussions in California. This is their contention: "The Regional Office lists 110 communities having 'Workable Programs.' However, when you take into account the dates of expiration, only 37 now are certified. Another 30 will expire in 1966. So what's the purpose of having a 'Workable Program' unless it's put into operation." Many cities obviously are meeting the 'Workable Program' requirement only in order to qualify for a particular Federal program - then they drop it. The same applies to 221(d)(3) requirements, and to Public Housing and Urban Renewal requirements.

Therefore these programs often have no real meaning to a community. The State can help. It can give "quality control." It is not enough for the State to act as a conduit or funnel for federal funds. The funnel should have a turnkey. "The Federal Government must put the States on the backs of the localities."

4) Constitutional and Legal Authority. As Dr. Weaver pointed out (in his speech of June 15, 1966, to the National Legislative Leaders Conference): "In our Federal system the State is the repository of legal authority for municipal powers -- the Constitution grants no inherent right of local government. The city is structured and acts within the framework of State law." He then went on to explain how important it is for the States to clear up the jurisdictional tangle that has developed over recent years with the proliferation of special districts and local governments whose boundaries often overlap or bear no rational relationship to municipal boundaries.

"Several States have moved to clear this jurisdictional jungle -- the Minnesota Municipal Incorporation Act, for example ...Constitutional reform has been used, as in Michigan...

"Even where it is difficult to limit governmental units, a State can enable joint action by existing units. And over 30 States have acts which authorize two units of government to perform jointly a single function. But what is badly needed is authorization for localities to form joint multi-purpose agencies. Very few States have that kind of legislation.

"Without these reforms, municipalities and special purpose districts will continue to proliferate and compete. The Advisory Commission on Intergovernmental Relations has drawn up model State bills which can help many States, and its services should be used.

"Since 23 percent of the nation's population resides in interstate metropolitan areas, there must be rational new laws or Constitutional reforms to allow interstate planning and cooperation..."

Kentucky is a good example of the problems caused by this form of government. The Governor of the State constitutionally is limited to one term. The Mayors of the

large cities constitutionally are limited to one term. This leaves the real power in the hands of the County Judge and the County Attorney whose terms are not limited. To solve this legal problem of county domination, a constitutional revision will be on the ballot this November. It would cure the above, as well as provide for Home Rule (localities would be able to do anything not specifically forbidden by the Legislature).

With regard to legal and constitutional control over the cities, a Michigan official said: "Don't forget that the State governs the structure of the local units. There is much confusion at the local level. There is a tremendous need for functional consolidation. Who in Washington is capable of bringing this about? Only the State can do the job well. Therefore the Federal Government and the States must work together for problem-solving."

Michigan goes even further: "You have States, so use them. Don't change State boundaries. Get the States to work together. We must have a balanced solution for our problems. The Federal Government must work with the States to define boundaries. They must be flexible. Redefine where necessary. We can do this in Michigan because our Constitution spells out methods of consolidation, and of effectuating metropolitan governments."

Robert A. Aleshire, writing in the Public Administration Review (Vol. XXVI #2) sums up the problem this way: "While it may be necessary in order to achieve a national policy objective to avoid State 'control' of a program, the State 'contribution' should not be sacrificed. Too often programs are drawn with only the 'bad' States in mind, while the positive efforts and abilities of others are ignored. The State possesses legal powers, potential fiscal resources, and an areal jurisdiction which may be needed to solve urban problems."

5) The State as Innovator. There is another factor which makes it advantageous for the federal government to work more closely with the State Governments. That is that the State has been, and will undoubtedly continue to

be, a laboratory for testing out new techniques and new programs.

In a speech given by Governor Edward Breathitt of Kentucky to the National Legislative Conference on August 17, 1966, this point was well developed.

As long as the revenue sources remain essentially as they are, we will need federal money. But we will need more and more experimentation and innovation...We need creative thinking from every possible source, and it must not be stifled by attempted uniformity projected from Washington...Federal legislation can topple legal barriers, but state and local action programs are the only ones that can bring about the full understanding that now seems critical to the health of our society.

...(T)he states have long served as laboratories in the development of governmental programs...State efforts highlight problems and possible solutions to them which are often taken over and modified by other states and the national government. For example, North Carolina and Kentucky were conducting their own attempt to break the 'cycle of poverty' prior to the national war on poverty. In the field of vocational education and elsewhere, we anticipated some of the Appalachian programs. The Appalachian Act and the Economic Opportunity Act of 1964 incorporated some of our innovation for the national program...The first anti-trust statutes were developed by the states; the first maximum-hours-minimum-wage legislation was developed by the states; the states fashioned the first anti-discrimination statutes, the first child labor laws, the first unemployment insurance.

6) Interstate Programs - Appalachia. Mention of the Appalachian program by Governor Breathitt raises a further advantage of working with the States: only the States are in a position to effectuate programs which cross State lines. The Appalachian Commission is the best example of States working together with the federal government to achieve a common goal.

Other such interstate arrangements are the Bi-State Development Agency which involves both Missouri and Illinois in owning and operating certain specific types of public works projects pertaining primarily to the field of transportation and making studies and plans for the coordinated development of the Bi-State area.

There now is a Kansas-Missouri Planning compact in existence.

The Great Lakes Commission has as its members Illinois, Indiana, Michigan, Minnesota, New York, Ohio, Pennsylvania and Wisconsin. Their purpose is to study water resources of the Great Lakes Basin and to make recommendations with respect to their use.

Parts of Arkansas, Missouri and Oklahoma have formed Ozarkia, a counterpart of the Appalachian program.

In every State visited, I found unanimous praise for Appalachia as "the best example of States working together with the Federal Government."

The Appalachian Regional Development Program joins the federal government and the Appalachian State governments in a unique alliance to promote growth and development of the 12-State Appalachian region.

The interesting aspect of Appalachia is the structure and operation of the Commission. It comprises the Governors or their representatives from each of the 12 Appalachian States and a Federal Co-Chairman, appointed by the President, whose affirmative vote is required on all projects. Projects approved by the Commission then go to the Secretaries of the various federal Departments for final approval and implementation. The States' Regional Representative, elected by the Governors of the 12 States, represents the States in the day to day administration of the Appalachian program.

The Appalachian Act has incorporated two new concepts. First, it gives the States a substantial voice in the planning and implementation of federal programs and joins State, Federal and Local efforts for more effective action.

Second, it directs that special assistance should be provided in areas where there is a significant potential for future economic growth as determined within the framework of a comprehensive development program.

All projects must originate at the State level and must have the approval of the State member in the Appalachian Regional Commission. The program is designed to promote overall development and growth.

I am devoting some space to the Appalachian program because it is proof that the Federal government and the States can work together effectively. But the point

that should be stressed here is that the philosophy of Appalachia reflects the distinct but complementary roles of the federal government on the one hand and the State and Local Governments on the other. The overall problems are national in scope -- hence the initiative of the federal government. However, only the State and Local governments can cope effectively with the localized nature of the problems and muster the necessary local resources to meet them -- problems and resources which vary greatly from region to region. As one Appalachian official stated it: "The application of this localized knowledge in decision processes to select the most rational actions is as important in the treatment of problems as is the commitment of national resources to allow an adequate scale of attack."

All of this becomes more pertinent to HUD when one recognizes that the Appalachian Regional Development Program, The Economic Development program, the Housing and Urban Development program, the Economic Opportunity Program, and the pending Rural Community Development Program all have this in common: the primary purpose of each is to allow areas and categorical groups of people with special problems to tailor these multi-purpose programs, along with the comprehensive range of regular programs, to meet their special as well as general needs within an overall framework of regional and State development activities.

An Appalachian official says this of these programs: "I believe multi-purpose federal programs, along with State and local programs, can be efficiently, economically, and effectively administered and coordinated without lessening or decreasing the effectiveness of democratic processes or essential judgments at the State or local level. To do so, there must be an appreciation on the part of Federal administrators and policy makers of the essential value of effective State participation in the process. The presently increasing instances of direct

relationship of federal agencies with local organizations -- bypassing State government and, at times, even local government -- can create a chaos of duplication, confusion and inefficient action in many programs. This growing problem can only be met by the proper relationship of federal programs to state government which is large enough to serve the people and small enough to know them."

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Granting, for the reasons stated above, that it is advantageous for the Federal Government to work closer with the State, HOW DO YOU DO IT? Unfortunately too much of the literature on the subject of Creative Federalism talks in terms of literary exhortations that cannot be translated into actual programs. The only way to improve the relationship is for something to be done -- something specific.

So, at this juncture in the report (since much of what follows will refer back to these major suggestions, with other recommendations contained throughout the body of this report and in a special summary section at the beginning, I propose two specific steps:

1. PROVIDE INFORMATIONAL MATERIAL TO THE STATES ON LOCAL APPLICATIONS FOR FEDERAL GRANTS; and
2. ESTABLISH A STATE DESK AT THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT IN WASHINGTON TO COORDINATE ALL STATE ACTIVITIES

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1. PROVIDE INFORMATIONAL MATERIAL TO THE STATES ON LOCAL APPLICATIONS FOR FEDERAL GRANTS

The States ideally want full review powers on local applications for federal grants. At the U.S. Governors' Conference (July 2-7, 1966), the following resolution was adopted:

WHEREAS, some states have centrally coordinated all federal programs within the office of the Governor or within a unit directly responsible to the Governor; and

WHEREAS, such coordination places state government in an essential position in relation both to federal and local governments; and

WHEREAS, it is necessary that the impact of federal programs be assessed and fully understood as related to the total development of a state, its regions and local governments;

NOW, THEREFORE, BE IT RESOLVED by the National Governors' Conference:

1. That the federal government, in planning and through its enabling legislation with respect to state, regional and local government assistance programs, require coordination and review at the state level; and
2. That federal programs requiring the existence of regional, metropolitan or area-wide bodies, or planning processes, as a prerequisite for financial or other assistance also require coordination and review at the state level.

In theory this suggestion has merit, but in practice it almost surely would alienate what is now HUD's major constituency: the large cities. However, it is a feasible long-range goal.

Is there some middle ground which would, at once, encourage the States by giving them greater responsibility, and yet not alienate the Big Cities?

I believe there is.

There is now in existence "Standard Form 101" which is a document to be filled out by a sponsoring agency interested in federal assistance for water and sewer systems and sewage treatment works. It is not a formal application for funds but rather a preliminary information sheet on the basis of which the Federal Government will tell the applicant with which agency to file his application (since various aspects of the sewerage problem are handled by the Departments of Agriculture, Commerce, HEW and HUD).

I asked each State I visited: What would your reaction be if a copy of Form 101 automatically were sent to you at the same time it is sent to the Federal Government?

Although this is admittedly a small step, the reaction was not only unanimously

affirmative but unanimously enthusiastic. For here at last would be a real opportunity for the States to prove that they can do what they say they can do: help the Federal Government and the Localities by using their expertise to more effectively and more efficiently administer the Federal programs.

By having information in their possession before the Federal Government made an irreversible decision (approving or rejecting an application for a grant), the State could send people into the area to study conditions. It could make recommendations to the locality or to the Federal Government in order to improve the program to be administered. Again, this is the power of "comment", not "approval."

This move would answer the complaint so often expressed by the States: "By the time we find out what's going on, it's too late to do anything." Or in the words of a Kentuckian: "We don't like surprises -- and often the only way we know about approved projects is to read it in the paper." It would, in the words of a California official, "give us a chance to show what we can do."

Since this would be an informational step only, there would be no sound ground on which the Cities could object.

If this innovation proves successful, I then would expand the process and make applications for other programs administered by HUD go to the States as well as to the Federal agency.

In terms of actual administration, it may be advisable for HUD (and the other agencies involved) to duplicate applications immediately upon receipt and forward them to the Governor or his designee, rather than causing even mild irritation by asking the cities to file duplicate applications.

Again in line with the Escalation of Responsibility policy, the States would be given more and more information as they show their ability to use this information to help -- not hinder -- the localities in perfecting and improving

applications and stimulating communities to work together to prevent duplication and effect economies.

This responsibility can continue to increase until it actually reaches the review stage. Aside from the handful of Big Cities, I question whether the other cities would be too upset about State review if it is conducted properly.

What are the real objections to review?

The New York Regional Office of HUD summed them up in this way: "We have an excellent working relationship with the New York Housing people but we oppose giving the State review powers. Why? Because the State has a different set of standards than the Federal Government; because it would cause unnecessary delay; and because we question the State's motive: is it service? or is it control? or is it political power? If the Regional people oppose an application, you know it's not power but public service behind its decision."

Let me say that I disagree wholeheartedly with this cynical view of State motivation and add that it was expressed by one person in the New York office and hopefully does not represent the official office view.

Aside from motivation, though, it is not necessarily true that there would be unnecessary delays. In speaking with the State OEO people in New York, I learned that their State review begins just as soon as the application is filed. "We are usually completed with our review before the federal people. We have experts in the State while the federal people can't send in their experts."

Other New York State officials quoted a HUD Assistant Secretary as having "the horrors at the thought of State review" but commented that "if we start when the Feds start, there will be no holdups."

Not only should the States be informed when applications are made, but they also should be informed on the disposition of these applications by the Federal Government. It is my understanding that one of the Bills proposed to the Congress

by the Advisory Commission on Intergovernmental Relations would have required the Federal Government to notify the Governors when projects were approved for their States. This would allow State officials to more intelligently prepare their budgets and allocate funds. The Bill did not pass the Congress. I was told that the main reason for its defeat was the opposition of Congressmen who, for political reasons, preferred to announce federal programs for their own districts, rather than giving the Governor this power. If that is so, then the question is merely one of timing; i.e., inform the Congressmen first, and then tell the Governor. But the principle is correct, and another attempt should be made to pass the legislation.

2. ESTABLISH A STATE DESK AT HUD IN WASHINGTON TO COORDINATE STATE ACTIVITIES

One of the major concerns of the States is with the attitude of HUD toward them. Prerequisites become important. The States are looking for an open-door policy, red tape cutting, receptive ears, and follow-through.

The Michigan people voiced the desire for a "single contact point in Washington where State officials can go." Another official in the same State remarked: "It might be a good idea if there was a State man in Washington to go to, as well as a State man in each Agency."

It is strongly recommended, then, that a State Desk be created at HUD in Washington.

When the organizational structure of HUD was formulated, responsibility for coordination of the activities of the various levels of government was placed under the Assistant Secretary for Demonstrations and Intergovernmental Relations. It was felt that greater results would be produced by placing this vital function under an operating Assistant Secretary, where coordination would receive paramount attention, than under the Secretary where it would have to compete with so many other Departmental responsibilities.

Ordinarily I would recommend that it be located in the Office of the Secretary because prerequisites were so important here. The Governor of a State wants to feel he is being served by HUD "from the top." If he must seek out what appears to him to be a subordinate official, he initially loses confidence in the intention of HUD to make the States full partners and is very likely to ignore the State Desk entirely.

If the State Desk is established under the Assistant Secretary for Demonstrations and Intergovernmental Relations (for internal reasons), then I very strongly suggest that (for purposes of external confidence among the Governors) the State Desk be given sufficient visibility and status to assure the States that they are indeed receiving the recognition and top-level assistance they would want. This could be accomplished by using the title: "Special Assistant for the States."

The person who mans the State Desk should have quick and ready access to the Secretary, the Under Secretary and the Assistant Secretaries -- his sole purpose would be to serve the States.

The position could be filled by someone of national prestige, ideally a former Governor (or one going out of office). Or it could be filled by someone who could make up for prestige by superior capability in servicing the States. In the event of the latter, however, it is important not to give the position to a technician. It should go to a politically oriented person who can talk the Governors' language and who, in addition, has high capability and intelligence.

This step could remove one of the great frustrations experienced by State officials: coming to HUD to get information or expedite a program and getting shuttled back and forth from one person to another. The State man could analyze the problem and arrange to have the proper officials present for the Conference. He would shepherd the State officials through the red tape of the agency.

There is no question but that some State officials (and local officials as well) come to Washington for political purposes. Especially at Election time, it doesn't hurt to have your picture in the hometown papers shown conferring with Secretary Weaver about housing problems in your State. So be it -- these visits should be welcomed, even encouraged, since politics cuts both ways. By accommodating State officials in this manner, they will be all the more receptive when the Department asks them to support a program before the Congress.

The State Desk would be in charge of notifying Governors or their designees when important bills are before the Congress and, working with the HUD Congressional Liaison man, arranging for them to testify. As was noted earlier, the only Governor in the United States to testify personally for the Demonstration Cities Bill was Governor Breathitt of Kentucky.

From this information I concluded that the other States were not interested. This is not true at all. Many States complained to me either that they were not asked to testify or that the channels of communication are so poor that such information got buried on the Governor's desk. Under my proposal, this would no longer occur. The State man would establish a contact in each State -- if that State elects to have a HUD man in the State Capitol, liaison becomes all the easier.

The State Desk would be in touch with all facets of the HUD operation. This information could be transmitted to the States. The Desk could be a clearinghouse as well for information from the States on how they are coping with urban problems, how they are promoting coordination, and the like. Working with the HUD Public Affairs Department, this information could be promulgated to all the States so each could benefit from the experiences of the others.

Working with the Legal Office, the State Desk could assist States in getting reviews of their proposed legislation. Model codes could be sent to the States

for their examination. Current ACIR reports could be provided.

The State Desk would evaluate the performance of the States and recommend to the Secretary when a State has demonstrated its willingness and ability to deal with HUD programs so the degree of responsibility in that State can be escalated.

I am firmly convinced that the establishment of the State Desk would be a major step toward establishing better relations with the States.

Again the point is repeated that the States are not "looking for the world" -- all they want is some evidence of good faith on the part of the Department that it means what it says when it talks about working with the States.

In that vein, the mere fact that HUD was sufficiently concerned to send a representative to a number of States to seek their viewpoint for this report was received by those States as a welcome indicator of the Department's willingness to explore new possibilities of mutual cooperation. Even this small gesture meant so much.

For convenience, let me list again some of the responsibilities of the proposed State Desk:

- 1) Receive inquiries and handle problems for States -- expedite
- 2) Arrange meeting for individual State officials with proper HUD officials
- 3) Encourage States to participate in HUD programs (financial contributions, etc.)
- 4) Work with Regional Administrators and HUD men in the States
- 5) Work with Office of Legal Counsel to:
  - Codify HUD legislation from State point of view - clarify definitions
  - Prepare and disseminate Model Codes
  - Review proposed State legislation and State plans

- 6) Work with Public Affairs Office to prepare simplified WHY-WHAT-HOW materials for the States -- assist States to mesh their programs with federal programs
  - Assist Governors with speech material and testimony for Federal and State legislative hearings
- 7) Encourage creation of State Offices of Local Affairs
- 8) Conduct periodic seminars and workshops
- 9) Arrange periodic regional meetings with the Secretary
- 10) Work with Division of Congressional Liaison to:
  - Support amendments and new legislation to help States
  - Enlist State support for HUD programs before Congress
  - Review HUD legislation and solicit recommendations for new legislation
- 11) Work with Assistant Secretaries to orient their thinking and programs toward States where applicable
- 12) Work with Office of Urban Studies and Clearinghouse Service to provide pertinent materials to States
- 13) Put out regular reports of State activities and effective State programs
- 14) Supervise process of informing Governors or designees of local applications for grants and of final decision on said applications
- 15) Supervise keeping States posted on new programs, changes in regulations, administration of guidelines, etc.
- 16) Supervise keeping States informed of appropriations available for specific programs

To conclude this section of the report, and to emphasize again the importance of the States, let me quote from one of the country's most distinguished students, practitioners, and exponents of the art of State Government -- the former Governor of North Carolina, Terry Sanford who has said:

In many respects, the states are the key to the operation of the federal system of government. I am not arguing from the constitutional position that all other governments in our system derive their grant of authority from the states. Nor am I arguing from the political position that shows that our state political systems are the basis of the national political system. The position I am arguing from is based on an understanding of how our governmental system operates -- that the states are a major partner in almost all federal domestic programs, and are a vital resource which ought to be summoned to the front lines of the battle.

### F. PLANNING

The function of "planning" within State Government today is somewhat analagous to the role a few years ago of "psychiatry" in the medical profession. It is difficult of definition and thus somewhat mysterious; people publicly acknowledge its worth but privately harbor suspicions of its effectiveness; and some believe that its practitioners receive far too much money for far too few results.

Be that as it may, planning has become increasingly important as Federal, State and Local programs continue to multiply with rabbit-like frequency; as the population increases; and as available land space decreases.

Planning really began to come into its own only in recent years at the time the federal government enunciated a change in policy from physical planning to so-called comprehensive planning. While the States recognize this change, they have been slow in catching up. It is one thing to plan for conservation in one department; for highways in a second; and for housing in a third -- but until all three get together and set priorities, the end result inevitably will be confusion.

HUD has stated time and time again that it encourages planning. Employing the "incentive method" there are many programs which call for comprehensive planning as a pre-condition for federal funds. For example, in the Housing and Urban Development Act of 1966, special supplemental grants of 20% -- in addition to grants already available under other federal legislation, providing the total does not exceed 80% -- would be made available for the following programs PROVIDED there is coordinated planning:

1. Water and sewer facilities - HUD
2. Sewage treatment works - HEW
3. Highway construction - Commerce
4. Airport development - FAA
5. Urban mass transportation - HUD
6. Acquire & develop open space - HUD

7. Land and water for recreation - Interior

8. Public works and facilities - Commerce

Under Section 701 of the Housing Act of 1954, federal money is made available to the States to encourage Local, Regional and State-wide planning.

One of the most potent arguments of the States to convince HUD (and other federal agencies) to work closer with them is: What good is it to make plans if the federal government ignores them by dealing directly with the cities. A reverse impact is felt as well: so long as the federal government does ignore State planning, there is no incentive to upgrade the planning capability.

The Big City reply is: State planning is a farce. Richard Streichartz in Detroit says: "We're leery of a State plan. It's not drawn in terms of a 'systems' approach, but rather on a straight program-by-program approach." And in even stronger language Edward Logue of Boston states: "Not one State of the fifty has a State plan."

So really we are raising the problem of whether HUD should formulate its future course of action based on "what has been" or in terms of "what is, and will be." Every State I visited is working, sometimes feverishly, on its planning function. Many are close to fruition. It would be self-defeating to ignore this process which HUD, in large measure, is financing.

There are some good reasons why the State planning function has been slow. City of San Francisco officials, for example, explained that the State of California established an Office of State Planning in 1956. But only in recent years did the change of policy from physical to comprehensive planning occur. In 1963 the State received 701 money to prepare a State plan and is well on the way toward achievement. In the meantime, of the 92 cities in the Bay Area, 50 now have regular planning staffs. And this type of planning is going a step farther since

ABAG (Association of Bay Area Governments) already has drafted legislation for true metropolitan government under an elected body.<sup>1</sup>

This question of planning must be divided into two parts. The first deals with local and regional planning -- the second, with State planning. The latter is subdivided into "the State Plan" as a document, and State planning in terms of an ongoing process.

As to the local planning capability, the States act as a conduit for 701 monies on their way to the localities. The localities choose the planner and put together their plans. My visits to the various States convinced me that not enough is being done in terms of "follow-up" or what was earlier called "quality control" of these plans.

What if the plans are incompetent? What if they depart radically from the overall State planning objectives? Who is to decide these matters? California officials suggested that the State be allowed to withhold a percentage of the payment to the local planner until the plan is certified as competent and consistent by the State Planning Agency. This strikes me as a logical and wise step -- it should be encouraged by HUD.

As to the State plan, Mr. Logue is probably correct that no State today has a comprehensive plan. In a very short time, however, that will no longer be true. And Mr. Streichert is incorrect when he claims the States are ignoring the "systems" approach (which I take to be a 1966 bit of governmentese to describe the process of taking into account an interrelation of factors), as opposed to the straight program-by-program approach. In Missouri, for example, I took the time to seek out some of the men who were actually drafting the State plan and

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1 - This does not mean that Regional Districts should be the coordinating tool. According to my information, ABAG was originally put together as a defensive measure to keep out the State which had stepped in for lack of local initiative. ABAG was the product of a conservative coalition designed to strengthen the white belt around San Francisco and prevent State "interference."

questioned them closely on this subject. They themselves raised the subject of a "systems" approach, which they were using, and demonstrated the effectiveness of such a coordinated approach to planning.

A North Carolina official told me he believes in "State planning" but not in a "State Plan." "Let's eliminate all this hocus-pocus about State planning", he said. "It should be flexible and an on-going process."

In North Carolina the governmental tool being employed is the State Planning Task Force. The mission of the Task Force is to encourage planning in each of the State's 43 Agencies. "We want to build into each a solid planning effort." Each agency designates one man as the resource person for the Task Force to work with. In almost every case, that person is the Number 2 man in the Agency -- usually holding the title of Assistant Director. This was a conscious move in order to keep the planning function on a technical rather than political basis. The Number 2 men generally are career people who survive any change in Administration. This provides the continuity so badly needed in planning. As one person told me: "The whole process (of planning) would be worthless if every two or four years we threw out the State Plan with the outgoing Administration and started all over again according to the views of the incoming Administration."

Kentucky is spending half a million dollars for a State plan, but they are genuinely concerned about its ultimate value because of the attitude of the federal government. "What good is it if the State isn't consulted by the Feds in spending money within the State. Because of our Plan, we will be in the best position to set priorities."

Michigan echoes the views of some of the other States in differentiating the Plan and the planning function. "You should have a State plan, but you must also think of planning as a continuous process." It must take into account regional plans and local plans. But the problem, of course, is implementation.

Again, it should be repeated: HUD cannot on the one hand encourage planning and on the other hand ignore planning by by-passing the States.

HUD has been perfectly correct in stressing the importance of translating these plans into short-term action projects. Until now, too many plans have gathered dust on a shelf. So in this regard, the States have some work to do as well.

The Michigan people recognize this problem. They have received over three-quarters of a million dollars over a three-year period for planning. They agree with the federal shift from physical to comprehensive planning. They agree that "planners must link in with the political process. Too often planners tend to work in a vacuum, without sufficient interaction with the departments of State government." This is important because, as was pointed out, "planning is the most personal prerogative of the head of an agency, so you must encourage his participation in order to build up his confidence."

Planning Districts. As federal programs, each often with its own planning district, multiply -- along with a concomitant increase in State programs which themselves often involve planning districts -- there is almost unanimous agreement that steps must be taken quickly to conform these districts. Otherwise everyone will go crazy trying to conform with so many of them.

The States agree on two points: 1) that the Federal Government must compel the various departments of the national government to use identical planning districts wherever feasible; and 2) that in the long run the programs, both Federal and State, will be administered more effectively and efficiently if the States set those districts.

Governor Scranton of Pennsylvania is one of those Governors most concerned about the conflicting units of administration of Federal programs within the States. He firmly believes that the States must define the districts.

Other Pennsylvania officials say there are too many Federal regions -- in addition they concede that their own planning board has set up regions, as have the counties.

Attached to this section is a copy of a United States Governors' Conference report (July 6, 1966) dealing with the "Coordination of Federal and State Planning."

There has been recent reaction from Washington. On September 2 the President of the United States issued a Memorandum to the Secretaries of Commerce, HEW, HUD, Interior, Agriculture, the Director of OEO, Co-Chairmen of the Appalachian Regional Commission and Director of the Bureau of the Budget requesting coordination on the Federal level. The Memorandum reads, in part:

...State and local development planning agencies should be encouraged to work together in using common or consistent planning bases (i.e., statistical and economic estimates), and in sharing facilities and resources.

Boundaries for planning and development districts assisted by the Federal Government should be the same and should be consistent with established State planning districts and regions. Exceptions should be made only where there is clear justification.

Interestingly the Director of the Bureau of the Budget is given authority to take the lead in working with the departments to make this directive a reality. HUD should take the initiative in working with the States to achieve this objective.

To bolster this expression of Presidential policy, a few State quotes are in order:

Michigan - "The States should set the planning areas. Who in Washington is as capable of doing it? They don't know the local problems. They don't have to live with the problems on a day-to-day basis."

Pennsylvania - "The States should set the planning base for the regions."

Kentucky - "It appears that each federal agency has a different definition of what is comprehensive planning. How can we possibly comply with them all?"

A number of States complained about the difficulty in obtaining Federal money for planning purposes and said they found it difficult to sell their

Legislatures on putting up a share of the money where there was no assurance that the Federal money would continue past the initial grant."

This situation has pertinence right now in Michigan. That State has an ambitious planning program. They now have filed a second phase application, asking for 698,000 dollars (2/3) -- 200,000 was their initial allocation -- they need additional funds to keep going. They must sell their Legislature. The money is necessary to recruit and retain staff. What Michigan is looking for from the Federal government is an indication of long-range support that they can then use to convince their Legislature to go along.

Vice-President Humphrey addressed himself, in part, to this problem in a recent Conference of City Managers held in Washington. There was bitterness expressed because the Congress had cut the appropriations for many of the long-term programs to one or two years. The Vice-President commented that Federal programs were somewhat like babies. Once they come into the world, barring some unfortunate accident, they usually stay with us for a long time. In other words, if a Federal program is good enough to be funded for one year, chances are the funds will continue, unless the program is an absolute catastrophe, in which case it deserves to be canceled.

There is some strong feeling among the States that State planning money should not be lumped in with all other planning money for all other purposes. A North Carolina official summed up this sentiment when he said: "We shouldn't have to compete on an equal basis with towns under 5500 in population."

The States would much prefer that State Planning funds be segregated. One asked for an office of State Planning in HUD with funds and technical assistance specifically earmarked for this purpose. I go along with the idea of earmarking funds but would make the State Planning assistance another function of the State Desk located in the Office of the Secretary.

Another complaint deals with the inordinate delay in approving applications for planning money.

Where should the planning function be located organizationally on the State level? The States have several ways of handling this problem. However, the best thinking appears to be that the State Planning function should come under the Governor's Office, while local planning should be handled by the State Department of Planning or Local Affairs. I quite agree with this arrangement as the most logical.

California seems to be heading in this direction. Interestingly they rejected the Massachusetts Department of Commerce and Development formula (which places under one roof responsibility for economic development, tourism, housing, urban renewal, and planning). They did this because "economic development and tourism are more Chamber of Commerce type functions which are glamorous and show specific results in terms of the number of industries and visitors that come into the State. Consequently, if budget cuts were to be made for that Department, planning would surely sustain them first, since its short-run achievements are so difficult to demonstrate."

In New York, as in many of the States, there is a Planning Department that coordinates functions, but the actual planning responsibility is left in the hands of the various Departments. New York has a State Master Plan in the works as well as 12 regional plans. Again, though, "all this work will be in vain if the Federal Government bypasses us."

HUD's State Desk could perform a real service by suggesting the proper structural arrangement for Planning at the State level and, more important, can see to it that HUD respects the plan when it is completed. The State Desk must also take an active role in stimulating metropolitan planning and help stimulate State legislation, where necessary, to make this kind of planning possible.

What conclusions can we draw from these materials? First, that the States do not at this moment have a State Planning capacity; that most of them are working conscientiously to achieve it; and that they will probably reach their goal within a year.

Second, the States fear the Federal Government will bypass this capability once it is achieved. How can HUD, for one, obviate that fear?

They can do it by encouraging more State planning. This aid can be made more effective by earmarking funds for the purpose and going out to encourage States to implement State planning. Again, I am calling for the Department to assume an active role, a posture that seems incomprehensible to some HUD officials at this time.

They can do it by encouraging States to conform their own planning districts and then use those districts as HUD's districts so long as they are reasonable.

And finally, and most important, they can do it by running all projects through the State Plans once they are completed. This is not gubernatorial review, which the Big Cities fear so much. It is merely assuring consistency of purpose.

The tool for all these purposes will be the State Desk at HUD.

It is significant to note that HUD is currently re-evaluating its entire "701" general planning assistance program and is assigning a new and high priority to support of the State comprehensive planning effort.

That is the Plan for Planning.

## COORDINATION OF FEDERAL AND STATE PLANNING

The National Governors' Conference Committee on State Planning, in 1964 considered the problem of communicating relevant planning information between federal and state agencies. The committee presented to the conference a Federal-State Joint Staff Paper on Coordination of Federal and State Planning. Among the recommendations in the joint paper were:

"That information concerning federal or federally supported planning for or the undertaking of activities which have a significant impact on state planning and development office in each state, so that it may be related to overall state planning activity. To accomplish this, it is recommended:

a. That arrangements be devised for making available, on a systematic basis, summary information concerning development projects for which applications for federal assistance are being received from each of the various states.

b. That arrangements be made for exploring the feasibility of providing the Governors on an orderly basis such planning information concerning contemplated federal public works as might be found relevant for the development of state comprehensive plans.

c. That federal agencies notify the Governor when announcement has been made concerning action taken on any federal or federally assisted physical development project in his state.

d. That the Governors' Conference Committee on State Planning, the White House staff, and the Bureau of the Budget cooperate with federal agencies in perfecting arrangements for transmitting the types of information referred to in this recommendation."

Another recommendation in the joint staff paper relates to the mechanism of coordinating information:

"That, in order to make optimum use of planning information concerning federal and federally aided development activities, the Governor of each state establish arrangements within his office or designate an agency responsible to him for the performance of the following coordinative functions:

a. Collecting on a systematic basis planning and development information concerning federal, state and local public works, capital acquisitions, and associated activities.

b. Developing of administrative arrangements for the exchange of such information between state agencies, and between the various levels of government--federal, state and local--and their agencies, including metropolitan and regional planning bodies.

c. Representing the Governor on planning and development matters of statewide, interstate and intergovernmental concern."

In order to ascertain the information desired, the Committee on Executive Communication and Coordination, successor to the Committee on State Planning, recommended to the 1965 conference that a questionnaire be sent to all Governors. This was done in September, 1965. The questions were designed to cover the broader aspects of state and federal planning, programs as well as projects, and were as follows:

"1. What types of information on federal projects or programs would be most generally useful and needed?

2. What form should this information take?

3. How should this information be transmitted to your state?

4. Do you have within your office or your state an office or an individual responsible to the Governor for the collecting on a systematic basis planning and development information concerning federal, state and local public works, capital improvements, capital acquisitions and other federal projects in accordance with the recommendations of the Committee on State Planning to the 1964 Governors' Conference?"

Thirty-seven states and three other jurisdictions replied to the questionnaire.

#### Types of Information Desired

Question 1 - What types of information on federal projects or programs would be most generally useful and needed?

It was clear from the responses that some states were referring primarily to programs, some to projects and others to both. The majority of the answers were worded generally enough to include both programs and projects.

Based on the predominance of replies, the following information appears to be most generally desired:

Names and description of program or project, classified by function or department

Objective or purpose

Financing

Total authorization  
Total appropriation  
State-local share under authorization  
State-local share under appropriation  
Matching requirements  
Amount of project grants  
Expected changes in financing over life of project  
Method of payment

Summary of other conditions of grant

Administering agencies:

Federal, including contact person in field office in Washington  
Office  
State or local agency

Citation and documentation

Code reference  
Copy of law  
Copy of rules and regulations

Project information

Location, including final site  
Summary of projects applied for in state  
Copies of analysis of project, if any; income, employment effects, etc.

There are other types of information which might be developed at a later period, such as: 1. projects or grants to private concerns; 2. loans; 3. projects in neighboring states. States especially interested in such information might be used for a pilot project.

Eventually, a more complete reporting system might be developed, to include the following: copies of bills as they are introduced and progress through Congress; analysis of legislation affecting states; news of congressional action; the experience of other states.

Form of Information

Question 2 - What form should this information take?

Most replies indicated that a newsletter type of publication presenting a summary of projects and programs would be most useful. Opinion was divided whether this publication should be issued weekly, monthly or on some other basis. A few replies indicated that special letters, telephone and telegraph might be used where necessary.

News of federal action and state allocations is most important at time of release. The Council of State Governments now publishes the Washington Report as a section of the monthly State Government News. This section endeavors to report all congressional news of interest to states as well as certain judicial and administrative decisions. This could be supplemented, in keeping with the information desired by the Governors, by spot newsletters at the moment that federal action on legislation or federal allocation of appropriated funds is known. In addition, information on individual projects could go by special letter to the states concerned.

#### Transmission of Information

Question 3 - How should this information be transmitted to your state?

There were many variations in the responses to this question. The predominant number of responses indicated that the information should be sent to the Governor and the planning office or to the planning and development department directly. Others indicated response to the Governor alone, still others to a coordinator in the Governor's office and a few to the Governor and/or his chief financial officer.

It is natural to expect that the person or office to whom the information should be sent will differ from state to state. It would be advantageous, however, for each state to designate an agency with continuing responsibilities and continuity in personnel, so that channels of communication are not lost during transition in the Governor's office. The Governor could designate one official,

such as the chief planning officer or the chief financial officer, for receipt of information; a copy of this information could go to the Governor's office unless the Governor specifically requests it not come to him.

#### Responsibility for Collecting Planning Information

Question 4 - Do you have within your office or your state an office or individual responsible to the Governor for collecting on a systematic basis planning and development information on federal projects?

Sixteen states indicate that there is no office or individual responsible for collecting planning information. Of the states with affirmative responses, ten indicated that the collection is done by the planning or planning and development office, and five indicated a coordinator under the Governor. Four replies were scattered, and two states did not respond to this question.

Those states that have overall planning agencies responsible for statewide planning, both operational and physical, would most likely wish to place the coordinating function in that office. Ideally the planning office should be directly responsible to the Governor, but in some states it functions as a division within a major operating department. Where an overall planning agency does not exist, efforts should be made to establish one. Regardless of organizational location of the information coordination function, it should be in an agency providing continuity during transition of Governors.

#### The Next Step

This report indicates the information desired by Governors' offices to enable coordination of state and federal plans. A system of communication should be established to make available any of this information which may feasibly be supplied. The following procedure is suggested:

1. The staff of the National Governors' Conference should consult with the White House and U.S. Bureau of the Budget staff to determine the information that can be transmitted, means of transmission, and timing. The staff should coordinate

where possible the National Governors' Conference requirements with those of other affiliates of the Council of State Governments, such as the National Legislative Conference and the National Association of State Budget Officers. The information to the states should flow through one federal channel rather than directly from the administering federal agency. This procedure would allow a desirable uniformity of presentation. The federal clearinghouse would also follow up on delayed reports and monitor federal government aspects of the system, a task no state agency could perform.

2. When the content, format, and means of transmitting information are decided, and the date set for inauguration of the information system, the conference staff should notify each Governor and ask for his designation of a state recipient or recipients.

3. The conference staff shall be a recipient, and should monitor state interests in the system. The staff should check with the Governors or other recipients at least annually to determine how well the system is working, and obtain suggestions for improvement.

G. PROBLEM AREAS

1. WHO'S IN CHARGE

Many of the States seriously question whether HUD will coordinate all those federal programs dealing with urban affairs.

Yet on August 11, 1966 President Johnson, in Executive Order 11297 specifically directed the Secretary of Housing and Urban Development "to consult with and obtain the advice of the Federal departments and agencies with respect to consultation and cooperation with State Governors and State and local agencies concerning Federal and State programs for assisting communities..."

And in the statement issued by the President as he signed this order was the following significant language:

"The order helps to carry out the mandate of the Congress which requires the Secretary of Housing and Urban Development to 'exercise leadership at the direction of the President in coordinating Federal activities affecting housing and urban development'."

In spite of this clear indication of Presidential intent, the States remain skeptical.

Missouri: "We question whether HUD really can coordinate the Federal programs."

Michigan: "We doubt whether HUD will be the co-ordinator."

Kentucky: "It seems unlikely that HUD will be unchallenged in the job of coordination. OEO has initiated some intergovernmental meetings already, to which we have sent our staff people."

There is reason for the skepticism and confusion as to "who's in charge."

In Washington EDA people have taken the initiative to promote coordination on the federal level.

The President's Memorandum on conforming administrative districts (reproduced

in the section on "Planning") gives coordinating authority to the Director of the Bureau of the Budget.

The Vice-President has conducted a number of meetings which indicate he is acting as the federal coordinator.

But most confusing of all, in terms of pinpointing responsibility, is the role of the FEB's (Federal Executive Boards). These so-called "Little Cabinets", established by Executive Order, are being created and empowered to oversee, coordinate and promote Great Society programs at the local level.

There are 15 of these Boards functioning at this time (in New York, Philadelphia, Boston, Atlanta, Cleveland, Chicago, St. Paul, Minneapolis, Kansas City, St. Louis, Dallas, Fort Worth, Denver, San Francisco, Los Angeles, Seattle and Honolulu).

According to a syndicated news column<sup>1</sup>, "Under plans now on the President's desk, another half dozen of these federal boards will be established in other large cities as soon as the Congress passes the Administration's \$2.3 billion Demonstration Cities legislation. Once that huge spending program is under way, the President intends to assign \$25,000-a-year 'federal expeditors' authorized by the legislation to work with each 'little cabinet.' Their joint job will be to mobilize and coordinate federal and local activities aimed at wiping out slums and increasing employment."

This apparent duplication of effort confuses everyone, including me. It appears that the Federal Expediter is to perform the same task as the Metro Man, but one is a Presidential appointee and the other is a HUD appointee. This situation now has been clarified since the Federal Expediter has been dropped. But again, it is not enough that this has been done -- the word must be disseminated into the field so confusion there is eliminated.

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1 Robert S. Allen and Paul Scott, August 31, 1966

Senator Ribicoff raised this problem in the recent urban affairs hearings when he said: "I trust that in the months ahead, before a new federal budget is submitted, this question of coordinating federal programs for urban areas will receive sharper and more devoted attention."

More work needs to be done, therefore, in widely disseminating the President's Executive Order and eliminating overlapping and duplication. It would appear that a joint effort of the Secretary of Housing and Urban Development and the Vice-President of the United States would be the best way to achieve the goal of coordination in accordance with the Presidential intent.

## 2. THE REGIONAL OFFICE

Because the frequency of contact between the States and HUD is the greatest at the Regional Office level, the view of the States toward the operation of the Regional Offices is of importance.

As seems true of HUD officials in Washington, HUD regional officials seem to have much more contact with the cities than the States.

What dealings there are with the States are conducted in a cordial atmosphere; however, there is the feeling that few concrete results are forthcoming. The States are convinced that the Regional people have no authority to make decisions. They have been told that HUD has adopted a new policy which would encourage decision-making in the field -- they all favor this approach -- none have seen it put into effect.

A North Carolina official found the HUD Regional Office "evasive." "We want answers", he said, "and in the Regional Office too many people have to check with someone else." They also complained of excessive delays in getting projects approved.

The Kentucky officials found the Atlanta Office most cooperative but "we have had no visit from Atlanta since March or April." Especially where long

distances are involved, most of the States do not like to travel so far to consult with the Regional Office people.

In Missouri: "We have good relations with the Fort Worth Regional Office, but we would like to see them have real authority. If they did, we would like a field man in each State."

In Michigan: "We get no hard answers from the Regional Office, so inevitably we end up in Washington." State officials told me of an instance where they went to the Chicago Regional Office seeking assistance on a specific housing problem. During the course of the conference, seventeen different HUD officials were in attendance at one time or another. The result, in the words of one, was "total confusion."

Another Michigan official was extremely negative. He called the Regional Office "a joke." "They are a bunch of idealists...all technicians and no realists." In fairness, I should state that this was the only instance I encountered of complete disapproval of the Regional system.

Again in Michigan, I spoke with a high-ranking budget official who formerly was Mayor of Kalamazoo. In that position he dealt with the Chicago Regional Office and observed that "decision-making was split into six pieces." He would much prefer having a man for Michigan in Michigan. In other words, instead of having six men jointly make a decision affecting Detroit, he would prefer giving each of the six men a different 50-city responsibility, so one man would make all the decisions for Detroit. In addition this particular official disliked the long trip to Chicago.

The New England States appear not to share this dislike of going to Region, since the New York Office is so near all of them.

There is praise for most of the Regional Administrators, as individuals, but many States feel that the subordinate personnel leave something to be desired.

As a California official stated it: "Often the Regional Administrator feels obligated to back up decisions made by 'pencil pushers.'" The minor officials sometimes feel threatened by the interest of the States. They look upon the States as competitors, as groups dedicated to taking over the same responsibilities they seek to fulfill. This, of course, leads to a strained relationship.

This attitude is supported by a number of examples cited in different States.

A North Carolina official told of writing to the Atlanta Regional Office asking for 25 copies of certain literature which had been requested of the States by different cities. The Regional Office sent back only 4 copies and suggested that the State henceforth should forward all city inquiries direct to the Regional Office for handling. "The Regional people seem to think we're trying to take over their function", he remarked. In my judgment this was a short-sighted response to a legitimate request. The Regional Office should have encouraged the States who, in reality, were assisting the Regional Office in promulgating important HUD literature out into the field.

In California, when the Rent Supplement Bill was in its crucial stages, the Regional Office called Redevelopment Directors throughout the State, asking for support. If one call had been made to the State official involved (in this case, the Director of the California Department of Housing and Community Development), that person could have gone to work to round up the active support, not only of Redevelopment Directors, but of Mayors, the Governor, and the Congressional delegation as well. Incidents such as these convince California officials that the attitude of the Regional Office toward the State is: let us do the work -- you just complicate matters.

One interesting argument was put forth for encouraging Regional officials to work more closely with the States: to help promote better planning. It is a stated policy of HUD that there should be more multi-purpose planning units.

The Regional Office can unwittingly promote the violation of this policy by working directly with individual cities, especially where those cities either do not have the capacity, are reluctant to, or refuse to join in multi-purpose units. By bringing the States into the picture, the Regional Office can use that broader level of government to stimulate such planning units.

Other federal agencies have arranged to place a man in each individual State as well as in the Regional Office. I spoke, for example, with the EDA man for North Carolina. He was stationed in the State Capital. He had excellent day-to-day contacts with key State officials. He was a North Carolinian by birth and frankly stated that his concern was to get EDA projects for his native State. Because of his intimate knowledge of local conditions, as well as his knowledge of the operation of the federal agency he represented, he could give maximum assistance to prospective applicants and improve the ultimate chances of their receiving federal grants. Every application from North Carolina went to his desk before it was transmitted to the Region. Often he could spot errors or make suggestions that would save the applicant a tremendous amount of time. Although, in form, the Region made an ab initio examination of each application, in fact they relied greatly on the judgment and recommendation of their representative in North Carolina.

As a result of my discussions with State officials concerning the Regional Offices, I would recommend:

1. That each Governor be asked whether he would like to have a HUD man in his State Capital. If so, either take a man from the Region or put in a new man -- preferably a native of the State to be served -- and make him directly responsible to the Regional Office.<sup>1</sup>

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<sup>1</sup> - I purposely have not called this man a Metropolitan Expediter since his activities would extend throughout the entire State. There may be, in addition, a Metro Expediter assigned to the State Capital, but he would serve only the metropolitan area in which the Capital is located. In other words, these are two quite different concepts.

2. Implement the policy of decision-making in the field.
3. Issue a directive to the Regional Administrators urging them to work with appropriate State officials so long as the States evidence the interest and the capability. Recommend increased visits to State Capitals.
4. Work on procedures for expediting application processing in the Regional Office (see Section on "Program-Money-Guidelines").
5. Consider the one-man-one-city decision-making process.
6. Give the State Desk man in Washington major responsibility for coordinating the activities of all HUD Regional Offices and HUD men in the States with regard to State Governmental activities. In particular charge him with the responsibility of working with Regional officials to achieve a more positive appreciation of the role of the States in the work of HUD.

Rather than hinder Regional officials from accomplishing their mission, the States (in the words of a California official) "can make the Regional officials look like heroes by smoothing the way for them to get into the communities."

With regard to my recommendations above, I should report that at least one person in the Regional Office I met with (New York) objected to the idea of a HUD man in each State, with the comment: "Don't further decentralize the decentralization." I disagree.

### 3. BIG CITY V. SMALL CITY

One of the most vexing problems involved in defining the federal-State-local relationship is that of the Big City versus the Small City.

The attitude I sense in Washington generally is: The States can play a significant role in assisting the smaller cities, but they really are superfluous when it comes to the big cities.

The States themselves are divided on this question. Some feel they can be of significant assistance to the Big City; some feel they should stay out completely; and some deeply resent the Big City role. The latter is an unrealistic posture but was expressed in North Carolina in this way:

"The Big Cities are wasting money because they can get it so easily. North Carolina people are appalled when they see that Boston allegedly got 9 million dollars of Federal money for a transit tunnel; North Miami got \$350,000 for an 3-acre park; Coral Gables received \$57,000 for 3/10 acre park; and Philadelphia got 12 million dollars of urban transportation money to buy that city air-conditioned buses and build terminals. And all this when some communities don't even have basic water and sewer systems. There should be a 'need' test before Federal money is given out." Unfortunately, while one can sympathize with the viewpoint, it is an excessively parochial one and quite unrealistic in view of contemporary conditions.

Let us examine briefly the Big City view of the problem.

Here is the thinking of New York City officials: "Small cities have no pool of manpower. New York is different. We are not really a city. We have a budget larger than any of the 50 States. We have a good bureaucracy. New York City can deal with urban problems as well as any State. Obviously, however, the Federal Government cannot deal directly with 95,000 different local units of government in the United States. You must draw the line somewhere -- whether it's at 1 million or 2 million population."

But population alone is not the answer. Capacity to do the job must be a major consideration as well. Even New York City officials concede that in Los Angeles, one of the largest cities in the country, the Mayor does not have the power to do the job. Aside from whatever one might think about the attitude of the incumbent Mayor as an individual toward urban problems, the structure of

Los Angeles City government is such that, even if he wanted to help, he could not. In addition, the State of California has taken over many programs the responsibility for which ordinarily would be expected to reside in local leadership.

I think we must conclude that where a City is so large as to be almost a separate State within a State and where the City officials have both the power and capacity to do the job, there is more reason for strengthening direct ties between that City and Washington.

Even here, however, I believe the States should have the right to know what the City is planning -- before projects are approved by the federal government -- so they can make a determination whether any of the proposed projects would adversely affect the overall State planning process.

This attitude, I know, will raise certain hackles. For example, in a recent speech before a San Francisco renewal conference, Edward Logue, Boston's renewal administrator, saw no need for San Francisco to tie in with and conform its planning to that of the entire Bay area with its 4 million people. According to a newspaper report: "A great metropolis like San Francisco, he said, can stand as an entity on its own right, but, like Boston, it should be determined to settle for only the best. Once you have that determination, the planning structure doesn't mean a hell of a lot!"

While I have the greatest regard for Mr. Logue, I think he is quite wrong first, in dismissing planning as a useless function and second, in thinking that any city can stand alone with regard to its surrounding areas.

From a sound planning point of view, the Big City cannot, and should not, be separated out from the metropolitan area in which it resides.

But why? Dr. Weaver, in his book "Dilemmas of Urban Society" gives some excellent reasons. For example, he stresses the importance not only of providing

housing for non-whites but also of establishing the proper mix of income levels, which, in turn, promotes integration (herein lies one of the dilemmas since neither one tends to promote the other, and both are worthy goals). This inevitably will require that suburban areas provide for non-white low income housing.

He cites, in the chapter on New Towns, the problems of creating a labor market for these outlying areas. Where will the labor come from? The transportation systems of our major cities are not yet adequate to bring people to these outlying areas. If suitable provisions are not made for housing these people in the New Towns, either there will be no unskilled labor available or shanty towns will spring up adjacent to the New Towns, a process which would defeat the whole idea of a planned community.

This problem has a profound effect upon Big City urban renewal plans. Should there be an effort to keep the non-white population in the City? -- or should the effort be directed toward more middle and high income housing thus forcing the non-white population into the suburbs and outlying areas? Everyone must participate in these decisions because everyone will be affected by them. Thus Big City or not, there must be coordination with the metropolitan area and with the State if the end result is to be successful.

In California State officials contend that the Big City needs the help of the State, whether or not it is willing to admit it. "When the State had technical assistance to provide, San Francisco wanted and asked for it. Generally speaking men like Justin Herman are so good they don't need technical help. But when he does need help in the State Legislature or in the Congress, he calls the State -- and rightfully so. For we are able to help, and we are delighted to help."

The Big City's real fear of State involvement concerns the possibility that the State might try to decrease the amount of money going into the Big Cities and divert it to other areas. So long as the States really understand the urban crisis -- and I contend that they finally have arrived at this point in their thinking -- the Big Cities, and the small cities as well, have nothing to fear and everything to gain from a closer working relationship.

It will not be easy to eliminate the mistrust of the past -- but it must be done, and an increased role of responsibility by the States, encouraged by the federal government will be the first step in the right direction.

#### 4. METRO DESK AND DEMO CITIES

Earlier in this report two recommendations were made to bring the States into the flow of federal and local activities in a constructive manner. One was to establish a State Desk in Washington; the other was to expand the Regional Office service by placing a HUD man in each State Capital if the Governor so requested.

With the advent of two new developments in the HUD program -- The Metropolitan Desk and the Demonstration City -- it is useful to examine the State attitudes toward each and determine where the State can serve a useful role in their administration.

Metro Desk. Fairly representative are the views expressed by three different levels of government: the State, the Big City, and the HUD Regional Office.

In the State of Michigan, I was told: "The Metro Man should be a State employee or part-Federal-part-State. He should report to the Governor or an employee of the State planning agency. We don't like the idea of Federal Mayors."

In the City of Detroit, I was told: "If the Metro Desk either opts or requires clearance through the Governor's office, it will lose the support of the Mayors." However the same person added that if the Metro Desk really is a cross-

the-board approach to urban problems -- and he doubts whether this will be possible with HUD in charge -- then "it will be necessary to have a State man involved."

In the New York Regional Office of HUD it was assumed that the Metro man will consult with State planners "but we're not sure" -- they are suspicious of the role of the Metropolitan Desk.

These are typical responses, each reflecting the peculiar needs and background of the level of government involved.

In view of these attitudes, what should HUD instruct its Metro Man concerning his relationship with the State in which he is located?

First, I would tell him to determine if there is a HUD man at the State Capital; if so, establish a close liaison to him, since that man can help the Metro Desk "plug into" State programs wherever necessary.

Second, I would encourage him to welcome inquiries and offers of assistance from the States at all times.

Beyond that, however, I think the next move is up to the State. It must make its own determination (encouraged perhaps by the HUD State Desk in Washington as well as the HUD man in the State Capital) whether to place State people in the Metropolitan area being served by a Metro Desk. If they do this, then HUD should take the third step and really pitch in with the State officials on the scene to mesh the federal and State programs.

Has any State taken this kind of action to date? Yes -- California. There the State Government has established 13 Special Service Centers in so-called "trouble spot" areas (in terms of housing, civil rights and poverty). These are one-stop offices encompassing many State programs. Each has a "Manager." The California people feel this man is very much like the Metro Man envisaged by HUD, except at the State level.

Note that the Manager of the Service Center is not just a liaison man who puts people in contact with State officials elsewhere. Each applicable State agency has staff personnel stationed right in the Service Center itself -- soon, for example, the hope is that over 150 people will be located in the Watts Center.

These Service Centers are like "little City Halls." Especially so in California where the State plays such a broad role in the fields of welfare, education and health. So, in a sense, Mayor Yorty was correct in his testimony before Senator Ribicoff's Subcommittee in that he has little power and the State has great power.

I spoke with the Manager of the Service Center in Watts who explained that in these Centers, the whole stress of government action shifts from rigidly separate departmental problems -- such as employment, rehabilitation etc. -- to a unified attack on the problem of the individual or family. "The center offers a one-stop, one-door service by all State departments charged with responsibility for helping the unemployed, the unskilled, the handicapped, the disabled, the aged and the undereducated."

HUD already has a Metro Desk located in Watts. The woman who holds down this desk is located in the Federal Building. Why should she not be located in the Service Center? There the Manager of the Service Center and the HUD Metro (Wo-) man could work together to coordinate both federal and State programs. It certainly would be worth a try. Because, as stated earlier, "flexibility" must be the keynote of HUD's policy especially in these new programs, different solutions can be tried out in different areas -- there need not be one rigid policy which applies everywhere.

I discussed this possibility with the California State officials and they seemed quite enthusiastic. In fact one suggested that HUD choose California as

a "Demonstration State" to prove that both federal and State programs can be coordinated within each as well as between each. This idea has possibilities. It is consistent with HUD philosophy as I understand it.

Demo Cities. Certainly Demonstration Cities will carry out this idea of a across-the-board approach to urban problems; i.e., all Departments working together to assemble a package for the city involved. Hopefully this will alter the all too frequent current approach where each Agency and Department works directly and independently with the City, without reference to one another.

Assistant Secretary Taylor graphically points up the advantage of cooperation in terms of the phenomenon in chemistry called a "synergistic effect." This, simply stated, means that 2 and 2 equals 5. Thus, if Pill A has a certain effect, and Pill B has a certain effect, sometimes by combining the ingredients of both pills in a third Pill C, you achieve the effects of both Pills A and B plus a third extra benefit. Cooperation among agencies would have this beneficial effect.

What I have recommended here is that we go one step further: after we gain cooperation among the various federal agencies servicing an area, then mesh this process into a similar cooperative process undertaken by State agencies.

With regard to Demonstration Cities, it should be noted that several of the States expressed serious reservations about the program.

In Pennsylvania, for example, while State officials testified before the Congress in favor of the bill because they believe in the principle, they question the State role in the program. They feel that if planning must be integrated with regional plans, there should be a review step by the State in the Act. They question whether smaller cities will get their fair share under Demo Cities. They are concerned that they might lose dollars from other urban programs to Demo Cities.

Concerning these objections, the Department has made it quite clear that

smaller cities will share in the Demo City program. As for State review, it was stated earlier that this would be a premature step at this time and would jeopardize losing the support of the Big Cities.

Perhaps a compromise would be possible in that, where Demonstration City programs cross State lines, State approval would be required. Certainly one point made by this same Pennsylvania official is valid: "In the case of a Big City Demonstration Program, there must be involvement of highways, social and welfare problems. The State has most of these big social programs, so it must be involved."

Some of the States I visited were contemplating a meeting in Washington to discuss the possibility of amending the Demo Cities bill to give the Governors power of comment. If they really mean "comment", rather than "review", I think it would be an acceptable move.

To underline the fears of the States concerning Demo Cities, let me cite the testimony of Walter J. Monasch, Director of the California Department of Housing and Community Development, given before the Subcommittee of Housing of the State Banking and Currency Committee on April 25, 1966. Mr. Monasch stated:

"We endorse the Demonstration Cities Act of 1966, particularly the concept that our cities should be treated as organic units. We are also heartened by the comments of the President and Dr. Weaver which emphasized that this will be a local program, planned, developed and carried out by local people who will make the judgments of the cities' needs.

"In this regard, we are concerned over the role of the Federal coordinator, as are other groups which have given testimony to this Subcommittee. There have been suggestions that the name might be changed, but this, of course, does not deal with the concern of local and state governments that the Demonstration Cities Program be a true local undertaking. We feel that thoughtful consideration should be given to the fears of local and state governments that these programs not only should not, but cannot, be accomplished without the maximum of local freedom in determining the methods to be used in solving the individual urban problems. We believe the Federal role should be limited to assurances that Federal funds are being expended within the broad goals established by Congress for the solution of the total problem. Only with great freedom in this regard can the considerable creative power at the local, state and private levels be utilized.

"Another fundamental problem, which seems to recur in all discussions of this bill, is the question as to which cities will become demonstration cities and how each will be chosen. We believe the existence of this problem emphasizes the general feeling that the bill provides opportunities which will be of great benefit to our cities. We recommend that this Subcommittee in its report specify that the demonstration cities be chosen to represent as many different kinds of urban problems as possible.

"A further problem arises from the fact that some cities, not chosen as demonstration cities, may lose funds or have them delayed because of higher priorities for demonstration projects."

Earlier in this report I criticized that portion of Mr. Harlow's paper where he stated there was "no need to describe the state environment in which 'Metropolitan Desk' employees will have to operate." The preceding paragraphs should suffice to rebut that contention, but let me stress the point again in terms of planning.

Since metropolitan government in relation to the States is the relationship of the part to the whole -- while metropolitan government in relation to the Cities is the relationship of the whole to the part -- it makes sense to me that the stimulus for metropolitan planning will much more likely come from the States which would not be giving up anything, than from the cities which would. And since the very existence of the cities usually depends upon legal grants of power from the State, the States should be deeply involved.

The assumption (again in Harlow) that most States are "well enough informed and have sufficient staff" to get along without Metro Desk assistance is specious reasoning.

One of the problems of the American States is that they are not well enough informed and often do not have sufficient staff to deal effectively with their responsibilities. HUD's State Desk can help cure this problem -- and the Metro Men can do the same.

If urban development really is to work, everyone must have a feeling of responsibility for its success or failure. If I am merely advised as to what is

going on, I have no responsibility, only an academic interest. The State must be a participant if HUD is to expect any real measure of cooperation from it.

5. PROGRAMS-MONEY-GUIDELINES

One of the major frustrations of the States is determining what programs are available -- how much money is available -- and what are the guidelines for administering the program.

The Programs. Probably the definitive document on Federal Programs is the "Catalog of Federal Aids to State and Local Governments" prepared for the Subcommittee on Intergovernmental Relations of the Committee on Government Operations of the U.S. State, by the Legislative Reference Service of the Library of Congress (April 15, 1964, with supplements). Yet, despite the wide distribution of this pamphlet, not one State mentioned it as a useful device in identifying Federal programs.

The reason is simple. The booklet is put together by Department rather than by function. A State cannot readily be expected to know that sewer and sewerage programs can be found under the Departments of Agriculture, Commerce, Health, Education and Welfare, and Housing and Urban Renewal. They want to be able to look under one subject: Sewers and Sewerage, and be told where these programs are administered.

To some extent this is being remedied by Form 101, referred to earlier, where the sponsoring agency fills out a form and the Federal Government then tells them the appropriate Agency with which to file it (concerning water and sewer systems and sewerage treatment works).

It should be noted that the Office of Economic Opportunity follows this functional approach in one of the most useful catalogs of programs published by a Federal Agency: "Catalog of Federal Programs for Individual and Community Development" (December 15, 1965).

HUD has an excellent brochure entitled "Programs of the Department of Housing and Urban Development" (May 1966). This document does present programs on a functional basis but does not achieve maximum effectiveness as a State tool since it has no cross-reference to applicable programs in other Federal agencies.

Especially if HUD is going to act as coordinator of all programs affecting urban development, I suggest that one of its immediate tasks be to prepare such materials.

Interestingly enough, the two publications most highly praised by the States were the National League of Cities guide to federal programs, "Federal Aids to Local Governments" (\$40 per year) because "it is kept up to date and is listed by function", and the "Realtors Guide to Housing Programs: published by NAREB (National Association of Real Estate Boards - \$3). Another new and excellent service is the "Federal Aid Reporter", a monthly newsletter published by Economic Associates, Inc. Its first issue (July 1966) contained this lead article: "Clean Water - Your Water: Pollution Problem and How to Solve It." This is the kind of article the States understand -- it tells who has the programs, who has the money, and how you get it.

Not only should HUD lead the way by preparing a cross-the-board catalog of federal urban services, but I suggest they encourage the States to prepare catalogs which tie in applicable State programs.

North Carolina has been a pacemaker in this field with their booklet: "Federal Assistance for Local Governments." As a by-product, it shows how universities can be of assistance to State governments, since the booklet was written by Robert E. Phay, Assistant Director of the Institute of Government at the University of North Carolina at Chapel Hill and prepared for the North Carolina State Planning Task Force. It not only describes the federal programs on a functional basis but provides two contacts for every type of program: a federal office in the State or Region, and the appropriate State agency.

I recommend that the federal government provide grants to the States for preparing just such books. The money needed would be minimal -- the results maximal. It would indicate, in a concrete way, the federal government's interest in working with the States in partnership -- it would pose no threat to the cities; indeed such a booklet would be a tremendous help to the cities -- and it would be a constructive step toward achieving intergovernmental cooperation. It would place HUD in the forefront of the coordinating effort in accord with Presidential intent.

It would be well also for HUD to examine carefully proposals which have been made for computerizing federal programs. Senator Edward M. Kennedy of Massachusetts, on August 10, 1966, introduced a Joint Resolution to authorize a computerized information system to provide State and Local governments with information on federal programs. Senator Kennedy stated:

"The relationship between the Federal Government and State and local governments is an increasing paradox: As more and more Federal programs become available, State and local governments become less and less able to sort them out and decide which ones could help them most. The Federal programs are beneficial; the State and local governments want to benefit from them. But the very proliferation of Federal programs is bewildering to the local communities for which they are designed. And this bewilderment is working against the creative federalism which President Johnson spoke of..."

New York City's Washington office has announced that it has asked a systems-analysis concern to look into the feasibility of computerizing all federal aid programs -- there are more than 150 now -- and all the relevant city experience with these programs, so that "at a moment's notice we can find out, for example, how much air pollution money we can still qualify for in a particular year."

HUD could take the lead in providing such a service. A further step could be taken in encouraging the States to develop new ideas and methods of improving programs through various research grants. For example, one such grant recently has been made to the Commonwealth of Massachusetts to study centralized relocation services.

The Money. According to the States, nothing is more frustrating than being enticed by ream of publicity concerning new and exciting federal programs which can be of great value to the States and localities, and then finding there are no monies available to support the program.

A New York official pleaded for up-to-date information on "authorizations, appropriations and allocations."

In North Carolina I was told: "The Federal Government often starts a program without sufficient funding and then expects the State to take it over without having been brought in at the inception."

An example of insufficient money was cited in the September 16, 1966, edition of the Wall Street Journal under the headline: "Cities Begin to Think Federal Aid to Build Sewer, Water Systems Isn't Any 'Bargain.'" It read in part: "The demand for 50% grants under various Government programs far outstrips the available funds, with the result that many municipalities' chances of getting any aid are slim. In addition, those towns that have been told they're in line to receive Federal help with their projects can expect to wait months or even years before they receive any funds. Although Congress has appropriated \$100 million to be granted this year under just one program, that of the Department of Housing and Urban Development, requests for this aid from thousands of communities totaled about \$3 billion as of August."

Not only is this situation an argument for keeping States (who in turn can keep the cities) better informed about the amounts of money available, but it also gives strength to the argument made earlier that the State is in the best position to set priorities and direct the limited amount of money to where it can do the most good.

Even after Congress approves the appropriations for a program, a State should be informed when the money has run out. Again, to use New York as an example, I

was told that last December the State applied for 2 1/4 million dollars, over a two-year period, to prepare a State Master Plan. In April of this year they were told that the funds available were "limited." On June 11th of this year they were told that theirs was not a "priority application." Understandably they want to know the rationale behind these decisions. What are the guidelines?

It would be most helpful to all parties concerned if someone in each agency kept a careful check on the money flow and informed the States and localities periodically. Probably the most graphic example (aside from the inability of some Mayors to tell a Congressional Committee how much federal money came into their city in the period of a year) took place recently in Oakland, California.

The executive director of Oakland's Redevelopment Agency went to work to trace all federal monies coming into his City. He found, to his surprise, that Oakland -- with a population of 367,000 -- was receiving the benefits of 140 programs and projects paid for in full or in part by the national government. The total federal cost amounted to more than 87 million dollars.

Why did this effort take place? The Oakland officials needed the information in order to put together a comprehensive plan for the 50,000 person largely Negro area known as the Flatlands. As a reporter described the effort: "The plan for drawing up the plan...reflects their belief that if this summer's urban pyromania is proof they failed, then they have failed because their programs have not been inclusive enough, not well enough coordinated, nor cognizant enough of the need to plan for all the unraveling contingencies."

Whether it is feasible or not I do not know, but I would recommend that the State Desk man at HUD work with the Budget office of the Department to provide financial information concerning all HUD programs to the States on a reasonably current basis.

The Guidelines. One of the most frequently voiced complaints against HUD is the difficulty of obtaining guidelines. The States allege they never know why an application is rejected. They feel that the guidelines often are changed in midstream, causing them tremendous excess work in re-preparing applications.

Some go so far as to ascribe base political motives to this confusion, but I think we can pass this off as an exercise in partisan politics. In Michigan, for example, I was told: "There are often long delays in obtaining guidelines. The conclusion we have reached is that politics is being played. After all, you must know the rules before you can play the game." The implication was that the guidelines are readjusted in order to accommodate those applications which the federal government wishes to approve for political reasons.

However, Michigan is on sounder ground when they suggest there should be established minimal federal standards in urban renewal -- then use the States as a full partner in administering them rather than merely as a conduit."

Missouri officials expressed a similar reaction. When asked about the argument that State involvement in urban renewal merely meant another layer of red tape for the localities to go through they answered: "Eliminate the extra layer by having the Federal Government tell the State what the standards are and let the States administer them, since they are closer to the local scene."

There is a desire to keep these federal standards as general as possible, so exceptions could be made in view of local conditions.

For example, in California the City of Long Beach chose not to use Federal urban renewal. They felt they could do the job faster themselves. Admittedly they had a more conservative local government than most cities, but the point is that when they decided they wanted to take advantage of 220 funds, they found they could not because their project was not part of a Federal program. California State officials maintain that this decision was self-defeating. If the State had

been administering the program, they could have made an exception in this case.

This ties in with one of the major criticisms made by HUD personnel in Washington of their own operation. Several commented there was too much rigidity in rulings. This is the way we do it -- and no exceptions, if you please. "Once something has been done, that's policy -- then you can't change because precedent has been set -- that's absurd."

The same thought is echoed by the States. "HUD treats everyone the same -- they make blanket regulations whether or not they fit the situation."

North Carolina wants "intelligible guidelines." "Give us reasons for approving or denying projects -- perhaps a point system is the answer."

With the pressures of the bureaucracy on the one hand and the political pressures of Congress on the other, there must be guidelines or HUD will forever remain in the cross-fire. Let me suggest again that these guidelines, as well as some system of priorities, can best be set by the States themselves.

There is nothing novel or revolutionary about such a proposal. All 50 States set their own water quality standards, rather than have the federal government impose its rules on them. Any State that did not meet a deadline set down by the federal government for drafting its own rules would have had them drawn up for them by the Interior Department. Yet every State met the deadline and Secretary Udall expressed pleasure that the States had taken the initiative. There is a control since federal approval of the State standard is necessary. This fits in with the idea stated earlier that the States should have the flexibility to operate within general standards set by the federal government.

In all these areas -- Program, Money and Guidelines -- HUD must open the lines of communication and provide accurate current information to the States and localities.

#### 6. BAKER V. CARR

One of the thoughts most expressed by HUD personnel in Washington who were cynical about increased State participation was: "until Baker v. Carr becomes a

reality, you cannot expect to get anywhere with the States." The implication, of course, was that rural dominated Legislatures would prevent a realistic and constructive attitude toward urban problems.

My experience in eight States does not confirm that point of view. Surprisingly, not one of the States seemed greatly concerned about the Baker v. Carr (one man-one vote) situation, and that included the Cities I visited as well.

In Michigan I was told that, if anything, Baker v. Carr might hurt the Big Cities rather than help them. The reasoning behind this statement is that, until now, the urban areas bent over backward to help the rural areas in return for vote trades. Because the rural areas will lose so greatly as a result of the Baker v. Carr decision, there no longer will be the possibility of trade-offs. The real gainers under the implementation of the Court decision, according to the Michigan people, will be the suburbs.

This was confirmed in San Francisco where I was told that reapportionment will cause the City to lose strength but result in an overall gain in the metropolitan area (because of the suburban gain). It seems to me that that poses a new threat for urban progress for it strengthens the hand of the so-called "white belts" around core cities.

In Missouri I was told that the State is 76% urban. There are 163 members in the House. 123 are from urban areas. "You can't win Statewide office in Missouri without the urban vote, so, of course, the Governor must do things for the cities."

In Pennsylvania it is admitted that they now have a rural dominated Legislature, but "that's not so terrible. After all, we got them to create a Department of Community Affairs which will be the coordinating body for urban affairs." So Baker v. Carr does not pose a real problem in terms of State relationships.

#### H. STATE ORGANIZATION

This section describes briefly the governmental structure employed by the States for coping with urban affairs. Because most of the research on this subject already has been performed by the Advisory Commission on Intergovernmental Relations, I attach hereto their excellent report of January 20, 1966, entitled: "State Offices of Local Affairs." Also appended is a more current rundown prepared for me by James C. Dodds of HUD's Legal Office.

Since the advent of that report, new developments have occurred. New Jersey, for example, has created a Department of Community Affairs as a principal department in the Executive Branch of State Government. It will handle community services, housing and urban renewal, state and regional planning and economic opportunity, among other functions.

New York's Office of Local Government is described in the ACIR report, but that is more of an information-giving body rather than a coordinator. The real job of coordination is done by the Planning Department.

California formed its new Department of Housing and Community Affairs in September 1965, but does not include the planning process as part of its jurisdiction -- that remains in a separate Department of Planning.

In North Carolina the State Planning Task Force operates from within the State Department of Administration and supervises State planning in all federal-State programs which affect more than one agency. It is a flexible and open-ended group. First they want to iron out the bugs in their operation and then decide what roof they should be placed under.

In Kentucky there is a one-man State Director of Housing and Urban Development who operates out of the Governor's Office (although physically he is located in the Department of Commerce). Because Kentucky is a strong Governor State, this

man has a great deal of authority to get things done.

Missouri now has a Department of Regional and State Planning which is expected soon to become the Department of Community Affairs. It has the most ambitious grouping of programs I saw in any State. Its four divisions are: Planning (701, Azarkia, EDA, CDD and HEW), Human Resources (OEO, HEW, NYC), Intergovernmental Relations, and Community Facilities (water pollution, air pollution, urban mass transportation, housing and urban renewal).

Michigan is on the verge of creating a Department of Local Affairs.

It would not seem to serve a useful purpose to go into these State structures in detail. Many of them are just recently underway. Many of them are about to be created. One (New Jersey) has been created but not yet given a head.

The important point is that each State is moving in the right direction -- toward coordination of programs that affect urban affairs. Each is doing it in a different way which reflects local needs and traditions. This, too, is excellent and must be recognized by the federal government. HUD should not look for any semblance of uniformity in the State structures but must learn to work with each.

Most of the States are feeling their way. They are frankly experimenting. A number of them expressed the thought that the State Planning function should be brought into the Governor's Office. This makes good sense.

Some achieve coordination through a formal agency structure -- some do it through an individual or an informal group. But it is being done -- make no mistake about that. HUD can be of tremendous help in giving the States guidance, by showing them how they might improve their operation. The State Desk in Washington would have the responsibility in this area.

I. RECOMMENDATIONS

There are a number of specific (and sometimes general) recommendations made throughout this report. These are listed in brief form below, and additional recommendations follow.

<u>Recommendation</u>	<u>Section</u>
Escalation of Reponsibility	D
Encourage State Financial Contributions	D
Workshop on Revenues (Heller Plan)	D
States set priorities	E
States administer programs	E
Inform States of grant applications	E
Establish a State Desk in Washington	E
States review Planning	F
HUD must use the State Plan	F
States set Planning Districts - Federal Agencies conform	F
Earmark State Planning Funds	F
Assert HUD's Role as Coordinator	G-1
Option for HUD Men in Each State	G-2
Instructions to Regional Offices	G-2
Instructions to Metro Man	G-4
"Demonstration State"	G-4
Federal Grants for Federal-State Catalogs of Programs	G-5
Computerize Program Information	G-5
Provide Financial Info to States	G-5
Define Guidelines - Let States Administer	G-5

2. Flexible Approach. In a more general vein, along with the "Escalation of Responsibility" policy, HUD should stress a "Flexible Approach" policy in its relations with the States.

One of the threads that ran consistently through my conversations with State and federal officials was resistance to the "doctrinaire" approach taken by the Department toward most urban problems. Naturally in any large agency there must be rules and regulations, but the trend toward rigidity, both in thinking and execution, should be avoided as much as possible.

As one State official expressed it: "The Federal people always say to me: but if we do it this way for you, then we'll have to do the same thing for Mississippi." This is unfortunate. One cannot treat all the States alike, just as you cannot treat all cities alike. Each State has its own tradition, population composition, economic background, and political complexities. All of these must be taken into account when decisions are made which will deeply affect the growth of that State.

HUD should be flexible by extending options to the States: Do you want a HUD man in your State Capital? If you do, we will provide him. If not, that's perfectly all right with us.

This attitude of flexibility might well extend to implementing the Metropolitan Desk concept. Why set up all the Desks the same way? Station the Metro man in the Mayor's office in one situation -- in the Regional Office in another; have one man for the core city and one man for the suburbs in certain situations; in others, have one man for both; work independently of the FEB (Federal Executive Board) in one area; in another have the Metro man act as Executive Secretary to the FEB.<sup>1</sup>

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1-It has been suggested that, by having the Metro man serve as Executive Secretary to the FEB, you would thereby diminish his authority and effectiveness. I disagree. Look at the Appalachia situation where each Governor of the 12 participating States is a member. One Governor acts as Chairman on a rotating basis. There is an Executive Secretary who is permanent. In theory, the presiding Governor makes the policy. In practice (because he is stable while the Chairman is not) it is the Executive Secretary who "runs the show." So why not try the HUD man as Permanent Secretary to an FEB?

3. Workshops and Regional Meetings. One of the suggestions that was warmly received by the States was the scheduling of a series of Workshops or Summer Institutes, as well as Regional meetings with the States conducted by the Secretary.

The major exponent of the Institute idea is Philip Maher of Missouri. At his instigation, former Governor Terry Sanford of North Carolina called together a group of State officials last year and held what most thought was an extremely productive session on the role of the States.

Many States want to take steps to resolve local jurisdictional and legal problems but do not have sufficient know-how to do the job. Also they believe that inter-change of ideas among State officials would be helpful.

This discussion group, workshop, or summer institute would be conducted by HUD and would advise States on legislation encouraging metropolitan government, eliminating overlapping jurisdictions, forming multi-purpose regional units, conforming administrative districts, avoiding multiplicity of planning districts, drafting adequate modern codes, problems of taxation, etc.

HUD's Legal Office makes its services available to the States in analyzing proposed legislation and informing the States what affect it would have upon the federal programs. This is an excellent service which should be made more visible and more available through the work of the State Desk man in Washington. There was some criticism of the Legal Office expressed, especially in California. There it was stated that the HUD Legal Office is "in limbo." "It is not plugged into policy decisions made throughout the Department but rather acts as a 'Super-Secretary.' It serves to hold rather than expedite."

Most States think it would be highly advantageous for them to meet on a regional basis with Dr. Weaver and other HUD officials to discuss their mutual problems. The regional basis is recommended because the problems in various parts of the country

vary so greatly, and this would give more intimacy and opportunity for useful discussion than a mass meeting in Washington.

Interestingly almost every State mentioned the fact that they would not like to be summonsed to Washington. They think HUD should come to them. The logical compromise was to meet half-way, on neutral ground so to speak. Every Governor or Governor's Assistant interviewed agreed that the Governors would like to be consulted by the Secretary, just as they in turn feel that they should make greater efforts to go into the field and meet with Mayors who in turn feel flattered when they are called upon by their Governor.

4. Active v. Passive. Another general recommendation is that the Department shift gears in its attitude toward the States from an essentially passive posture (we will help when you ask us) to an active one (we want to help you -- how can we do it?)

Whether it is a matter of encouraging Metropolitan Planning or encouraging the States to make financial contributions, the Department must take a positive and aggressive role. At this important period in urban affairs, it is not good enough to sit back and see who makes the first move. HUD is charged with the role of coordination. It must exercise it.

Again, HUD should not just service the States when they ask. All the pertinent legislation and Presidential messages and orders contain action words, such as: "encourage", "provide", "consult", "cooperate" and the like. They clearly indicate that a positive role was intended.

5. Testify on Bills. At the beginning of this paper, we frankly faced up to the fact that HUD's natural constituency is the cities -- as opposed to HEW which relies mainly on the States. Let me suggest that the States would be every bit as "natural" a constituency of HUD with a little effort on the part of the Department.

One HUD official complained that the States by and large have not testified on behalf of key legislation such as Demonstration Cities.

The States reply that they didn't realize that HUD wanted them to testify.

Here is where the State Desk man at HUD in Washington can do yeoman service. By working closely with HUD's Congressional Affairs Office, the State man can marshal Governors to come to Washington to testify when necessary (provided, of course, that the Governors approve of the legislation in question). He can identify the proper man in the Governor's office to deal with on problems of testimony. (In Kentucky, the Governor's Assistant told of the amazing volume of mail that crosses his desk each day -- and that sometimes information on Congressional hearings gets buried for days unless someone flags it for him.) He can work with the Legal Office in helping to prepare information for Governors.

Kentucky is cited here because its Governor, Ned Breathitt, was the only Governor in the nation to testify in person for the Demonstration Cities Bill. His staff realizes that the States have a stake. If they want to be recognized as an equal partner by HUD, they have to pitch in and do their share. And more than that, if they want their voice felt in the formation and execution of federal programs, they "have to flex their muscles -- and especially by testifying before Congressional Committees."

California's people asked: "Why doesn't HUD contact the States regarding administrative problems? Very often the States can get Congress to amend a bill by calling their Congressional delegations, or at least getting some language showing Congressional intent."

In Pennsylvania, it was considered important to consult with the States in formulating federal programs. The example cited was Appalachia where Governor Scranton insisted that the States have a key role. He met with the President and

worked extremely hard to achieve his objective. As a result, the program was greatly improved and is now considered the model program of States working together.

Another factor mentioned by the States is the Administration's "secrecy fetish." A California official complained that one major federal piece of legislation was revealed for the first time only two weeks before the Congressional hearings began. "How can we make intelligent analysis on such short notice?"

In Michigan, the same problem. "We were given only four days notice on Senator Muskie's Intergovernmental Personnel Bill. How could we do an intelligent job in that period of time?"

Michigan people also urged that the States be consulted in writing legislation. They felt that "this might prevent the first-come-first-serve philosophy that seems so prevalent where you take the truck to Washington and load up the bags." What they were driving at was legislation which was phrased in terms of specific State allocations.

The U.S. Governors' Conference has given considerable thought to their role in shaping legislation. In their next two meetings I suspect you will see genuine efforts to put together a realistic proposal for the President, which would involve the Governors establishing rotating Committees for the purpose of consulting with the President and his Department Heads in drafting proposed new legislation.

I really see no harm in HUD working closer with the Governors. For example, if my proposal is accepted that HUD, under Title IX of the Demonstration Cities Act, provide grants to States for establishing State Departments of Local Affairs and preparing pamphlets meshing State with federal program on a functional basis, why not send copies of the Draft Proposal and Guidelines to the Governors and ask for their comments and suggestions for improvement. At this stage of the game, a little encouragement means a lot.

6. Federal Grants for State Departments of Urban Affairs. In March of 1965 Governor Warren E. Hearnes of Missouri wrote to the President of The United States urging federal grants "to encourage each State to form a Department of Urban Affairs which would provide on a state level the mechanism by which the resources of a state government can be configured to deal with these problems." (The Hearnes proposal is reproduced at the end of this Section.)

He suggested an appropriation of 5 million for the first year, escalating to 25 million beyond the third year. He recommended a 90-10 initial grant, then 50-50 later on.

This letter was circularized among the nation's Governors for comment. At the time, eight Governors favored the proposal, two were not interested, and 14 were giving it consideration.

The proposal did not reach fruition at the time, probably because it was felt that this added incentive either was not needed, or might have adverse results, in gaining Congressional approval of the larger goal, the establishment of a United States Department of Housing and Urban Development.

Most States in which I conducted interviews favored the proposal enthusiastically. The only cautioning note sounded was the form such agencies should take. Each State -- as well as the Council of State Governments -- suggested that the language be extremely broad so that each State could devise that structural arrangement most suitable for its own needs.

For example, I believe that the North Carolina approach of a State Planning Task Force is the best arrangement in light of conditions there. Yet for Pennsylvania a full-dress Department of Community Affairs is more appropriate. So long as the function is achieved -- coordination of those resources of the state government which bear on urban problems -- the structure should be left to the choice of the individual State.

The New York officials indicated that they felt no necessity of setting up a new Department of Housing and Urban Development and gave an interesting reason for this decision. "We suspect that those states new to a realization of urban problems are those which are just now forming new Departments. They are creating strong Departments of Local Affairs where their previous functions were weak. In New York we have had a long tradition of recognizing urban problems and thus we already do have mechanisms within the existing departments to bring about coordination of function." This makes good sense -- unfortunately very few, if any, States find themselves today in the enviable position of New York with its tradition of urban assistance.

California's officials were a little skeptical of the federal grant idea only because "it gives the States an incentive to get federal money rather than to face up to their own problems. In that sense it is not an intellectually honest move. The States must feel it is important to do this on their own. Then they would be free to stand up to the federal government. Giving federal grants is a rational political decision but doesn't force people to face up to their problems."

The only outright opposition to federal assistance for State Departments of Local Affairs came from Michigan. There are 19 departments of government, with the maximum constitutional limit being 20. The Michigan people consider it extremely likely that a State Department of Housing and Urban Development will be the 20th department; however, they reject the idea of federal grants.

Rather they would impose a requirement that a State have an Executive Assistant for Local Affairs in the Governor's Office as a prerequisite to receiving federal funds. They feel that this would help strengthen the Governor's arsenal in what was previously referred to as a Department-oriented State.

They feel that a federal grant, as such, "merely is an extension of the federal philosophy that it is the federal government which has the resources. But it is

the people's pockets which are being raided." I think this is a bit excessive. Senator Muskie's speech of March 25, 1966, is an excellent reply: "Creative federalism is not a political maneuver to make the States and their localities financially dependent on the National Government. On the contrary, its financial contribution is merely a response to the staggering fiscal burden under which these jurisdictions presently labor."

One advantage cited by the States for federal grants is the assistance this gives them with their Legislatures. It makes a "good show" to say: We can get this federal money, but only if you pass program "x." This approach can kick back, however, since legislators generally like to take advantage of federal money, but they are loathe to do so if the federal funds run out in a year or two, and they are left having to provide the appropriations for continuing the program.

On balance, however, I favor the federal grant approach.

The preliminary attempts described in this Section now have reached fruition in the form of Title IX of the recently passed Demonstration Cities Act. This section of the Bill authorizes 50-50 grants to the States for the general purpose of providing information centers and technical assistance.

It seems clear that the language of Title IX is sufficiently broad to cover grants to the States for the purpose of establishing State Departments of Local Affairs (as well as grants to the States for publishing catalogs of State programs, by function, which mesh with federal programs).

The Department now must make it clear to the States that it would be receptive to applications under Title IX for such purposes (providing Title IX is funded. Nothing could be worse than inviting applications and then informing qualified applicants that no money is available). Once again, I am suggesting the "active", rather than the "passive" approach. It just will not do for HUD to sit back and wait until the States figure out that the language of Title IX might cover such

PROPOSAL FOR A COOPERATIVE  
FEDERAL-STATE PROGRAM FOR URBAN DEVELOPMENT

(HEARNES PROPOSAL)

The President recently called for a planned approach to urban development within metropolitan areas. He has said: "The first step is to break old patterns -- to begin to think, work, and plan for the development of entire metropolitan areas."

A major obstacle to this is the absence of governmental machinery to carry out metropolitan development plans. Filling this gap will require State action as well as federal requirements and local initiative. One possible means of speeding action at the State level may be through incentives and assistance of a new federal aid program to support State efforts and resources for improving local government organization, structure and cooperation.

The nation's major problems of urban development (transportation, water and sewer, open space, resources preservation, air and water pollution control, and guided suburban development) are increasingly metropolitan in nature and require planned and coordinated metropolitan action. Due to the absence of statutory authority and the multiplicity of local jurisdictions, adequate areawide arrangements are not being developed. As urban populations grow and metropolitan areas spread out to include an increasing number of separate political jurisdictions, the problem will become even more acute.

Special purpose districts are not solving the problems, nor are the present voluntary cooperative efforts of municipalities and counties because these are essentially piecemeal, ad hoc responses to immediate needs and pressures. This situation has hindered the operation of many federal, as well as State and local, urban development programs. Present conditions and practices make it virtually impossible to plan and program activities on the level and scale need to keep up with metropolitan growth.

There is no simple or single solution to these problems. But a major key to action lies with the States -- ways must be found to bring the States into the urban development picture. They have the authority to establish order in metropolitan areas. The States can assume a more meaningful role in planned regional development by encouraging and fostering areawide planning and administration of urban programs and services.

The States have powerful, and, to some extent, unique powers permitting them to make a constructive contribution to meeting urban needs. These powers include geographic jurisdiction embracing one or more metropolitan areas, full legal and administrative authority to exercise direct action and leadership, major tax resources and revenue powers, and finally, control over the organization and powers of local governments. States are increasingly likely to play a major urban role because of (a) continuing urbanization of State populations in every region of the country (39 of the 50 States today are more than 50% urban, as defined by the Bureau of the Census), (b) the increasing State expenditures for State and local services (growing at a rate of approximately 10% annually since 1953), and (c) the increasing recognition of the need for reform of the current pattern of local governments, for readjustments of local government powers, and for higher quality of development in urban areas.

The Council of State Governments has made a number of significant studies of urban development, notably "The States and the Metropolitan Problem" (1956) and "States Responsibility in Urban Regional Development" (1962). Proposals for State actions in this field have also been made by the Advisory Commission on Intergovernmental Relations and endorsed by the Council of State Governments and the major national associations of governmental officials (e.g., U.S. Conference of Mayors, the National League of Cities (AMA) and the National Association of Counties). But CSG and ACIR recommendations have been implemented only on a very limited basis.

Thus, Wisconsin, Washington, Tennessee, New York, New Jersey, Alaska and Pennsylvania have set up State offices of local affairs. But these and other initial steps taken by California, Georgia, Minnesota, Oregon and other States do give real promise that States can act in concert with local government to deal with metropolitan area needs.

While some States have acted in limited areas, there is a clear recognition that more needs to be done in the urban development field. Those States that have pioneered in the local field need assistance to broaden their efforts. Other States have to be encouraged and assisted to initiate and pursue programs dealing with local problems.

The federal government has, and should clearly recognize, a direct interest in State participation in meeting the needs of urban development. Increasingly, federal aids to States and individual localities have an impact upon, and are affected by, the general patterns and characteristics of metropolitan areas. As a result, federal programs are looking to metropolitan planning as a means of providing an areawide framework for federally-assisted program: urban highways, open space, urban mass transportation, waste treatment facilities, airports and other facilities are being related to areawide planning through various incentives and requirements. New programs proposed by the President (including assistance for water and sewerage systems, new communities, etc.) are likewise being tied to planning.

The success of planning is, however, dependent upon effective execution of functional programs. It is here that the States have a direct interest and responsibility to assist localities in achieving more effective urban development. The federal government, in turn, can provide a nationwide basis for State participation in a cooperative attack on the problems of urban growth.

The pattern for such federal assistance and encouragement to States was set by Title VIII of the Housing Act of 1964. The Act established a new federal-State program of training and research in community development. Grants are made to States

in accordance with a State plan which sets forth the objectives and activities to be carried out by the State; it is up to the State to determine the specific objectives and activities.

Consideration should now be given to establishing a federal program of grants to the States to encourage State concern for an involvement in general urban and metropolitan development. Grants would be made to assist them in analyzing the structure of their local governments, to promote intergovernmental cooperation in metropolitan areas, and to assist generally in effecting areawide action to meet areawide planning and development needs. This program can be similar in character to the federal-State training program. It would be up to the State to delineate the purposes to be accomplished by the State urban development program and to set forth the means proposed to achieve these purposes. Such a State program should be developed by an appropriate State agency in cooperation with city and county officials and State and regional organizations representative of local governments and local officials.

The scope of activities to be covered by a federally-assisted State urban development program would, of course, vary with individual State and local needs and conditions. The following are some sample ingredients of a State program:

- establishment of a State office of local affairs to make studies and analyses of local government problems; to advise the governor and legislature on coordination of State programs affecting urban development; to provide a central State contact for local governments and organizations representing them; and to provide a clearinghouse of information relating to common problems of local government and to State and federal services available for their solution;
- authorization, incentives and assistance for cooperative action among local governments in solving common areawide problems; promote establishment of voluntary metropolitan organizations of elected officials

- as a means of achieving areawide policy-making machinery;
- development of adequate legislative authority and local organization for effective metropolitan planning and development;
  - establishment and support of metropolitan study commissions to examine arrangements for performance of areawide services;
  - provision of technical assistance for problems of local government structure, financing, and improvement in the management of urban services, such as transportation, water and sewerage, code enforcement, housing, etc.;
  - establishment of appropriate State and local arrangements for review of local government incorporation and for creation and supervision of special districts;
  - study problems of assuring sound structure and financing of local government;
  - assistance in development and adoption of building, housing, sanitation and other codes, particularly where regional uniformity is desirable;
  - establishment of demonstration programs to develop innovations in performance of regional services.

These and similar activities, carried on in collaboration with local governments and State agencies, would assist in providing a strengthened basis of local government and regional organization for meeting the needs of urban areas, large and small. Such a federal-State-local program can be an important vehicle for attaining the urban development goals outlined by the President in his State of the Union Address, and a practicable means for the effective sharing of these goals, and for stimulating action to realize them, on the part of States and local communities.

## J. CONCLUSION

The challenge of contemporary America is not whether men can move mountains but whether they can rebuild cities.

Today our cities are like obsolescent factories. "They lack investment capital and, worse, they lack the political mechanisms for change...They are overwhelmed by the managerial demands of sophisticated technology."<sup>1</sup>

And yet this very technology holds the answer to their salvation. The President of COMSAT, General James McCormack, in an uncommonly perceptive address of September 16, 1966 said: "Technology makes it possible and not enormously expensive to make cities of light, if you will, rather than the cities of terror that we now have." And most significantly he urged that we turn to the field of the humanities, science and the arts "to determine how to use the fruits of technology, rather than to the scientists and engineers who are bringing about the technological revolution."

The cooperation of government officials -- the political and social scientists -- on all levels is undoubtedly the most effective tool to put technology to work for the benefit of people and their environment. To achieve maximum coordination, we must dismiss old myths and adopt new attitudes.

We no longer can indulge in the "whatever has been, is, and will continue to be" philosophy.

It is a useless exercise to try and place blame for past errors. All levels of government share in that blame. Until recently, the power structure (whether it be national, State or local) has failed to recognize the impending obsolescence of our cities and moved to do something about it.

Now we must rid ourselves of the myths of urban revival.

It is not true that all the Cities hate all the States.

It is not true that all the States are sitting on their hands.

Where the States are demonstrating a willingness and capability to participate in a constructive manner in urban development, the Cities are prepared to welcome them into partnership.

The States, at long last, have awakened to the needs of today -- to the needs of urban America.

A wave of reaction is sweeping the country. The States want "in" -- not for the sake of power, not for the sake of politics (although these factors play a role, too) but for the sake of responsibility and for the sake of preserving the American Federal system of government.

States are coordinating their urban activities.

States are making financial contributions to housing and urban renewal.

States are developing comprehensive Master Plans.

This energy must be harnessed and put to work in the form of a healthy federal-State-local relationship.

HUD has the responsibility to effect this coordination.

Nothing is in its way but the determination to proceed with the job.

The territory is largely uncharted.

The opportunity is here and now.

Alan Campbell, Director of the Maxwell Graduate School of Citizenship and Public Affairs of Syracuse University has written: "I am not impressed with the argument that in the long run urban problems are going to be handled by direct federal-city-relationships although that, at the moment, is the conventional wisdom in the academic field.

"The real key to dealing with the emerging domestic problems on the urban scene is state government."

It is time for HUD to use that key to help unlock the door of urban opportunity.

K. ASSIGNMENT AND METHODOLOGY

Assignment

- A. A summary of State legislation that relates to the role of the State in the administration of the Department's program;
- B. A survey of the operation of the various State departments covered in (A) above. By this is meant an effort to discover how this legislation actually operates in practice -- the nature of the administrative structure, the appropriations, the relationship between the States, the counties and the cities; and
- C. An evaluation of the role of the States and recommendations as to the posture of the Department vis-a-vis the States in carrying out the mission of the Department.

NOTE: In carrying out this assignment, it soon became apparent that the formal structure in each State was the least important factor in the federal-State-local relationships. Therefore, the major emphasis was placed on point "C" because that portion of the assignment, in my judgment, goes to the heart of the matter.

Methodology

After holding preliminary conferences with key members of the Department in Washington (Undersecretary Wood, Assistant Secretaries Taylor, Haar and Hummel, as well as numerous staff personnel) -- then with persons in related work (Charles Schwan of the Council of State Governments and John Whisman of the Appalachian Commission, as examples) -- field trips were made to a representative sampling of States.

These States were selected on the basis of geography, size, political composition, and diversity of approach to urban problems. In each case, talks were held with the Governor (or members of his personal staff) and Department Heads charged with responsibility for local and urban affairs.

The States visited were:

NORTH CAROLINA

KENTUCKY

MISSOURI

NEW YORK

PENNSYLVANIA

MASSACHUSETTS

MICHIGAN

CALIFORNIA

Because the viewpoint of the Big City Mayor is important to give a well-rounded picture of the federal-State-local relationships, interviews were conducted with Mayor's Staffs in:

NEW YORK CITY

DETROIT

SAN FRANCISCO

BOSTON

In order to encourage all those officials interviewed to speak freely and candidly, it was stressed that the writer was a Consultant to the Department and not a regular employee with "an ax to grind"; in talks with State officials only, that he held a bias in favor of the States because of his own State governmental experience; and that his mission was to develop ways and means of encouraging better relationships between HUD and the States. In addition the interviewees were guaranteed anonymity in order to promote frankness.

An initial technique of asking specific informational questions produced little helpful material. Therefore, a "Devil's advocate" approach was assumed henceforth -- that was eminently successful -- it helped to uncover many of the deep-rooted antagonisms and suspicions the States have been harboring toward the Federal Government

for too long a time. These were feelings deeply held but rarely expressed. It is for this reason that so many direct quotes are contained in the body of the report. They help give the real flavor of what is going on today in the States. At the conclusion of each interview, it was stressed that the questions in no way indicated a personal viewpoint on the part of the writer and especially did not reflect the attitude of the Department -- they were in the nature of fact-finding probes only.

Although the report, in the main, deals with criticisms and suggestions for improvement, it should be pointed out here that most State officials offered the information that they thought they had a better working relationship with HUD than with most federal agencies. They are especially pleased with some of the men who have assumed major positions this year.