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TO SAVE OUR CITIES

What Needs To Be Done

HENRY S. REUSS

Public Affairs Press



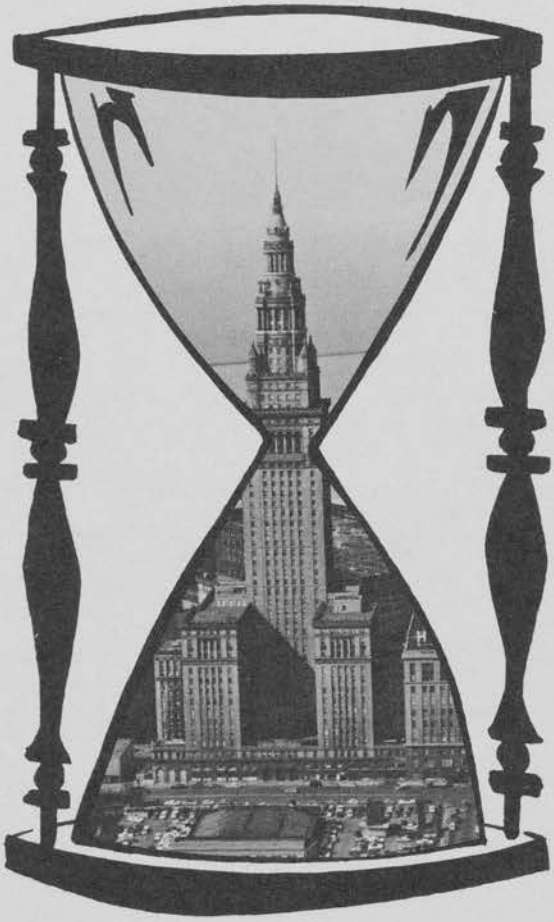
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EXCERPTS FROM



"THE URBAN CRISIS"

MARCH 4—APRIL 1, 1977

Excerpts from remarks of nine speakers before the Cleveland City Club Forum. These speakers were a month long emphasis on the urban crisis by the City Club, in cooperation with the League of Women Voters (March 4, 1977 - April 1, 1977).

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Cleveland State University video taped all nine forums for future use. We are grateful to George Fournier and his staff for this service.

A special thank you to all those residents of the Greater Cleveland area who participated in the project and have indicated their desire to seek solutions to the problems raised in this series.

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our goal of full employment without inflation. During the last years we have not been doing this. We have been creating joblessness deliberately in the misguided belief that that is how you fight inflation. And of course the cities are the untimate victim of that kind of misguided policy.

At any rate things go much better between the Congress and the Federal Reserve, and I would hope that no longer would there by any excuse, if ever there was for fighting inflation by adding to the cities unemployed.

But you can have the most sensible, overall macroeconomic general monetary and fiscal policy designed to bring about full employment and it still won't have much impact on the people in the central city.

To get there you need specific programs because millions of our unemployed are those who are trapped by poverty or race or under-education in the central city, with only bootleg economic activities available to them. Drug pushing, prostitution, robbery, gambling and whatever. I suggest a three grip handle on the policy which would bring jobs to where the people are and bring the people to where the jobs are, because I think you have to do both.

In bringing jobs to the people the blunt fact is that blue-collar jobs have been disappearing from our central city. They've been skadaddling out to the suburbs and out to the Sun Belt.

Let me suggest some ways of bringing jobs back to the city, both blue-collar and white-collar.

To attract blue-collar jobs back to the city, let the state and local governments do more than they've done so far to assemble the land through eminent domain, let them offer local tax concessions. Then let the federal government with a "central city revival program" which takes a humane attitude about people who may be in the way of such a program and doesn't make it merely a poor people removal programs such as the bad old days of the 1950's.

Washington could also help by getting the Economic Development Administration to change its focus a bit on to high unemployment central cities.

Federal tax policy ought to be part of the solution instead of part of the problem as it is now. As it is now, the federal government gives tax-exempt industrial revenue bonds to any community that wants them whether it be a beleagured central city or whether it be a Sun Belt area which has no unemployment. That doesn't make sense. We ought to confine that program to areas of high unemployment. Our investment tax credit treats all areas alike, we ought to be giving a slanted tax credit to central cities, city industries which want to modernize themselves. So there are some things that can be done about blue-collar industry. And since manufacturing jobs pay more than service jobs, wonderful though service jobs are, lets not go overboard about this, lets have a nice mix if we can.

Let's get the service jobs, the white-collar jobs. So how about affecting a little marriage there; how about getting our central city high schools, and community colleges to reorient their teaching toward these jobs.

We ought to get the downtown service industries, and I've names who they are to provide that actual job pot of gold at the end of the educational rainbow.

The federal government could help too on white-collar service industries for our central cities. There is no reason why my other hometown, Washington, D.C., should strangle with endless, proliferated, mostly suburban parts of the federal establishment. Let some of them be plunked down in Milwaukee and Cleveland as years ago the Social Security Administration was plunked down down in Baltimore, making twenty thousand jobs, well paid and adding a middle class, on a non-discriminatory basis to that great city.

A few years ago, after many years of trying, I finally got a Federal Reserve office in my hometown of Milwaukee and I saw that that was put right near an area of great central city

area of unemployment and the minority employment at the Federal Reserve office is simply excellent. I wish the rest of the Fed would do as well.

So that's how you bring jobs to where the people are, both white collar and blue collar. How about bringing people to where the jobs are.

So it is a one-way deal and utterly wrong and we ought to change the emphasis there so we get some better transport out to where the jobs are.

There used to be out and out discrimination against minorities in the suburbs, but which today masks as a "oh we just want to keep poor people out". We want five acre zoning, and hundred thousand dollar homes, and so on.

I think it is just untenable that Uncle Sam gives grants to suburbs which pursue a dog-in-the-manger policy, which have land which could be used for worker's housing.

Well, that's jobs in the suburbs, but what about the Sun Belt? I'd like our country to be as mobile as possible and while I'm certainly not advocating any totalitarian big population movement, I think we ought to do everything possible to retrain and grub-stake and give travel allowances.

Well, if the government of the United States, could, as it did, transport and give tailor-made programs to millions of Hungarian refugees in '56 and anti-Castro Cuban refugees in 1960 and Vietnamese refugees a couple of years ago; with jobs found and educational aids provided and the general welcome wagon out, we should be able to do as much for our own citizens.

Finally, because all of this takes time; bringing jobs to the where the people are and bringing people to where the jobs are, you need something like a national service corps of larger dimensions than we now have to act in the interim to heal this horrible social cancer of unemployment in our central cities. Until the private sector, the new university-community, the greater born-again Cleveland, can provide the private sector jobs that they need. And here I ask you if FDR, 40 years ago, in the New Deal, could provide a civilian conservation corps with three million young men, can't we maybe get three hundred thousand now that we know so much more and are so much richer 40 years later.

Now that the snow has gone from the streets of Cleveland and Milwaukee, I find enough potholes to keep a million young people busy for an indefinite period of time. And you could go on and on recycling waste, renewing neighborhoods, staffing day-care centers, old folks good food program.

National service jobs could offer a decent job at a living wage, they ought to train enrollees while they are working so that they can get a private sector job that means something down the line.

Restructuring federal aids has to be done. I believe that the federal government ought to sooner rather than later, to assume the cost of Welfare and Medicaid. That Cleveland is host to so many unfortunate people who are on welfare is not Cleveland's fault.

There ought to be a cost of living adjustment for the people who live in the old and cold and more expensive parts of the country, like ours.

We should re-examine too, the whole problem of federal grants. Suffice it to say that on general revenue sharing, community development block grants, law enforcement assistance: Milwaukee, Cleveland and the rest of us all get gypped in one form or another. This ought to be revised in the national interest so that we con't become the walking wounded and mendicants.

Now the last two things are things that very largely have to be done by you here, not by Mary Rose, and me, and Charlie, and Lou and Ron and the others in Washington. An that is conservation - the neighborhood. Cleveland's got the most magnificent Lithuanian, and

Estonian and Slovenian, I could go on but you are not preserving them by letting financial institutions go over the hill and brag about "our man in Singapore": they ought to be bragging about "our man on the east side or the west side of Cleveland". We ought to encourage local neighborhood economic institutions, neighborhood credit unions, consumer coops, neighborhood development corporations. Local institutions, financial institutions, who are always so fearful of "credit allocations" ought to remember that they are giving a monoply privilege by the state or federal government and just like a television station they ought to report every few years what they are doing for the people whose deposits they take.

Localities ought to revise their tax system. In Cleveland as in Milwaukee, you have a very high tax on improvements and a very low tax on land. That just means that the speculator makes a killing and the home owner who wants to rehabilitate or the businessman who wants to expand takes a shelacking. It ought to be turned around.

The new emphasis on neighborhood conservation ought to encourage the cooperative spirit that is just beginning to show itself, here and there, on part of the country's banks and savings and loans. Many banks and thrift institutions are lending skilled personnel toward neighborhood conservation activities. They are forming financial pools designed to spread the risk of re-habing declining neighborhoods. You should be very proud of what many of your financial institutions are doing here in Cleveland under the Neighborhood Housing partnership. There ought to be more of and I want to commend now those who are participating in it.

We've got to conserve land because it is getting very, very scarce. That means that we are going to have to emphasize multi-family homes, not just garden apartment but rowhouses and cluster dwellings, rather than the single-detached family dwelling.

Wouldn't it be a great idea from here on out if we concentrated on the least expensive, most sensible form of saving energy on travel and transportation, namely good city planning so that by and large people live near where they work where they worship and where they shop.

While we are at it, our localities, yours and mine, ought to consider getting rid of their ancient and really not very sensible ordinances which say that residences and commercial shopping have to be separate.

The fourth and last thing which we've got to put our minds on is metropolitan burden-sharing and you've been talking about this for the last 88 years. All I would say is, take a look down the great lakes at Toronto; they solved it there. They've got a metropolital burden-sharing arrangement. The only outfit in this country that has done it is Minnesota where the legislature to its great credit a few years ago, set up an arrangement whereby the people in the Twin Cities in effect do metropolitan sharing. In effect, any increase in real estate value, most of which nowadays occurs in the suburbs, accrues to the benefit of the entire metropolitan area; at least 40% of it does.

What is all of this going to cost? Well, I haven't in the Washington phrase, costed it out, but I'm very sure, very positive, that it is going to cost a great deal less than if we wait until all the cities of the northeast and the midwest are old and cold and dead, because then the cost would indeed be terrific.

I would suggest too, that if we at the federal level and at the state level would just stop doing so many things that are wrong, the cities would be able to do very well.

Turning to the states. As usual they grumbled about everything that Washington was doing, but so far as I can see, and I studied their resolutions there wasn't one word said about the obligation they as sovereign governments owe to their cities, not a word.

How many are following the state of Hawaii in having the state pick up 100% of the cost of local schools instead of loading it all on the local homeowner. How many are doing what my own state of Wisconsin is doing, moving away from the point of origin of tax payments as the sole criterion for distributing state collected funds to the locality and instead getting a more equitable formula based on need and tax effort and poverty. How many states for that matter have a progressive income tax?

I am not for doing in the multi-nationals, I think they have many affirmative things going for them, but I would amend our tax laws, which now in my judgment give an unfair advantage to the multi-nationals and a perverse incentive to export jobs.

A. Would I like to change my philosophy so that by-and-large tax money stay in the community where it originates. Not very much to be honest with you because I think that we are going to keep society strong only as we prevent income disparities between our people from growing too great. I'm distressed for instance at the fact that in the last eight years in this country if you study the census figures, the share of the income going to the 40% of the people at the bottom of the American income. That isn't just poor people that is lower middle-class working people has grown less and the share of the 5% at the top has grown more. I'm not for egalitarianism or vast redistributions of wealth. I don't want to see us get great disparity because I don't think you're going to keep the body politic together that way. Therefore, no I guess I wouldn't like to see the people in the wealthiest suburbs around Cleveland, keep all the tax money that they generate while the central city continues to get worse and worse.

THE CITIES FISCAL CRISIS: Excerpts from remarks of Dr. George Peterson, Director of Studies in Public Finance, Urban Institute in Washington before the Cleveland City Club Monday, March 7, 1977, Noon.

Indeed, I believe the cities' fiscal problems are more difficult than commonly perceived. That the reasons for fiscal pressures are more profound and more difficult to reverse than commonly acknowledged and that many of the most frequently voiced recommendations for strengthening the cities raise troubling questions when regarded from a national prospective.

Since New York City's troubles gained the center of attention there has been a tendency to gauge the severity of fiscal crisis from a purely financial in terms of likelihood of eminent bankruptcy.

In that respect, matters are much improved today. Although New York City's financial fate remains unresolved most other state and local governments have been spared from the specter of bankruptcy. The tax exempt bond market upon which state and local governments rely for their borrowings has settled down to a degree that would have seemed impossible 18 months ago.

If there is more breathing space to cities financial affairs, our accounting practices still understate the severity of the longer term fiscal pressure. Consider the condition of capital stock in old urban regions. In drawing up their accounts, private firms automatically take into consideration the wear and tear and declining value of their existing capital.

No comparable measurement is being made for cities.

Perhaps the most pronounced trend in state and local budgets in the last two decades has been a steadily declining share of capital formation and total spending. Even ten years ago, 23% of state and local budgets was used for capital purposes.

State and local governments now spend no more than 15% of their budgets on capital investment and capital repairs. The large aging cities as a group spend no more for construction and repairs in 1976 than 1971, despite the very rapid inflation that has intervened.

Some of this decline in investment is in a slowdown in the nation's population growth. Some of it is a consequence of phasing out of massive urban renewal projects. But a large part of the decline represents a decay, deterioration, wearing out of the urban capital stock without adequate repairs and replacements.

In New York the failure of ordinary repair and maintenance led to the literal collapse of the west side highway. A project that will require 1.6 billion dollars to replace with new road construction. In Boston, the metropolitan water treatment plant is unable to operate as designed because the city's tidal gates have rusted away.

As a result of the financial burdens many state and local governments in the East and north central regions have lengthened their resurfacing cycles for roads and streets, from five years to seven years; from seven years to nine years. When these cycles are spread to far, simple resurfacing becomes impossible and roads have to be rebuilt from the roadbed at much greater cost.

My point is that if the country utilized a more comprehensive, more informative accounting system it would find that by skimping on maintenance repairs and ordinary replacement of the aging capitals in the central cities it is creating a backlog of investment needs that will have to be discharged in the future.

I might add that in my opinion one of the most valuable services that local public service organizations could perform would be to help compile an accurate inventory of the urban and capital facilities. What assets each city owns; what is their age and working status; how present maintenance standards compare with standards in the recent past and what that

implies to the overall condition of the wealth that has been inherited from the past generation and will be transmitted to the future.

A second respect in which matters are worse than they seem is pension liabilities.

Pensions obligations are being accumulated in return for public services delivered today that future taxpayers will have to redeem.

My own city, the District of Columbia, has estimated that under the current pension system, by the year 1990, taxpayers will have to pay as for retirement benefits for police and fire personnel as they pay in current wages, and this ratio will continue to rise year after year until the year 2020 when 30% more is being paid for retirement benefits than is being paid for current services by the police and firemen.

Other cities have been placed under court order to move towards full funding of pension and some of these cities now pay more than one fifth of their entire budgets, total operating budgets, into pension funds.

Finally, I believe there is an element in self-deception in the common description of cities fiscal distress as being cyclical, brought on largely by recession.

Everyone knows that central portions of older urban areas are losing jobs and population. But the magnitude and acceleration of those trends are at least in my mind, startling. Between 1970 and 1975, the central cities in this country lost four times as many person to out-migration as they had lost between 1960 and 1970. A number of the older cities, at least in the north and east regions, have lost more than a fifth of their population since 1960.

The reasons for this population loss and job loss are simple enough to describe but they are exceedingly difficult to reverse. Modern households simply prefer to live in lower density and newer housing than is available in most urban areas. Almost all manufactured goods can be produced more efficiently and more cheaply in single story plants, making ample use of land, than in three or four story loft structures.

Density and age of course are not the only reasons for out-migrations in the central cities. The quality of public schooling, prime rates, tax burdens, the extent of housing rehabilitation, and a host of other factors play a contributing role.

The dilemma confronted by older cities is that few of the costs associated with urban growth are easily reversible into economies of shrinkage. Once the cities, roads, sewers, and water networks have been constructed to serve a given population, the cost of maintaining those networks does not decline significantly when population declines. On the contrary, as a capital interest structure ages it becomes more expensive to keep and repair.

Similarly when households abandon a central city, the need for police and fire services does not decline in proportion to population. Instead, abandoned homes become sites for vandalism and crimes, pose fire hazards and utimately must be razed at city expense.

In 1973, public spending per capita, on a set of common municipal responsibilities, was no less than 75% greater in cities that lost population steadily over the period of 1960 to 1973, than in cities that gained population throughout that period.

From the revenue side of the local budget, job and population losses had a devastating effect on the ability to raise local revenues. Hence when the demand for city buildings and the demand for homes and the demand for city land declines because of population loss and job loss, there is a severe downward pressure on the price or value of that property.

Where then can the cities turn for succor. No doubt the most obvious direction to look is the federal government.

The older cities of our country now labor under very severe cost disadvantages, both because of their age and their regional locations. In my judgment, perhaps the fundamental domestic policy question in the next two decades will be determining how far the federal government should go in offsetting and compensating for these cost differentials.

In my judgment the economic shifts away from the central cities and away from the older regions are too fundamental to be reversed by federal policy and they are too deeply ingrained to even be halted. At the same time, the consequences for the older regions and the consequences for the people who are left behind in the central cities are obviously to severe for the federal government not to exercise a role in cushioning the impact upon them.

Another tack that is being taken is that of equalizing taxable resources in both the state level and the metropolitan level. One reason the central cities are confronted with such severe fiscal problems is that they have been unable to expand their political boundaries to correspond to the expansion of their natural market areas.

But tax base sharing agreements at the metropolitan level at one rather weaker substitute that has been proposed to accomplish some of the same objectives. I think that there is a great irony there that these proposals have proved possible to adopt in areas like Minneapolis-St. Paul, where the initial disparities are very small, at least compared to other urban regions.

An in metropolitan areas, like Detroit, where the tax base sharing would have a far stronger effect upon the position of the central cities it has been vigorously and violently opposed by suburban residents for the very reason that the fiscal disparities are large so that the program is feasible where it is not important and where it is important, it is not feasible.

There is only element of a local budget restraint and not just as a matter of cutting expenses, but in making fundamental decisions as to how a city goes about becoming smaller. How over the longer term is it possible without violently disrupting the local economy and imposing hardship to reduce the labor force over a long term commensurately with a population size.

Let me conclude by reiterating that in my judgment the fiscal difficulties that face the cities are deeply embedded and face structural shifts the country is experiencing. And that in several important respects the full extent of the cities fiscal distress is still obsured through the device of inconspicuously shifting the burden to the future.

Q. Cleveland has what I think of as a form of tax sharing, whereby the payroll tax and some 50% or so of the city income taxes are paid by suburbanites who work in the city and at this point I think that the city income tax brings in 60% or more of the tax dollars. I am curious about why discussions of tax sharing why I've never heard any discussion of this type of semi-tax sharing.

A. I agree with your observation that that is a form of tax sharing.

A second form of sharing, I understand is in effect here, as well as in other metropolitan areas, is when there is region wide financing of metropolitan transit authorities or subway systems. My own feeling is that over the longer term the fact that the jobs are leaving the central cities at least at as rapid a rate as population, means it is by not means a full remedy to tax wages or to income tax generates as opposed to residences.

Firstly, it matters a great deal of course how a particular state finances its social services. In many states, medical services, welfare, etc., the non-federal portion is paid entirely by the states and that institutional arrangement has a great deal to do with the burden that is imposed on local governments.

To my own mind, the first step that you want to take is not to subsidize necessarily the growth of new activity in the central cities but remove the present incentives that encourage the construction of new property, new buildings outside of the central cities and discourage the investment and the maintenance and repairs of existing facilities. If you look at the depreciation schedules for example for new construction versus investments in

older housing stock has a very great tax incentive encouraging the construction of new property as against a rehabilitation or upgrading of existing property both in the housing sector and in the business sector.

For example the state of Minnesota has a proposal right now that would allow the use of tax-exempt borrowing for housing construction through a state housing finance agency to be used for two purposes: one, as presently for low income to moderate income housing whereever located and, secondly, for housing of any income level that would be located in the central cities, either new housing or repairs and rehabilitation of existing housing.

REGIONAL TRENDS: A CHALLENGE FACING THE MIDWEST: Excerpts from remarks of Ralph Widner, President, Academy For Contemporary Problems-Columbus, Ohio. City Club-League of Women Voters Forum, City Club, March 11, 1977.

That our fundamental problems arise out of some fundamental changes in American society that are economic and social in character.

In a very simplistic way I would submit that we have four fundamental shifts that have occurred in the nation that have affected this region and its sister northeastern industrial region similarly.

First, is an economic shift. We can call it the shift toward a post industrial society. We are seeing the same revolution in manufacturing that we saw earlier in agriculture in that we need fewer and fewer people to produce more and more of our basic durable and non-durable goods. As a result less and less of the total employment growth of the national economy comes from manufacturing. As we move into this new economy, the old city as purely a locus for manufacturing has had to go through transition, and what we are feeling are the effects of that fundamental, structural change in American Society.

As the specialization and manufacturing in these cities has to be replaced to be replaced by something more diverse, more appropriate to the new economy now evolving. And because the Midwest and the Northeast were the industrial core of the United States, we feel this more profoundly in these regions than we do in other sections. But there are cities with the same problem in other sections of the country because they grew up around the same economic base. The Chattanoogas, the Birminghams, the New Orleanses, are suffering the same problem that the Clevelands, the Akrons, and the Cantons are.

The second shift is a population shift. It has three characteristics; first, as we all know since 1960 we have had a dramatic decline in the fertility rate so that shut off one source of population growth. The second is the rural exodus to the cities which we knew for the three or four previous decades, largely came to an end or is dwindling to an end, for the simple reason that we have run out of people to out-migrate in the rural areas. The third is that there has been a direct and very profound change in the direction of people movements in the United States. Used to be that the people of Appalachia and the South were moving up here, just a decade or two ago, in large numbers; now the movement is just the other way. So that Ohio rates as one of the highest states in out-migration in the country.

The third base that moved we all too painfully know about now this winter is the energy and resource shift. The places that export energy to the rest of the country have a comparable advantage in terms of attracting economic activity over those that have to import.

And finally these three shifts have added up to a fourth shift which we might call a regional shift as industry and services and population disperse away from this little core area of the country toward the South and Southwest.

The Congress as all of you know has recently formed the Midwest-Northeast Advancement Coalition. A coalition of 208 members of Congress from the industrial belt who are now attempting to get the best descriptions they can find of what the problems are and what the approaches might be at the national level to help with those problems.

The governors of those six states of the Great Lakes region and of the Northeastern states have similarly formed a cooperative arrangement recently to think their way through.

This is a phenomenon that is affecting at least 15 states, principally those that contain large concentrations of industrial cities.

But it is particularly important to us because of the fact that we stand third in the nation as a manufacturing state and sixth in population.

How do we begin to re-direct some of that investment flow so that it is coming back in to this industrial belt to supply the rejuvenating new investment that is going to be necessary to get us back on our feet.

Lets get a couple of mythologies out of the way. We don't have the problems of industries, wholesale, pulling up stakes and moving out of Ohio and going South. That is not what's happening. The birthrate of new firms and new activity has dropped so that the death rate of firms exceeds the birthrate in some areas of the state and so you get absolute losses. The same thing you would see in the population.

Secondly, our growth is not particularly unbalanced right now, although we need to leaven it, it is just lagging behind the country in terms of replacing what we're losing.

Thirdly, and this is a very difficult thing to state without getting into trouble for obvious reasons. The problem that we are having cannot be traced exclusively to state and local taxes. There are tax problems in Ohio for business. There are several kinds, four or five, and they should be addressed. They should be corrected. There are inequitable treatment of various kinds of business in the state. But if you look at us in the aggregate level, what you and I as taxpayers pay as a percentage of our per capita income in Ohio, we are the lowest tax state in the United States except for North Dakota. And we've got to make the improvements, we've got to make the changes. But if that's the only problem we fulfill we are not going to solve the problem.

What we are seeing is the evolution of a new urban form, that none of us can really describe really well. But the old image of a city that we used to have a wagon wheeel with a hub and spokes and a rim is breaking down and we are beginning to see now is a much more diffuse urban civilization where somebody can live on a farm but really be an urban resident.

When in fact we are very mobile and we move around, and we shop in one place and work in another and recreate in another, and live in another and go back and forth across these boundaries. So the old political structures, the old financial structures that evolved back in the old days simply don't match the way we live any more.

Now, when you start talking about trying to do something about that problem, invariably you encounter the attitude, we really can't change those because there is something sacrosanct about the lines that our grandfathers drew on a map.

What can we do? Well the first thing we'd better know is what's going on. We do not have in Ohio a good economic intelligence system. We don't even compile a statistical abstract.

Every time we want to find out what is going on with the state economy we have to hire a new consultant to invent figures all over again.

Secondly, we need to explore what we in league with other states of the industrial belt might do, together to have greater recognition nationally, of the peculiar transition we are going through. And to begin to work with those states in getting whatever national action seems appropriate and whatever interstate action seems appropriate in fields such as energy, transportation, the variety of other issues that might be appropriate for interstate action. We need to look at our state laws to see to what extent they get in the way of our solving the problem. Maybe we've got to think about new kinds of powers for various levels of local jurisdiction. Maybe our counties ought to be different in terms of what they can do, then what we presently allow under state law. We ought to take a hard look at how we might mobilize private capital to achieve public purposes through the proper structuring of investment incentive. There are a lot of ideas floating around about how we might do that to make the area more attractive.

But not all of these issues are in the public sector. If I had to guess what one of our major problems might be in the Midwest in attracting new investment, I would say that it probably is the combination of high wage rates, particularly in manufacturing, with a declining rate of productivity in many industries. Now high wage rates by themselves are not a problem. When you do have a problem is when you combine high wage rates with declining productivity and the unit cost keeps going up, you get uncompetitive price. Now why do we have a declining productivity trend in many of our industries? First of all a physical problem. We're working with older plants and that plant has to be modernized. We have one of the highest investment rates in the country in terms of modernizing plants.

The other part is human. Over several decades of time, through the steady accretion of work rules, work practices and negotiations and habits and so on, it just gets darned difficult to make decisions and get things done in an old and mature region compared to a new one.

I suggest that one of the major things that we might seriously think about is how to encourage a labor-management joint effort in the private sector to begin to tend to that problem.

I think we've got to take a look at what we might do with our aging facilities, the abandoned warehouses, the abandoned factories and the factories that are going to be abandoned and see if there isn't a possibility for providing incentives for converting them to whole new uses.

We've got to talk about more fundamental places or ways to use those buildings. And there are ways to do this. Michigan two years ago passed a plant rehabilitation act that has some controversial elements in it but seems very, very promising for converting older and antiquated facilities to modern and contemporary uses.

We've got to stop thinking that the only thing that economic development is about is old, heavy manufacturing or traditional manufacturing activities. There are many other sources of employment growth in our economy. We've got to be broader and more diverse in our approach to the problem of economic development. That means talking about high technology industry and that means our venture capital has to be comfortable with making loans to or providing capital to that kind of enterprises. It means our lending sources are going to have to be comfortable with that kind of enterprise. It means that we are going to have to have the quality of life in this region that attracts that kind of enterprise.

Well, there are some other actions obviously on the energy front and elsewhere that are going to call for some very, very tough thinking. Some of this is going to have happen at the national level. These regions are going to have to be protected with an equitable national policy that makes sure we are not vulnerable to supply interruption.

Finally, we need a new approach to the problem of the industrial city. We're going to have to recognize that whether we like it or not, we're going to continue to lose population for a while and our cities are going to continue to empty out for a while. We've got to diversify those organisms. That means that we're going to have large areas in the city that will be abandoned for a while and we ought to put them in interim uses, parks, whatever else we can during that period. And to release those lands back into the reconstruction of a new king of city that may have a smaller population but may be a better place in which to live. I think we have the ability to do it, I don't think we have to spend vast fortunes to accomplish this. We just have to know what we want to spend money for and then spend it for that instead of appropriating huge sums without knowing what it is we want to accomplish.

Q. You touched on this briefly in your talk. With NASA, Cleveland Clinic and Case Western Reserve in the area, are there methods that you could recommend that we might use to entice, business in research and development from other parts of the country into the Cleveland area?

A. Well, I think I would go about it a slight different way and try to hatch some of it right out of the bosom of the community itself rather than trying to get it from some place else.

But I think one of the things we might give thought to is, either at the metropolitan level or maybe at the state level, a way to provide a pool of investment capital coupled with technical assistance to help more of these ideas come into the market place as products or things that can be produced by firms in Ohio and not go chasing around the country trying to pirate things.

A. Well, there is no question that we do have some tax problems in the state. We have an inventory tax that needs a really hard look. We have three or four other taxes in the state. One, by the way, a set of laws that impede the formation of insurance companies. But if you look at the picture in the large, state and local taxes only amount to about 2 to 3% of the total cost of operating for companies across the spectrum.

But I would be much more comfortable if we had a blue ribbon panel, totally as unpolitical as we can make it, in the state to take a look at the whole business package across the board and make a systematic set of revisions, instead of just coming up with an idea here and an idea there and we don't know where that is going to lead, that's just serendipity.

A. Well, I think that probably one of the major initiatives that we should carefully explore, and here's where the south is beating our pants off, is to use our vocational and technical education system for more imaginatively than we are right now. But we do not use it as a tool the way for example some of the southern states do by customizing the manpower training and vocational and technical training so that it fits the needs of these new industries coming in. I can think of centers in South Carolina that are training people for very, very sophisticated jobs.

In the short term there are several options open to us in meeting the fiscal needs of a city during this transition period. They are all obvious to all of us. You can talk some kind of federal transfer, a modified revenue sharing. You can talk about a state revenue sharing package if your state happens to be growing. You can talk about regional tax base sharing at the local level that would share tax amongst the growing and the non-growing areas. There are a whole family of options available to us to meet the short term problem but if doesn't solve the long term problem which is to discover new life for the city. The new role, the new economic future for the city.

I think the leadership, frankly, is going to have to come out of the private sector.

URBAN HARDSHIP: Central cities vs. suburbs: Excerpts from remarks of Richard P. Nathan, Cleveland City Club - League of Women Voters Forum, March 14, 1977, Cleveland, Ohio.

One of the themes that we developed in the research that we've done at the Brookings Institute, looking nationally at the problems and conditions of America's cities, is that the nation does not have a single national urban crisis.

One of the themes of my research and of these remarks will be that cities are different, very different and that is important to understand. In our research we took six factors for gauging the economic and social needs of cities. Unemployed; the number of old and young in the community, that is the dependency rate; the number of people over 25 with less than a high school education; per capita income; overcrowded housing; and poverty. And using this six factor indes we've looked at all the major cities in the country.

Putting these six social and economic indicators together, how much worse off is the city than its surrounding suburbs. We felt that was an important thing to do and indeed the more we think about it and look at this analysis the more we think it is the right was to think about urban crisis condition. Because indeed, cities compete with each other, city to city in a fairly remote way. But cities and their suburbs interact all the time. The worse things get, the worse things get, because as people out of the city into the suburbs, as jobs move out of the city into the suburbs, the tax base of the city declines the city has raise taxes in the typical case and that drives more people out.

So this relationship of cities to suburbs on what we call our hardship index, is an important way to look at central cities and suburbs. And indeed on this basis, as has been reported before, out of the 55 largest metropolitan areas, Cleveland is number 2, that is second from the worst or greatest disparity which is Newark, New Jersey.

While the disparity between Cleveland and its suburbs ranks second, if you compare Cleveland to other cities on the same basis, the city is somewhat better off, ranking 9th out of the 55 places and that is the function of the suburbs being somewhat better off than other suburban communities in the country.

Five factors come together to define the problems of cities like Cleveland. These five factors are political structured. This city contains 36% of the population of the metropolitan area in 1970, whereas Phoenix and other cities contain upwards of two-thirds. So the city is isolated relative to its suburbs.

Second the cities that have the most serious problems are older cities.

Third, these cities typically have a high concentration of low income person and often also a high percentage of minority population.

Fourth, these cities have been losing population.

And the fifth factor, is region. This is a city in the older, industrial parts of our country and these five factors come together to define urban needs of older cities.

Structural isolation, number one, old age, poverty, impaction, population decline, and being located in these older regions.

I wouldn't want to skip over the fact that many of the older suburbs have the same problems. East Cleveland; East St. Louis; Camden out side of Philadelphia; Compton, Mt. Vernon, New York.

Now let me shift the focus and talk for a minute about the prospects for these older cities. And I would have to say that right off the bat, the most important thing to a city's success for the future is the determination and concern of local people.

Why should the suburbs care about the central city? And I said there were two basic reasons why the suburban resident should care about the central cities. The first of these reasons is humanitarian.

Now the second reason is much more practical, and it is the economic reason. Why should the suburbs care about the central city. They should care about the central city because the region as a whole, the Cleveland metropolitan region is very greatly affected by the conditions of its inner city.

So at one end nationally, you have the view of let nature and the market take its course and at the end you have this Marshall plan, billions for the cities point of view. Neither of which is my view will, and I guess I would say, should prevail.

So somewhere in between these two positions, is sort of a realistic, I think, let's look at the cities kind or urban needs perpective that has to be brought to bear all across the spectrum of federal policy.

In this metropolitan area, in Cuyahoga County there are 100 governments and 97 of them can levy property taxes; 56 cities, 4 towns, 33 school districts, 1 county, and 6 special districts.

So we propose, and I'm very proud and happy to say that the proposal that we made, was recommended both by the Ford and Carter administration. that the formula be changed. That it be changed in a way that would take into account population decline, and the old age of housing and facilities in urban areas, so that older, hardship cities according to this kind of an analysis would receive more money.

Not a national urban crisis, but urban hardship conditions particularly characteristic of older declining cities, most of which are in the northeast and the midwest.

If I had to make one proposal of the one thing that I thought needed to be done next, and I'm happy to say this is high on the list for planning in the Carter administration, what we need is an urban development bank to supplement these grants with loans and loan guarantees that also can be focused on community development projects with the federal government facilitating a banking function for the cities which have particularly significant needs and important opportunities for development, again such as the University Circle project here in Cleveland. These kinds of projects could be aided by an urban development bank. That in my opinion, is the most important and most promising next piece of federal urban policy, which those of you who are interested in this field, and the League has been in the forefront in this area, would work on and press for in the debate this year on domestic policy in Washington.

Q. Dr. Nathan, in your prepared comments, you noted that New York City had 3 governmental units and that Chicago had 600 some odd such units and in the answer to one of the earlier questions you also noted that New York City is poorly managed and in horrible financial position while Chicago is in pretty good financial condition and perhaps quite well managed, are you suggesting that we should splinter up our governmental units?

A. I feel this way that there is a sort of theory in the United States, a view which says to have big regional governments in metropolitan areas is always a good thing to do and that reform should create two-tier metropolitan regional government, which is very impractical and its knocking your head against an awful brick wall.

CLEVELAND: THE CHALLENGE & THE OPPORTUNITIES: Excerpts from remarks of Mr. Anthony Downs, Vice Chairman of the Board, Real Estate Research Corporation, League of Women Voters, City Club Forum, March 18, 1977, Cleveland, Ohio.

Now the challenge of Cleveland to you, is that your city has entered a phase of its existence that appears negative. That phase exhibits so many signs of decline from what had previously appeared to be superior state. This decline threatens to have excessively discouraging impact on you and the other people who live in Cleveland. And your attitude toward the future of your city itself, however, is a key determinant of its future. Because if you are positive, you will be willing to invest your time, your money and your lives in the future of the city, and that will cause your positive expectations to come true.

Now in spite of that handicap of the way the media will magnify negative things, you've got to have a positive attitude. And let me quickly mention some of these that constitute the challenge facing you.

The population of the city has dropped significantly from its peak in 1950 when it was 915,000 and it is now down to only 625,000 if you believe the census bureau or 670,000 if you believe the Cleveland planning commission. And even the higher number is a fall of 245,000 people or 27% since 1950.

The percentage of Blacks has risen above 40%. Your relative income level of the people in the city has been falling compared to the level of incomes in the metropolitan area as a whole. As a result the percentage of all households who are dependent upon public aid has been rising and now one out of every five Cleveland households is so dependent.

Now one way the quality of life has declined has been a greater insecurity caused by a rising crime rate. The rate of violent crimes per 100,000 residents was only 393 back in 1965 but rose to 1,060 in 1970 and increased 170% in five years. And then it rose to 1,576 violent crimes per 100,000 people in 1975. So insecurity is one of the cities toughest problems.

Cleveland is also declining physically, in terms of inventory of its buildings, and structures and physical improvements.

Costs do not decline with population declines but the tax base has shrunk and the city has had increasing difficulty maintaining service levels, as you know. And that difficulty is worsened by what I think is the ridiculous police and fire contract situation you have, the pay of your police and fireman now exceeds, as I understand it, the total real estate tax collection of the entire city budget.

Now as if all those things weren't bad enough, the entire Cleveland metropolitan area, not just the city, has been losing population and employment in the recent past. From 1970 to 1974, the census bureau estimates that the entire Cleveland area, not just the city but the whole metropolitan area, had a decline in population of 80,000 with net out-migration of 127,000, and that is in just four short years.

The real question is what is the area going to do about it. So if there is going to be leadership in this community, as in other communities, the leadership is going to have to come from a great extent from the private sector.

Now if it is true that every problem is an opportunity in disguise, what are the opportunities you are going to find disguised in this welter of problems that I have described.

My first piece of advice to you is that you shouldn't delude yourself with unreal expectations.

There are several delusions that are prevalent in Cleveland and other cities that are suffering from similar symptoms of decline. The first delusion is that the process of falling population can be reversed in the near future or ever, and therefore that Cleveland can somehow be restored to what it once was in either size or population composition.

I think that is a delusion.

We are spreading out in our settlements, in our metropolitan areas, and therefore leaving the higher density central cities, because the movement of people out of higher density and older cities is part of improving their standards of living. And they are not going to reverse that movement unless there is some real catastrophe that occurs and I don't see one on the horizon.

So your city and most other large cities will permanently have fewer residents than it did in its peak population period. And the number may even keep on falling for some time.

And this delusion of back to the good old days has several sub-versions, in large cities. One is that the energy crisis will cause a recentralization of population. We will all be using public transit and moving back into the central cities. You can forget it. American people are responding to higher oil prices by accelerating their use of automobiles rather than reducing it. The automotive vehicle population of the United States, the total number of registered cars, trucks and buses, rose at an annual rate of 2½ million per year in the 1950's; 3½ million a year in the 1960's; and so far 5.1 million a year in the 1970's.

Now a second version of this delusion of returning to the good old days is that we will attract the middle class back to our cities. Now, some middle class people can be lured back into attractive individual projects, but, we cannot attract either the Black or white middle class back from newer homes and larger yards and the better facilities of suburbia.

Now a second major delusion about older cities and one that is becoming particularly popular under this administration, is that the federal government is going to bail them out of all their difficulties.

The third major delusion is the most persistent of all. It is the belief that every neighborhood in the city can be restored to its former glory, therefore city policy should aim at improving all neighborhoods simultaneously. This leads me to the conclusion that physical upgrading efforts should be concentrated in those areas that are still in relatively good condition and just beginning to deteriorate or at least they are not very dilapidated yet. But that means not spending money for physical upgrading where the conditions are the worst, which seems to be a perverse policy, and it is a policy bitterly opposed by the residents in the areas in the worst condition.

I don't favor abandoning those residents without any form of assistance but the aid that should go there should be basic city services, income assistance, job opportunities, and human services that will help people and not try to upgrade buildings.

Now this discussion brings me to the most important aspect of my remarks. The opportunities that you can find in the present situation in Cleveland.

First, let's look at the positive side of lower population. Lower population means less crowding of public facilities. It means lower housing cost for the poor because there is less pressure of demand on the housing market and it means an end to the overcrowded housing condition that caused the population peak in the first place, which resulted from a housing shortage in the late 40's and early 50's. Now, if you had a school classroom you wouldn't consider that its greatest virtue was to have the greatest number of people you can pack in.

Second, there is no longer an inflow of people at the very bottom of the economic and social ladder into your city. This means there is a real chance to upgrade the population that is here.

But the opportunity of helping all those who can make it, has never been greater and we can provide jobs and employment opportunity.

The third great opportunity for you in Cleveland, is one born of necessity. The necessity of getting each household and neighborhood more involved in improving its own life rather than being dependent on consuming services provided by others.

Now we are discovering that in fact the quality of life is really more influenced by how we ourselves behave than by professional services. Take health for example. That is because our health is really much more affected by our own behavior than by the receipt of services of medical professionals.

Crime is similar. Anyone who thinks that adding more policemen is going to reduce the crime rate in the United States should see what has happened in the City of Cleveland and all other major cities over the past decade. And that shows that more police and judges do not reduce crime. It is changes in neighborhood behavior and the behavior of the people themselves are the only things that do so.

As we consider the quality of life in Cleveland and in other cities, we must come to realize that more and more of that quality can be influenced by people trying to change their own behavior than by receiving external inputs by other people. If they have one essential ingredient that they cannot provide for themselves and that is jobs and income. The rest is far more up to them than we have been willing to recognize in the past. Now that means however that the white majority has to provide job opportunities to make that kind of internal discipline in the Black community possible to self-develop.

This brings me to the fourth opportunity, which is really a method of looking at many particular opportunities. In cities like Cleveland, I think we must shift the planning focus from comprehensive planning, if we ever really did that and most cities really didn't do it, to what I call opportunity planning. We should provide all citizens in all areas of the city with a minimal level of public services but then focus the discretionary resources, over which we have some control as to where they might be spent, on those positive opportunities that present themselves.

One of those strengths is the private financial sector. Its resources at the banks, and the savings and loans, and mortgage banking companies must be enlisted in ways consistent with its fiduciary responsibilities towards its depositors on the one hand and its positive capacity of city residents on the other hand. For only private capital combined with public funds can take advantage of your opportunities. And I think the need to enlist private capital further strengthens my previous argument that we should put physical upgrading funds not in the very worst neighborhoods in the city because private capital will not go into those areas because it seems to risky to them.

Now one set of opportunities of these particular kinds that you can respond to arise from various federal aids. You should take advantage of each of these federal aids as an opportunity.

Another opportunity is the expansion of young and other adult oriented small households, because their number is growing very rapidly in our society. They constitute a market that can be attracted to the large cities and areas where entertainment opportunities and housing are appropriate.

The possibility of rehabilitating many older homes that are available at far lower prices than many new suburban houses is another opportunity for the city of Cleveland.

The toughest challenges are probably your public system and criminal justice system, both of which are functioning badly in most large cities.

In conclusion I urge not to fall into either of two emotionally opposite traps considering the future of Cleveland. One is the trap of hopelessness, giving up because the city seems to be declining in so many ways.

The other trap is pretending there are easy solutions because you accept some delusion or

other that glosses over the reality of your situation. You cannot go back to the past or expect the federal government to bail you out. There are no easy solutions and pretending there are no serious problems is one attempt at an easy solution which is equally a delusion.

I think it has been a failing in most cities of the community development program, they have failed to get the financial institutions in the community who have the resources they really need for community development, involved in the process. Because they focus citizen participation solely on the neighborhood resident level. That's a mistake.

It has to be on all levels.

THE NEW CONGRESS: AN APPRAISAL: Excerpts from remarks of Mark Talisman, Director of the Washington Office of the Council of Jewish Federation and Welfare Funds, Speaking at the City Club Forum/League of Women Voters, March 21, 1977, Cleveland, Ohio

The new Congress, the 95th Congress, is a watershed Congress historically. Two years ago, you might recall, there were 92 members of Congress, among the largest group in the history of Congress to arrive, made of people with much different roots than were those of their predecessors. There had not been a change-over of that character in the United States Congress, in my judgment, since 1840.

What is required? Is that this community as a whole put aside political differences and begin being interested in the affairs of its people, as the first order of business. Not a concurrent interest. And that's a hell of a thing for a young whippersnapper who came here those many years ago to say, I understand. And I'm not expecting to be pilloried for it. Because if you do not get the act together from a metropolitan point of view so that those in the suburbs are terribly interested that the city survives here. I can assure you there are dozens of communities prepared to fill that gap. They are doing it elsewhere.

EDA is coming back, it is the cornerstone of the Carter Administration within the Commerce Department. So the EDA program will be here; will the community be prepared to accept it.

Not simply on a pro rata share but on the basis of being able to implement the program but to make it the best program. The people will actually be employable at the opposite end after your tax money is spent.

The dilemma is that the sunbelt versus the northern belt has got to be developed into an equilibrium of great importance to all of you. The only way that is going to work however is premised on what I said before, that your act has to be gotten together, as a whole community. There is no one within any agency in Washington, whether it was under a Democratic administration or a Republican administration, who is interested in talking to 27 or 30 political entities within one major political boundary. They just aren't interested because they don't have time.

Your benefit ratio of return of money doesn't exist.

But this informal mechanism of 16 northern tier states, of which Ohio is playing a major role and your Congressmen are playing a major role, is one vehicle by which this can be done, if what is fed into by this community is a political entity, of all one voice. Not competition among many.

Energy, and the utilization of energy in this community is probably its single most important problem which has to be addressed immediately, if anything else is going to happen. You have seen what the squeeze of natural gas can mean, it is only just beginning.

The opportunities are there to educate, to cajole, to help inform your members of Congress for better representation. They are willing, they are perfectly willing. But I gotta say, that the responsibility is not that you are hiring yourself some kind of broker for two years and forgetting about them. But that you deal with them on a daily basis on these kinds of problems emenating from this very series and not simply feel that you've done your bit by paying your freight listening to all of this and then feeling sufficiently depressed and going away.

I know from those with whom I have dealt, friends now in administration positions, that the opportunity that exists within that administration, not only for input on the legislative basis, but within the administration itself is enormous. If it doesn't work, that's the end of the experiment I can assure. Because that's what all the contests have been about for the last four years. So the burden does fall heavily upon your shoulders.

I would suggest and I would hope, that which you do as a result of these forums, and I read most of the speeches is not shelved but is developed into task group operations in which

political people on the local, county and state levels are brought in, and then to involve the federal level. Either its going to happen that way or you are going to be outstripped in any competition with any number of political units I know around the country and that's that.

Q. How are the lower level of people going to find the jobs necessary to decrease the high unemployment rate among young people?

A. The training which really has to occur is that which occurs with those who must train on the job and that the only real kind of job development that means a damn is that curriculum developed by those who have a job in conjunction with formal educational systems.

A. It seems to me what is required is a summit in which the opinion, including the news media, and everyone else just get together and sit down and continue this forum in specific terms. Tick off the agenda, there is a long agenda.

AN AGENDA FOR NATIONAL ACTION - Excerpts from remarks of Parren Mitchell, Congressman, City Club Forum, League of Women Voters, March 25, 1977, Cleveland, OH

Where are the poor? Where are the alienated, the blacks, where are the elderly? You know where they are found, right here in the cities, because we put them there. They are found in our cities because both public and private policies have been such as we would say, "put them there and leave them there. Build some constraints around them so they don't move out." It's just that simple.

I get awfully upset when people talk to me about pathologies of the cities because policies of the public sector and the private sector have created those pathologies. Sure we have a disproportionate share of crime. But a disproportionate share of poverty, a disproportionate share of deterioration. But most importantly there's a disproportionate share of a growing loss of spirit.

Man does not live by bread alone. Man is also a psychological animal. And while there is still hope in our cities, my question is how long can that hope endure. Unless we move it for our purposes.

And I suggest to you that to the extent and degree that the government was responsible for the abandonment of the cities, to that same extent and degree it must take the responsibility for the rebirth of cities.

In my own opinion, as I've said so many times, there is the terrible problem of the hopelessness that is being engendered in cities and that hopelessness comes about because time and time again the government has made a commitment to the cities it abandoned and then it has broken those commitment. So often I think of the housing commitment that were made.

In 1948 there was a great ringing pronouncement . . . the federal government is to provide homes for people working with the private sector. In 1948 we said we are going to build 10 million housing units in 10 years. We built less than one million. To compound the felony, we came back in 1968 and said the same thing. We are going to build 10 million housing units in ten years. We built less than two million.

The games being played, you shouldn't play games with the lives of people.

Not only is the abandonment a fait accompli, but I also suggest to you that the federal government's present policies are serving to preserve the high rates of unemployment And those high unemployment rates fall dissproportionately on blacks and other minorities in cities.

Guess what our magnific magnificent objective is for this year? It is to reduce unemployment down to 6% by the end of 1978. Isn't that a magnificent accomplishment for a magnificent country.

All that we are saying is that 6 million people are going to be out of work and the bulk of them are going to be black. We are not even including the other 5 million people who are unemployed because of the structural dysfunctionings of the economy in this system. We are talking about 12 to 13 million people being out of work and that is accepted policy.

That's the policy of the Carter administration and the policy of the Congress of the United States. And all that does is send a message to the black communities in the cities that says, you are going to have to live with high rates of unemployment in the years to come.

What are the implications of this policy? You know it as well as I do. The implications are a steady staccato of crime in our cities, in our black communities. The implications are the steady staccato and manifestations of crime among unemployed youth where the rate is 42%.

What is it going to do to family life if we have a national policy of keeping people out of

work. What kind of role model does a kid see? When day after day his father comes home dejected, depressed, robbed of his manhood because of policy that says we have to keep people out of work because of inflation. I would have to answer that question very honestly, does this not mean that a certain portion of the black community is being sacrificed on the altar of economic theory.

I think it is only right at this junction in my speech, that from my vantage point, as far as black Americans concerned, the masses of black Americans in cities there is a policy of containment against those black Americans.

I'm talking about a containment policy. Black mayors have seen their schools under funded by the state and the federal government. The result being that little black children still operate in segregated schools, and segregated schools are an abominations and I would suggest that communities that don't move to desegregate their schools ought to reconsider their abominal policies.

You've seen little black students in segregated schools where they are underfunded and that's a policy of containment because what you are doing, is to deny that child a chance to maximize his capabilities to be an active participant in society.

That there is a policy of containment, I will ask you to look at the widening income gap between the median black family income and the median white family income. They are not coming closer together but widening.

If you ask me if there is a policy of containment, I will ask you to examine the fact that the average assets of white families in this country amount to $6,000. The average assets of black families amount to $400.

Just think of what one half of a $113 billion defense budget would do toward the revitalization of a city like Cleveland, Chicago, Baltimore, and Atlanta.

It is kind of tragic to me. I don't fear the USSR, nor do I fear the People's Republic of China.

I don't fear these people, what I fear is the rising degrees of classness in this country. The disparity between the have's and the have-nots is so enormous that sooner or later people are bound to reach the toleration level of frustration.

You've been nice to me here, with a nice filet of sole, with lobster sauce. But you go to Front Street in my city, where people don't have enough to eat and you bring that person in here. He sees the disparity between what we're doing and his children who don't have bread. That's the danger to America, not the Soviets and not the People's Republic of China.

So how do we begin to revitalize our cities. It seems to me that there are three major concepts. One has just been developed or advanced by President Carter and it is the Concept of the UrBank. A national urban bank and some of the things that he is suggesting for that urban bank are monies to be loaned to cities to sort of subsidize in part their tax bonds, thus freeing them to maybe going to the private sector, in greater numbers and greater security. A whole host of fantastic ideas are incorporated in this idea of UrBank.

But I'd like to take it a little further. I would like to use that urban development bank to put some people back to work. To stop the deterioration of your neighborhoods, you stop it when you see the first tell-tale signs of life. There are neighborhoods groups you know how to put up a sagging fence, you know how to fix a sagging doorstep, and I would suggest those neighborhood corporations ought to be able to go to an urban development bank, funded adequately, 25 or 30 billions of dollars. Go to it, draw out a loan, and say we are going to do this much in our neighborhood.

And it seems to be that if we are going to revitalize our cities we are going to have

to talk about it; building a viable, minority, enterprise class. And I want it done in the same way that the private sector would do it. True government support and government subsidy.

There is no point in talking about revitalizing our cities unless you are going to talk about full employment. There is no reason to talk about, isn't that the essential ingredient in revitalizing our cities. And I for one am sick and tired of the errant nonsense of the orthodox, economists who are now saying, in light of the changes in the American economic system, really 5% unemployed means full employment.

To revitalize our cities we have got to have every man and woman who wants to work, who is involuntarily excluded from the work force, must be able to get a job.

Unless you have full employment in the cities, unless you have a viable, minority business class, and unless you have the kind of capitalization in your cities, stemming in part or in whole from the federal government - to move cities forward, than there will be no revitalization.

Aluminum and steel and glass and downtown Baltimore and downtown Cleveland or downtown Detroit don't make a city. Bicycle paths through Baltimore or Cleveland or Detroit, that doesn't make a city. The fact that you are able to build up a part of your port area and have a floating restaurant out there, the fact that the tall ships come into port and they are photographed beautifully along side the port, that doesn't make a city. What makes a city is the spirit in people A spirit that somehow or other they can grow to their maturity and act out their manhood and their womanhood. What makes a city is a sense of hope, where every person, I don't care whether he is high status or low status, median income or low income, feels that somehow or another he has a stake in the city, because that city cares about him. And if he sees the caring about him, then he wants to be a part of the movement of that city.

We won't rebuild Cleveland, we won't rebuild Baltimore, we won't revitalize either of those cities until the last remnants of racism in this city or that city. We aren't going to revitalize any of our cities until we revitalize almost a spiritual quality, that says that that man is important, that that woman is important.

An economic institution should not exist unless the end object of its existence is to serve the men.

A spiritual renewing which makes the person central to everything that we do or there will be no revitalization.

A. I don't mind zero based budgeting as a concept but I don't want to see it used as a weapon against those problems which are necessary for the survival of the people. I would be quite willing to let the department of defense and HEW both come in simultaneously to undergo zero based budgeting. I dislike the attempt to pervert the concept into one which is solely and exclusively designed to destroy certain survival programs.

A. I think it is wonderful to put on a minority business enterprise bazaar. All these things are good in terms of public relations. But what I am much more interested is how many contracts has your corporation let to a minority contractor. What is the bottom line figure on that?

Q. Do you think that UrBank legislation will be introduced at this Congress and if it passes what do you think the priority needs should be in the terms of UrBank money?

A. I don't think that it will be passed in this Congress. Secondly, if it comes into being, what should be its priorities. I'm very strong in letting local political subdivisions determine priorities. I think its important that the local subdivisions establish the priorities of use for UrBank provided there is maximum citizen input from those whose lives will be affected by whatever is not local. I love to go downtown in Baltimore, have you been

there recently. It is beautiful. We are revitalizing the area and many people use it. But in the black communities there is still a great deal of resentment against it. Not so much because it is there but because people were not allowed to participate in the decision making process of what was important. That would be my one urging, that the determination of priority of funds come from the local community with maximum citizen involvement. It's a hassle, if you've every tried to work in terms of citizen involvement, your hair will be grayer than mine in 24 hours. But really it's not much different than working in the U.S. House of Representatives. It isn't when you have 435 prima donnas and 435 separate philosophical viewpoints and 435 different vested interest groups represented. So if we can hassle it there, you can hassle it here.

NEW YORK CITY - CAN IT HAPPEN HERE - Excerpts from remarks of Roger Star, Speaker, City Club Forum, Cleveland, Ohio - Monday, March 28, 1977

Now, I can't tell you whether New York City will happen here in Cleveland unless we have a measure of agreement as to what it is that really has happened in New York City. I can summarize I think in one sentence and that is, "New York City, the economic city of New York, no longer produces enough wealth to sustain its population. Its assets do not measure up to its liabilities.

It is beginning to dawn on people that for a city to flourish it must meet its basic economic needs. Now a few years ago, everybody was talking about the urban crisis, just the way they are now. But they meant a wholly different crisis. They meant a crisis of growth, overcrowding, congestion and loss of amenities.

In the United States, we have on the one hand Louis Mumford, who told us that congestion was bad. We had on the other hand, Jane Jacobs, who told us that congestion was good. They both agreed on one thing, that congestion was the way of the future.

Well, you drive around New York City today, you wish you could go back to those good old congested days of ten years. Because if congestion is depressing; vacant, unused, unusable land, burned out buildings, tumbled down places where nobocy lives, these are much more depressing than congestion was.

What else has gone wrong in New York City. Now I come to something which is extraordinarily unpleasant to talk about with audience of nice people. The that is that we have spent far too much money on social services and far too little hardware.

There isn't one person in this room who at the time wouldn't have said, children, warm lunches, drug programs, social programs come first. But there is no question also, that the human effect of the collapse of that highway by causing people to lose their jobs, by creating unemployment, by creating a permanent dislocation of the ability of this city to deal with its problems on a fiscal basis, has caused not just the collapse of steel beams, but has exacted in tremendous human cost from the most helpless people in the city of New York. This is the kind of thing that has happened in New York City and you have to take it into account.

My feeling about Cleveland is that its basic situation is very different from New York City.

A second issue here. Welfare, at least in part, is a county responsibility. In New York City, the city pays 50% of non-federal welfare which is to say home relief, where in the case of federal aid, like ADC, the city pays 25%.

And we unfortunately instead of saying no to its public employees, we engage in something I call futurizing their demands. We turn present demands for wage increase into higher pension benefits so that somebody else was going to have to pay for them.

In my view nothing could be more damaging to these large number of people to make them or to make it impossible or at least very difficult for them to leave the city in which they are living at risk of reducing their welfare benefits, in order to go somewhere else where they have a better chance to fit into the mainstream of life.

I have sat and talked to many welfare people. The great tragedy they face is not just that they haven't got enough money to live decently but that they are not part of the economic mainstream of American life. And that the best we can do for them is to anchor them forever in the deteriorating neighborhoods in which they live without an opportunity to have their children break out of the trans-generational dependency.

We need for them a program that will seriously direct itself to integrating them into the economic stream of American life.

This not only means job training it also means realistic job opportunities. I think it means the opportunities for migration to those parts of the country which are booming today.

The second thing that we have to do besides doing something about trans-generational dependency, is to do something to cut the web of city services. In my view it is essential that we take a population and encourage it to cluster. Two apartment houses, each half full, will be abandoned. One apartment full and one apartment empty, will at least enable one to survive.

We have for example, a law in New York City that you get priority for admission to public housing if you are the victim of a burn-out. Now one of the results of this is that buildings burn down.

One of the things that I feel most strongly about and that distinguishes me from most other urban problematists, is my hatred of the subway sustems. I wish New York had never built a subway system.

A subway system anchors all transportation between two points but it doesn't anchor any of the reasons that make those points necessary or attractive. There is something terribly inflexible about any rail transportation system whether you call it a subway, or a people mover. You have a one use only of the tremendous investment compared to what a street can do. A street gets emergency vehicles from one place to another, it provides a channel for water and sewage to leave, it provides a space for the electric conduits, it provides for the movement of goods, and it provides for bus transportation. I think that buses are the way to go in all urban transportation.

If your population in Cleveland is shrinking, your basic municipal configuration has to be geared to the change in the population size and it may well mean that larger areas of the city are going to be abandoned all together.

If we are going to get federal government participation on an even greater scale than we have had in the past, you've got to be sure it is not done simply to turn the city into what Norton Long calls a "reservation." Indian reservations to keep people out of the mainstream of American life.

THE CARTER ADMINISTRATION'S PLANS FOR THE CITY Excerpts from remarks of Joseph Burstein, counsel to Patricia Harris, HUD, City Club Forum, April 1, 1977, Cleveland, Ohio

As I speak today, more than 3 million families are aided by federal-assisted housing. And the Carter administration is adding 1.2 million units to that number in the years 1977-78. The Carter administration $4 billion block grant program to aid American cities, including a $400 million development action grant awaits Congressional approval. Much has been done, clearly much more needs to be done.

Let us first consider housing and then talk about the cities. Despite public and private efforts, over the past four decades, there continues to be a great national need to provide an adequate supply of decent and affordable housing. The Harvard-MIT Joint Center recently published reports on housing needs and documents the fact that there are still 13 million housing deprived families in America. About half of these families reside in physically inadequate housing. The low housing production of the past few years has actually, and incredibly in my opinion, let America fall further behind in meeting the housing needs of the American people.

Although median income is up 47% since 1970, the median sales price of new homes is up 89% and ownership costs are up 102.5%. The facts also show that excess housing costs are a burden for many American households. Five million homeowners have mortgage payments in excess of 25% of their income.

10½ million tenants paid more than 25% of their income for rent, almost 60% of America's families cannot afford to buy the median priced new homes.

Now lets take a look at the condition of our cities. Between March 1975 and March 1976, the United States metropolitan areas lost nearly 400,000 citizens to out-migration. During that same one year period, central cities sustained an incredible net population loss of 2 million people out of the central cities into the suburbs. In 1975 and 1976, many cities were burdened with unemployment rates in excess of 15%. Unemployment amongst minority youth reached 40%.

The central cities share of metro jobs plummeted from 63% in 1960 to 52% in 1970 to less than 50% today.

Additionally, what was once usable, sound housing starts, have become unsalvageable through lack of maintenance, abandonment, and a combination of other facts. The problems of the older cities go deeper than this. There is the very real threat that in the major population centers there will be a collapse of the municipal interstructure itself.

Finally, we come to the question of poverty itself. In urban America, Nathan Glazer and William Gorman, point out in the urban predicament, that the average income of central cities residents relative to suburban residents is dropping sharply. That from 1960 to1970, the median income for central city residents as a percentage for the median metro income dropped from 90 to 87% in Cincinnati, from 85 to 80% in Cleveland, and 90 to 83% in Detroit. In other words, although poverty is declining nationally, it is increasing for the older cities.

Of the poor who reside in the central city, the percentage who are black have risen from 37% to 50% in the past 15 years. And one in every six black Americans, more than 4 million people, are trapped in poverty in the urban ghetto. America faces two great unmet domestic challenges. One to provide more housing opportunities for low and moderate income people, and two, somehow to direct housing as well as other assistance as a means of reviving and rehabilitating those inner city Neighborhoods, so that they once again, perhaps more than ever, provide the economic, social and cultural development and the happiness of family living to attract the people to the cities once again.

First, let us look again to the area of housing. For the rest of fiscal 1977 and for fiscal 1978, the Department presented budget requests which dramatically altered the previous administration's plans. A $508 million supplemental appropriation in section VIII Contract Authority, bringing the program level to 400,000 units for fiscal year 1977. $1.2 billion in Contract Authority to provide an additional 400,000 units for both section VIII and public housing in 1978. $50 million for both 1977 and 1978 for the section 3-12 rehabilitation program. This is a very popular program in many cities which the previous administration had scheduled to end in 1977. $35 million in contract authority to modernize other housing projects. This represents a 700% increase over the Ford budget request. Now my secretary looked at 700% and thought it was a typo, but it wasn't. A 700% increase.

$50 million for the urban homesteading program, which represents a tripling of the previous administration's request and an extension from 20 to 30 years of the Section VIII housing assistance contract for privately financed housing. A move which will facilitate the flow of conventional financing through new Section VIII construction. Here, I'm sure people in the audience who are familiar with the problem will recognize how significant this is. One of the problems of Section VIII is financing and if we can involve the conventional lending monies that are around to finance Section VIII we'll have a tremendous resource that hasn't been available and that is what that amendment is assigned to do.

I should not overlook the fact that additional section VIII funding will allow the department to implement fully the $700 million alloted for section 202. There are quite a few people in this room who are interested in section 202 and the program is going ahead and this should mean an additional 25,000 units of housing for the elderly and handicapped for fiscal years 1978.

In direct response to the plight of the American city, especially the older distressed cities, the administration took the following initiatives and you'll recognize what these initiatives mean in terms of the changes that I was talking about. The out migration, the fact that the older cities are declining much more rapidly, and the poverty levels in the older cities. We have a three year re-authorization for the community development block grant program. A $750 million increase over the current program to $4 billion annually. Increase to 4.15 billion in 1979 and 4.3 billion in 1980. The inauguration of a new $400 million urban development action grant program which you will be hearing about, and the term you'll hear is U-dac.

Change in the entitlement formula which will have the effect of targeting more federal aid to older cities. What specific effect does this last initiative have on two different areas in Ohio. You will be pleased and maybe surprised to hear this. The two examples are Cincinnati and Cleveland. In 1980 when old Congress agreements are phased out, the city of Cincinnati will go from 10,995,000 under the old formula, to 20,152,000 under the new formula. Cleveland will go from 16,784,000 under the old formula to 40,613,000 under the new formula. Almost a 250% increase.

These are the cautions that Secretary Harris noted. First, although what has been suggested is clearly a dramatic improvement of the previous administration's proposals it is still much less than we would like to have. Second, as much as the government does accomplish, it cannot reverse completely the downward trend in urban economics and housing without major assistance from private enterprise. The government can't do it alone and I might add, that business can't be expected to do it without appropriate government assistance. Finally, all that we do now at the public and private fronts are pretty stop-gap methods until this nation finally accepts its responsibility to develop a cohesive, dynamic and inclusive national urban policy. And a principal part of any national urban policy is what Secretary Harris said on March 7th, "We must affirm as a nation, that a decent home is a right and that adequate shelter is a basic commodity, equivalent to food and clothing in the spectrum of human needs." She added that this is a point that cannot be compromised and all of who have made this business our life work totally agree.

Let me mention next what I mean by that kind of approach. We have here a distinguished citizen of Greater Cleveland, one Dorothy Duke, who back in the mid-sixties along with several other people representing the National Council of Negro Women, went down to Mississippi and re-developed a form of housing where the families, these poor families are not just renters but they have the opportunity to own these homes. In Cleveland, Miss. by the way, and surrounding area, those families are going to own those houses in about nine or ten years. Now, supposing that we had kept our eye on that ball, ten years ago, or even earlier. Supposing that we had had the national will and the national ability to pursue that endeavor in

Mississippi and other rural areas, would we perhaps not have the problems we have in the northern cities today. I wonder.

What seems to be arising out of that, conflagration, are the neighborhood families themselves, are banding together, rehabilitating their own buildings and managing together to maybe start living again in that part of the inner city.

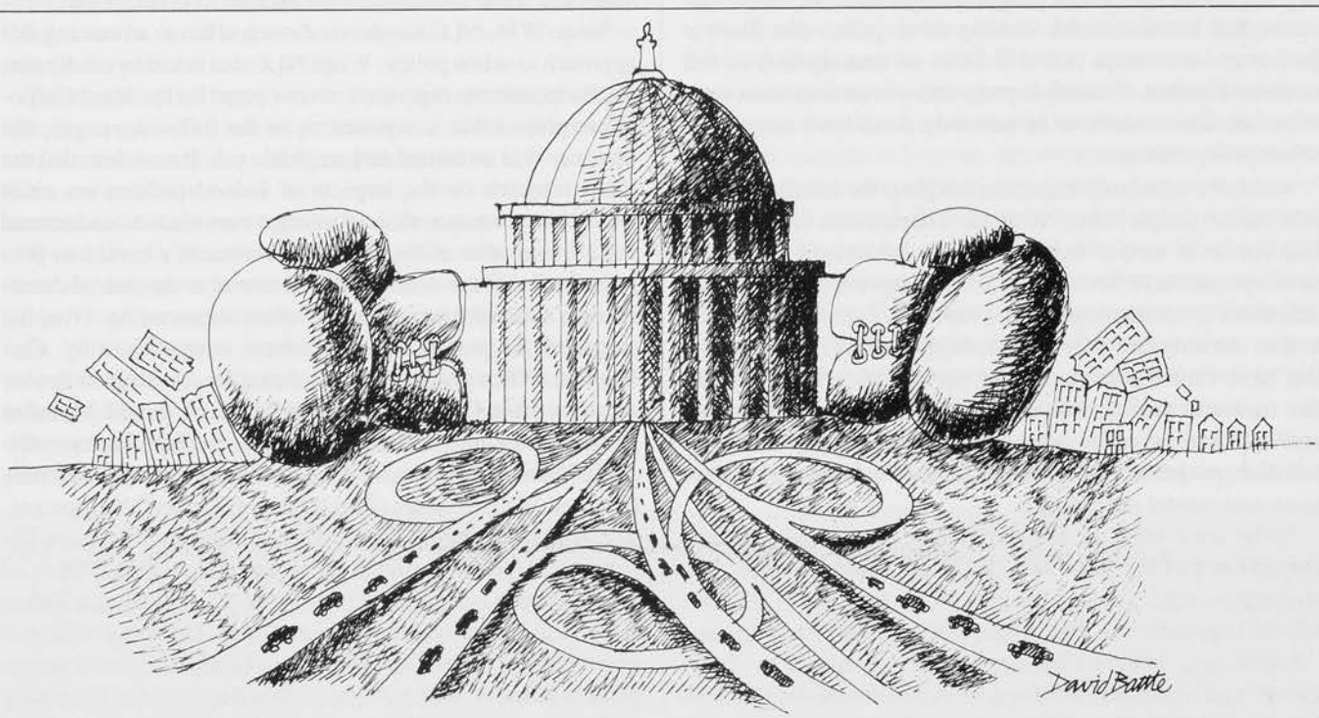
I wonder if we transported that idea from Mississippi, and it can be transported by the way, we have the tools to do it, in the Bronx or any place else, I wonder if that wouldn't be possibly one of the best solutions to re-vitalizing or even now rebuilding those burned out areas and we have some old burned out areas in Cleveland, we have them in Washington, D.C., and we'll probably continue to have them.

JAN 9 1978

THE URBAN IMPACT OF FEDERAL POLICIES

A Preview of a New Rand Study

by Mark J. Kasoff



Illustrations by David Battle Design

About This Report

Publication of the following article has been supported by the Charles F. Kettering Foundation in the interest of stimulating further discussion of the need for the development of a coordinated urban policy, one of the major missions of the Foundation's Urban Affairs Program.

At a time when policy makers and scholars are giving increasing attention to national urban policy, the Rand Corporation, with the support of the Kettering Foundation, is completing a study of the impact of federal policies on urban areas. One of the four planned volumes, an analysis of the economic impact of federal policies, has been published. Our review of this volume, and of drafts of the others, convinces us that the entire study contains insights that could inform the current national discussion and help shape subsequent policy making. For this reason we are taking the unusual step of reporting on a study that is still in progress.

The Kettering Foundation commissioned Dr. Mark J. Kasoff, a professor of economics at Antioch College and visiting scholar at the Foundation, to summarize the salient features of the Rand research and to relate them to the current national urban policy debate. As the Foundation's project officer for the Rand study, Dr. Kasoff examined outlines of the work, reviewed draft documents, and worked with an advisory panel of scholars, federal government administrators, and local government officials established by the National League of Cities to advise the research team.

The reader should be aware that major portions of the research are still under review and revision by Rand. Final versions, to be published by Rand, may vary from the working documents used by Dr. Kasoff, and interpretations of data may differ.

At the outset, Rand undertook the research and literature review to establish a framework for analyzing the urban impact of federal policy. The project was expanded in scope during its course and has required significant supplemental grants by the Kettering Foundation and Rand to provide the broad coverage

of the concept that is now emerging.

Although much of Rand's work emerges as generally accepted wisdom, the collection of this research into a single analysis results in some fresh ideas of critical importance. The Rand work suggests, for example, that policy is more important than program. It is the accumulated impact of many programs that brings results. To cite a hypothetical example, the much-discussed urban development bank is a program that could be significantly effectual in the stimulation of urban reinvestment. The proposed federal investment tax credit, however, could have even greater impact and, most importantly, it would be the investment tax credit in combination with the urban development bank and other federal programs that would determine what kind of private reinvestments can be made in cities. It is entirely possible that if separate measures are not designed in concert, they will result in neutralizing any effect that the Urbank program might have on cities. The conceptual framework for viewing urban policy that Rand is preparing—a concept that will focus on examination of the combined impact of multiple programs—is an important contribution, and it needs to be seriously considered now as an urban policy emerges.

Another enormously important insight is the conclusion that jobs follow people. Many of us have been aware of the rising importance of service industries. Most students of economic development have been aware of the importance of spinoff industries in economic growth. However, linking this insight to data showing how jobs have multiplied much faster in areas that have experienced population growth leads to the insight that measures dealing with the residential attractiveness of an area appear to be of far more importance in the production of jobs than programs that reduce local taxes or make exceptions to environmental restrictions.

In the same vein, the research demonstrates that corporate executives making locational decisions reflect considerable concern over the red tape resulting from multi-level governmental requirements. The same point was made in a paper, "Revitalizing Central City Investment," prepared by Peter Libassi and Victor Hausner for a recent session of the National Urban Leadership Round Table. The lack of locally organized development strategies with strong political support joins with effects of federal capital gains tax incentives to present a rather overwhelming case against urban investment, even if factors like high crime and congestion could be neutralized. It is difficult to deal with many of the problems involved in achieving inner-city investment. However, there are a number of relatively simple factors that, in the absence of a comprehensive strategy, present multiple barriers.

The Rand work does not provide all the information that urban policy formulation ought to involve. A considerable amount of research is still needed to pursue the many analytical gaps cited in the work. Nevertheless, we feel it is a major contribution to the discussion of an agenda for further research and provides an analytical framework for reviewing new proposals currently being developed.

James E. Kunde
Director, Urban Affairs Program
Charles F. Kettering Foundation

A Word from the League

In the 1974 statement, "Toward a National Urban Policy of Urban Conservation," the Board of Directors of the National League of Cities adopted urban conservation as NLC's policy theme. "At present," read that statement, "a set of federal policies combine to create an unintended but strong national urban policy which encourages the poor use of urban resources. The first order of business then, if we are to determine the policy goals of urban conservation, is to acknowledge from the start that the existing policy system is rigged against policies and practices of urban conservation. . . . Even where no explicit federal policies work to contradict urban conservation, federally created incentives and disincentives encourage private sector institutions and individuals to underutilize and abandon past urban investments and to continue to overconsume and waste urban resources on current investments."

Since 1974, NLC has devoted much effort to advancing this approach to urban policy. When NLC was asked by the Kettering Foundation to organize a review panel for the Rand Corporation project that is reported on in the following pages, the response was an instant and emphatic yes. It was clear that the Rand research on the impacts of federal policies on cities would be the most ambitious attempt ever made to understand the urban results of the federal government's nonurban programs and that the results could be turned to the task of developing a national urban policy of urban conservation. Over the course of the project, the researchers were advised by: Carl Basnett, Office of the Mayor, Atlanta; Dr. Herrington Bryce, Academy for Contemporary Problems; Council Member Robert Cauthorn, Tucson; Dr. Timothy Connor, Director, Office of Income Security, U.S. Department of Health, Education, and Welfare; Mike Garn, Director, Urban Development, The Urban Institute; Clifford Graves, Deputy Associate Director for Evaluation and Program Implementation, Office of Management and Budget; Assistant City Manager James King, San Jose; Phyllis Lamphere, Council Member of Seattle and President of NLC; Mayor Moon Landrieu, New Orleans; Mike Schneider, Office of Policy Development and Research, U.S. Department of Housing and Urban Development; Commissioner Patricia Sheehan, Department of Community Affairs, Trenton; and Richard Walsh, Acting Director for Transportation and Policy Development, U.S. Department of Transportation. The activities of the advisory panel were organized by Leo Penne of the NLC staff.

The interest of the Kettering Foundation, the Rand Corporation, and NLC in this project has been more than justified. It strengthens the conclusion that a variety of federal policies and programs has inadvertently worked against the best interests of both central cities and suburbs. It offers a new and promising way of thinking about urban policy, and it suggests that the federal government must organize itself differently if it is to succeed in creating and carrying out a consistent and conscious policy toward cities. The knowledge made available by this project deserves serious consideration by the urban policy-making community.

Alan Beals
Executive Director
National League of Cities

THE URBAN IMPACT OF FEDERAL POLICIES

Now comes the Rand Corporation, with more evidence than ever before assembled, to show that broad federal policies have had a greater, though unintended, impact on urban development than deliberate urban programs. Overall, says Rand, these policies have contributed to the decline of central-city population and employment.

To many mayors around the country, these findings may sound like verification of the obvious. Their significance, however, should not be underestimated. For what this latest Rand research could inspire is nothing less than a brand-new premise for national urban policy.

To put these findings in context, a quick review of recent history is useful. The federal presence has, of course, been felt ever since the early days of the republic, when U.S. post offices and customshouses were among the most prominent structures in our then-emerging cities. It was not until the end of World War II, however, that urban problems began to claim the sustained attention of the White House and Congress. The federal response expanded for more than two decades.

In 1949, Congress passed the Urban Renewal Act, providing the first in a succession of programs aimed directly at helping cities. Subsequent measures made available direct assistance for installing community facilities and for improving public transportation. The Model Cities Act of 1966 provided a complex strategy for orchestrating a diversity of federal assistance, and community development block grants, authorized in 1974, gave cities and urban counties lump sums to be used with relatively few restraints. The result of the expenditure of these narrowly targeted dollars could be counted in lots cleared, parcels sold, blighted buildings replaced with sound ones, community centers built, and swimming pools installed.

It has been far more difficult to assess the impact on cities of a host of other federal programs and policies that are national in scope. In retrospect, however, we can see that many of these other, ostensibly nonurban programs have had a more profound effect on the physical form and demographic composition of cities than the categorical urban programs. Federal mortgage underwriting practices, for example, favored new housing in homogeneous neighborhoods on cheap land. That meant that the bulk of the postwar housing was built in the virtually all-white suburbs. Meanwhile, interstate highways, financed 90 percent by federal funds, made steady outward expansion of these neighborhoods feasible, at the same time opening up the sunbelt to economic development. Rapid technological changes in farming, encouraged and assisted by the federal government, reduced the number of manual workers needed to till the land. This started the most massive migration in our history, as farm workers, mostly poor blacks in the South (but containing among their numbers many southern whites and Puerto Ricans, both black and white, similarly displaced by agribusiness), moved to northeastern cities, where their deprivation and discriminatory real estate markets forced them to live in the most inferior housing in those cities.

By the late 1960s many city officials and urban scholars, and some federal officers as well, had concluded that many of

How the Rand Study Grew

The Rand Corporation study "The Urban Impact of Federal Policies" grew out of an investigation by Rand, conducted during the early '70s, of the problems of growth and decline in three cities: St. Louis, Seattle, and San Jose. Contrary to the widely held assumption then in currency, the study found no evidence that U.S. cities might be able to control their own destinies by joining the principles of "scientific management," long advanced by Frederick Winslow Taylor and embodied in most academic city planning programs, with the technology of the computer age. Instead, the researchers concluded that the explosive growth rate in San Jose was primarily responsive to the rate of federal purchase of electronic equipment for defense; that unemployment in Seattle was critically related to aerospace expenditures; and that no matter what actions St. Louis took, it would not be able to deal effectively with problems whose roots crossed borders over which the city had no control, a condition fostered by federal subsidies of suburban sprawl.

The three-city study was published in 1974, at a time when Dayton's Charles F. Kettering Foundation, concerned by the lack of a coherent national urban policy, was setting up its urban affairs program. At the same time and moved by the same concern, the National League of Cities was calling for development of a conceptual framework to evaluate the impacts of federal policies.

Thus, the interests of Kettering, NLC, and Rand seemed to converge around a single purpose—to give substance to the view that not only did America need a national urban policy, but, of perhaps greater importance, it needed to begin to understand the importance of inadvertent impacts of federal policy on urban areas. Consequently, the three organizations joined together—Kettering providing financial support and overall direction, Rand doing the research and contributing additional funds, and NLC convening an advisory group to insure that the results were both intelligible and practicable from the policy level. The study proceeded under the guidance of Dr. Barbara Williams, author of the St. Louis study, who became director of Rand's Washington Domestic Programs Office. Dr. Stephen Barro was its principal investigator.

When completed, the study will consist of four reports. Three are basic source documents, each an analysis of a different aspect of the impact of federal policies. One, by Dr. Roger J. Vaughan, deals with economic development; a second, by Barro, with fiscal conditions; and a third, by Vaughan and Mary E. Vogel, with population and residential location. A fourth report, to be published as Volume One in the series, will be an integrative summary of the three source documents. Of the four, Volume Two (Economic Development) has been published, Volumes Three and Four are in draft, and Volume One, the overview, is still in preparation.

these consequences, most of them clearly unintended, could have been prevented or ameliorated if the United States, like most industrialized nations in the West, had a national urban policy. In fact, Title VII of the Housing and Urban Development Act of 1970, passed after lengthy hearings on the need for national attention to unrestrained urban growth, calls for the development of such a policy. It also requires that the president report to Congress in every even-numbered year the progress being made to comply with this mandate.

Unlike earlier versions, which have passively described growth trends, President Carter's first report, due in February, is expected to assess the prospects for a national urban policy. The White House set an earlier date for a White House Conference on Balanced National Growth and Economic Development and ordered a cabinet-level Urban and Regional Policy Group, chaired by HUD Secretary Patricia Roberts Harris, to step up its deliberations. Whether in response to a charge made last summer by National Urban League Executive Director Vernon Jordan, on behalf of a coalition of black organizations, that President Carter has failed to fulfill his campaign commitments to the inner-city poor or in alarm over release of data showing that the national unemployment rate among poor minority youths exceeds 40 percent, the White House seems now to have assigned a high priority to urban issues.

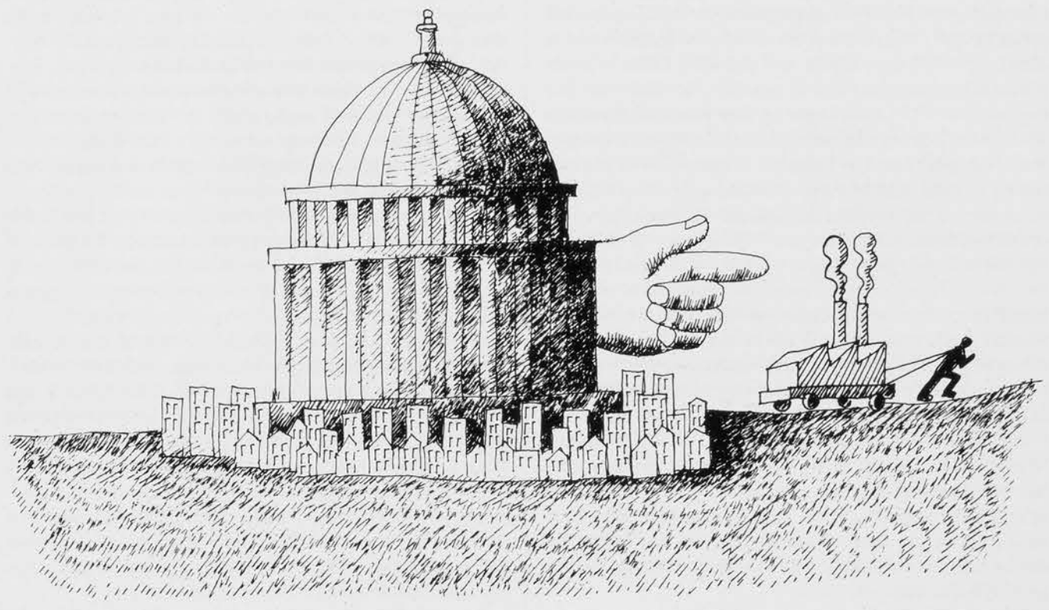
Publication this month of the main conclusions from the Rand study comes, therefore, at an opportune time. The White House staff should welcome in particular what is perhaps the major contribution of the report—a conceptual framework for analyzing federal impacts on urban areas, the lack of which has heretofore made it virtually impossible to predict the side effects and interconnections of categorical programs.

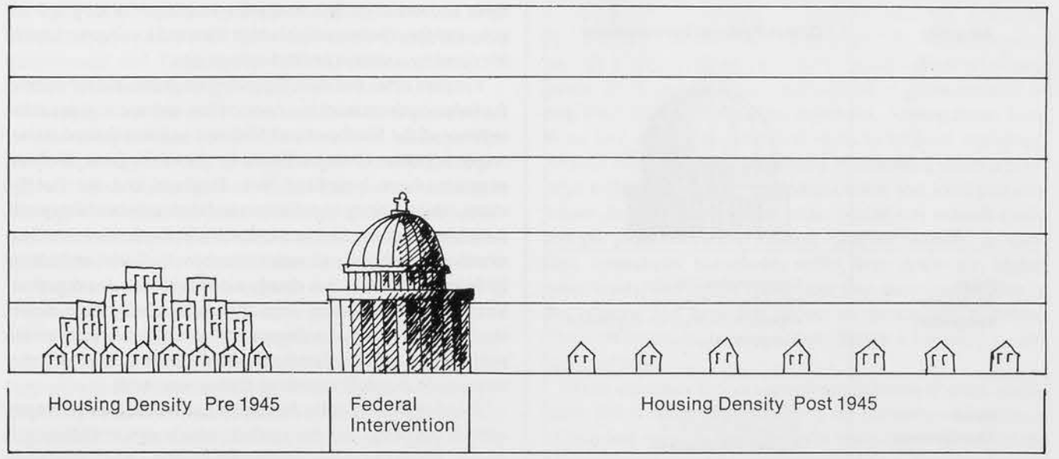
This framework, which Rand constructed for its own research design, consists of three interacting elements—the private business sector, the local public sector, and the residential sector. Federal policies, as well as market changes, affect one or more of these sectors; the direct effect on any one sector is inevitably transmitted as an indirect effect on the other two. Thus, says Rand, the local public sector reacts to interventions that increase or decrease its resources directly, like taxes or grants-in-aid, as well as to those that influence residential choice or local business conditions.

Examining a range of broad national policies within this frame, Rand has come up with three overarching conclusions, each with an implicit lesson for policy makers.

1. *Not all cities are in trouble, not even all those in the Northeast.* The same market trends and federal policies have had different effects on different regions. While the suburbanization of employment has occurred in all cities, large, older cities of the Northeast and Midwest (New York, Philadelphia, Detroit, Cleveland) have suffered the most rapid job loss because of the slow overall growth of their regions and because of a tendency for growth to occur in smaller urban areas. The urban problem is, in fact, a multitude of problems suffered by different cities with varying degrees of intensity at different times. There is not, nor can there be, a single variable that measures the degree of "urban distress." In some cities (Pittsburgh), a relatively sharp decline in employment has not produced a fiscal crisis; in others, fiscal problems have multiplied in spite of employment growth.

The lesson: Individual cities need to identify their own real problems. What lies at the root of the loss of people and jobs? What lies at the root of fiscal distress? In some cases, the answer is that the burden of providing local public services and the responsibility for redeveloping economically depressed areas have been placed on the backs of local governments that do not have the resources to respond. The pervasive problem is not simply a loss of people in general, but the loss of middle-class working people in particular, these being the ones who normally bear the principal tax burden. It is not just the loss of jobs, but the loss of those jobs and those kinds of job-creating





investments that provide opportunities for youth and that maintain confidence in the future, on which family stability depends.

2. *Although federal policies were not the root cause of urban decentralization, they have overwhelmingly supported it.* The main stimuli for decentralization, it should be emphasized, have been market forces, among the most important of which have been technological change, rising incomes, and residential preference. Nevertheless, decentralization did not occur entirely inadvertently; many federal programs were conceived with at least some understanding that they would encourage the process. In the 1950s, for example, when cities were believed to be suffering from high densities and the South was seen to be an economically undeveloped region, federal initiatives were deliberately taken (1) to reduce urban congestion and (2) to equalize regional levels of economic development. A further rationale for decentralization—to minimize losses from possible enemy attacks—derived from the cold-war psychology of the 1950s and the common fear of nuclear attack. The interstate highway system, without which decentralization would certainly have proceeded at a slower pace and which is perhaps the single most important piece of public investment since World War II, was conceived and justified partly for national defense purposes.

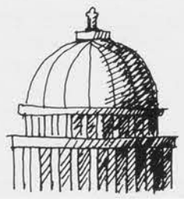
Regrettably, the very success of these policies and incentives created problems in the slower-growing but more developed regions. It was not, however, until the mid-1960s that concern arose over the steady decline of our older, larger cities where most of the nation's poor were concentrated. By that time, these historically high-income cities had begun to experience an alarming slowdown in their growth rates and were coping uncertainly with the maze of fiscal, social, and economic problems that this slowdown engendered. All such cities are now understandably anxious for federal assistance. It is for this reason that the national debate over the federal role has shifted from one primarily concerned with poverty to one principally concerned with the rate of growth.

The lesson: Federal policy cannot reverse trends, but it might be used to cushion the effect on those populations most adversely affected. The challenge now is how to adjust to the decentralization that has occurred and will continue: central city to suburb; large cities to smaller ones; metropolitan areas to nonmetropolitan areas; the Northeast and Midwest to other regions.

3. *The federal government has no way of anticipating the geographical impact of its policy decisions.* Houston, to cite one familiar case, was as unprepared for the advent of the NASA space center as Canaveral was for its exodus. Environmental and economic impact statements are now required for the siting of every new federally funded facility, but these reports deal only with obvious determinants of local growth. What is much more important is the effect of programs that are national in scope, such as energy price regulation, tax structure, transportation subsidies, and pollution abatement. Although their effect on local growth patterns is unintended, such programs in reality may, and often do, exert a very uneven influence across the nation, stimulating some areas and retarding others. Interstate regulation of natural gas, for example, has led to curtailed supplies in the Northeast, thereby undoubtedly encouraging industries that are heavy consumers of natural gas to move to gas-producing states where the supply can be guaranteed. Similarly, the allocation of federal funds—defense payrolls, EDA grants, and CETA project funds—clearly affect local economic development. Of perhaps even greater influence are other federal actions that do not necessarily appear in the budget—transportation regulation, tax incentives for home ownership, and the rules and procedures that govern the use of community development block grants. To concentrate solely on the flow of federal dollars is to seriously underestimate the pervasiveness of federal influence.

The lesson: The federal government should introduce into its regular decision-making process a mechanism that will force rigid analysis of the urban and regional aspects of its proposed policies. (If, for instance, the costs of complying with air quality standards in different cities were understood in advance, measures could be taken to spread these costs equitably.) *Further, the recent demands by urban lobbyists for detailed regional breakdowns in the allocation of federal funds should be broaaened to require every federal department to consider the likely geographic impact of its regulatory and administrative procedures.*

In what probably is the most important of the study's four

Amenity	Direct Federal Involvement
	
Noise **Air Quality** **Congestion**	Environmental Policies Mass Transit Programs Highway Construction and Design Energy Policies
Visual Attractiveness	Housing Subsidies Mortgage Subsidies Income Tax Structure
Public Safety	Grants for Law Enforcement Federal Judiciary Penal System Policies Affecting: Income Redistribution Racial Integration Unemployment
Recreational Open Space	National Park Service National Forest Services Grants for Construction of Recreation Facilities
Diversity	National Endowment for the Arts Income Tax Structure

volumes, Roger Vaughan examines urban effects of individual federal policies on the distribution of the demand for goods and services and also on the price and availability of major factors of production. Among those policies where the results are fairly distinct, he notes that federal monetary and fiscal measures to counter recessions and inflation create more volatile reactions in the central cities than in the suburbs. The Northeast and the Midwest are more sensitive to such policies than to other measures. Large cities, he found, experience more rapid inflation than small ones.

Two recent studies by economist Robert A. Crider on the impact of national monetary and fiscal policy on state and local government support these findings. In reports prepared for the Academy for Contemporary Problems, Crider notes that the inflation of 1972-74 had a severe negative fiscal impact on state and local governments, reducing purchasing power by some $15 billion over the period. The 1974-75 recession, partly a result of policies engineered to combat the inflation, may have decreased the flow of revenues into states and localities by some $26 billion.

It is no coincidence that the plight of some American cities was not as serious in the decade of the 1960s, with its sustained economic growth and relative price stability, as it is today. This has led to increased demands for federal policies to promote economic growth and price stability, for targeted tax cuts, and for countercyclical aid to state and local governments triggered by a certain unemployment rate.

Vaughan notes that direct spending on goods and services by the federal government has favored low-income regions at the expense of the Northeast and Midwest and that federal tax receipts fall short of expenditures in growth regions. Defense contracts have benefited New England and the Pacific states,while military installations and their substantial payrolls have been concentrated in the South and the Southwest. Construction of sewage and water treatment facilities, stimulated by federal financing, has clearly aided suburban development. Vaughan reminds us that large cities, central-city areas in particular, have received a disproportionately small share of the public works projects that the Economic Development Administration deliberately speeds up during recessions.

Vaughan notes that the Northeast receives higher per capita welfare payments and the sunbelt, which attracts elderly migrants, receives greater retirement benefits than other areas have.

Federal tax policies have worked to the disadvantage of older central cities. Personal income tax reductions during recessions have tended to favor high-income regions and suburbs, increasing purchasing power in these areas without providing similar stimuli to the inner city, with its higher concentration of the poor. The researchers found little evidence that high central-city taxes have driven firms out or that low taxes elsewhere have attracted firms.

The ''red tape'' of city bureaucracies does repel firms, however. Asked in a survey to identify factors contributing to a poor business climate, 56 percent of the firms responding listed ''local regulations, red tape, harassment, inspection time, and attitudes.''

Vaughan also asks how federal policy has influenced the price and availability of the factors of production, including transportation, labor, and capital.

The inadvertent impact of federal policies may be seen in transportation programs, including freight rate regulation and highway construction. Freight rate regulation has hurt the Northeastern industries served by railroads and favored the suburbs over the central cities and the small cities over the large ones. It has benefited newly developed communities with freeway-based economies and stimulated the rise of trucking in the sunbelt. The construction of the interstate highway system involved substantial interregional subsidies, the Northeast receiving considerably less in construction grants than it paid in user taxes. The system opened up many areas in the South to economic development that would otherwise have been too poor to build their own highways. It is also worth noting that, since 1970, population growth in rural counties served by interstate highways has been double that in counties not on the network.

Vaughan reaches the following tentative conclusions about the effects of labor policy: Federal minimum wage laws may have led to increased unemployment in central cities, and other federal labor laws may have contributed to high unionization rates in the Northeast and Midwest, resulting in higher wages, which may have slowed growth in those regions. Federal manpower programs, on the other hand, favor the central-city labor force, but their overall effectiveness is unknown. Public employment programs clearly favor the large central city, but we do not know how many Comprehensive Employment and Training Act (CETA) trainees merely fill existing job slots in local government.

Vaughan notes that some aspects of the federal tax structure may have encouraged the decentralization of industry. This seems especially true of capital gains provisions that encourage land speculation. The only federal tax policy working in the opposite direction—to the advantage of the central city—may be subsidized business loans, such as those administered by the Small Business Administration.

Vaughan writes that ''investment tax credits help healthy areas at the expense of those that are growing slowly.'' Some federal public works provide a supplement or incentive to private investment. He notes that, in the past two decades, such expenditures have represented between one-quarter and one-third of all construction activity and that such programs have emphasized new construction in the suburbs and sunbelt rather than maintenance and rehabilitation in the older cities.

Vaughan shows clearly that federal policies have reinforced decentralization trends, but understanding the past may not be a clear guide to predicting the future. There is scattered evidence that some of the incentives for decentralization may be waning. Differences in per capita incomes have shrunk (although those in the South are still lower), thereby lessening the desire by firms to relocate to pockets of lower wages. Cost-of-living differences continue to converge to uniform levels. Regional differences in productivity per dollar of wages have narrowed. Unionization has increased in the South and decreased in the North. The lack of availability and the higher cost of water in the sunbelt may be to the advantage of the North and the Midwest. Differences in some amenities may be narrowing. Increasing crime rates in the suburbs and pervasive air pollution over all parts of a metropolitan area have eroded the relative attractiveness of suburban areas.

In the main, however, the sunbelt and suburbs have developed rapidly because people want to live there. Nevertheless, federal subsidies helped to mitigate the cost of access and infrastructure, thus making both kinds of places more economically attractive to businesses and residents at the expense of the older central city and the old northern manufacturing belt.

The most important single influence on patterns of migration is the prevailing set of conditions in local labor markets. Federal policies that affect local economic growth therefore exert a profound influence on the distribution of population. However, households are attracted by cities that also offer a comfortable climate and pleasant physical surroundings, and there is evidence that jobs may follow people to such areas, contrary to an old maxim. Therefore, policies that affect the quality of local amenities—pollution abatement, the provision of cultural and recreational facilities, for example—will also lead to changes in the distribution of the urban population.

This suggests that federal policies that lead to the improved environmental quality of older, declining areas may arrest the long-term trends of economic decline more effectively than measures aimed at attracting footloose industries. This conclusion is reinforced by Rand's finding that local fiscal incentives do not seem to play a major role in the location of industry nor, for the most part, in residential location decisions.

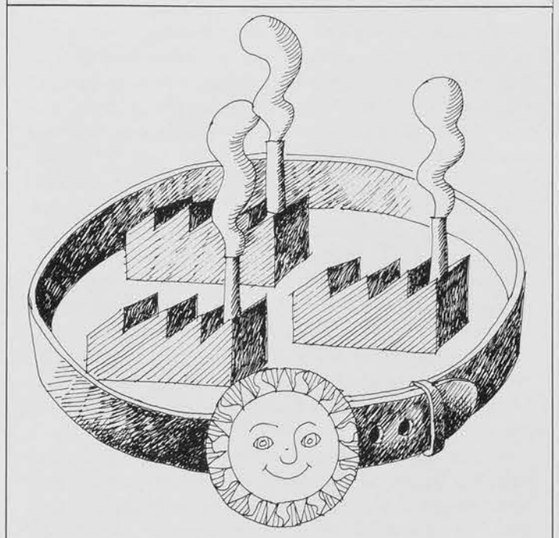
Within metropolitan areas, residential choice is influenced by a number of factors. The Rand researchers, Roger Vaughan and Mary Vogel, cite access to work, neighborhood amenities, public taxes and services, and population characteristics of neighborhoods as being most important. Among these, local taxes and most public services seem to be least important. Among public services, the quality of schooling exerts a powerful influence on both residential choice and local property values. In most metropolitan areas, central-city schools spend less per pupil than more affluent suburban schools. In addition, central-city households suffer from dirtier air, higher noise levels, and higher crime rates than their counterparts in the suburbs and have less access to recreational facilities. These differentials, however, have shown a tendency to narrow over time.

If one examines the socioeconomic patterns of urban settlement, one is immediately struck by the persistence of enclaves of poor and minority households in inner-city neighborhoods. These enclaves have not proved tractable to federal efforts to eliminate poverty and prevent segregation.

One of the greatest services on the part of the Rand work is its survey of the literature on residential choice and formulation of a perspective for a more comprehensive understanding of the influence of federal programs and policies. Relating residential choice to the private business sector and the local public sector illustrates how all three sectors eventually react to changes in any one of the three. Most important, the Rand work suggests that local, state, and national policies dealing with employment must acknowledge residential location as the primary influence on long-term job availability.

In discussing the third side of the Rand impact triangle, the local public sector, Stephen Barro identifies degrees of fiscal distress that cities suffer. He shows that the effect of federal policies will be conditioned by these variations.

First, there are *fiscally disadvantaged* cities. In these cities, a given tax effort will support fewer services than in other comparable communities. Central cities increasingly experi-



ence fiscal disadvantage relative to their suburbs, and cities in the Northeast and Midwest have lost relative to cities elsewhere.

Second, some cities are in *fiscal decline*. In these, the contraction of fiscal options is making the city increasingly less attractive to households and businesses.

Third, cities may experience acute *fiscal crises,* in which solvency is threatened and default is imminent. Barro suggests that New York's highly publicized brush with bankruptcy will prompt other cities to take measures to keep from reaching this stage.

Fiscal decline, he maintains, is far more prevalent, and he suggests that a major issue for the federal government is to develop policies that would help arrest and reverse this decline in central cities and older urban areas. Barro notes that federal policy has acted in some cases to narrow the range of fiscal options by reducing the tax base of cities (by measures causing out-migration), by raising the cost of services (causing inflation), and by changing the demand for services through actions (or inaction) that affect the composition of the population to be served.

Barro suggests three strategies for federal decision makers to consider in developing a new policy to halt local fiscal decline. The first would attempt to stem the flow of people and resources out of central cities. The second would help to sustain local services despite the outflow of economic resources. The third would help people who remain in central cities either to become mobile or to improve their relative affluence.

Many federal policies that affect local fiscal conditions indirectly have operated, through their impact on the location of people and firms, to the disadvantage of central cities. Barro suggests that, in developing programs to provide aid to distressed cities, the federal government should consider the long-run impacts as well as the short-run fiscal effects of that assistance. Otherwise, the immediate fiscal relief may be canceled out by adverse, unintended structural changes over time.

Conclusion

The Rand research team has pulled together a vast amount of literature which, until now, has not been related to urban policy. Many of its conclusions already have been asserted, but they have not been supported by an exhaustive literature review and, in some cases, have not been broadly shared or understood.

Although it confirms some currently held beliefs, the Rand work also serves to dispel some of the prevalent myths regarding economic development strategies. Most important in this regard is the finding that jobs tend to follow people rather than the reverse. Thus, from the local perspective, economic development strategies must be related to efforts to improve the quality of life for city residents. From the federal perspective, urban employment growth will be influenced, not only by direct incentives to businesses, but also through measures that encourage population growth and improved local public services.

In total, the Rand researchers emphasize that while some federal policies were intended to spur the decentralization of urban America, some of the directions that decentralization took—along with their negative consequences—were not expected. Neither congressional leaders nor federal administrators were prepared for the magnitude of the changes. Both the size of the exodus from central cities and the strength of the movement of people and industry from the northern manufacturing belt to the South took them by surprise. These trends have serious implications for the development of a national urban policy. They also underline the need for a more careful analysis of the urban and regional implications of a policy before it is carried out.

During the 1960s, such works as Michael Harrington's *The Other America* helped make policy makers realize that not only was decentralization taking place on a broader scale than had been anticipated, but that the rapid economic growth enjoyed by the majority of Americans was not going to solve America's urban problems.

At best, all one can say of the years since is that policy makers had a very short time horizon and were woefully incomplete in their decision making. For example, many advocates of highways felt that a new, improved road network would actually help cities, that the crisscrossing of roads would create bite-sized pieces suitable for orderly redevelopment. Things did not work out as anticipated.

The Rand study also helps us to begin to understand the degree to which we have overestimated the efficacy of programs designed specifically to preserve and strengthen the city as a geographic entity and have failed to notice the significant effect of programs that were national in scope. For example, we no longer need to confine ourselves to analyses of why urban renewal failed to make downtowns competitive with suburban shopping centers. Our new, broader methods of appraising urban development patterns can take into consideration the effects of such policies as federal regulation of energy sources and the transportation industry.

This discussion leads to the view that federal urban policy cannot be formulated by one agency. It will require a coordination of action unprecedented in the federal government among the Departments of Commerce; Health, Education, and Welfare; Housing and Urban Development; Transportation; the Treasury; the Environmental Protection Agency; and other agencies. Countervailing policies may be hard to avoid, but they cannot begin to be controlled until they are identified. In the words of Senators Hubert Humphrey, Democrat of Minnesota, and Jacob Javits, Republican of New York, in the Joint Economic Committee's most recent version of *Toward a National Growth Policy:* "The fundamental issue in growth policy today is that the federal government, in both its legislative and executive branches, is not structured in such a way that it can systematically assess long-range policy and program questions or estimate long-range impacts of current decisions."

The Rand research has shown that the three sectors of the local economy—public, private business, and residential—all relate to one another, and that federal policies that cause major shifts in any one of these sectors affect the other two and can produce multiple impacts. The work moves us further along in understanding the inadvertent impacts of federal policies on each of these sectors.

The study tells us where we are in urban research, and its conceptual framework suggests issues that should be on an agenda for more targeted research in the future. In the meantime, its findings provide sound guidelines for those responsible for making urban policy. □

League of Women Voters Education Fund •1730 M Street, N.W., Washington, D. C. 20036 Tel. (202) 659-2685

JAN 9 1978

memorandum

January 1978

This is not going on DPM

To: State and ILO Presidents

From: Florence Rubin, C/UC Chairman

Re: To Save Our Cities: What Needs to be Done by Rep. Henry S. Reuss (WI)

This paper on the city was written by Rep. Reuss in connection with hearings held in 1977 by the Subcommittee on the City of the House Committee on Banking, Finance and Urban Affairs of which he is chairman. It presents some useful background material on urban problems and his agenda for a national policy to deal with them. Since the committee print supply has been exhausted, Public Affairs Press has published it in this booklet form, and made a copy available to the League for each state and ILO president.

A special discount to Leagues of 50% off the $2.00 list price is available on pre-paid orders of 10 or more. Be sure to identify your bulk order as being from a League.

Public Affairs Press, 419 New Jersey Avenue, Washington, D.C. 20003.

Please show or give this copy to your C/UC resource chairman.

Contributions to the Fund are deductible for income tax purposes

JAN 9 1978

CITIES IN CRISIS: THE IMPACT OF FEDERAL AID

Though the United States does not have a *national* urban crisis, we face a situation in which some—but by no means all—big cities and a few older and larger suburban cities are experiencing what can be called "urban crisis conditions." "The" job crisis, "the" welfare crisis, "the" crisis in education, "the" drug crisis—all of these come together and are most serious in our old, declining and isolated core cities and inner-ring suburbs. Localized though the infection may be, their conditions constitute *the* domestic problem of this country. Yet many Americans—residents of suburbs and rural areas and of many healthy cities—do not perceive the critical and urgent nature of this problem.

The most important differences among big cities center on two key words—*regions* and *boundaries*. Many troubled cities—those with urban crisis conditions—are located in the northeastern and midwestern parts of the country. While southern and western cities, such as New Orleans, Atlanta and Oakland, confront severe urban problems, cities facing crisis conditions tend to be concentrated in the frost belt. Typically, these cities have boundaries that have remained substantially unchanged for 60 to 100 years. Often surrounded by incorporated municipalities that are difficult to annex, such cities must survive on a limited and even diminishing resource base: decaying buildings and a concentration of high-cost, low-income inhabitants. In contrast, younger, spread-out cities in the South and West have been able to expand geographically and thus increase their resource base. Some of the Sunbelt cities in fact are better off than their suburbs.

The most obvious manifestation of these regional shifts is the growing share of the national population contained in the southern and western states, while the "northeast quadrant," composed of the northeast and north-central regions, is declining. Up until very recently, the majority of the nation's population lived in the latter two regions.

This regional shift has its counterpart in *metropolitan* area population changes. Although the aggregate population of metropolitan areas has been increasing, there have been declines in some of the largest metropolitan areas, particularly in the northeast and north-central regions.

This publication has been adapted, in cooperation with the League of Women Voters Education Fund, by Richard Nathan, Paul R. Dommel and James W. Fossett from Chapter 9, "The Cities," in *Setting National Priorities: The 1978 Budget*, Joseph A. Pechman, editor (Copyright © 1977 by the Brookings Institution). The purpose of the publication is not to argue for a certain level of funding or type of new program but to shed light on the nature of the problems of hardship cities and to suggest the wide variety of policy responses that are possible on the part of the federal government. The final revisions were made in December 1977, at a time when the main outlines of a Carter urban program were just beginning to emerge.

Characteristics of hardship cities

The picture is familiar. As more residents and businesses move to the suburbs, the city's tax base is driven down. Property taxes or other tax rates must be raised to compensate, in turn causing more people and industries to leave. A natural law seems to govern these cases: "The worse things get, the worse things get." It is a continuous process, feeding on itself.

A decline in population is not a problem per se unless it is associated with hardship conditions for the cities affected. Once such condition that is particularly serious for declining cities is their relative old age. An aging housing stock is associated with the deterioration of related physical facilities—streets, schools, sewer and water facilities, parks.

There is also a relation between population decline and major economic variables. Declining cities had a per-capita income level $300 lower than growing cities in 1970; housing values were nearly $3,000 lower. Between 1960 and 1970, per-capita income increased almost 5 percent faster in the growing cities than in the declining cities, and home values increased nearly 6 percent faster.

Urban hardship indexes

We have developed two indexes that make it possible to rank cities across the United States according to the degree of their urban hardship:

- ☐ **The Composite Urban Conditions Index** compares cities with each other.
- ☐ **The City-Suburb Disparities Index** compares each central city with its surrounding suburbs.

These measures are useful in identifying those cities most in need of federal aid.

Composite urban conditions index

We compared 489 cities with each other, using three factors as indicators of urban problems: (1) poverty; (2) age of city; (3) growth or decline in population. On this index, 100 represents the average of the composite measurements based on the three factors. A rating above 100 indicates worse than average conditions, while cities ranking below 100 are better off than the average city in our sample. In terms of size, the incidence of hardship tends to be greatest among the very largest cities. Whereas 25 percent of all cities are above 150 on this Urban Conditions Index, 45 percent of the sample cities with populations above 500,000 are in this relatively high hardship group. However, a number of large cities in the Sunbelt are relatively well off.

Issue Focus

League of Women Voters
Education Fund
1730 M Street, N.W.
Washington, D.C. 20036

Table 1. Urban Hardship and Federal Aid

SELECTED CITIES		URBAN CONDITIONS				CITY AND SUBURBS				FEDERAL AID For Fiscal Year 1978			CITY BUDGET[4]
		Indicators 1970			Urban Conditions Index[1]	City/ Suburb Disparities Index[2]	Population Characteristics 1970			Total Stimulus Grants ($000)	Total Grants ($000)	% Increase in Total Grants 1975-1978	% Projected Increase 1975-1978
CITY	REGION	% Population Change 1960-70	% Pre-1939 Housing	% Poverty			Total SMSA Population	Central Cities as % of SMSA Population	Spanish & Nonwhite as % of Central City				
		1	2	3	4	5	6	7	8	9	10	11	12
ST. LOUIS	NC	−17.0	73.9	19.7	351	231	2,363	26.3	42.3	41,386	109,500	247.8	33.0
NEWARK	NE	− 5.7	68.4	22.1	321	422	1,857	20.6	62.2	43,990	78,128	400.0	50.1
BUFFALO	NE	−13.1	85.7	14.8	292	189	1,349	34.0	21.9	38,898	80,947	154.2	31.5
CLEVELAND	NE	−14.3	73.3	17.0	291	331	2,064	36.4	40.9	34,950	110,381	131.2	21.3
BOSTON	NE	− 8.1	77.2	15.3	257	198	2,754	23.0	20.8	47,682	120,885	81.0	42.6
BALTIMORE	NE	− 3.5	60.0	18.0	224	256	2,071	43.7	47.9	58,943	181,394	67.9	26.1
PHILADELPHIA	NE	− 2.6	69.5	15.1	216	205	4,818	40.4	35.6	126,405	328,134	150.8	42.9
CHICAGO	NC	− 5.1	66.5	14.3	201	245	6,975	48.2	41.5	138,388	407,726	145.4	29.1
DETROIT	NC	− 9.4	61.8	14.7	201	210	4,200	36.0	46.2	90,801	311,142	87.2	38.1
NEW YORK	NE	1.5	62.1	14.7	180	211	11,572	68.2	33.3	[3]			
ATLANTA	S	2.0	30.3	19.8	118	226	1,390	35.8	52.4	31,809	58,994	53.0	49.8
DENVER	W	4.2	41.0	13.4	106	143	1,228	41.0	27.5	22,288	64,147	29.6	60.9
LOS ANGELES	W	13.3	16.8	13.0	74	105	7,036	45.0	40.9	155,289	301,812	162.3	44.7
DALLAS	S	24.2	18.1	13.3	38	97	1,556	54.3	33.7	10,477	42,165	73.6	80.1
HOUSTON	S	31.4	17.3	13.9	36	93	1,985	62.1	38.1	30,855	86,395	88.4	55.8
PHOENIX	W	32.4	11.2	11.6	19	85	968	60.1	20.5	45,574	70,911	94.4	67.8

[1] Composite Urban Conditions Index

Factor	Indicator
1. Population decline	1. % Population change 1960-70
2. City age	2. % Housing units built before 1939
3. Socioeconomic condition	3. % Persons with incomes below poverty line

[2] City/Suburban Disparities Index

Factor	Indicator
1. Unemployment	1. % Unemployment
2. Dependency	2. % Population under 18 or over 64
3. Education	3. % Adult population with less than high school
4. Income	4. Average per capita income
5. Crowded housing	5. % Occupied units exceeding 1 person/room
6. Poverty	6. % Families below 125% of low-income level

[3] Federal aid and city budget data for New York City is not included because its complexity precludes meaningful comparisons for purposes of this table.

[4] Projected total budget growth, based on rate of 5 preceding years.

Cities ranking higher on the index tend to have lower per-capita income and housing valuations. These produce lower tax receipts from income, sales and property taxes, consequences that directly affect the city's fiscal health. When one applies these two tax base indicators against spending patterns, the situation is much the same. From 1962 to 1972, the per-capita expenditures of the less well-off cities went up at a faster rate than the spending of the other cities. In part, these greater per-capita expenditures are a reflection of decreasing population. Thus, while the declining cities at the upper end of the hardship scale tend to have a lower per-unit resource base, they tend to have greater per-capita expenditures. They have also collectively experienced a faster per-capita rate of growth of spending.

The composite Urban Conditions Index shows that urban problems cut across geographic regions, although the concentration of distressed cities is in the Northeast and Midwest. Central cities are in greater distress than suburban cities, but some suburbs, such as Camden, New Jersey (index rating 333), also face difficult problems.

City/suburb disparities index

Our second standardized index uses six socioeconomic indicators to measure disparities between central cities and their surrounding suburbs. It is such disparities in social and economic conditions that often lead to the population movement and economic decline typical of distressed central cities.

Cities rating 100 on this standardized index have essentially the same socioeconomic conditions as their suburbs. Cities that exceed 100 are worse off than their suburbs, and cities ranking below 100 are better off.

Table 1 presents sixteen selected cities, their index ratings on both the conditions and disparities indexes, and information on various hardship indicators, on federal aid, and on city budgets. The cities are arranged by degree of hardship as measured by the Urban Conditions Index. The indicators included in this conditions index (shown in column 4) are given in columns 1, 2 and 3 and point out the intensity of the factors creating hardship. The City/Suburb Disparities Index is presented in column 5 along with relevant population factors: total population of the Standard Metropolitan Statistical Area (SMSA), the proportion of SMSA population living in the central city, and the percentage of Spanish, nonwhite population in each central city (columns 6, 7 and 8). Footnote 2 gives the specific factors that were measured to determine the disparities between city and suburb.

The table lists twelve central cities that exceed 100 on both indexes and range from extreme to average hardship. Four better off cities (notably, located in the South and West) scored near 100 or well below on both indexes. Given the relatively strong position of these large cities relative to their suburbs, it is reasonable to conclude that, while the public often associates urban problems with city size, it is not necessarily size but other factors that produce problems.

Putting the two indexes together, we can identify the cities in our sample of 489 cities that are most distressed both in relation to their suburbs and to each other: Newark, St. Louis, Gary, Baltimore, Cleveland, Detroit and Hartford. All of these exceed 200 on the disparities index, and they are also among the highest scorers (and therefore they are the worst off) when social and economic conditions are compared. Other big cities in the northeast quadrant that are distressed, though less so, are Buffalo, Youngstown, Cincinnati, Grand Rapids, Jersey City, Providence, Boston and Milwaukee. Although New York City is not among the *most* distressed cities on the basis of the 1970 data used in our analysis, severe budget problems since that year have threatened its fiscal integrity and intensified its localized hardship conditions.

Detailed field studies of urban governments make clear that distress and blight are a highly localized infection in many cities, as in north-central Philadelphia, east Detroit, and north St. Louis. Such studies reveal that a number of smaller communities not classified as central cities face the same kind of distress and blight that central cities do. Examples are Camden, New Jersey (already mentioned); East St. Louis, Illinois; and Compton, California.

The diversity of American federalism

A major difficulty in formulating federal policy to deal with urban crisis conditions is the complexity of the urban areas. This point can best be illustrated by the city governments of New York and Chicago (the nation's two largest cities), which confront urban problems of roughly equal severity. Chicago has an index rating of 201 and New York 180, but New York City received and spent almost five times as much per-capita as Chicago in fiscal 1975.

Examination of Table 2 reveals that, of the amount spent for services to Chicagoans in seven functional areas, the city government had to pay less than 10 percent of the bill; other local units paid for the rest. In contrast, the city of New York had to pay for nearly all these services to its citizens. New York City was one of only three units of local government operating within the city boundaries in 1972, and the only unit with property-taxing authority. By contrast, there were 500 units of local government in Cook County (which overlies Chicago), 475 of which had the authority to collect property taxes. To compare the structural differences further, the Illinois state government was more active in the direct provision of services during the same period, spending $15 more per capita than New York State.

Structural differences are particularly important in the two categories where the expenditure disparity is largest: education and welfare. The New York City school system and university system are both city agencies funded with city revenue. In Chicago, by contrast, both the city school system and institutions of public higher education are independent of the city government. The Chicago city school district spent almost as much per capita for local schools as New York. While local expenditures on higher education were substantially lower in Chicago, it should be noted that the state maintains a major branch of its university system in Chicago, while the New York State university system does not operate a major campus in New York City.

Comparisons of welfare spending are more complex. New York City is a county for purposes of administering the federally aided public assistance programs, making it subject to the New York State requirement that counties pay half the total state-local share under federally aided welfare programs. In contrast, the state of Illinois pays the full amount of the state-local share under these programs.

The patterns of local governmental structure have a great impact on the distribution of federal aid to local areas. The double-dipping effect of aid to several overlapping jurisdictional layers providing services to the same area and population can create disparities, if not inequities, for municipalities that have reduced or never had overlapping layers.

The federal role in aiding cities

Federal aid reaches communities both directly and indirectly. Some federal aid goes directly to the locality as a jurisdiction, and it is this form of federal aid that is the principal focus of this publication. (Some additional federal aid to localities passes through the state.) Income transfers (cash and in-kind) to individual needy residents benefit the local government indirectly.

Although there are no programs in the federal budget that provide funds specifically and exclusively to cities, there are many that aid *localities*—cities along with other local governments (counties, special districts, etc.). In recent years these direct federal grants to local governments have increased markedly in amount and number. Between 1952 and 1972, there was, in fact, a doubling in the localities' share of total direct federal payments to state and local governments. Most of the increase over this period is accounted for by growth in grant programs for education, the environment and community development. Even more striking is the fact that from 1972 to 1974 the proportion of federal payments received by local units rose by another 50 percent, accounted for primarily by the enactment of the general revenue sharing program.

Large increases have occurred more recently under the Carter administration's 1978 economic stimulus program. If welfare grants are put to one side, about *one-half* of all federal grant funds for states and localities in the 1978 federal budget are paid to local governments—a dramatic change in American federalism.

Two main types of federal grants to localities can be distinguished. *Project* grants—sometimes called categorical aid—

Table 2. Per Capita Expenditures, Chicago and New York City, and of Local Units Furnishing Services to City of Chicago, by Function, 1974-75

SERVICES FURNISHED TO ►	CITY OF CHICAGO			NEW YORK CITY
	Per Capita Expenditures (in dollars) by			
	Local Unit	Local Unit & Chicago	City of Chicago	New York City
Local schools	Chicago City School System $321.92	$333.77	$11.85	$356.53
Higher education	City Colleges of Chicago 13.39[1]	13.39	—	63.33
Parks and recreation	Chicago Park District 31.12	34.26	3.14	19.80
Sewerage	Metropolitan Sanitation District 29.88	37.97	8.09	46.81
Health and hospitals	Cook County Health Department 24.69	39.69	14.99	212.01
Housing and renewal	Chicago Housing Authority 29.25	33.07	3.82	81.95
Welfare	Cook County Welfare Department 1.09	6.93	5.84	377.63

Sources: U.S. Bureau of the Census, *City Government Finances in 1974–75;* idem, *Local Government Finances in Selected Metropolitan Areas and Large Counties, 1974–75,* GF–75 no. 6 (GPO, 1976) and idem, *Census of Governments, 1972,* vol. 4, *Government Finances,* no. 1: *Finances of School Districts* (GPO, 1974), table 9.

[a] 1971-72 expenditures

provide money to individually approved projects, in specific program areas, that meet specific federal requirements. *Formula* grants distribute money according to an automatic allocation system specified by law or regulation. Until the advent of general revenue sharing in 1972, almost all federal grants were provided to state governments for fairly narrowly defined purposes. However, the trend in recent years has been toward broader-purpose formula grants, with a substantial proportion going to local governments. As noted, the increased reliance on direct grants to localities represents an important change in the original concept of American federalism. Traditionally, local governments in the United States have been regarded as "creatures" of the states, and thus not on the same legal footing as the states for purposes of their relations with the federal government.

Two-thirds of all general revenue sharing payments are made to local units; all community development block grant (CDBG) funds and 70 percent of those for the employment and training block grant program are paid directly to localities. These new and broader grants were adopted in large measure as instruments of political decentralization (a major theme of the New Federalism of the Nixon administration), as a means of increasing the discretion of the recipient units, and of reducing the influence of federal officials on state and local policy making.

Whereas project grants can be targeted on a few units or disproportionately concentrated on certain units, formula grants treat all localities the same with respect to the economic and social characteristics specified in the distribution formula. This has, of course, been one of the selling points for formula grants: they are evenhanded and funding can be anticipated in advance. The significance of the formula approach in relation to urban hardship conditions often lies in this "spreading effect": spreading benefits to suburban governments and small cities previously not aided, or not aided appreciably, under prior federal grants. Between 1968 and 1975, the share of federal grants to cities with populations over 500,000 decreased substantially (from 62.2% to 44.3%), while the share for cities under 500,000 increased (from 17.5% to 22.9%), with the share for cities under 100,000 rising appreciably (from 20.3% to 32.8%).

The array of federal aid programs for localities

Although there is a tendency to view federal grants in terms of their proliferation and duplication, local-aid funds are concentrated in a few programs and functional areas. Table 3 shows the 16 largest federal programs that provide money to local governments. Together they account for about 90 percent of all direct federal aid to localities. The figures shown (from the Carter budget for FY 1978) will suggest their relative size. In addition, there are federal programs, such as income-support grants and the Law Enforcement Assistance Administration's block grants, which "pass through" aid to local governments by an initial allocation to the states. A discussion of how some of these programs affect distressed urban areas follows.

Major HUD programs

The federal agency that relates most closely to cities is the Department of Housing and Urban Development (HUD); its two largest activities to aid cities are *community development* and *housing.*

Community development

In 1974 a new law—the Housing and Community Development Act—consolidated seven previously established federal categorical aid programs for community development into a single block grant to be distributed by HUD. The seven "folded-in" programs are urban renewal, model cities, water and sewer facilities, open spaces, neighborhood facilities, rehabilitation loans and public facility loans. The 1974 formula for allocation of funds is based on:

- ☐ population;
- ☐ overcrowded housing; and
- ☐ poverty (double weighted).

Under this formula, the share of all central cities would have declined from 71.8 percent under the folded-in programs to 42.2 percent in the sixth year of the community development block grant (CDBG) program. The northeast quadrant's share would have declined similarly, New England's share falling from 9.9 percent under the folded-in programs to 4.7 percent under CDBG and that for the middle Atlantic states from 22.7 percent to 17.4 percent. Some 2,500 local governments received block grants for community development in 1975 under this formula allocation system.

In 1977 a new "dual formula" allocation system was adopted, which introduces a second formula based on:

- ☐ poverty;
- ☐ pre-1939 housing (as a measure of urban physical needs); and
- ☐ "growth lag" (defined as the difference between the population growth or decrease rate and the national average growth rate for all entitlement cities).

Eligible localities receive their share of the CDBG funds under whichever of the two formulas entitles them to more money. There is also a new supplementary block grant fund (of $400 million) in the form of discretionary "action grants" for major projects in needy cities. The net effect of the new formula is to increase the funds going to older and declining cities and to the northeast quadrant generally.

Housing

The national goal of providing every American with "a decent home in a suitable living environment" was first stated in the National Housing Act of 1949. Progress toward this goal has been measured primarily in terms of housing starts, since stimulation of new housing was an important purpose of housing policy. The basic national goal remains, although recent federal housing policy has been shifting away from new units toward subsidizing poor families in *existing* housing.

The 1974 Housing and Community Development Act for the first time tied together a community's housing and its development requests. As a condition for receiving CDBG funds, recipient jurisdictions must now develop a "housing assistance plan" indicating their housing needs (including units for low-income persons expected to reside in the community) and how they propose to meet these needs. Title II of the act continues various housing assistance programs, including loans for housing for the elderly and a subsidized single- and multi-family mortgage program for homeowners.

Another key component of federal housing assistance is Section 8, an amendment to the United States Housing Act, under which payment is made for the difference between the fair market rent of dwellings occupied by eligible families and 25 percent of their income. Section 8 funds are paid to both private developers and local governments. This assistance is available for new housing, rehabilitated housing and existing housing.

Subsidizing the rental of existing housing raises new policy issues, since an important goal of past housing programs has been to stimulate housing *construction.* Under Section 8, as much as half of all federal housing aid could go for existing housing, a policy that rests much more heavily on an income-security than a housing-stimulus rationale.

President Carter's budget proposals called for 400,000 assisted housing units both in 1977 and 1978 and a change in the mix to give more emphasis to conventional public housing and Section 8 subsidies for existing housing units for lower-income families.

Federal housing programs are related to still another area of domestic policy. So far, local governments (particularly suburban units, where this is an important issue) have made only minimal efforts to develop and implement the required housing assistance plans; yet until recently no CDBG funds have been withheld. Once again, the question of distribution arises: Should federal housing subsidies be concentrated in the inner city, or should they be spread out in the metropolitan area—that is, to the suburbs—in order to achieve the "spatial deconcentration" (the words contained in the law) of income groups, an objective of the block grant program?

Meeting capital needs

Local governments have traditionally relied on the private market to raise funds for capital purposes of a more routine nature (municipal buildings, water, sewage, transportation and road systems, parks, etc.). The federal government, however, provides grants under a number of programs for certain kinds of construction projects as well as help in borrowing for routine capital purposes.

In recent years, the trend in federal grants for capital purposes has been away from large-scale construction and toward smaller projects. Critics of this trend toward shorter-term and more dispersed urban development activities have recommended that federal policy be changed to assist large-scale construction projects.

Among the proposals for new directions for federal help to cities in meeting their capital need are these:

- ☐ Graft onto the CDBG program for community development a new section resembling the conventional urban renewal program. The new supplementary "action grants" move in this direction.
- ☐ Create an urban development bank to finance public and private local projects.
- ☐ Guarantee state and local bonds on specified conditions to units with serious fiscal pressures.
- ☐ Give federal tax credits for investment in areas of urban distress.
- ☐ Give local governments a taxable bond option. Under this approach, states and localities, instead of marketing these bonds at low, tax-exempt interest rates, could sell them at a higher but taxable rate, with the federal government subsidizing the difference in interest cost (30% to 50%). The net interest cost to municipalities would thus remain about the same. Proponents argue that the higher interest rate would attract institutional investors who do not need the federal tax exemption and at the same time enable the federal government to subsidize state and local borrowing on a more efficient basis. This is a proposal of long standing and support for it appears to be growing.

Revenue sharing

The biggest direct source of federal money to localities is revenue sharing. Like community development block grant funds, this money is distributed on a formula basis.

The general revenue sharing (GRS) program enacted in 1972 for five years was extended for three and three-quarters years in 1975. The new law distributes $6.85 billion per year to some 39,000 general-purpose units of state and local government; two-thirds of these funds are paid to local governments.

The countercyclical revenue sharing program, a second form of revenue sharing enacted in 1976, is triggered at 6-percent unemployment nationally. It distributes funds according to the GRS formula, adjusted to reflect the level of unemployment locally.

Table 3. Grants to State and Local Governments By Major Federal Programs, Fiscal Year 1978[1]

Program Area	Budget Outlays, FY 1978 ($ million)
Economic Stimulus Programs	
Public service employment (CETA II & VI)	$5,857
Local public works	2,591
Countercyclical revenue sharing	1,340
Revenue Sharing and Block Grants	
General revenue sharing	6,814
Community Development Block Grants	2,700
Comprehensive Employment and Training Act, Title I	1,873
Other Grants	
Wastewater treatment construction	5,192
Urban Mass Transit Administration	2,109
Programs folded into CDBG	753
Other job training and employment assistance	1,256
Federally impacted schools	433
Community Services Administration	512
Airport development	563
Emergency schools	271
Economic development	187
Rural water and waste disposal	214

Source: Office of Management and Budget *Special Analyses, Budget of the United States Government, Fiscal Year 1978;* "Grants-In-Aid in the Revised 1978 Budget," (processed March, 1977), "Changes in Outlay Estimates for Grants-In-Aid from February to the Midsession Review" (processed July, 1977), and unpublished information from the Department of Labor.

[1] **Total** outlays (spending estimates) for payments to both state and local governments for those programs that it is estimated will pay at least $100 million *directly* to local governments in FY 1978. While no attempt has been made to estimate payments to local governments only, at least three-quarters of the total outlays reported here will go directly to them. The state-local proportion varies both between programs and from state to state.

The two revenue sharing programs provide good illustrations of the way in which formulas under federal grants discriminate against some large cities with particularly serious hardship conditions. The law specifies that no local unit can receive more than 145 percent of the average per-capita payment to localities in its state. This ceiling discriminates against central cities (like St. Louis, Philadelphia and Baltimore) that do not have an overlying county government. Ironically, the most prevalent government structure in the northeast quadrant is such that it is precisely the oldest, most disadvantaged municipal governments that are likely to feel the pinch of this requirement.

Beyond the problem of the ceiling are more fundamental questions of whether the formula for distributing both general and countercyclical revenue sharing funds should give greater emphasis to urban hardship by adding factors that tend to favor hardship cities, as the community development block grant program has done. Another proposal is for an automatic supplement limited to jurisdictions that exceed specified threshold levels on indicators of economic and social need.

Still another recommendation is to eliminate state governments from eligibility in order to free funds for the hardship cities, on the grounds that the states' needs are less acute than those of most local governments.

The general revenue sharing law comes up for renewal in 1979. At that point Congress will be scrutinizing the effectiveness and the equity of the program, and modifications will undoubtedly be considered.

Employment and training block grants

Title I of the Comprehensive Employment and Training Act (CETA) allocates funds to state and local governments acting as prime sponsors for a variety of employment and training activities previously operated as project grants. Cities and counties with populations over 100,000 are eligible to act as prime sponsors, along with consortia of local governments. All must submit plans for the expenditure of Title I funds, which must be approved before programs can be funded.

Again, the formula is of key importance for the cities. Eighty percent of the CETA-Title I funds are allocated according to three factors: half on the basis of each prime sponsor's share of the previous year's funding, 37.5 percent based on each sponsor's share of total national unemployment, and the remainder based on the number of adults below the poverty line defined by the Department of Labor. No unit may receive less than 90 percent of its previous year's funding or more than 150 percent. The floor provision is especially important for cities.

Under this formula a number of larger and older cities have been losing funds; in 1976, two-thirds of them required special payments to bring them up to the 90-percent floor. By contrast, county governments (including many that are highly urban) have been beneficiaries under CETA; their share of funds has increased slightly under the CETA formula. The major reason for these shifts in funding has been the formula's reliance on the number of unemployed. Earlier programs made allocations based on the concentration of disadvantaged persons.

The Labor Department's relatively high poverty line also tends to reduce the advantage of the older cities. When CETA authority expired in September 1977, Congress adopted the Carter administration's recommendation for a simple one-year extension.

Public service employment

Total federal outlays for public sector jobs under Titles II and VI of CETA have expanded dramatically—from $400 million in fiscal 1974 to $5.85 billion in fiscal 1978—as economic conditions have worsened. Because of worsening economic conditions and the use of these titles to further countercyclical goals, the effectiveness of these programs in providing funds to urban hardship areas has been reduced. This situation has been particularly marked with respect to Title II.

Title II of CETA gives money for public service employment to localities and states—referred to as "prime sponsors"—whose unemployment rate is 6.5 percent or higher. Funds are allocated in proportion to the prime sponsor's share of the total number of unemployed. The law's intent was to concentrate funding for public sector employment in areas of high unemployment and to provide positions for the disadvantaged and long-term unemployed. However, increased unemployment has made so many localities eligible that available funds are now spread among a large number of recipient governments, and their impact on hardship cities is lessened.

Title VI of CETA, which places more emphasis on countercyclical goals, is more responsive to variations in the severity of unemployment. Half the funds are distributed according to the sponsor's share of total unemployment, one-quarter according to the share of unemployment in excess of 4.5 percent, and one-quarter according to the share of unemployed in sub-areas with unemployment greater than 6.5 percent.

A 1976 evaluation of Titles II and VI by Michael Wiseman, published by the Brookings Institution, concluded that CETA public service employment programs have been successful "to a modest extent" in concentrating programs in SMSAs with substantial unemployment, but less successful in channeling funds to areas that have experienced major declines in employment as a result of the recent recession.

Local public works

The local public works program enacted in 1976 has been the subject of considerable controversy. The law required the administering agency, the Commerce Department's Economic Development Administration (EDA) to distribute the funds under a two-pot allocation system—70 percent to those jurisdictions with unemployment rates above the national average and 30 percent to those below the national average but with at least a 6.5 percent unemployment rate. EDA initially anticipated making the 70/30 division of funds on a *national* basis. After receiving an overwhelming number of applications for the 70-percent portion, EDA decided to make the split on a *state* basis, which meant that applicants competed against each other at the state level.

The competition for the 70-percent pot was so intense that many jurisdictions with substantial unemployment rates received no funds at all; applicants for the 30-percent pot, for which competition was much less intense, got relatively large grants in spite of their lower unemployment rates. In addition, EDA's original scoring procedures included some features that discriminated against cities, according to critics.

The allocation procedure for the second round of local public works awards, announced in June 1977, eliminated many of the features of this earlier system. The 30-percent pot was eliminated, and funds were allocated by a formula more favorable to cities. The entire appropriation for both rounds was reallocated through the revised formula, so that cities that had been discriminated against during the initial round received preferential treatment during the second.

Mass transportation

There are three major sources of federal funding for urban public transportation. Two are programs operated by the Urban Mass Transit Administration (UMTA); the third consists of monies diverted from the highway trust fund, which until recently was primarily reserved for interstate highways.

UMTA project grants About two-thirds of the total UMTA grant authority is budgeted for project-type grants, where the federal government pays up to 80 percent of the net cost of capital acquisitions (rights-of-way and rolling stock). The CBO says nearly a third of these grants were made for bus purchases; the remaining 70 percent has been split almost equally between construction of new rail systems and expansion of existing systems. The funding distribution of these project grants shows a high concentration in a relatively small number of cities, largely for rail systems. Thirty-two urbanized areas received 91.6 percent of these capital grant commitments. The central cities of 15 of these 32 areas scored above 150 on the Urban Conditions Index, approximately the same proportion as that of all cities above 500,000 population. Within this group, however, there is little relationship between relative hardship ratings and the level of funding received.

UMTA formula grants The federal government also provided *formula* grants for public transportation to some 248 urbanized areas. The formula allocates one-half of the available funds on the basis of population and one-half on the basis of population weighted by density. Grants are made to one public body in each area; the state acts as recipient for areas under 200,000 population. The Congressional Budget Office estimates that over 90 percent of these funds have been used for operating subsidies and that these funds are equal to about 20 to 25 percent of the deficits of existing public transit systems.

To summarize, federal support of mass transit capital acquisition has been heavily concentrated in a relatively small number of cities; operating subsidies have been spread more widely. The effectiveness of these funds in relieving urban hardship is difficult to gauge because the ultimate benefits may go disproportionately to higher-income suburban areas and residents.

Welfare reform and the cities

Welfare reform, however defined, is an important issue for cities. It is especially important for central cities. The poverty rate for central cities (14.4 percent) was twice that of suburbs in 1974. Moreover, the level and incidence of welfare benefits is generally higher in the older and declining cities of the northeast and north-central regions. This does not necessarily mean that the budgets of these central cities are directly burdened; welfare is more likely, even in these regions, to be a state or county responsibility (unless, like New York City, the city is considered a county for welfare purposes).

A basic choice in framing the urban policies of the federal government is between providing financial aid to *jurisdictions* or pursuing an "income strategy" concentrating on aid to *individuals* in the form of income transfers (both cash and in-kind). There are three dimensions of welfare reform that bear on the issue of relieving urban hardship: *benefit levels, coverage* and *fiscal relief*.

Benefit levels Since welfare levels in the northeast and, to a lesser extent, the north-central region tend to be relatively high, any provisions in a welfare plan to establish a minimum benefit level would have little effect on many persons in these regions who are already receiving assistance. Setting such a national minimum—for example, under the aid to families with dependent children (AFDC) program—while it may be desirable for social policy reasons, would primarily benefit people in other regions of the country.

Coverage On the other hand, changes in the coverage of federally aided welfare programs could have a much greater impact on the hard-pressed cities in the northeast quadrant. Coverage, for example, could be extended to more of the working poor and disabled, as well as to all poor families with unemployed fathers.

Fiscal relief Although it is the states that benefit most directly from fiscal relief under welfare reform, some counties and a few central cities (notably New York, Denver and Washington, D.C.) would also be likely to benefit. An important consideration for urban policy under a welfare reform plan is the question of whether some or all states should be required to pass through a portion of this aid to local governments and, if so, to which ones and on what basis. Two views have been advanced on this question. One favors passing through fiscal relief according to the proportion of welfare spending by particular local jurisdictions. The other would pass through a fixed proportion of fiscal relief funds to all localities in a manner reflecting their welfare caseload, the rationale being that this population is a high-cost group for the provision of public services.

Whether Congress decides to establish a comprehensive new welfare system (as the Administration recently proposed) or to institute a series of incremental changes in existing programs, the impact of welfare reform in relieving the human and fiscal problems of hardship cities needs to be evaluated according to this three-part framework.

Problems of distribution

How do these major federal aid programs for localities relate to the urban hardship conditions discussed earlier? The name of the game is indeed formulas. Unless the total funds available were significantly increased, changes in formulas to give more money to cities with hardship conditions would mean giving less to other cities (typically smaller and suburban cities with higher income levels and better economic prospects). Yet these communities, like all local governments hard hit by inflation, are increasingly sensitive to ways in which federal funds can ease their fiscal pressures. Moreover, they have demography on their side. Growth of the suburbs and their representation in the House of Representatives has led to increased—and increasingly successful—demands on the part of these governments to obtain federal grants, while central cities facing hardship conditions have been losing population. (The northeast and north-central regions, where hardship cities tend to be concentrated, lost eight seats in the House under the 1970 reapportionment.)

However, since not all cities with hardship conditions are central cities (some are older suburbs), since not all are located in the northeast quadrant, and since many wealthier suburban communities depend upon central cities for jobs and cultural amenities, there is a possible base for a political constituency focused on urban hardship conditions but extending beyond the boundaries of the old central cities. Furthermore, to the extent that older and declining cities have disproportionately high levels of unemployment, poverty and deteriorated housing, federal programs designed to deal with these conditions would focus assistance on these cities.

Federal aid and city budgets

Table 1 shows the shifts of the economic stimulus and other programs to focus aid more on hardship cities. The table lists each city's estimated receipts in fiscal 1978 from the three stimulus programs (public service employment, local public works and countercyclical revenue sharing) in column 9. Estimated total direct grants from the federal government (including those shown in column 9) for the same period appear in column 10. The percent of increase in total grants between 1975 and 1978 is shown in column 11. These increases tend to be most pronounced in the most distressed cities—largest in Newark and St. Louis, which are the most disadvantaged of the cities presented in the table.

Table 1 also compares growth in federal aid to projections of growth in city budgets over this same period. Column 12 indicates the increase in city expenditures between 1975 and 1978 assuming that city budgets continued to grow at the same annual rate during this period as during the preceding five years. For all but two cities, the rate of growth in federal grants exceeds this projected rate of increase in city expenditures—in most cases, by a sizeable margin. Stated another way, the relative importance of federal aid in the budgets of many larger and distressed cities has risen dramatically in the last three years.

The immediate policy consequences of these figures are clear. When the Congress turns to the question of whether and when to allow the economic stimulus package to expire, it will have to reckon with the fact that cutting off this aid will produce a precipitous decline in the funds available to some of the nation's most troubled big-city governments.

Basic choices for national policy

Discussions about core city problems quickly get down to some fundamental questions: What is the role of the inner city? Who will live there? Who will work there? Who will shop there? In short, who will—and who should—benefit from urban revitalization? The ways these questions are asked—and answered—reveal a great diversity of perceptions.

Many observers of the urban scene are confident that inner cities can be revitalized, with federal help, as centers of commerce and culture, as well as residential places for a cross-section of income groups. Basic economic trends are on the side of the older cities—as evidenced by higher energy costs and by population shifts to smaller families and older citizens. The present period, it can be argued, is a good time for government to encourage central city rehabilitation.

But not everyone agrees with the proposition just stated. Some

argue that older central cities no longer have a vital role to play and that public policy makers should not swim against the tide. They suggest that the growth of new areas and of new settlement patterns (both in suburbs and, increasingly, in small cities) reflects individual choices that are perfectly appropriate and, in fact, desirable in a democratic society.

Between these two poles there are innumerable positions giving more or less emphasis to relieving urban hardship. Many who favor a shift in national policy to relieve urban hardship have as their purpose not necessarily to restore inner cities to some notion of past grandeur, but, in varying degrees, to give these cities a better capability to adjust to changed conditions and take advantage of opportunities for growth, revival and new development.

It is important to remember that the troubled cities are not without hope. Revival is already occurring in many areas; some areas of these cities have long been healthy; other neighborhoods and areas in which urban problems have been especially severe are emptying out, leaving large tracts of vacant or little-used land in the inner city. Increasingly, urban development efforts are being concentrated on *transitional* areas with growth potential and on efforts to stem further migration from the city, particularly on the part of commercial activities.

The essential questions are what and how much we should do, in order to concentrate development and rehabilitation activities in these older and declining cities in such a way as to speed the revival process where it is underway and take advantage of new opportunities for development by channeling program funds and capital into these communities. Although local initiative and state government efforts have immense importance, we have addressed these questions in the federal context: Can federal policy relieve urban hardship, in terms of both the amount of federal resources allocated and the way in which they are deployed?

Another critical dimension of this issue is the short life span currently projected for existing economic stimulus programs—employment and training, local public works and countercyclical revenue sharing programs. There is every reason to expect that efforts will be made by both state and local officials to continue these federal programs beyond the current recovery phase. This raises another and related fundamental policy issue. If these stimulus programs were to become permanent (or very long-term) programs, would we want the federal government to play as extensive a role as this would mean in some cities?

Alternative federal strategies

There are five basic ways in which federal strategy could be changed to place greater emphasis on helping to relieve urban hardship conditions, both in inner cities and older suburbs. Although there are trade-offs among them, these five strategies are not mutually exclusive; they can be combined in many ways. In fact, an urban agenda *requires* a multiple approach that combines better-targeted government-to-government aid, better-targeted transfer payments to individuals, and inducements to encourage burden-spreading and resource-sharing in metropolitan areas.

☐ *Change the formulas of existing federal aid programs* so as to concentrate more financial aid on distressed central cities, for example by revising the distribution formulas for general revenue sharing and for the block grant programs for community development, manpower and social services.

☐ *Concentrate on particular functions,* such as education or public service jobs, and provide assistance that is heavily weighted in favor of central cities.

☐ *Create new programs for cities.* Despite their diminishing political base, some spokesmen for large cities have called for a new national commitment to urban redevelopment in the form of a Marshall Plan for the cities. Such proposals have not been as seriously or vigorously advanced in recent years as they once were, perhaps because of changing demographic conditions or a current conservative mood on spending issues.

More likely than a large new grant program to revive the inner city is a lending program along the lines of an urban development bank, or "Urbank." The Carter administration has developed such a proposal; thus, possible functions and operations of an urban development bank are soon likely to be at the forefront of discussions of urban policy. These issues might include the following: Should such an institution provide general financing assistance or focus on major development projects in hardship cities? If the latter, how large a subsidy is required to shift capital development projects to these cities? What kinds of credit facilitation techniques should be used—guarantees, interest subsidies, both? What should be used for collateral? (One possibility is to put CDBG funds in escrow, as collateral for bank-approved projects.) How can private funds be tied into this program? Should such a bank include, as many have proposed, rural development, energy development, fiscal relief?

☐ *Adopt an explicitly structural approach* that would require (or provide strong monetary incentives for) state, county and suburban governments to change their boundaries and realign functions so as to enlarge or otherwise change the structural character of distressed central cities and thus their resource base. Whether, in fact, the federal government should intervene in matters of local structure may well become the central issue of domestic policy in the next decade. It is clear why this debate is likely to intensify. Unless the federal government intervenes in some way in structural questions, it is hard to see how federal grant-in-aid policies can deal with the social and economic problems of distressed central cities on an equitable basis and on a significant scale. Any structural policy must also involve state governments, since it is they that establish the basic rules affecting local government boundaries, functions and finances.

☐ *Rely on an income strategy* that provides aid to needy families and individuals directly in the form of transfer payments, such as cash assistance, food stamps, scholarship aid, and subsidies for day care and housing. This would not necessarily require a single "income strategy," since transfer payments can be made through a number of programs. The design issues in this area and time and resources needed to set up a program are such that initiatives cannot be expected to emerge quickly, even if an incremental and phased welfare reform strategy is adopted. Nevertheless, the problems for national urban policy created by the diversity of functional assignments and financial responsibility in American federalism can be seen as reasons for supporting income and employment strategies to aid needy *individuals,* as opposed to grants-in-aid to local *governments.*

The future for hardship cities

One can be at the same time optimistic and pessimistic about American cities—optimistic because many large cities, especially in the South and West, are strong and healthy; pessimistic because the problems of some infected core cities are so severe.

There are both social and economic reasons for helping these hardship cities. The *social* issue is whether and how the national government should help deal with concentrations of the poor—especially racial minorities—in the older core cities. The *economic* issue is whether the costs of abandoning these cities and their infrastructures are greater than the cost of aiding a revival process.

Currently there are signs that the domestic policy of the federal government is changing—for both reasons—in a way that involves greater attention to "urban crisis conditions." Will there be majorities to support such a shift of resources? That is a *political* question, which interested, active citizens should help to answer.

Order from League of Women Voter of the United States, 1730 M Street, N.W., Washington, D.C. 20036 Pub. No. 601, 50¢.

JAN 9 1978

League of Women Voters Education Fund •1730 M Street, N.W., Washington, D.C. 20036 Tel. (202) 659-2685

memorandum

January 1978

This memo and Current Focus are going on DPM

To: Local, State and ILO Presidents

From: Florence Rubin, C/UC Chairman

Re: Cities in Crisis: The Impact of Federal Aid
Other C/UC Resources (to Presidents only)

Worth waiting for is this substantive C/UC publication, Cities in Crisis: The Impact of Federal Aid, adapted with and for us by Dr. Richard Nathan and staff from their writings for The Brookings Institution. It contains information and analysis that provide a basis for looking at federal aid policies and their impact on U.S. cities in general and distressed cities in particular. The material covered is relevant for Leaguers, city and state legislators and administrators. Please read it, order copies for your League and promote its use in your community.

Other enclosures (which are going to Presidents only): The Urban Impact of Federal Policies is a brief summary of the important major Rand Corporation study of federal policy impacts on cities. The study will run to four volumes of which only one has yet been published. This preliminary report of its findings on unintended impacts is already having a significant impact on urban policymakers. (We were able to obtain one copy per League from the Kettering Foundation).

The Urban Crisis presents excerpts from remarks by leading urban experts at a public forum, "Deadline for Cities," co-sponsored by the Cleveland League of Women Voters. Please pass these copies to whomever is handling C/UC activities.

Reminder. As mentioned in the C/UC Community Guide Cover Memo, December 1977, the booklet "To Save Our Cities--What Needs to be Done" by Rep. Henry Reuss(WI), is available to Leagues in reprint form at a special discount price of $1.00 on prepaid orders of 10 or more. Order from Public Affairs Press, 419 New Jersey Avenue, Washington, D.C. 20003.

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LEAGUE OF WOMEN VOTERS
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CITIES/URBAN CRISIS
FEDERAL FISCAL TOOLS

Pm - P

TO: Local League Cities/Urban Crisis or Human Resources Chairs

FROM: Jerry Enders, LWVMN Cities/Urban Crisis Chair

Date: January 18, 1978

The League of Women Voters Cities/Urban Crisis Study is centering on federal funding in urban areas. The LWVUS publications to be released in early 1978 will deal with money sent from the federal government to other levels of government. Some of this money helps to keep governments functioning, some helps to provide services to communities, and some provides support for programs which give direct aid to individuals. Two publications Grants-in-Aid in Minnesota and Grants-in-Aid to State Agencies summarize this type of federal outlay.

This is not however the only way federal fiscal policy can have impact. The Federal Information Exchange Summary shows all federal outlays in the state. It includes funds to federal agencies and departments, funds to other levels of government (grants-in-aid), funds which go directly to individuals (social security, medicare), funds which go to private agencies and businesses, and funds which go to individuals and/or governments (interest on federal bonds and other debt).

At the briefing on February 22nd, we will explain to you how these types of federal outlays impact on cities of any size. We will also distribute publications which show the impact in the metro area in particular.

Direct payments are only one way the federal government affects local economies. Taxing policy is another. The Summary of Federal Tax Collections shows federal tax collections nationally. In Minnesota the figures are:

Total Internal Revenue Collections	(in thousands of dollars)	$6,052,691
Corporate Income Tax	$ 798,382	
Individual income and employment tax	5,002,858	
Estate tax	75,449	
Gift tax	5,702	
Excise tax	170,300	

(Annual report 1976 Commissioner of Internal Revenue)

Federal taxing policy can stimulate economic activity by incentives and deductions. Or, it can discourage activity by raising taxes or creating new taxes. Federal tax policy also redistributes wealth by taxing various classes at different rates.

Another way the federal government can impact locally is through the Federal Reserve System. The enclosed article HOW to Defend the Dollar gives a brief explanation of how these policies can have far reaching consequences.

Legislation and policy making are another way the federal government can influence local economies. The minimum wage law for example can determine employment patterns

without there being any actual federal dollars involved. Laws that regulate labor practices, business activities, or trade can affect inflation, employment, and greatly influence local economic patterns.

When looking at the urban crisis we must be aware of this interaction of the various mechanisms available to the federal government. No one policy works in isolation. Policies that discourage business can increase unemployment and the urban poor are usually the hardest hit. Any program that contributes to inflation robs the people of urban areas of buying power even though those same programs are directed towards specific problems that must be solved.

Meeting human needs in urban crisis areas requires a broad look at all policy options to be sure the repercussions do not offset the benefits. The role of the federal government requires a careful weighing of alternatives if it is to be truly effective.

REVIEW & OUTLOOK

How to Defend the Dollar

This week the dollar hit new lows against the mark, the yen and the Swiss franc, meanwhile declining sharply against the pound. Happily the U.S. government has abandoned the policy of making matters worse, and advanced to a policy of complacency. Now we have to inquire whether a better choice may exist.

The immediate cause of the dollar's decline seems to have been the withdrawal of support by the Bank of England. It had been printing pounds and using them to buy dollars, the notion being that a weaker pound would help British exports. This week someone noticed that a weak pound has not helped them lo these many years, so they decided to stop buying dollars, and presumably to print fewer pounds. People do after all learn from harsh experience.

Treasury Secretary Blumenthal, having also learned a thing or two, now says that the U.S. "has no interest" in a lower dollar. Fine. He also said that the strength of the economy assures the value of the dollar. And he and West German Finance Minister Apel agreed to do no foreign exchange operations other than "smoothing."

Actually, the salient points are these: The value of the dollar is established by U.S. monetary policy. Its decline means that the U.S. has been creating dollars faster than other nations create marks, yen, francs and pounds – relative to the underlying economic prospects in each nation. Complacency is dangerous because a declining dollar spells faster inflation in the U.S. The way to protect the dollar, and the way to avoid the inflation, is to create fewer dollars. Then each of them will be worth more, both in relation to foreign currencies and in relation to the world's supply of real goods.

On the supply of dollars is identical. Indeed, the Swiss central bank manages its domestic money supply entirely through foreign exchange transactions. When the Fed's Foreign Exchange Desk buys marks, it pays in dollars. That is, it injects funds into the banking system and loosens monetary policy. Conversely, when it sells marks it absorbs dollars, tightening money.

The classic problem comes when the right hand doesn't know what the left hand is doing. It makes no sense for the Foreign Exchange Desk to support the dollar, buying them up and tightening monetary policy, while the Open Market Desk is spewing out dollars to loosen money. This is a description of what is popularly called a "currency crisis."

Secretary Blumenthal wants an "expansive" or "accommodative" monetary policy, that is, he wants the Open Market Desk to spew out dollars. So it would be fundamentally irrational of him to advocate "supporting" the dollars, that is, having the Foreign Exchange Desk mop them up. Precisely this kind of schizophrenia has been seen plenty of times before, and we're glad to see the Secretary has not fallen prey to it.

We do think the Secretary is Pollyannaish, though, in shrugging off the dollar's decline, and in assuming that since the U.S. has a big economy the dollar will recover irrespective of what monetary policy it pursues. A falling dollar means higher prices, not only for imports but for their domestic competitors and substitutes, and ultimately for everything. Yesterday's 9.6% rate of increase in the wholesale price index, the surging domestic monetary aggregates, the soaring price of gold, the rising price of foreign currencies—all point in the same

THE WALL STREET JOURNAL, FRIDAY, NOV. 4, 1977



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March 18, 2019

FEDERAL INFORMATION EXCHANGE SYSTEM

STATE SUMMARY — AGENCY OPERATIONS

[Dollar amounts in thousands]

MINNESOTA

	PRORATION CODE	CFDA NO.	FY 1976 OUTLAYS
DEPARTMENT OF AGRICULTURE			
GRANT OUTLAYS			
CHILD CARE FOOD PROGRAM, FNS	10	10.558	$820
FOOD STAMP BONUS COUPONS, FNS	1	10.551	$48,756
NATIONAL SCHOOL LUNCH PROGRAM-CASH, FNS	10	10.555	$23,934
NONFOOD ASSISTANCE TO SCHOOLS, FNS	10	10.554	$410
OTHER FOOD STAMP PROGRAM COSTS, FNS		10.551	$3,575
PAYMENTS TO AGRIC EXPER STA (HATCH), CSRS		10.203	$2,128
SCHOOL BREAKFAST PROGRAM FNS	10	10.553	$723
SPECIAL MILK PROGRAM, FNS	10	10.556	$3,438
STATE ADMINISTRATIVE EXPENSES, FNS	4		$124
SUMMER FOOD SVC. PROGRAM FOR CHILDREN, FNS	10	10.559	$595
SUPP. FOOD-WOMEN, INFANTS & CHILDREN, FNS	10	10.557	$1,415
AGRICULTURAL CONSERVATION PROGRAM, ASCS		10.063	$5,801
ASST STA INTRASTATE MEAT & POUL INS, APHIS		10.026	$178
ASST. TO STATES FOR TREE PLANTING, FS	18	10.655	$18
BUSINESS AND INDUSTRIAL DEV. GRANTS, FMHA		10.424	$263
CONTRACTS & GRTS FOR SCIENTIFIC RES, CSRS		10.200	$142
COOPERATIVE EXTENSION SERVICE, ES	15		$5,081
COOPERATIVE FOREST FIRE CONTROL, FS	18	10.656	$415
COOPERATIVE FOREST INSECT & DIS. CON., FS	18	10.658	$34
COOPERATIVE FOREST MNGMT & PROCESSING, FS	18	10.657	$96
COOPERATIVE FORESTRY RESEARCH, CSRS		10.202	$180
EMERGENCY CONSERVATION MEASURES, ASCS		10.054	$475
FLOOD PREVENTION, SCS		10.904	$223
FORESTRY INCENTIVES PROGRAM, ASCS		10.064	$37
RESOURCE CONSERVATION & DEV. OPER., SCS		10.901	$483
RURAL COMM. FIRE PROTECTION GRT., FMHA, FS	18		$122
RURAL DEVELOPMENT RESEARCH, CSRS		10.204	$44
WATER AND WASTE DISPOSAL GRANTS, FMHA		10.418	$4,906
WATER BANK PROGRAM, ASCS		10.062	$363
WATERSHED WORKS OF IMPROVEMENT, SCS		10.904	$447
TOTAL - GRANT OUTLAYS			**$105,225**
OTHER FEDERAL OUTLAYS			
ACQ. OF LANDS TO COMPLETE LAND EXC., FS	18		$6
ADM. & OPER. EXP., FED. CROP INS. CORP.	12		$1,538
ADM. EXPENSES, FOOD STAMP PROGRAM, FNS	19		$744
ADVANCES & REIMBURSEMENTS, ES	4		$115
AGRICULTURAL & RURAL ECONOMIC RES., ERS	18	10.250	$134
AGRICULTURAL PRODUCT GRADING, AMS		10.150	$814
AGRICULTURAL STATISTICAL REPORTS, SRS		10.950	$575
ASSISTANCE TO STATES FOR TREE PLANTING, FS	18		$9
BRUSH DISPOSAL, FS	18		$27
COMMODITY CREDIT CORPORATION FUND, USDA	7		$650
COMMODITY INVENTORY OPERATIONS, CCC		10.051	$54,788
COMMODITY LOANS, CCC		10.051	$36,907
CONSOLIDATED WORKING FUND, FS	18		$610
CONST. & OPERATION OF RECREATION FAC., FS			$71
CONSTRUCTION AND LAND ACQUISITION, FS	18		$724
COOPERATIVE WORK, FS	18		$232
CROP INSURANCE INDEMNITY PAYMENTS, FCIC	12	10.450	$12,376
CROPLAND ADJUSTMENT PROGRAM, ASCS			$1,555
CROPLAND CONVERSION PROGRAM, ASCS			$1
DAIRY & BEEKEEPER INDEMNITY PAYMENTS, ASCS		10.060	$22
FEDERAL AID HIGHWAYS, TRUST FUND	18		$41
FEED GRAIN PRODUCTION STABILIZATION, CCC		10.055	$20,108
FIN. EXP. UNDER SHORT-TERM CR. SALES, CCC			$2,357
FINANCING PL 480 DOLLAR CREDIT SALES, CCC			$19,233
FOREST PROTECTION & UTILIZATION, FS	18		$7,045
FOREST ROADS AND TRAILS, FS			$1,107
INSPECT. AND GRADING OF FARM PRODUCTS, AMS			$1,651
LAND AND WATER CONSERVATION FUND, BOR	18		$582
LIVESTOCK & POULTRY MKT SUPERVISION, P&SA		10.800	$236
MARKET NEWS SERVICE, AMS		10.153	$208
MARKET SUPERVISION, AMS		10.154	$178
MEAT AND POULTRY INSPECTION, APHIS		10.027	$7,593
NATIONAL WOOL ACT PAYMENTS, CCC		10.059	$649
PAYMENTS TO MINN FROM NATL FOREST FUND, FS			$259
PAYMENTS TO STATES, NAT'L FORESTS FUND, FS			$208
PLANT & ANIMAL DISEASE & PEST CONT., APHIS		10.025	$2,101
PURCHASE OF COMMODITIES, AMS			$18,361
RESEAL STORAGE, CCC			$4
RESOURCE CONSERVATION & DEV. PLANNING, SCS		10.901	$84
RESOURCE CONSERVATION AND DEVELOPMENT, SCS			$265
RIVER BASIN SURVEYS & INVESTIGATIONS, SCS			$72
RIVER BASIN SURVEYS & INVESTIGATIONS, SCS		10.906	$250
RURAL TELEPHONE BANK LOANS, REA	2	10.852	$3,208
S & E, AGRICULTURAL RESEARCH SERVICE			$2,463
S & E, ASCS			$4,113
S & E, FARMERS HOME ADMINISTRATION			$3,283
S & E, RURAL ELECTRIFICATION ADM.			$234
SECTION 6 PURCHASES, FNS		10.555	$3,270
SOIL AND WATER CONSERVATION, SCS		10.902	$3,648
SOIL SURVEY, SCS		10.903	$1,014
STORAGE FACILITY AND EQUIPMENT LOANS, CCC		10.056	$4,108
SUGAR ACT PROGRAM, ASCS			**
TITLE II, PL 480, FOREIGN DONATIONS, CCC			$5,479
VERY LOW-INCOME HOUSING REPAIR LOANS, FMHA		10.417	$93
WATER BANK ACT PROGRAM, ASCS			$105
WATERSHED & FLOOD PREVENTION OPER., SCS			$462
WATERSHED PLANNING, SCS			$27
WATERSHED PLANNING, SCS		10.904	$194
WHEAT PRODUCTION STABILIZATION, CCC		10.058	$1,652
WORKING CAPITAL FUND, FS	18		$1,022
YOUTH CONSERVATION CORPS, FS	18	10.661	$229
TOTAL - OTHER FEDERAL OUTLAYS			**$229,094**
AGENCY TOTAL - FEDERAL OUTLAYS			**$334,319**
INDIRECT FEDERAL SUPPORT *			
DONATION OF COMM. TO SCHOOL LUNCH, FNS	10	10.550	($2,871)
FOOD DISTRIBUTION TO INSTITUTIONS, FNS	10	10.550	($150)
FOOD DISTRIBUTION TO NEEDY FAMILIES, FNS	16	10.550	($118)
FOOD DISTRIBUTION TO SCHOOLS, FNS	10	10.550	($6,928)
NUTRITION PROGRAMS FOR THE ELDERLY, FNS	10		($126)
BUSINESS AND INDUSTRIAL DEV. LOANS, FMHA		10.422	($6,438)
COMMUNITY FACILITIES LOANS, FMHA		10.423	($4,585)
EMERGENCY DISASTER LOANS, FMHA		10.404	($32,299)
EMERGENCY LIVESTOCK LOANS, FMHA		10.425	($9,919)
FARM OPERATING LOANS, FMHA		10.406	($16,622)
FARM OWNERSHIP LOANS, FMHA		10.407	($16,805)
FARM OWNERSHP NONFARM ENTERPRISE LNS, FMHA		10.407	($14)
LOW TO MODERATE INCOME HOUSING LOANS, FMHA		10.410	($44,700)
RECREATION FACILITY LOANS, FMHA		10.413	($50)
RURAL ELECTRIC LOANS, REA	2	10.850	($45,319)
RURAL RENTAL HOUSING LOANS, FMHA		10.415	($8,610)
RURAL TELEPHONE LOANS, REA	2	10.851	($12,897)
SOIL AND WATER LOANS TO INDIVIDUALS, FMHA		10.416	($1,797)
WATER AND WASTE DISP. SYSTEMS LOANS, FMHA		10.418	($12,014)
WATERSHED PROTECTION LOANS, FMHA		10.419	($250)
DEPARTMENT OF COMMERCE			
GRANT OUTLAYS			
COMMERCIAL FISHERIES RESEARCH & DEV., NMFS	5	11.407	$10
ECON DEV-GRANTS TO STATES, EDA		11.308	$530
ECON DEV-GRTS & LNS PUB WKS & DEV FAC, EDA		11.300	$8,047
ECON DEV-PUBLIC WORKS IMPACT PROJECTS, EDA		11.304	$69
ECON DEV-SUPPORT FOR PLANNING ORG, EDA		11.107	$329
ECON DEV-TECHNICAL ASSISTANCE, EDA		11.303	$344
JOB OPPORTUNITIES PROGRAM-TITLE X, EDA		11.309	$2,887
PROMOTION OF TRAVEL FROM ABROAD, USTS		11.951	$20
REGIONAL ACTION PLANNING COMMISSIONS, O/S	4		$1,423
SEA GRANT SUPPORT, NOAA	5	11.417	$55
TOTAL - GRANT OUTLAYS			**$13,714**
OTHER FEDERAL OUTLAYS			
CENSUS DATA			$689
COASTAL ZONE MANAGEMENT PROGRAM DEV., NOAA	5	11.418	$150
CONSOLIDATED WORKING FUND, NOAA	7		$348
DOMESTIC WATERBORNE TRANSPORT SYSTEMS, MAR		11.509	**
ECON DEV-BUSINESS DEVELOPMENT ASST, EDA		11.301	$2,375
ECON DEV-TECHNICAL ASSISTANCE, EDA		11.303	$19
FIRE RESEARCH AND SAFETY, NBS	5	11.608	$10
MINORITY BUSINESS ENTERPRISE, OMBE		11.800	$486
OPER. OF U.S. MERCHANT MARINE ACADEMY, MAR		11.507	$18
OPERATIONS AND TRAINING, MAR			$6
OPERATIONS, RESEARCH, AND FACILITIES, NOAA	7		$744
PATENT & TRADEMARK TECH INFO DISSEMINATION		11.900	**
PORTS & INTERMODAL TRANSPORT SYSTEMS, MAR		11.501	**
REGIONAL ACTION PLANNING COMMISSIONS, O/S			$1,130
RIVER AND FLOOD FORECASTS, NWS	7	11.402	$55
WEATHER FORECASTS AND WARNINGS, NWS	7	11.404	$721
WORKING CAPITAL FUND, NBS	5		$163
TOTAL - OTHER FEDERAL OUTLAYS			**$6,915**
AGENCY TOTAL - FEDERAL OUTLAYS			**$20,629**
INDIRECT FEDERAL SUPPORT *			
ECON DEV-BUSINESS DEVELOPMENT ASST, EDA		11.301	($567)
FEDERAL SHIP FINANCING GUARANTEES, MAR	5	11.502	($7,836)
DEPARTMENT OF DEFENSE			
GRANT OUTLAYS			
CIVIL DEFENSE-EMERGENCY OPERATING CENTERS	4		$104
CIVIL DEFENSE-PERSONNEL & ADMIN. EXPENSES	4	12.315	$978
CIVIL DEFENSE-STAFF COLLEGE	4	12.314	$3
CIVIL DEFENSE-SYSTEM MAINTENANCE SERVICES	4	12.319	$36
CIVIL DEFENSE-STATE & LOC SUPPORTNG SYS EQ	4	12.321	$126
MILITARY CONSTRUCTION, ARMY NATIONAL GUARD	7	12.400	$1,234
TOTAL - GRANT OUTLAYS			**$2,481**

FEDERAL INFORMATION EXCHANGE SYSTEM
STATE SUMMARY — AGENCY OPERATIONS

[Dollar amounts in thousands]

	PRORATION CODE	CFDA NO.	FY 1976 OUTLAYS
MINNESOTA — Con.			
OTHER FEDERAL OUTLAYS			
CIVIL FUNCTIONS PRIME CONTRACTS	5		$7,783
CIVILIAN PAY	15		$45,294
MILITARY ACTIVE DUTY PAY	15		$23,360
MILITARY PRIME CONSTRUCTION CONTRACTS	5		$4,966
MILITARY PRIME RDTE CONTRACTS	5		$37,139
MILITARY PRIME SERVICE CONTRACTS	5		$91,689
MILITARY PRIME SUPPLY CONTRACTS	5		$556,463
MILITARY RESERVE AND NATIONAL GUARD PAY	15		$43,572
MILITARY RETIRED PAY	12		$50,066
PRIME CONTRACTS OF LESS THAN $10,000	6		$4,392
TOTAL - OTHER FEDERAL OUTLAYS			**$864,724**
AGENCY TOTAL - FEDERAL OUTLAYS			**$867,205**
DEPARTMENT OF HEALTH, EDUCATION AND WELFARE			
GRANT OUTLAYS			
ADULT EDUCATION-GRANTS TO STATES, OE		13.400	$1,154
AGING RESEARCH, NIH		13.866	$145
ALCOHOL COMMUNITY SERVICE PROGRAMS, ADMHA		13.251	$610
ALCOHOL FORMULA GRANTS, ADMHA		13.257	$1,000
ALCOHOL RESEARCH PROGRAMS, ADMHA		13.273	$117
ALCOHOL TRAINING PROGRAMS, ADMHA		13.274	$231
ALLERGIC & IMMUNOLOGIC DISEASES RES., NIH		13.855	$831
ALLIED HLTH PROFESS-SPECIAL PROJ GRTS, HRA		13.305	$548
ARTHRITIS, BONE & SKIN DISEASES RES., NIH		13.846	$583
ASSOC HEALTH PROFESSIONS-TRAINEESHIPS, HRA		13.303	$36
ASST TO REFUGEES-CAMBODIA & VIETNAM, OE		13.596	$566
BACTERIAL & FUNGAL DISEASES RESEARCH, NIH		13.856	$911
BASIC ED OPPORTUNITY GRANT PROGRAM, OE		13.539	$17,127
BILINGUAL EDUCATION, OE		13.403	$195
BIOMEDICAL ENGINEERING RESEARCH, NIH		13.860	$66
BIOTECHNOLOGY RESEARCH, NIH		13.371	$414
BLOOD DISEASES & RESOURCES RESEARCH, NIH		13.839	$1,059
CANCER BIOLOGY RESEARCH, NIH		13.396	$556
CANCER CAUSE & PREVENTION RESEARCH, NIH		13.393	$1,874
CANCER CENTERS SUPPORT, NIH		13.397	$704
CANCER CONTROL, NIH		13.399	$633
CANCER DETECTION & DIAGNOSIS RESEARCH, NIH		13.394	$2,914
CANCER RESEARCH MANPOWER, NIH		13.398	$438
CANCER TREATMENT RESEARCH, NIH		13.395	$4,348
CAREER EDUCATION, OE		13.554	$65
CARIES RESEARCH, NIH		13.840	$346
CATARACT RESEARCH, NIH		13.869	$218
CELLULAR & MOLECULAR BASIS OF DIS RES, NIH		13.863	$1,143
CHILD DEVELOPMENT-HEAD START, OS		13.600	$5,659
CHILD DEVELOPMENT-TECHNICAL ASSISTANCE, OS		13.601	$134
CHILD HEALTH RESEARCH, NIH		13.865	$1,373
CHILD SUPP ENFORCE(ADM OF TITLE IV-D), SRS		13.770	$2,689
CHILD WELFARE SERVICES, SRS	12	13.707	$994
CHILDHOOD LEAD BASED PAINT POISON CON, CDC		13.766	$22
CLINICAL & PHYSIOLOGICAL SCIENCES RES, NIH		13.861	$625
CLINICAL RESEARCH, NIH		13.333	$925
COLLEGE TEACHER GRADUATE FELLOWSHIPS, OE		13.407	$8
COMMUNICATIVE DISORDERS RESEARCH, NIH		13.851	$732
COMMUNITY SERVICES TRAINING GRANTS, SRS		13.768	$143
COMP HEALTH PLANNING-AREAWIDE GRANTS, HRA		13.206	$282
COMP HEALTH PLANNING GRANTS TO STATES, HRA		13.207	$113
COMP PUBLIC HLTH SVCS FORMULA GRANTS, HSA		13.210	$1,560
CORNEAL DISEASES RESEARCH, NIH		13.868	$125
CRANIOFACIAL ANOMALIES RESEARCH, NIH		13.842	$317
CRIPPLED CHILDRENS SERVICES, HSA		13.211	$1,700
DEVELOPMENTAL DISABILITIES-BASIC SUPP., OS		13.630	$569
DEVELOPMENTAL DISABILITIES-SPEC. PROJ., OS		13.631	$485
DIABETES, ENDOCRINOLOGY & METAB. RES., NIH		13.847	$879
DIGESTIVE DISEASES AND NUTRITION RES., NIH		13.848	$1,442
DISEASE CONTROL-PROJECT GRANTS, CDC		13.268	$580
DRUG ABUSE COMMUNITY SERVICE PROGS., ADMHA		13.235	$746
DRUG ABUSE DEMONSTRATION PROGRAMS, ADMHA		13.254	$346
DRUG ABUSE FORMULA GRANTS, ADMHA		13.269	$636
DRUG ABUSE RES MANPOWER FELLOW PROG, ADMHA		13.278	$10
DRUG ABUSE RESEARCH PROGRAMS, ADMHA		13.279	$504
ED DEPRIVED CHILD-SPEC INCENTIVE GRTS, OE	4	13.512	$2,122
EDUC DEPRIVED CHILDREN-HANDICAPPED, OE	4	13.427	$579
EDUC DEPRIVED CHILDREN-IN STATE INST, OE	4	13.431	$510
EDUC DEPRIVED CHILDREN-MIGRANTS, OE	4	13.429	$511
EDUC DEPRIVED CHILDREN-STATE ADMIN, OE	4	13.430	$290
EDUCATIONAL INNOVATION AND SUPPORT, OE		13.571	$1,658
EDUCATIONAL RESEARCH AND DEVELOPMENT, NIE		13.575	$509
EDUCATIONALLY DEPRIVED CHILDREN-LEAS, OE		13.428	$24,646
EMERGENCY SCHOOL AID ACT-GRTS TO LEAS, OE		13.525	$442
EMERGENCY SCHOOL AID ACT-SPC PRG PRJ, OE		13.529	$54
ENVIRONMENTAL EDUCATION, OE		13.522	$8
ENVIRONMENTAL PATHOGENESIS RESEARCH, NIH		13.876	$7
ENVRMNTL MUTAGEN & REPROD TOXIC RES, NIH		13.873	$27
ENVRNMNTL PHARMACOLOGY & TOXIC RES, NIH		13.875	$133
ETHNIC HERITAGE STUDIES PROGRAM, OE		13.549	$42
ETIOLOGY OF ENVRNMNTL DIS & DISOR RES, NIH		13.874	$45
FAMILY MEDICINE-TRAINING GRANTS, HRA		13.379	$132
FAMILY PLANNING-PROJECTS, HSA		13.217	$958
FOLLOW THROUGH, OE		13.433	$448
FOOD AND DRUG RESEARCH GRANTS, FDA		13.103	$67
FOREIGN LANG & AREA STUDIES-RESEARCH, OE		13.436	$2
FULBRIGHT-HAYS TRAINING GRANTS, OE		13.438	$10
FUND FOR IMPROV OF POST-SEC EDUCATION, OE		13.538	$249
FUNDAMENTAL NEUROSCIENCES RESEARCH, NIH		13.854	$275
GENERAL RESEARCH SUPPORT, NIH		13.337	$791
GENETICS RESEARCH, NIH		13.862	$555
GLAUCOMA RESEARCH, NIH		13.870	$180
GRADUATE PUBLIC HEALTH TRAINING, HRA		13.338	$291
GRTS TO STATES FOR STATE STUDENT INCNT, OE		13.548	$843
HANDICAPPED EARLY CHILDHOOD ASSISTANCE, OE		13.444	$138
HANDICAPPED PRESCHOOL & SCHOOL PROG, OE		13.449	$948
HANDICAPPED TEACHER EDUCATION, OE		13.451	$1,036
HANDICAPPED-RESEARCH AND DEMONSTRATION, OE		13.443	$525
HEALTH FACILITIES CONSTRUCTION GRANTS, HRA		13.220	$3,234
HEALTH MAINTENANCE ORGANIZATION SVC, HSA		13.256	$450
HEALTH PROFESSIONS SCHOLARSHIPS, HRA		13.341	$62
HEALTH PROFESSIONS SPECIAL PROJECTS, HRA		13.383	$978
HEALTH PROFESSIONS START-UP ASST, HRA		13.384	$1,057
HEALTH PROFESSIONS STUDENT LOANS, HRA		13.342	$519
HEALTH SERVICES DEVEL-PROJECT GRANTS, HSA		13.224	$1,403
HEALTH SERVICES RESEARCH & DEV GRANTS, HRA		13.226	$65
HEART AND VASCULAR DISEASES RESEARCH, NIH		13.837	$13,158
HEMATOLOGY RESEARCH, NIH		13.850	$195
HIGHER ED-ACADEMIC FAC-CONSTR-INTEREST, OE		13.457	$264
HIGHER ED-LAND GRANT COLLEGES & UNIV, OE		13.453	$226
HIGHER ED-STRENGTHENING DEVELOP INST, OE		13.454	$200
HIGHER EDUCATION-COOPERATIVE EDUCATION, OE		13.510	$279
HLTH MANPOWER EDUC INITIATIVE AWARDS, HRA		13.380	$301
INDIAN EDUCATION-GRANTS TO LEAS, OE		13.534	$1,481
INVESTIG., SURVEILLANCE & TECH. ASST., CDC		13.283	$13
KIDNEY DISEASES RESEARCH, NIH		13.849	$1,061
LIBRARIES AND LEARNING RESOURCES, OE		13.570	$1,317
LIBRARY SERVICES-GRANTS FOR PUBLIC LIB, OE		13.464	$905
LIBRARY SERVICES-INTERLIBRARY CO-OP, OE		13.465	$49
LUNG DISEASES RESEARCH, NIH		13.838	$1,189
MATERNAL & CHILD HEALTH SERVICES, HSA		13.232	$3,365
MEDICAL ASSISTANCE PROGRAM, SRS	12	13.714	$197,250
MEDICAL LIBRARY ASSISTANCE, NIH		13.879	$252
MENTAL HEALTH TRAINING GRANTS, ADMHA		13.244	$912
MENTAL HEALTH-CHILDRENS SERVICE'S, ADMHA		13.259	$258
MENTAL HEALTH-COMM MENTAL HLTH CTRS, ADMHA		13.240	$770
MENTAL HEALTH-RESEARCH GRANTS, ADMHA		13.242	$1,139
MENTAL HLTH RES MANPWR FELSHP PROG, ADMHA		13.282	$562
METRIC EDUCATION, OE		13.561	$24
NATIVE AMERICAN PROGRAMS, OS		13.612	$955
NEUROLOGICAL DISORDERS RESEARCH, NIH		13.852	$1,939
NURSE TRAIN IMPROVEMENT-SPECIAL PROJ, HRA		13.359	$188
NURSING RESEARCH GRANTS AND CONTRACTS, HRA		13.361	$108
NURSING STUDENT LOANS, HRA		13.364	$582
OCCUPATIONAL SAFETY & HEALTH TRNG GRT, CDC		13.263	$95
OCCUPATIONAL SAFETY & HLTH RESCH GRTS, CDC		13.262	$52
PARASITIC DISEASES RESEARCH, NIH		13.858	$90
PERIODONTAL & SOFT TISSUE DIS. RES., NIH		13.841	$141
PHARMACOLOGY-TOXICOLOGY RESEARCH, NIH		13.859	$453
POPULATION RESEARCH, NIH		13.864	$745
PROG FOR AGING-AGING TRAINING, OS		13.637	$224
PROG FOR AGING-MODEL PROJECTS, OS		13.634	$202
PROG FOR AGING-NUTRITION PROGRAM, OS		13.635	$2,243
PROG FOR AGING-RESEARCH & DEMOS, OS		13.636	$211
PROG FOR AGING-STATE AND AREA AGENCIES, OS		13.633	$1,930
PUB ASST-MAINTENANCE ASST (STATE AID), SRS	12	13.761	$71,496
PUBLIC ASSISTANCE-SOCIAL SERVICES, SRS	12	13.754	$35,939
PUBLIC ASSISTANCE-STATE & LOCAL TRNG, SRS	12	13.724	$636
REGIONAL PRGS FOR DEAF & OTHER HANDIC, OE		13.560	$282
REHAB SVCS & FACILITIES-BASIC SUPPORT, OS		13.624	$14,038
REHABILITATION RESEARCH & DEMOS, OS		13.627	$1,300
REHABILITATION TRAINING, OS		13.629	$389
RESEARCH AND DEVELOPMENT-LIBRARY DEMO, OE		13.475	$62
RETINAL & CHOROIDAL DISEASES RESEARCH, NIH		13.867	$261
RUNAWAY YOUTH ACT, OS		13.623	$139
SAFA-MAINTENANCE AND OPERATION, OE		13.478	$2,986
SCHOOL LIBRARY RES., TEXTBOOKS, ETC., OE		13.480	$901
SCHOOLS OF PUBLIC HEALTH-GRANTS, HRA		13.370	$367
SENSORY-MOTOR DISORDERS & REHAB. RES., NIH		13.871	$37
SPEC SERV DISADV STUDENTS IN HIGHER ED, OE		13.482	$33
STRENGTHEN INSTR THRU EQUIP & MIN REM, OE		13.483	$277
STRENGTHENING ST DEPT ED-GTS TO STATES, OE	4	13.486	$360
STRENGTHENING ST DEPT ED-SPECIAL PROJ, OE		13.485	$75
STROKE, NERVOUS SYSTEM TRAUMA RES., NIH		13.853	$1,118

FEDERAL INFORMATION EXCHANGE SYSTEM

STATE SUMMARY — AGENCY OPERATIONS

[Dollar amounts in thousands]

MINNESOTA — Con.

	PRORATION CODE	CFDA NO.	FY 1976 OUTLAYS
SUPP ED CTRS & SVC, GUID, COUN, & TEST, OE	4	13.519	$1,187
SUPP EDUCATION OPPORTUNITY GRANTS, OE		13.418	$7,180
SUPPLEMENTARY ED CENTERS-SPEC PROJECTS, OE		13.516	$164
TALENT SEARCH, OE		13.488	$23
TEACHER CORPS, OPERATION AND TRAINING, OE		13.489	$465
TRAINING IN EXPANDED AUXILIARY MGMT., HRA		13.319	$283
UNIVERSITY COMMUNITY SVC-GTS TO STATES, OE	4	13.491	$204
UNIVERSITY COMMUNITY SVC-SPEC PROJECTS, OE		13.557	$4
UPWARD BOUND, OE		13.492	$207
URBAN RAT CONTROL, CDC		13.267	$86
VIRAL DISEASES RESEARCH, NIH		13.857	$73
VOCATIONAL ED-BASIC GRANTS TO STATES, OE	15	13.493	$8,124
VOCATIONAL ED-CONSUMER AND HOMEMAKING, OE	15	13.494	$788
VOCATIONAL ED-COOPERATIVE EDUCATION, OE	4	13.495	$369
VOCATIONAL ED-INNOVATION, OE		13.502	$303
VOCATIONAL ED-PERSONNEL DEV AWARDS, OE		13.503	$72
VOCATIONAL ED-PERSONNEL DEV FOR STATES, OE		13.504	$254
VOCATIONAL ED-RESEARCH, OE		13.498	$223
VOCATIONAL ED-SPECIAL NEEDS, OE	4	13.499	$384
VOCATIONAL ED-WORK STUDY, OE	4	13.501	$188
WIN-CHILD CARE & SUPPORTIVE SERVICES, SRS	12	13.748	$2,170
TOTAL - GRANT OUTLAYS			**$498,212**
OTHER FEDERAL OUTLAYS			
ASST TO REFUGEES-CAMBODIA & VIETNAM, SRS		13.769	$1,392
EDUCATION FOR THE HANDICAPPED, OE			**
ELEMENTARY AND SECONDARY EDUCATION, OE			**
HEALTH SERVICES, HSA			$157
HIGHER EDUCATION WORK-STUDY, OE		13.463	$12,237
INCENTIVE REIMBURSEMENT EXPER.-HI, SSA		13.811	$30
INDIAN EDUCATION, OE			$5
INDIAN HEALTH, HSA			$555
JOB OPPORTUNITY PROGRAM		11.309	$1,317
LIMITATION ON SALARIES & EXPENSES, SSA			$17,695
MEDICARE-HOSPITAL INSURANCE, SSA	12	13.800	$240,297
MEDICARE-SUPPLEMENTARY MED. INSURANCE, SSA	12	13.801	$77,847
NATIONAL DIRECT STUDENT LOANS, OE		13.471	$6,783
NATL CENTER FOR EDUCATIONAL STATISTICS, OE		13.947	$3
S & E, ASST. SECRETARY FOR EDUCATION, OE			$1
S & E, FOOD AND DRUG ADMINISTRATION			$2,238
S & E, OFFICE OF EDUCATION			$20
S & E, SOCIAL AND REHABILITATION SERVICE			**
SOCIAL SECURITY-DISABILITY INSURANCE, SSA	12	13.802	$110,211
SOCIAL SECURITY-RETIREMENT INSURANCE, SSA	12	13.803	$853,388
SOCIAL SECURITY-SURVIVORS INSURANCE, SSA	12	13.805	$297,331
SPEC BENEFITS DISABLED COAL MINERS, SSA	12	13.806	$207
SS PAY STATES FOR CERTIF PROV HI SVC, SSA		13.809	$328
SS PAY STATES FOR DETERMIN OF DISABIL, SSA		13.810	$2,825
SUPPLEMENTAL SECURITY INCOME, SSA	12	13.807	$36,388
TOTAL - OTHER FEDERAL OUTLAYS			**$1,661,256**
AGENCY TOTAL - FEDERAL OUTLAYS			**$2,159,467**
INDIRECT FEDERAL SUPPORT *			
HIGHER EDUCATION ACT INSURED LOANS, OE		13.460	($8,166)

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

	PRORATION CODE	CFDA NO.	FY 1976 OUTLAYS
GRANT OUTLAYS			
COMM DEV BLOCK GRTS-ENTITLEMENT GRTS, CPD		14.218	$46,764
COMPREHENSIVE PLANNING ASSISTANCE, CPD	11	14.203	$1,436
TOTAL - GRANT OUTLAYS			**$48,200**
OTHER FEDERAL OUTLAYS			
ADMINISTRATIVE OPERATIONS FUND, HUD			$3,795
TOTAL - OTHER FEDERAL OUTLAYS			**$3,795**
AGENCY TOTAL - FEDERAL OUTLAYS			**$51,995**
INDIRECT FEDERAL SUPPORT *			
HOME MORTGAGE INSURANCE, HPMC			($278,457)
INSURANCE FOR PROPERTY IMPROVE LOANS, HPMC		14.142	($59,175)
MORTGAGE INSURANCE FOR NURSING HOMES, HPMC		14.129	($5,021)
MTGE INS FOR RENTAL HOUS ASSISTANCE, HPMC		14.103	($7,779)
MTGE INS LOW-MOD INC HOUS-MKT INT RT, HPMC		14.137	($7,430)
MTGE INSURANCE FOR CONDOMINIUM HOUS, HPMC		14.112	($2,237)

DEPARTMENT OF THE INTERIOR

	PRORATION CODE	CFDA NO.	FY 1976 OUTLAYS
GRANT OUTLAYS			
HISTORIC PRESERVATION, NPS	18	15.904	$421
ANADROMOUS FISH CONSERVATION, FWS	4	15.600	$103
FISH RESTORATION (DJ), FWS	4	15.605	$594
INDIAN EDUCATION-COLLEGE & UNIVERSITY, BIA		15.114	$672
INDIAN EMPLOYMENT ASSISTANCE, BIA		15.108	$363
INDIAN HOUSING-IMPROVEMENT, BIA		15.116	$281
INDIAN LANDS-MINERALS AND MINING, BIA		15.138	$12
OUTDOOR RECREATION-AQUIST, DEV & PLNG, BOR		15.400	$2,418
TOTAL - GRANT OUTLAYS			**$4,864**
OTHER FEDERAL OUTLAYS			
ANADROMOUS FISH CONSERVATION, FWS	7	15.600	$26
ANIMAL DAMAGE CONTROL, FWS	7	15.601	$76
CLAIMS AND TREATY OBLIGATIONS, BIA			$2
CONSOLIDATED WORKING FUND, BIA			$105
CONSTRUCTION AND ANADROMOUS FISH	7		$134
CONSTRUCTION, BUREAU OF INDIAN AFFAIRS			$360
CONSTRUCTION, CORPS OF ENGINEERS, CIVIL	7		$52
CONTRIBUTED FUNDS, BUREAU OF MINES			**
CONTRIBUTED FUNDS, FWS	7		$102
CWF, FISH AND WILDLIFE SERVICE	7		$123
DEPARTMENTAL OPERATIONS			$111
FEDERAL AID IN WILDLIFE RESTORATION	7		$1
FEDERAL RECLAMATION PROJECTS, LBR	16	15.504	$5,395
FISH RESTORATION (DJ), FWS	7	15.605	$81
FOREST PROTECTION & UTILIZATION, FS	7		$16
GEN. INVEST., CORPS OF ENGINEERS, CIVIL	7		$32
GEOL.,MIN. & WTR. RES. INVEST. & TOPO. MAP	9		$978
HELIUM FUND, BUREAU OF MINES			**
INDIAN ACCOUNTING SERVICES FOR TRIBES, BIA		15.129	$97
INDIAN AGRICULTURAL EXTENSION, BIA		15.101	$59
INDIAN BUSINESS ENTERPRISE DEV., BIA		15.117	$586
INDIAN ED-CONTRACTS WITH TRIBAL ORGS, BIA		15.105	$15
INDIAN EDUCATION-ADULT, BIA		15.100	$1,714
INDIAN EDUCATION-DORMITORY OPERATIONS, BIA		15.109	**
INDIAN EDUCATION-FEDERAL SCHOOLS, BIA		15.110	$140
INDIAN FORESTS-FIRE SUPR & EMER REHAB, BIA		15.111	$218
INDIAN FORESTS-MANAGEMENT, PROT & DEV, BIA		15.112	$760
INDIAN HOUSING-DEVELOPMENT, BIA		15.115	$514
INDIAN LANDS-RANGE MANAGEMENT, BIA		15.119	$64
INDIAN LANDS-REAL ESTATE APPRAISAL, BIA		15.120	$77
INDIAN LANDS-REAL ESTATE SERVICES, BIA		15.121	$240
INDIAN LAW ENFORCEMENT SERVICES, BIA		* 15.131	$709
INDIAN LOAN GUARANTY & INSURANCE FUND, BIA			$25
INDIAN LOANS-CLAIMS ASSISTANCE, BIA		15.123	$41
INDIAN LOANS-ECONOMIC DEVELOPMENT, BIA		15.124	$264
INDIAN PROPERTY ACQUIST-TRAN FED BLDG, BIA		15.127	$494
INDIAN RIGHTS PROTECTION, BIA		15.135	$29
INDIAN ROADS-MAINTENANCE, BIA		15.125	$359
INDIAN ROADS-RESERV. ROADS & BRIDGES, BIA		15.122	$1,233
INDIAN SOCIAL SERVICES-CHILD WELFARE, BIA		15.103	$263
INDIAN SOCIAL SERVICES-COUNSELING, BIA		15.132	$76
INDIAN SOCIAL SERVICES-GENERAL ASST., BIA		15.113	$244
INDIAN TRIBAL GOVERNMENT OPERATIONS, BIA		15.102	$528
LAND AND WATER CONSERVATION FUND, BOR	18		$10,695
MANAGEMENT OF LAND AND RESOURCES	6		$138
MIGRATORY BIRD CONSERVATION ACCOUNT	7		$3,955
MINE HEALTH & SAF EDUCATION & TRNG, MESA		15.352	$17
MINERAL RES & RESOURCE INFO & TECH AST, BM		15.304	$57
MINES AND MINERALS			$4,458
NATIONAL WILDLIFE REFUGE FUND			$211
OPERATION OF INDIAN PROGRAMS, BIA			$2,112
OPERATION OF THE NATIONAL PARK SYSTEM	18		$486
PARK AND RECREATION TECHNICAL ASST., NPS	18	15.906	$1
PESTICIDE APPRAISAL & MONITORING, FWS	7	15.607	$32
PLANNING AND CONSTRUCTION, NPS	18		$11
REGIONAL DEVELOPMENT PROGRAMS			$50
RESOURCES MANAGEMENT, FWS	7		$3,271
S & E, MINING ENFORCEMENT & SAFETY ADMIN.			$796
S & E, OFFICE OF THE SOLICITOR, INTERIOR			$131
SPORT FISH MANAGEMENT, FWS	7	15.608	$34
WILDLIFE RESEARCH INFORMATION, FWS	7	15.610	$32
WILDLIFE RESTORATION, FWS	7	15.611	$2,973
WILDLIFE TECHNICAL ASSISTANCE, FWS	7	15.609	$27
TOTAL - OTHER FEDERAL OUTLAYS			**$45,829**
AGENCY TOTAL - FEDERAL OUTLAYS			**$50,693**

DEPARTMENT OF JUSTICE

	PRORATION CODE	CFDA NO.	FY 1976 OUTLAYS
GRANT OUTLAYS			
COMPREHENSIVE PLANNING GRANTS, LEAA		16.500	$1,101
IMPR. & STRENGTHENING LAW E. & C.J., LEAA		16.502	$8,467
JJDP-ALLOCATION TO STATES, LEAA		16.516	$609
CRIMINAL JUSTICE-STATISTICS DEV., LEAA		16.509	$188
DISCRETIONARY GRANTS, LEAA		16.501	$1,702
JJDP SPECIAL EMPHASIS PREV. & TREAT., LEAA		16.517	$35
TECHNICAL ASSISTANCE, LEAA		16.503	$15
TRAINING, LEAA		16.513	$25
TOTAL - GRANT OUTLAYS			**$12,142**
OTHER FEDERAL OUTLAYS			
BUILDINGS & FACILITIES, BUREAU OF PRISONS	7		$917
FEDERAL PRISON INDUSTRIES FUND	7		$148
FEES AND EXPENSES OF WITNESSES	7		$44
LEEP-STUDENT FINANCIAL AID, LEAA		16.504	$362
MANAGEMENT OPERATIONS, LEAA			$20
S & E, BUREAU OF PRISONS	7		$2,960
S & E, DRUG ENFORCEMENT ADMINISTRATION	19		$596
S & E, IMMIGRATION & NATURALIZATION SVC.	9		$3,215
S & E, U.S. ATTORNEYS & MARSHALS, ANNUAL	7		$932

FEDERAL INFORMATION EXCHANGE SYSTEM
STATE SUMMARY — AGENCY OPERATIONS

[Dollar amounts in thousands]

	PRORATION CODE	CFDA NO.	FY 1976 OUTLAYS
MINNESOTA — Con.			
SUPPORT OF UNITED STATES PRISONERS	7	.....	$385
TOTAL - OTHER FEDERAL OUTLAYS			**$9,580**
AGENCY TOTAL - FEDERAL OUTLAYS			**$21,721**
DEPARTMENT OF LABOR			
GRANT OUTLAYS			
APPRENTICESHIP OUTREACH, ETA	5	17.200	$7
COMPREHENSIVE EMPL. & TRNG. PROGRAMS, ETA	5	17.232	$80,348
EMPLOYMENT SERVICE (ADMINISTRATION), ETA		17.207	$8,926
FOOD STAMPS (CWF), ETA		10.551	$252
INDIAN EMPLOYMENT & TRAINING PROGRAM, ETA	5	17.234	$2,455
MIGRANT & SEASONALLY EMPLOYED WORKERS, ETA	5	17.230	$1,240
OPERATIONAL GRANTS, OSHA		17.500	$904
RESEARCH AND DEVELOPMENT PROJECTS, ETA	5	17.233	$347
STATISTICAL PLANNING GRANTS, OSHA		17.500	$560
UNEMPLOYMENT INSURANCE, ETA		17.225	$11,074
WORK INCENTIVE PROGRAM, ETA	5	17.226	$4,748
TOTAL - GRANT OUTLAYS			**$110,862**
OTHER FEDERAL OUTLAYS			
DISASTER RELIEF (CWF), ETA		.....	$1,011
FED UNEMPLOYMENT BENEFITS & ALLOWNCES, ETA		.....	$20,421
FEDERAL EMPLOYEES' COMPENSATION	9	.....	$7,011
S & E, OCCUPATIONAL SAFETY & HEALTH ADMIN.		.....	$263
S & E, EMPLOYMENT SECURITY ADMINISTRATION		.....	$362
S & E, LABOR-MANAGEMENT SERVICES ADMIN.		.....	$292
TOTAL - OTHER FEDERAL OUTLAYS			**$29,360**
AGENCY TOTAL - FEDERAL OUTLAYS			**$140,221**
DEPARTMENT OF STATE			
OTHER FEDERAL OUTLAYS			
ACQUISITION, OPER. & MAINT. BLDGS. ABROAD	20	.....	$50
INTERNATIONAL CONFERENCES & CONTINGENCIES	20	.....	$64
INTERNATIONAL FISHERIES COMMISSION	20	.....	**
MUTUAL ED. & CULTURAL EXCHANGE ACTIVITIES	20	.....	$95
S & E, DEPARTMENT OF STATE	20	.....	$2,047
WORKING CAPITAL FUND, STATE	20	.....	$9
TOTAL - OTHER FEDERAL OUTLAYS			**$2,264**
AGENCY TOTAL - FEDERAL OUTLAYS			**$2,264**
DEPARTMENT OF TRANSPORTATION			
GRANT OUTLAYS			
GRANTS-IN-AID NATURAL GAS PIPELINE SAFETY		20.700	$31
STATE AND COMMUNITY HIGHWAY SAFETY		20.600	$1,603
AIRPORT PLANNING GRANT PROGRAM, FAA		20.103	$37
HIGHWAY BEAUTIFICATION, FHWA		20.214	$49
HIGHWAY PLANNING AND CONSTRUCTION, FHWA		20.205	$99,020
HIGHWAY STUDIES, FHWA		20.205	$295
STATE BOATING SAFETY ASSISTANCE, CG		20.001	$279
URBAN MASS TRANSPORTATION FUND		20.500	$17,955
TOTAL - GRANT OUTLAYS			**$119,268**
OTHER FEDERAL OUTLAYS			
COAST GUARD MARINE, HARBOR & SHORE SVC		.....	$3,122
CWF, TRANSPORTATION SYSTEMS CENTER		.....	$59
FACILITIES & EQUIP., A/A TRUST FUND, FAA		.....	$715
OFFICE OF THE ADMINISTRATOR, FRA		.....	$1
OPERATIONS, FAA		.....	$25,278
RAILROAD RESEARCH AND DEVELOPMENT, FRA		.....	$1
RAILROAD SAFETY, FRA		.....	$238
TRAFFIC & HIGHWAY SAFETY, NHTSA		.....	$18
TOTAL - OTHER FEDERAL OUTLAYS			**$29,431**
AGENCY TOTAL - FEDERAL OUTLAYS			**$148,700**
TREASURY DEPARTMENT			
GRANT OUTLAYS			
FISCAL ASSISTANCE TO STATE GOVERNMENTS		.....	$43,454
STATE & LOCAL GOVERNMENT FISCAL ASSISTANCE		.....	$86,876
TOTAL - GRANT OUTLAYS			**$130,330**
OTHER FEDERAL OUTLAYS			
ACCOUNTS, COLLECTION, AND TAXPAYER SERVICE	19	.....	$4,146
ADMINISTERING THE PUBLIC DEBT		.....	$1,132
CLAIMS, JUDGMENTS & RELIEF ACTS		.....	$301
COMPLIANCE, INTERNAL REVENUE SERVICE	19	.....	$12,867
INTEREST ON THE PUBLIC DEBT	10	.....	$222,439
REFUNDING INTERNAL REVENUE COLLECTIONS-INT	19	.....	$5,893
S & E, BUREAU ALCOHOL, TOBACCO & FIREARMS	16	.....	$938
S & E, INTERNAL REVENUE SERVICE	19	.....	$27
S & E, U.S. CUSTOMS SERVICE		.....	$2,467
S & E, U.S. SECRET SERVICE	13	.....	$407
TOTAL - OTHER FEDERAL OUTLAYS			**$250,618**
AGENCY TOTAL - FEDERAL OUTLAYS			**$380,948**

	PRORATION CODE	CFDA NO.	FY 1976 OUTLAYS
ACTION			
GRANT OUTLAYS			
ACTION COOPERATIVE VOLUNTEER PROGRAM		72.007	$1
FOSTER GRANDPARENTS PROGRAM		72.001	$360
MINI-GRANT PROGRAM		72.010	$47
RETIRED SENIOR VOLUNTEER PROGRAM		72.002	$425
SENIOR COMPANION PROGRAM		72.008	$148
UNIVERSITY YEAR FOR ACTION		72.004	$90
VOLUNTEERS IN SERVICE TO AMERICA		72.003	$181
YCP-YOUTH CHALLENGE PROGRAM		72.009	$10
TOTAL - GRANT OUTLAYS			**$1,262**
OTHER FEDERAL OUTLAYS			
OPERATING EXPENSES, DOMESTIC PROG., ACTION		.....	$84
PEACE CORPS AND OTHER		.....	$466
TOTAL - OTHER FEDERAL OUTLAYS			**$550**
AGENCY TOTAL - FEDERAL OUTLAYS			**$1,811**
AGENCY FOR INTERNATIONAL DEVELOPMENT			
OTHER FEDERAL OUTLAYS			
ALLIANCE FOR PROGRESS, DEVELOPMENT LOANS	22	.....	$308
DEVELOPMENT LOANS, ECONOMIC ASSISTANCE	22	.....	$71
FOOD & NUTRITION, DEVELOPMENT ASSISTANCE	22	.....	$7,961
MIDDLE EAST SPECIAL REQUIREMENTS FUND	22	.....	$17
SECURITY SUPPORTING ASSISTANCE	22	.....	$37,905
TOTAL - OTHER FEDERAL OUTLAYS			**$46,261**
AGENCY TOTAL - FEDERAL OUTLAYS			**$46,261**
CIVIL AERONAUTICS BOARD			
OTHER FEDERAL OUTLAYS			
PAYMENTS TO AIR CARRIERS, CAB		.....	$13,422
TOTAL - OTHER FEDERAL OUTLAYS			**$13,422**
AGENCY TOTAL - FEDERAL OUTLAYS			**$13,422**
CIVIL SERVICE COMMISSION			
GRANT OUTLAYS			
INTERGOVERNMENTAL PERSONNEL ASSISTANCE		.....	$253
TOTAL - GRANT OUTLAYS			**$253**
OTHER FEDERAL OUTLAYS			
CIVIL SERVICE RETIREMENT & DISABILITY FUND	8	.....	$94,740
EMPLOYEES HEALTH BENEFITS FUND, CSC		.....	$1,710
REVOLVING FUND, CIVIL SERVICE COMMISSION		.....	$24
S & E, CIVIL SERVICE COMMISSION		.....	$235
TOTAL - OTHER FEDERAL OUTLAYS			**$96,709**
AGENCY TOTAL - FEDERAL OUTLAYS			**$96,962**
COMMUNITY SERVICES ADMINISTRATION			
GRANT OUTLAYS			
COMMUNITY ACTION		49.002	$3,274
EMERGENCY ENERGY CONSERVATION SERVICES		49.014	$344
JOB OPPORTUNITIES		11.309	$200
OLDER PERSONS OPPORTUNITIES AND SERVICES		49.010	$51
STATE ECONOMIC OPPORTUNITY OFFICES		49.013	$354
TOTAL - GRANT OUTLAYS			**$4,222**
OTHER FEDERAL OUTLAYS			
COMMUNITY SERVICES PROGRAM		.....	$15
TOTAL - OTHER FEDERAL OUTLAYS			**$15**
AGENCY TOTAL - FEDERAL OUTLAYS			**$4,238**
ENERGY RESEARCH & DEVELOPMENT ADMINISTRATION			
OTHER FEDERAL OUTLAYS			
BASIC ENERGY SCIENCES	7	24.024	$1,247
BIOMEDICAL AND ENVIRONMENTAL RESEARCH	7	24.024	$263
BUILDINGS AND INDUSTRY CONSERVATION	7	24.035	$7
COAL RESEARCH AND DEVELOPMENT	7	24.034	$496
PETROLEUM AND NATURAL GAS	7	24.034	$13
PHYSICAL RESEARCH	7	24.024	$446
SOLAR ENERGY DEVELOPMENT	7	24.024	$4,219
SPACE NUCLEAR SYSTEMS	7	.....	$794
WEAPONS ACTIVITIES	7	.....	$709
TOTAL - OTHER FEDERAL OUTLAYS			**$8,194**
AGENCY TOTAL - FEDERAL OUTLAYS			**$8,194**
ENVIRONMENTAL PROTECTION AGENCY			
GRANT OUTLAYS			
ABATEMENT AND CONTROL, EPA		.....	$4,672
AIR POLLUTION CONTROL PROGRAM GRANTS, AWM		66.001	$905
AIR POLLUTION CONTROL RESEARCH GRANTS, RD		66.501	$440
AIR POLLUTION FELLOWSHIPS, AWM		66.002	$16
AREAWIDE WASTE TREAT MGT PLAN GRANTS, WHM		66.426	$1,798
CONST GRTS FOR WASTEWATER TREAT WORKS, WHM		66.418	$109,799

FEDERAL INFORMATION EXCHANGE SYSTEM

STATE SUMMARY — AGENCY OPERATIONS

[Dollar amounts in thousands]

	PRORATION CODE	CFDA NO.	FY 1976 OUTLAYS
MINNESOTA — Con.			
ENERGY, RESEARCH AND DEVELOPMENT, EPA			$249
PUBLIC WATER SYSTEM SUPV-STATE PRG GT, WHM		66.432	$141
RESEARCH AND DEVELOPMENT, EPA			$85
SOLID WASTE DISPOSAL DEMO GRANTS, AWM		66.028	$1,287
WATER POLL CON-STATE & INTERST PRO GR, WHM		66.419	$753
WATER POLLUTION CONTROL - RD & D, RD		66.505	$224
WATER POLLUTION CONTROL FELLOWSHIPS, WHM		66.430	$14
TOTAL - GRANT OUTLAYS			**$120,384**
OTHER FEDERAL OUTLAYS			
ENERGY, RESEARCH AND DEVELOPMENT, EPA			$37
RESEARCH AND DEVELOPMENT, EPA	7		$2,987
TOTAL - OTHER FEDERAL OUTLAYS			**$3,024**
AGENCY TOTAL - FEDERAL OUTLAYS			**$123,408**
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION			
OTHER FEDERAL OUTLAYS			
EMPL. DISCRIM.-SPECIAL PROJECT CONTRACTS	4	30.002	$158
TOTAL - OTHER FEDERAL OUTLAYS			**$158**
AGENCY TOTAL - FEDERAL OUTLAYS			**$158**
FEDERAL COMMUNICATIONS COMMISSION			
OTHER FEDERAL OUTLAYS			
PERSONAL SERVICES			$61
TOTAL - OTHER FEDERAL OUTLAYS			**$61**
AGENCY TOTAL - FEDERAL OUTLAYS			**$61**
FEDERAL ENERGY ADMINISTRATION			
OTHER FEDERAL OUTLAYS			
S & E, FEDERAL ENERGY ADMINISTRATION	13		$373
TOTAL - OTHER FEDERAL OUTLAYS			**$373**
AGENCY TOTAL - FEDERAL OUTLAYS			**$373**
FEDERAL HOME LOAN BANK BOARD			
OTHER FEDERAL OUTLAYS			
FEDERAL HOME LOAN BANK BD REVOLVING FUND	19		$268
TOTAL - OTHER FEDERAL OUTLAYS			**$268**
AGENCY TOTAL - FEDERAL OUTLAYS			**$268**
GENERAL SERVICES ADMINISTRATION			
GRANT OUTLAYS			
NATL HISTORIC PUBLICATIONS & RECORDS GRTS		39.006	$99
TOTAL - GRANT OUTLAYS			**$99**
OTHER FEDERAL OUTLAYS			
FEDERAL BUILDINGS FUND			$6,795
FEDERAL TELECOMMUNICATIONS FUND			$2,049
GENERAL SUPPLY FUND			$11,210
OPERATING EXPENSES, FEDERAL SUPPLY SERVICE			$40
S & E, ADMIN. & STAFF SUPPORT SVCS., GSA			$40
TOTAL - OTHER FEDERAL OUTLAYS			**$20,133**
AGENCY TOTAL - FEDERAL OUTLAYS			**$20,232**
INDIRECT FEDERAL SUPPORT *			
DONATION OF FEDERAL SURPLUS PERSONAL PROP.		39.003	($8)
NATIONAL AERONAUTICS AND SPACE ADMINISTRATION			
OTHER FEDERAL OUTLAYS			
CONSTRUCTION OF FACILITIES, NASA			$14
RESEARCH AND DEVELOPMENT, NASA			$13,927
RESEARCH AND PROGRAM MANAGEMENT			$109
TOTAL - OTHER FEDERAL OUTLAYS			**$14,051**
AGENCY TOTAL - FEDERAL OUTLAYS			**$14,051**
NATIONAL FOUNDATION ON ARTS AND HUMANITIES			
GRANT OUTLAYS			
ARCHITECTURE AND ENVIRONMENTAL ARTS		45.001	$40
CULTURAL INSTITUTIONS		45.117	$11
DANCE PROGRAMS		45.002	$171
EDUCATION PLANNING, PROGRAM & DEVELOPMENT		45.110	$69
EDUCATION PROGRAMS		45.003	$84
EDUCATION PROJECTS		45.111	$143
EXPANSION ARTS PROGRAMS		45.010	$59
FEDERAL-STATE PARTNERSHIP PROGRAMS		45.007	$457
FELLOWSHIPS FOR INDEPENDENT STUDY AND RES		45.118	$36
FELLOWSHIPS IN RESIDENCE-COLLEGE TEACHERS		45.119	$701
INTERPRETIVE MUSEUM EXHIB & COMM ED PROGS.		45.114	$38
INTERPRETIVE MUSEUM EXHIBITIONS & PROGRAMS		45.125	$161
LITERATURE PROGRAMS		45.004	$32
MEDIA GRANTS		45.104	$20
MUSEUM PROGRAMS		45.012	$343
MUSIC PROGRAMS		45.005	$450
PUBLIC MEDIA PROGRAMS		45.006	$40
RESEARCH GRANTS		45.105	$355
SPECIAL PROJECTS		45.011	$179
SUMMER STIPENDS		45.121	$6
THEATRE PROGRAMS		45.008	$418
VISUAL ARTS PROGRAMS		45.009	$58
YOUTH GRANTS IN THE HUMANITIES		45.115	$4
TOTAL - GRANT OUTLAYS			**$3,874**
OTHER FEDERAL OUTLAYS			
S & E, NATL FOUNDATION ARTS & HUMANITIES			$532
TOTAL - OTHER FEDERAL OUTLAYS			**$532**
AGENCY TOTAL - FEDERAL OUTLAYS			**$4,406**
NATIONAL SCIENCE FOUNDATION			
GRANT OUTLAYS			
S & E, NATIONAL SCIENCE FOUNDATION			$5,336
TOTAL - GRANT OUTLAYS			**$5,336**
AGENCY TOTAL - FEDERAL OUTLAYS			**$5,336**
POSTAL SERVICE			
OTHER FEDERAL OUTLAYS			
THE POSTAL SERVICE FUND	10		$254,155
TOTAL - OTHER FEDERAL OUTLAYS			**$254,155**
AGENCY TOTAL - FEDERAL OUTLAYS			**$254,155**
RAILROAD RETIREMENT BOARD			
OTHER FEDERAL OUTLAYS			
RAILROAD RETIREMENT ACCOUNT	21	57.001	$95,700
RAILROAD UNEMPLOYMENT INSURANCE ACCOUNT	21	57.001	$6,068
TOTAL - OTHER FEDERAL OUTLAYS			**$101,768**
AGENCY TOTAL - FEDERAL OUTLAYS			**$101,768**
SMALL BUSINESS ADMINSTRATION			
OTHER FEDERAL OUTLAYS			
AIR POLLUTION CONTROL LOANS		59.025	$270
DISPLACED BUSINESS LOANS		59.001	$331
ECONOMIC INJURY DISASTER LOANS		59.002	$23
ECONOMIC OPPORTUNITY LOANS		59.003	$287
EMERGENCY ENERGY SHORTAGE LOANS		59.022	$45
HANDICAPPED ASSISTANCE LOANS		59.021	$305
PHYSICAL DISASTER LOANS		59.008	$355
S & E, SMALL BUSINESS ADMINISTRATION			$961
SMALL BUSINESS INVESTMENT COMPANIES		59.011	$1,880
SMALL BUSINESS LOANS		59.012	$1,283
STATE AND LOCAL DEVELOPMENT COMPANY LOANS		59.013	$77
WATER POLLUTION CONTROL LOANS		59.024	$500
TOTAL - OTHER FEDERAL OUTLAYS			**$6,317**
AGENCY TOTAL - FEDERAL OUTLAYS			**$6,317**
INDIRECT FEDERAL SUPPORT *			
DISPLACED BUSINESS LOANS		59.001	($48)
ECONOMIC OPPORTUNITY LOANS		59.003	($142)
HANDICAPPED ASSISTANCE LOANS		59.021	($150)
SMALL BUSINESS LOANS		59.012	($32,352)
STATE AND LOCAL DEVELOPMENT COMPANY LOANS		59.013	($610)
U.S. INFORMATION AGENCY			
OTHER FEDERAL OUTLAYS			
ACQUISITION & CONST. OF RADIO FAC., USIA	18		$7
S & E, U.S. INFORMATION AGENCY	18		$1,051
SPECIAL INTERNATIONAL EXHIBITIONS	18		$3
TOTAL - OTHER FEDERAL OUTLAYS			**$1,061**
AGENCY TOTAL - FEDERAL OUTLAYS			**$1,061**
VETERANS ADMINISTRATION			
GRANT OUTLAYS			
GRANTS FOR CONST - STATE EXTENDED CARE FAC			$79
TOTAL - GRANT OUTLAYS			**$79**
OTHER FEDERAL OUTLAYS			
AUTOS & SPECIAL EQUIPMENT, DISABLED VETS	12	64.100	$230
COMPENSATION TO DEPENDENTS, VETS S/C DEATH	12	64.102	$1,131
CONSTRUCTION OF HOSPITAL & DOMICILIARY FAC			$1,162
DEPENDENTS INDEMNITY COMPENSATION (DIC)	12	64.110	$11,220
DISABLED VETS DIRECT HOME LOANS		64.118	$25
GENERAL OPERATING EXPENSES			$15,492
GENERAL POST FUND			$26
MEDICAL ADMIN. & MISC. OPERATING EXP			$237
MEDICAL AND PROSTHETIC RESEARCH			$3,514
SONS, DAUGHTERS, WIVES & WIDOWS EDUCATION	12	64.117	$2,391
SPECIALLY ADAPTED HOUSING, DISABLED VETS	12	64.106	$225
VETERANS DEATH PENSION	12	64.105	$21,715
VETERANS DIRECT LOANS		64.113	$6,059

FEDERAL INFORMATION EXCHANGE SYSTEM
STATE SUMMARY — AGENCY OPERATIONS

[Dollar amounts in thousands]

	PRORATION CODE	CFDA NO.	FY 1976 OUTLAYS
MINNESOTA — Con.			
VETERANS DISABILITY COMPENSATION	12	64.109	$77,177
VETERANS DISABILITY PENSION	12	64.104	$35,598
VETERANS HOSPITALIZATION			$70,915
VETERANS INSURANCE AND INDEMNITIES	12	64.103	$18,824
VETERANS READJUSTMENT TRAINING	12	64.111	$77,699
VETS BURIAL AWARDS & OTHER MISC BENEF PMT	12		$3,028
VETS. REHAB. TRAINING FOR DISABLED VETS.	12	64.116	$1,791
TOTAL - OTHER FEDERAL OUTLAYS			$348,460
AGENCY TOTAL - FEDERAL OUTLAYS			$348,539
INDIRECT FEDERAL SUPPORT *			
VETERANS GUARANTEED AND INSURED LOANS		64.114	($317,185)
WATER RESOURCES COUNCIL			
GRANT OUTLAYS			
WATER RESOURCES PLANNING		65.001	$113
TOTAL - GRANT OUTLAYS			$113
AGENCY TOTAL - FEDERAL OUTLAYS			$113
FARM CREDIT ADMINISTRATION			$552
FEDERAL MEDIATION AND CONCILIATION SERVICE			$432
INTERSTATE COMMERCE COMMISSION			$200
NATIONAL LABOR RELATIONS BOARD			$920
SELECTIVE SERVICE SYSTEM			$580
TENNESSEE VALLEY AUTHORITY			$574
STATE TOTAL - GRANT OUTLAYS			$1,180,918
STATE TOTAL - OTHER FEDERAL OUTLAYS			$4,051,637
STATE TOTAL - FEDERAL OUTLAYS			$5,232,556

* THESE FIGURES DO NOT REPRESENT ACTUAL FEDERAL FUNDS AND ARE NOT INCLUDED IN ANY TOTALS

** AMOUNT LESS THAN $500.00

FEDERAL FUNDS RECEIVED BY MINNESOTA STATE AGENCIES

Attached is a chart showing the amount of federal aid received by each state agency in fiscal years 1976 and/or 1977. The agencies are ranked by the dollar amount of federal funds received in fiscal year 1977. The percentage column indicates what percent of the total federal receipts was received by each agency. For example, in FY 77 the Department of Public Welfare ranked first receiving $384,494,702 of the $786,774,209 in total federal funds received by state agencies. This is 48.87% of the total federal dollars received in Minnesota state agencies that year. This is an increase from 1976 when the Welfare Department received $341,452,362 or 45.93% of the federal receipts.

These figures are derived from an estimated/actual receipts report generated by the statewide accounting system. The report is for state fiscal year 1977. The cut off date is June 30, 1977. When funds are received they are credited to the fiscal year for which they were anticipated. Because of this the figures could change on a daily basis. There should, however, not be any significant changes. These figures are receipts for both operating funds and other funds. The only fund not included is the revolving fund. (Use of the revolving fund would cause double accounting.) Note that these are receipts and not expenditures.

If you have any questions, please feel free to contact Peggy Kenny of our staff at 296-5193

Prepared by: Department of Finance
November 17, 1977

RANK FY77	AGENCY	RECEIPTS FY76	%	RECEIPTS FY77	%	
1	Welfare	$341,452,362	45.93	$384,494,702	48.87	
2	Transportation	142,346,990	19.15	134,618,387	17.11	
3	Education	99,935,091	13.44	104,577,351	13.29	(1)
4	Governor's Office	87,074,222	11.71	84,467,592	10.73	(2)
5	Employment Services	24,591,726	3.31	27,457,094	3.49	
6	State University Board	10,069,983	1.35	12,143,490	1.55	
7	Health	12,601,597	1.70	11,115,398	1.42	
8	Natural Resources	6,686,106	.90	8,137,484	1.03	
9	Public Safety	6,052,766	.81	4,582,898	.59	
10	State Planning Agency	1,918,407	.26	2,737,006	.35	
11	Community College Board	2,205,499	.30	2,247,192	.29	
12	Pollution Control Board	1,647,752	.22	2,183,044	.28	
13	Higher Education Coordinating Board	1,043,671	.14	1,463,644	.19	
14	Military Affairs	927,775	.12	1,053,761	.14	
15	Minnesota Veterans Home	$ 781,953	.11	$ 1,020,521	.13	
16	Labor and Industry	1,277,649	.17	783,537	.10	
17	Miscellaneous Boards and Commissions	741,840	.10	699,930	.09	
18	Housing Finance	-	-	577,085	.07	
19	State Arts Board	512,039	.07	482,795	.06	
20	Energy	260,001	.03	444,050	.06	
21	Agriculture	222,596	.03	353,577	.04	
22	Human Rights	90,000	.01	343,021	.04	
23	Historical Society	219,566	.03	274,135	.03	
24	Personnel	282,013	.04	242,690	.03	
25	Administration	79,031	.01	158,336	.02	
26	Legislative Coordinating Commission	-	-	41,500	.00	
27	Zoo Board	5,845	.00	29,155	.00	
28	Corrections	10,352	.00	25,201	.00	
29	Public Service	207,995	.03	20,648	.00	
30	Examening Boards	-	-	45	.00	
31	Economic Development	72,890	.01	-	-	
32	Indian Affairs	25,220	.00	-	-	
33	Iron Range Resources Rehab Board	23,269	.00	-	-	
34	Commerce	7,664	.00	-	-	
	TOTAL	$743,373,870	100.00	$786,774,269	100.00	

Percentages have been rounded.

(1) In F.Y. 1976 and F.Y. 1977 the Department of Vocational Rehabilitation was part of the Department of Education. Receipts for the Department of Vocational Rehabilitation are included in the totals for the Department of Education.

(2) Governor's Office	$ 87,074,222	11.71%	$ 84,467,592	10.74%
General Revenue Sharing	44,283,287	5.96	45,165,392	5.74 *
Governor's Manpower Office	27,564,643	3.70	24,574,422	3.12 #
Governor's Crime Commission	14,914,780	2.00	14,272,263	1.81
Other	311,512	.05	455,515	.06

* An Antirecessional Aid payment of $659,481 is included in F.Y. 1977.

An Antirecessional Aid payment of $1,776,387 is included in F.Y. 1977.

Cities/Urban Crisis

Playing Poorer than Thou

Sunbelt v. *Snowbelt in Washington*

He is a leader of the go-go, proud, successful New South, but last week Georgia's Governor George Busbee sounded downright shy about it. Speaking before 500 delegates to a White House Conference on balanced growth and development, Busbee uncharacteristically stressed what he did not like about the South: "We still have the greatest percentage of people living in poverty, with less than five years of schooling, living in substandard housing, lacking plumbing, and with more people per room than any other section of this country."

It was scarcely the standard Peachtree promotion, but it was a sales pitch nonetheless—not for new industry but for feding enviously at one Sunbelt advantage that they believe can be reversed: the hefty portion of federal spending the South receives.

For example, according to studies done by the *National Journal*, nine Northeastern states sent $12.6 billion more to Washington in taxes during fiscal 1976 than they received in federal expenditures; the five Great Lakes states came out $20.1 billion net losers in their dealings with the Treasury. Meanwhile, Southern states received $12.6 billion more from Washington than they paid, and the West cleared more than $10 billion. Other figures show a similar disparity: defense payrolls and contracts averagreed that "fire and brimstone regionalism" must not be allowed to overwhelm national economic policy. But sectionalist pressures are growing fast. At least six associations of elected officials and regional experts have been created by Northern states during the past 18 months alone. The largest: the Northeast-Midwest coalition of 204 Congressmen, headed by Massachusetts Representative Michael Harrington, which seeks legislation favorable to industrial states. In newspaper ads proclaiming THE NORTH SHALL RISE AGAIN, Michigan has called for a Great Lakes area "common market." Busbee in turn has been telling colleagues, "We in the South will be eaten alive if we don't wake up and react."

Busbee complains that his group has already been "caught with our britches down" on an important issue. Backed firmly by CONEG (the Coalition of Northeastern Governors), Harrington's group got Congress to change the formula for



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Version 3
March 18, 2019

League of Women Voters of Minnesota, 555 Wabasha, St. Paul, MN 55102 - February 1978

FEEDBACK QUESTIONS FOR CMAL URBAN CRISIS STUDY
(Copy to Metro Leagues only)

What do you see as your most critical urban problem locally? If you have more than one municipality in your League, please answer for each. Prioritize.

1) Education _____
2) Housing _____
3) Transportation _____
4) Crime _____
5) Finance _____
6) Other _____

What do you see as the most pressing urban problems in the metropolitan area? Prioritize.

1) Education _____
2) Housing _____
3) Transportation _____
4) Crime _____
5) Finance _____
6) Other _____

Has your League studied or taken action on any of these problems?

Is there a socio-economic interdependence between the central cities, suburbs, and free-standing communities?

How can this be altered?

CMAL's study item is worded as follows: A study of the interrelationships within the metropolitan area with respect to social needs and conditions, and with emphasis on integration of existing League positions. We realize that there are no easy solutions to the problems, but what areas do you feel we should be concentrating on next year?

Please mail the results to Alison Fuhr by April 15th. Also answers to the questionnaires would be welcome: 6609 Brittany Road, Edina, MN 55435.

LEAGUE OF WOMEN VOTERS
OF MINNESOTA
PHONE (612) 224-5445
555 WABASHA • ST PAUL, MINNESOTA 55102

THE URBAN CONNECTION MINNESOTA

PM-P

To: Local League Cities/Urban Crisis Chair
From: Jerry Enders, LWVMN Cities/Urban Crisis Chair
Date: March 9, 1978

This publication is meant to be used in conjunection with:
Impacts on Issues, LWVUS #386 - $1.00
Focusing on Issues/Urban Crisis, LWVUS #344 - 40¢
Program for Action 1977-79, LWVMN - 70¢

In this publication each state and CMAL consensus position which relates to urban problems is briefly discussed. Many positions which are not specifically dealt with do have an "urban connection" because they affect all people regardless of where they live. We will, however, only cover those positions which have a specific implication for urban problems. We encourage you to supplement this material with information about your own community.

CRIMINAL JUSTICE

Corrections: Our League position on corrections is an attempt to reach that delicate balance between the rights of the offender and the rights of society. Nowhere is this conflict more dramatically acted out than on the streets of our urban areas. Street crime is a symptom of urban decay. Unemployment, lack of education, lack of opportunity, and the inability of the individual to make a satisfactory adjustment to the larger society, all lead to crime. Crime itself helps to accelerate decay by discouraging business, creating fear, and stifling community concern. Our position supports a correctional system that can help the offender make a satisfactory adjustment, while at the same time protecting the individuals who are the potential victims of crime.

Juvenile Justice: Juveniles present a special problem. The large number of children in a small geographical area together with economic, social and psychological disadvantages, create particularly fertile spots for juvenile crime in cities. Cities tend to be the places juveniles run away to, and they are where the young person is first introduced to illegal activities. The urban police and justice system is called upon to deal with these problems for residents and non-residents alike. Our consensus position recognizes that the juvenile justice system must meet the individual needs of the offender if we are to prevent him from becoming a threat to society, and more importantly, if he is to become a constructive rather than a destructive member.

HUMAN RESOURCES

Equality of Opportunity: In cities the inequality of opportunity is most evident. Large concentrations of individuals who are its victims create unique problems. These problems put a disproportionate burden on city government as it tries to deal with a situation that is created by the larger society. Discrimination prevents some people from participating fully, and the city is called on to provide services that cannot be provided by the people themselves. Health care, transportation, income assistance, special education, housing, employment, and social services are just a few. Our League position attempts to spell out those measures that are needed to insure that everyone has an opportunity to participate to the extent of his or her abilities.

(Over)

EDUCATION

The city school also has special problems. Not because the children or the problems are unique, but because the same problems that affect all schools are particularly severe in urban areas. Faced with declining enrollments, high operating costs, and shrinking tax base, the city school must educate the culturally and economically disadvantaged. The city school must assume the major role in desegregation and still meet special educational needs. Our education position addresses these issues by recognizing the unique problems of urban schools and encouraging increases in state funding to meet them.

NATURAL RESOURCES

The LWVUS publication, Focusing on Cities, has a detailed discussion of League's role in dealing with urban natural resources problems. Our state positions follow these national goals closely.

Land Use: In addition, both state and CMAL have put special emphasis on land use planning. The state consensus favors a statewide land use plan which would help to meet some of these environmental concerns. The CMAL position on land use encourages the Metropolitan Council to use the necessary tools to channel land use practices with the maximum of local government participation. The Metropolitan Development Guide is aimed at just such planning. Its purpose is to control sprawl by channeling development with a careful watch on the environmental impacts of those development decisions.

CMAL

Government Decision-making: This position recognizes that dealing with urban problems requires a governmental structure that can deal with issues on the proper scale. In the Twin Cities Area, the League has supported an areawide planning and coordinating agency that can deal with regional problems and suggest appropriate solutions. The Metropolitan Council is the agency that fulfills that role. In addition to support for the Council's role in land use discussed above, we have also supported the Council's role in solid waste management, water resources management, transportation, parks and open space, and housing.

Fiscal Disparities: The CMAL position recognizes that there are differences in the abilities of various communities throughout the metro area to provide needed services. In order to equalize this imbalance or disparity, CMAL supports a tax sharing mechanism. Those communities that have a disproportionately large share of tax base share some of that base with communities that are not in a position to generate needed revenues. This means that the inner cities and mature suburbs can share in the benefits of suburban growth.

Transportation: The ability to move from place to place can have tremendous impacts on the lives of individuals in an urban area. It affects not only the economic opportunities that are available, but also the range of educational, cultural, health, and recreational opportunities. This can determine the quality of life for the persons in the city. The CMAL position recognizes this and calls for a better transportation system that is environmentally sound.

The Metropolitan Council has recognized the special needs of mature areas of the Twin Cities, and after a lengthy study by an advisory committee, the Council has published: A New Urban Policy - Report of the Fully Developed Areas Task Force. It outlines the policy changes that are needed to give help to the two center cities and the surrounding developed suburbs. Copies are available from the Council's Public Infomration Office.

MAY 15 1978

Cleaning Up the Nation's Cities

City dwellers are bombarded day and night by man-made insults. They are getting it in the lungs, the eyes, the ears, the nervous system and the psyche. They are not alone. Part-time city users, especially commuting workers, share the grief. But all Americans, not just those who directly suffer from these insults, would benefit from an environmental cleanup of the nation's cities.

The depressed condition of many of our cities, especially those developed around an industrial core, is a national problem with national repercussions. The cycle of decline is familiar—and spreading, as "citified" older suburbs exhibit the same symptoms. The decades-long outflow of middle class residents and businesses to the suburbs has left cities with a large concentration of poor people whose needs are great but whose ability to pay for city services is meager. Though this out-migration must be traced to a wide range of causes, a degraded city environment has undeniably contributed to the trend.

Many thoughtful urban planners argue that a cleaner, pleasanter city setting could help halt the cycle and make cities more attractive to business and to middle class residents. They argue, moreover, that cleanup could make service jobs for current city residents.

These arguments are not occurring in a vacuum. Environmental upgrading *is* happening in this country. The purpose of this publication is to assess how much national efforts have helped cities and to report promising research on additional strategies that municipalities and states might adopt to make cities more livable.

The two big federal efforts of the seventies—signaled by the Clean Air Act and the Federal Water Pollution Control Act (FWPCA)—have sought to clean up the nation's air and water by setting standards and then, through regulations, to put pressure on polluting sources to reduce specific emissions. Targets of this emission-control program have included industries, sewage treatment plants, power plants and motor vehicles.

This CURRENT FOCUS is the second in a series of four on natural resources issues made possible by grant ISP76-80983 from the National Science Foundation. Any opinions, conclusions or recommendations expressed in the publication are the LWVEF's and do not necessarily reflect the views of NSF. Coming next: a CURRENT FOCUS on environmental impact assessment.

What has been the impact on cities of these federal programs? The bottom line seems to be this: national efforts to clean up air and water have borne some fruit, but results in cities are far from satisfactory. Rivers and lakes in metropolitan areas still have high concentrations of toxic chemicals and bacteria that limit their use for recreation. And every U.S. city with over 200,000 residents (except for Honolulu, Hawaii) is in violation of at least one or more of the national air-quality standards.

These facts suggest that emission control based on national standards cannot by itself do enough, fast enough, to help extricate cities from the Scylla and Charybdis of city decline and metropolitan growth.

In order to do so, state and municipal governments are going to have to develop and implement programs that go beyond regulating emissions from stationary and mobile sources. They must consider using land use controls, transportation planning and urban design strategies as well.

The vast resources already invested in the cities are powerful incentives for positive action to clean up the urban environment.

Cleaning up city air

After passage of the Clean Air Act of 1970, the Environmental Protection Agency (EPA) set national primary (health-related) ambient air quality standards for six major air pollutants: particulates (solid and liquid particles found in dust, smoke, fumes), sulfur oxides (primarily sulfur dioxide or SO_2), carbon monoxide (CO), nitrogen oxides (NO_x), photochemical oxidants and hydrocarbons (HC). (In December 1977, EPA proposed ambient air quality standards for lead as well.) To achieve these standards, states must make and implement plans to limit emissions from existing stationary sources (such as industries and power plants), set timetables for compliance and define monitoring procedures. EPA has also set uniform national performance standards (emission limits) for new and modified stationary sources and emission standards for automobiles. (For more information on the Clean Air Act, see *Federal Environmental Laws and You,* LWVEF Pub. #564, 75¢.)

Under these pressures, ambient concentrations of most air pollutants have been reduced, but the Clean Air Act's goal of achieving primary air-quality standards nationally has not yet been realized. And the worst violations of these standards still occur in our cities.

NR NATURAL RESOURCES

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Sources of air pollutants

The burning of fossil fuels (oil, gas, coal) in power plants, steel mills and other industrial operations is the leading source of two of EPA's target pollutants—particulates and sulfur dioxide (SO_2). Some municipal incinerators also contribute high concentrations of particulates. Obviously, cities are major sites for many such offenders. With the installation of filters, electrostatic precipitators, stack scrubbers and other devices in these stationary sources. EPA estimates that SO_2 concentrations have decreased as much as 25 percent and particulates as much as 14 percent in many cities since 1970. Yet over 12 million city residents are still exposed to SO_2 concentrations well above federal ambient air standards and 55 million are exposed to particulate levels above these standards.

Exhaust from motor vehicles is the chief source of the other four pollutants on the EPA list—CO, NO_x, HC, and photochemical oxidants. Again, cities, with huge commuter traffic loads, suffer most from these pollutants. Although auto-emission standards have helped reduce CO, NO_x and HC levels since 1970, their concentrations still exceed federal ambient air standards in most large metropolitan areas. In fact, an EPA air-quality trends report indicated that NO_x and photochemical oxidant concentrations have actually increased in some cities during the last three years.

Auto exhaust has also been shown to be a major source of lead in the urban environment. Since 1974, EPA has required a gradual reduction in the lead content of gasoline. Furthermore, most new cars since 1974 have been equipped with catalytic converters and require lead free gas. However, at this time, cities with heavy commuter traffic still have ambient lead concentrations above the proposed federal standard.

Effects of air pollutants

High concentrations of air pollutants damage buildings (through soiling and erosion), metals (through corrosion), trees and plants; most importantly, they damage the health of urban residents. Scientists have found that air pollution contributes to three major types of disease—respiratory, coronary and cancer. It has been estimated that if clean air standards are not met, 12,000 more premature deaths and 40,000 more aggravated illnesses could occur within the next decade.

Dirty air cities

According to EPA, the following cities/metropolitan areas do not meet FOUR out of five federal clean air standards.

- Los Angeles—Long Beach, CA
- Chicago, IL—Northwestern, IN
- Cleveland, OH
- St. Louis, MO-IL
- Pittsburgh, PA
- Minneapolis-St. Paul, MN
- San Diego, CA
- Cincinnati, OH-KY
- Denver, CO
- Indianapolis, IN
- Columbus, OH
- Louisville, KY-IN
- Dayton, OH
- San Bernardino-Riverside, CA
- Akron, OH
- Toledo, OH
- Salt Lake City, UT
- Youngstown, Warren, OH
- Tacoma, WA
- Tucson, AZ
- Peoria, IL
- Colorado Springs, CO

To reduce air pollution levels, major emphasis has been given to regulating emissions from stationary and mobile sources. But even when emission standards for these sources are fully implemented, EPA still predicts that air pollution levels will exceed federal standards in many large metropolitan areas. Therefore, in order to comply with national ambient air quality standards, these regions will probably need to develop and implement transportation and land-use controls.

Transportation controls

Factors that affect the pollutant concentrations from auto exhaust are traffic volume, slow traffic, traffic lights, off-street parking, and the number of trucks and buses using the roadway. Thus, changing transportation patterns can help reduce air pollution from motor vehicles in urban areas. What public officials and citizens need to find out is which changes would be most effective in enabling cities to clean up the air.

In 1973, the Research Applied to National Needs Program (RANN)* of the National Science Foundation (NSF) funded a study by the Center for Urban Studies (University of Chicago) and Argonne National Laboratory to evaluate the effectiveness of three air pollution control strategies—local emission controls for vehicles, traffic flow improvements and mass transit incentives—and to compare these with the federal emissions control program. Some of their findings are described below.

Local emission controls for vehicles

Although new motor vehicle emission standards are set solely at the federal level, cities can require vehicles to conform to other types of emission controls. They can set additional emission reduction requirements for fleet vehicles in use, mandate periodic inspection and emission testing of motor vehicles and require special classes to convert to cleaner fuels such as propane.

One of the quickest and most effective ways for cities to cut down auto pollution would be to control taxicab and truck emissions. In New York, for example, the 14,000 licensed taxis account for half the miles driven in the heavily polluted areas of Manhattan and for over a third of the pollution originating from motor vehicles. Trucks account for an even larger share, about half. The New York state air-quality plan proposes converting all gasoline-powered taxis and fleet vehicles operating in central business districts to liquified petroleum gas (LPG). The installation of an LPG system is fast and cheap, its operating cost is comparable to a conventional engine, and overall pollution from these vehicles may be as much as 90-percent less than at present.

Traffic flow improvements

Cities can also change the pattern of vehicle flow to reduce air pollution. Current research into CO emissions and concentrations indicates that violations of CO standards are most often caused by impediments to traffic flow such as queuing vehicles at intersections. If traffic flow can be smoothed through computerized traffic signalization, CO emissions can be reduced in downtown areas. However, unless this strategy is accompanied by parking restrictions downtown, the improved travel time could increase the number of commuter cars and cause CO levels to rise again.

Queuing vehicles at drive-up windows of banks and fast-food restaurants may also cause frequent violations of CO standards. Studies in Santa Clara County, California, concluded that individuals working at these facilities and the drivers using their services are often exposed to hazardous levels of carbon monoxide. As a result of these findings, the city of Cupertino in the county has passed an ordinance prohibiting the construction of any more drive-up facilities.

Another local control option is to require nighttime delivery of freight in a city. This strategy doesn't reduce total emissions but does spread them out and reduces peak pollution loads.

Mass transit incentives

One way to reduce air pollution from autos is to provide incentives to people to use mass transit in urban areas. Such incentives include tolls on bridges and tunnels leading into and out of a city, exclusive bus lanes, gasoline taxes, parking taxes in downtown areas and fare reductions for buses and subways. Researchers concluded that of all the incentives examined, fare reduction (possibly coupled with gasoline taxes) seems a more attractive, as well as a more politic, method of attracting mass transit ridership than other methods. This study concluded that although such mass transit policies can help reduce air pollution to some extent, their main impact is to reduce congestion. The other strategies studied reduced auto emissions to a greater degree.

In addition, public surveys have shown that poor quality of service is a major reason for not using mass transit. Many urban residents consider transit vehicles too slow, too infrequent, too dirty, too inconvenient and too difficult to use. Thus, another incentive for increasing mass transit use would be to improve existing rail and bus service

Federal emission standards

Since the timetable and scope of the federal emission-standards program has been altered several times by Congress over the last 12 years, researchers found it hard to assess the effectiveness of this program. Though automotive emissions are down over 60 percent from 1970 levels, 150 urban regions still do not meet ambient air-quality standards. Even when auto-emission standards are fully implemented by the early 1980s, special measures to reduce vehicle miles traveled and emission levels may still be needed in many large metropolitan areas.

In general, NSF-funded researchers concluded that local control strategies could substantially reduce motor vehicle emissions and improve the air quality of central

*During January, 1978, RANN was reorganized into the Program of Applied Science and Research Applications (ASRA).

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Public transit: restoring life to the cities

Many people cite the federal highway-construction program of the 1950s and 1960s as a major cause of inner-city decline, since interstate highways encouraged urban dwellers to move into the suburbs.

As the highway system expanded, public-transit service in cities diminished. According to one estimate, trolleys, buses and rail systems were responsible for 30 percent of urban vehicular passenger miles traveled in 1940, compared to only 6 percent in 1970. Auto ownership and use climbed steadily during this time; now over 80 percent of all households own cars.

By the late 1960s, however, discontent with the automobile was starting to grow. Highways in cities were taking valuable land away from residential and commercial users. Cars were causing congestion and air pollution. And in a time of energy shortages, motor vehicles were consuming over one-third of the nation's petroleum supplies.

As a result, the country experienced a renewed interest in mass transit. Rail and bus service offered a more economic use of land and energy than travel by private autos. Mass transit also had the potential for generating business and job opportunities in the city and for enabling more city people to get to jobs on the urban perimeter.

The first Urban Mass Transit Act was passed in 1964, largely to permit public takeovers of failing private transit systems. In 1970, Congress created the Urban Mass Transit Administration (UMTA) to provide direction and financial assistance to states for constructing and improving public transit systems. By 1973, transit ridership increased for the first time since World War II.

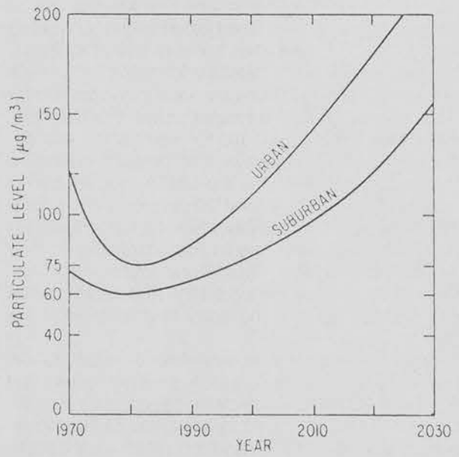
Another signal that mass transit is getting more attention is 1970s' legislation that permits the use of state highway funds for transit projects and authorizes UMTA to fund the operating costs of transit systems. However, federal grant matching formulas still provide more federal money to state and local governments for building highways than for mass transit. For example, the Highway Trust Fund ratio for maintaining and developing interstate highways is 90 percent federal/10 percent state money while the UMTA ratio for transit projects is 80 percent federal/20 percent state money. Overall, the federal money available for highways is six times the amount available for mass transit.

In 1978, the Highway Trust Fund expires and Congress will be considering legislation that could change these figures, but it is too early to predict what the outcome will be.

If more funds are made available for mass transit, cities will have to choose carefully a transit system that will provide efficient, dependable service at a reasonable cost. Heavy-rail rapid transit systems like Washington's METRO or San Francisco's BART were popular choices in the early seventies but have proven to be extremely expensive ($70 million/mile) to build. Light-rail (trolleys) and bus systems are less expensive ($10 to $30 million/mile) and can operate on existing streets. Other options include the expansion of para-transit services—that is, carpools, vanpools, taxis and limousine service. Still other possibilities are jitneys—hybrids between a bus and car, which usually operate on fixed routes with no fixed schedules and stop on hail—and dual modal systems in which vehicles operate under driver control on local streets and also operate under automatic control on exclusive right-of-way for high-speed segments of a route.

Particulate levels

(4% Real Growth in GNP)



Source: *Energy Versus the Environment: The Issues,* NSF.

cities, and be more cost effective than uniform federal auto-emission controls, to boot. That is, they estimated that reducing the emission rates from all cars would cost the public more than using local transportation and emission controls such as parking restrictions and periodic inspection and emission testing of cars in use.

However, most city officials have not been eager to adopt local transportation or emission controls, fearing that the controls would be expensive for motorists, downtown merchants and the municipal government itself. For example, New York City refused to implement a plan approved by the state and by EPA that included tolls on 11 free bridges, restrictions on taxi cruising, no on-street or off-street parking in certain sectors, no on-street parking in the midtown core and no freight deliveries during business hours. Officials fought these controls on the grounds that a 50-percent cut in vehicle entry in Manhattan by 1980—the predicted result of the plan—could be disastrous for the city's commerce. When the Supreme Court ruled against the city, officials reluctantly began to implement sections of the plan in mid-1977.

In general, city officials are more willing to implement local transportation and emission controls if they are mandatory for an entire region or state. They reason that if a city singly adopts tougher local antipollution measures, businesses might decide to locate in other cities in the region.

EPA has required 34 cities, including New York, Washington, Boston, Los Angeles, Denver, Seattle and Chicago, to develop transportation-control plans to meet federal standards. As of 1978, none of these plans has been fully implemented. The new amendments to the Clean Air Act mandate that areas not meeting clean air standards submit revised and improved plans by January 1, 1979.

Land-use policies and urban design

Even if direct control of emissions from stationary and mobile sources could achieve air-quality standards in many cities by 1982, population and industrial growth could rapidly cancel out the good effects of those controls.

The graph shows anticipated urban particulate trends for the next fifty years. According to the figure, primary particulate standards may be attained by around 1980 in urban areas, but with a continued exponential growth in Gross National Product (GNP) of 4 percent per year, some cities could be headed back rather rapidly to the pollution levels of pre-Clean Air Act days. Similar trends could be projected for sulfur dioxide, nitrogen oxides and trace metal emissions.

In order to accommodate growth and preserve environmental quality, cities are going to have to make careful land-use decisions about where growth should occur and what forms are desirable. Most environmental-control practices have been technology oriented, (i.e., they have relied on pollution-abatement equipment) but future air-quality plans must recognize the relationship between land-use development patterns and environmental quality.

The sprawl debate

Clustered development With funding from NSF, the Center for Urban Studies at the University of Chicago studied the effects of urban land-use policy on air-pollution levels. Using an atmospheric dispersion model, researchers estimated air-quality levels under two different urban forms—center city and cluster city. The center city represented a centralized metropolitan layout around an economic hub, as in present-day Chicago. The cluster city postulated large-scale relocation of industry from Chicago to its satellite cities. The three major air pollutants analyzed were suspended particulates, sulfur dioxide and carbon monoxide.

Researchers discovered that with a shift to the cluster city, carbon-monoxide levels in central Chicago were lower but violations of the federal standard still occurred. SO_2 levels in outlying cities increased but did not exceed federal standards under both urban forms. Thus, researchers concluded that these two major urban form strategies do not appear to affect air-pollution levels very much. Further analysis revealed that localized clustering of a small number of heavily polluting industries within the city had a more direct effect on air-pollution levels than did urban form.

Cutting back CO exposure

Physical design can be used to reduce city dwellers' exposure to carbon monoxide (CO). An NSF-funded study gave the following examples:

☐ Instead of building sidewalks parallel to roadways, they can be angled away from the road, minimizing pedestrian CO exposure. The optimum angle will vary with congestion levels and wind directions.

☐ Heavily polluted pedestrian short cuts, such as ground level parking lots, can be fenced off.

☐ High-rise residential buildings cut back CO exposure by increasing the vertical distance between residents and high street CO levels. In multistory buildings, it's possible to install air intakes at upper levels for central heating and/or air conditioning.

In Chicago, 60 percent of the 15 most heavily polluting industries, including petroleum refining, steel mills and wet corn milling, are major water users. Nationwide, such industries generate close to 90 percent of the particulate and sulfur dioxide emissions that occur in urban regions. Because these industries need to locate near large water and labor supplies, they tend to cluster along waterways in populated urban areas and thus have a tremendous impact on local air quality. Researchers suggested that state or municipal governments require siting permits for these heavy polluters and through this program identify industrial sites that would cause the least environmental damage to an urban region. Some cities, including New York, have encouraged the location of coal- or oil-fired power plants outside city limits. Cities can also use emission zoning to restrict the number of air-polluting industries locating in one area.

Another conclusion of the Chicago study was that the relocation of central-city workers closer to their places of employment could reduce the number and length of auto trips into the city and improve overall air quality of an urban region.

Researchers indicated that residential growth in the city could increase carbon monoxide concentrations at some locations but emphasized that human exposure to CO could be lowered through the careful location and design of sidewalks, parking facilities, garages and buildings.

Dispersed development Another NSF research project completed by the Urban Institute (UI) concluded that concentrated residential development should not occur in the central city because it would increase the average metropolitan exposure to CO, SO_2 and particulates. After examining the impact of metropolitan growth patterns on air pollution, UI researchers found that a dispersed pattern of new residential and commercial development will reduce the exposure of urban residents to most air pollutants. They also suggested that new polluting industries be located on the metropolitan fringe—away from population centers. For example, their study indicated that central-city development with people and industrial sources intermingled could expose residents to 50-percent higher levels of SO_2 and particulates than a dispersed pattern that isolates industries from people.

However, decentralized development can lead to increased air-pollutant emission levels, especially if jobs are not located close to residential areas. The Urban Institute researchers contend that spreading out pollution sources and people more than compensates for any increase in emissions but other scientists disagree. Higher emissions in metropolitan areas would add to global pollution levels and could contribute to long-range changes in atmospheric conditions. Also, decentralized development can require more land and energy resources than compact development patterns.

In summary, there is no consensus among experts on which urban development pattern would be the most effective at reducing human exposure to air pollution.

Direct and indirect land-use controls

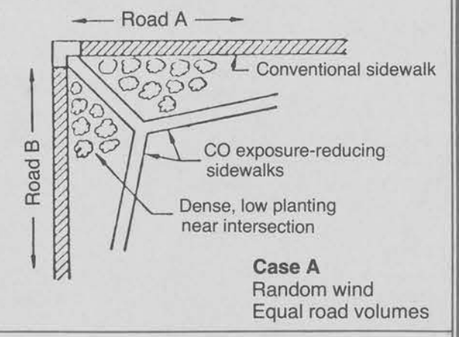
Regardless of the urban form chosen, municipalities can implement direct land-use controls to limit air pollution through zoning ordinances, land subdivision regulations, building codes and public land acquisition.

For instance, performance and emission-density zoning can be used to regulate the pollution potential of different land uses in the city. Subdivision regulations can require open space and environmental buffers to be part of residential complexes. And public acquisition of lands for forest preserves or greenbelts offers the most direct, albeit the most expensive, mode of land-use control.

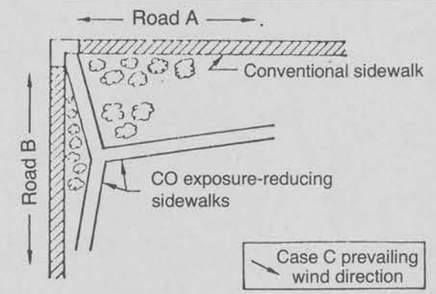
States and local governments can also create an indirect source-review program to evaluate the potential air-quality impact of new industrial plants, shopping centers and other major facilities. For example, in reviewing plans for a new shopping center, city officials could determine how much additional traffic would be generated by the project and require certain modifications to reduce the project's impact on local air quality. Of if the project's impact is too great, they could recommend that it not be built.

In the past, EPA has required many states to set up indirect source-review programs. However, under the Clean Air Act Amendments of 1977, states may eliminate indirect source review from their air-quality implementation plan if they can meet federal standards without it. EPA will continue to exercise indirect source review over all federal projects such as construction of interstate highways.

Sidewalks designed to reduce pedestrian exposure to CO



Case A
Random wind
Equal road volumes



Case B or **Case C**
Random wind — Prevailing wind
Road A greater volume — Equal road volumes

Source: "Urban Design and Public Exposure to Carbon Monoxide," NSF.

San Francisco proposes land-use policies to curb air pollution

San Francisco's Air Quality Maintenance plan recognizes land-use management as a necessary tool for controlling CO emissions in the city on a long-term basis. The main objective of the plan's land-use recommendations is to achieve more compact development in the region and thereby reduce the amount and extent of automobile travel. The following policies are proposed to achieve this objective.

Policy 1. Encourage high-density development in urban areas where existing service capacities, including rail transit, can support it, possibly through cluster zoning.

Policy 2. Discourage development of land areas where soil, slope or other conditions can support only low-density development.

Policy 3. Encourage a mixture of residential/commercial/industrial development types in all communities.

Policy 4. Restrict the extension of new development to those locations with existing or committed sewer and water service. Example: enact temporary moratoria on zoning and subdivision outside of urban service areas.

Policy 5. Encourage "infill" development of bypassed vacant land within existing urbanized areas.

Policy 6. Increase housing and job opportunities in existing urbanized areas. Encourage public and private rebuilding into compatibly mixed land uses at higher densities.

Policy 7. Time highway and transit-system improvements to land development. Example: recognize plans for staged land development in planning and programming of highway and transit improvements.

Water quality

Federal assistance available to cities for cleaning up urban waterways was greatly increased with the enactment of the Federal Water Pollution Control Act (FWPCA) of 1972 and the amendments added in 1977. As part of its overall objective of restoring and maintaining the quality of the nation's waters, the act mandated major efforts to control three sources of pollution: sewage, industrial discharges and stormwater runoff.

Sewage

Until the 1970s, most cities dumped tons of raw sewage into adjacent rivers and lakes every year. The FWPCA now requires communities to treat their sewage adequately before releasing it. This 1972 law authorized the federal government to spend over $18 billion to help communities build or upgrade treatment plants; the 1977 amendments added another $25-billion authorization for this purpose.

Although many cities have now installed at least secondary treatment facilities, large quantities of raw or partially treated sewage are still released into urban waterways. For instance, many older cities have combined storm and sanitary sewers; during rainfalls, the volume of the water plus the sewage is so great that the treatment plant can't handle the load. So the sewage bypasses the treatment plant and flows directly into waterways.

Even when wastewater plants can handle the flow of sewage, they often fail to meet treatment standards for bacteria, BOD (biochemical oxygen demand) and suspended solids. Some of the reasons for these failures include lack of proven instrumentation for measuring pollutant discharges, loose enforcement of discharge standards, and poor plant maintenance and operation.

In a survey of the environmental service needs of U.S. cities, municipal officials identified improved instrumentation and automation of wastewater treatment plants as a high-priority need. They also expressed a need for improved maintenance of sewer systems since deterioration of these lines is impeding the upgrading of municipal treatment facilities.

When municipal wastewater treatment and collection systems are designed, their size depends on present and projected population growth. Total household production of wastewater does not seem to vary among high- or low-density residential communities, but the cost of wastewater treatment is affected by patterns of urban development. Low-density development increases the distance wastes are transported and thus increases the cost of collecting and treating these wastes.

Industrial discharges

Under the Federal Water Pollution Control Act, industries cannot discharge wastes into a waterway without a National Pollutant Discharge Elimination System (NPDES) permit from EPA or the appropriate state authority. These permits specify the permissible maximum levels of each pollutant that each facility will be allowed to discharge. Additional requirements for monitoring discharges and reporting to the state and EPA are also included in each permit. (See *Federal Environmental Laws and You*.)

However, a recent study by the New York Public Interest Research Group found that hundreds of industries avoid registering some pollutants by discharging contaminated waste waters through municipal treatment works. For example, scientists sampled water at 204 sites near heavily industrialized areas in the Hudson,

Municipal grant programs

Under the 1977 amendments to the Federal Water Pollution Control Act, municipalities that have failed to meet secondary treatment requirements may have their July 1, 1977 deadline extended to 1983 if the delay was caused by a lack of federal funding or by construction problems. The authorization for the municipal treatment plant grants program includes $4.5 billion for fiscal year 1978 and $5 billion for each of fiscal years 1979 through 1982.

The new amendments also give qualified states more management authority over their grants program, including establishment of funding priorities and review of municipal construction grant applications. States must spend 25 percent of grant funds for major rehabilitation of sewers, for correcting sewer inflow and infiltration, or for constructing collector systems if such projects are on the state priority list.

City environment modifies weather

Cities inadvertently started to modify weather over 200 years ago. As the concentration of industrial activity, buildings and traffic in cities increased, changes in local temperature, wind patterns and rainfall occurred.

In 1971, NSF funded a five-year research project aimed at determining what weather changes have occurred in cities and neighboring suburbs, what the causes are and what effects these changes have had on people and the quality of urban life. Using St. Louis as a study area, scientists explored the relationship between urban land use and local weather patterns.

First, researchers found that temperatures are 1° to 4°F higher in the city than in neighboring rural areas. The basic reason, of course, is that cities are prodigious sources of heat. Factory smokestacks, air-conditioners and heating systems of offices and homes, vehicles' engines and exhaust—all contribute heat to the outside atmosphere. And building materials of brick, asphalt, mortar and concrete store more heat from the sun than the soil and vegetation of a rural area, and they give it up more slowly after sundown.

The congestion and height of buildings in cities may also reduce the average wind speed by as much as 40 percent. At times, the general wind circulation becomes so weak that a stable layer of air is raised over the city like a bubble. At night there may be a temperature inversion, as cold air covers the warm like a lid and prevents the warm polluted air from blowing away. This condition may remain over the city for several days, posing a health hazard to its inhabitants.

At levels where urban windflow joins the prevailing westerly winds and blows eastward, the windspeed picks up. At these heights the wind currents—laden with dust, chemicals and other pollutants from the city—enter the cloud system. Water vapor may then condense on these pollution particles, causing cumulus clouds to form. As these clouds blow across and away from the city, they begin to drop their water load on areas downwind from the city, as far away as 35 or 40 miles.

Downwind of St. Louis, for instance, there are more days of heavy rainfall in the summer than there are upwind of the city. Also, rainstorms last longer and cover greater areas. Individual rainclouds that have developed or passed over industrialized areas of St. Louis have dumped as much as 200 to 300 percent more water than those clouds formed in areas unaffected by the city.

In another study of major U.S. cities, researchers found summer thunderstorms occur 14 to 41 percent more often over, and downwind from, urban areas; the chance of hailstorms increases 90 to 450 percent.

This increase in summer rainfall can have a beneficial impact on a region's water supply. For example, the 10- to 30-percent increase in summer rainfall east of St. Louis caused streamflow and groundwater levels to rise. However, large thunderstorms can also cause flash flooding in cities and outlying areas. The eastern section of St. Louis encountered sewer capacity and water quality problems as a result of increased urban runoff.

In the future, St. Louis and other cities should be able to use these research findings to predict the location and path of heavy rainfalls in urban areas; they will then be able to design storm-drainage systems that can handle these rains and minimize flooding.

Delaware, Illinois, Ohio, Mississippi and Tennessee River basins and found a consistent pattern of exotic pollutants not regulated under the FWPCA. Some of these chemicals were probably dumped illegally; others could have been discharged by municipal treatment plants. (Less than 5 percent of publicly owned sewage treatment plants are equipped to remove toxic chemicals.)

The introduction of alien and toxic substances into the nation's rivers and streams may be having serious impacts on the quality of drinking water in cities. In a 1974 study of the Lower Mississippi basin, findings of an Environmental Defense Fund (EDF) research team suggested that drinking water taken from the Mississippi was linked to a high incidence of bladder cancer in New Orleans. In a study of the Hudson River, EDF researchers estimated that of the hundreds of chemical compounds found in this river, 15 to 21 percent could be carcinogenic.

In an effort to alleviate this problem, Congress amended the Federal Water Pollution Control Act in 1977 to strengthen the regulation of toxic pollutants. The amendments require that, by 1984, industries install the Best Available Technology (BAT) to remove 65 specific toxic chemicals. These standards will apply both to industries that discharge directly into waterways and those that discharge wastes through municipal waste-treatment systems. EPA is already developing BAT standards for these dischargers. No waiver from the standard is available, and EPA may add to or delete from the list of toxics.

Although the FWPCA of 1972 required EPA to set standards for the pretreatment of industrial wastes entering municipal treatment plants, EPA never developed such standards for toxics and other pollutants. After a court battle with several environmental organizations, EPA agreed in 1976 to set pretreatment standards for nine industries (including electroplating, textile manufacturing and oil refining), within one year and for up to 21 industries in 3 years. This agreement was incorporated into the 1977 amendments.

As federal standards are set, municipal governments are responsible for implementing a monitoring and surveillance program to insure that industries comply with these treatment regulations. Local governments may be able to modify some BAT standards for industries if municipal treatment plants can help meet these standards. For example, if a public treatment plant can remove 20 percent of the lead from wastewater, then city authorities can allow industries to discharge wastes into the municipal system with 20 percent more lead than permissible under the BAT standard.

Stormwater runoff

Much of the land surface in cities is covered by pavement and buildings. When rain falls on these impervious surfaces, it is channeled into the street where it picks up oil and other debris. This urban runoff eventually enters storm or combined storm/wastewater sewers. In most

cases, the effluent of the storm sewers is released directly into nearby waters; the effluent of combined sewers is directed into a sewage-treatment plant. However, since most treatment plants have trouble handling the peak flows that occur during heavy rainfalls, untreated or inadequately treated effluent is often released into nearby streams/bays/rivers.

With all the oil, debris and other contaminants in urban runoff, the effects of this runoff on water quality can be equivalent to, if not worse than, raw sewage. The National Commission on Water Quality predicted that nonpoint pollution (surface runoff from nonspecific sources) will contribute the vast majority of pollutants to the nation's waterways after industries, wastewater treatment plants and other point sources have achieved effluent-limitation standards. Furthermore, unless nonpoint sources of pollution are effectively controlled in the future, they could negate any reduction in water pollution obtained from point-source control.

Under EPA's 208* water quality planning program, urban communities have been evaluating runoff problems and identifying control measures such as land-use regulations. (See *Update on Section 208—Grime in the Streets: The Problems of Urban Runoff,* LWVEF #189, 20¢.)

Urban land-use patterns may affect both the volume and content of stormwater runoff. In general, impervious surfaces increase the rate and volume of runoff delivered to receiving waters. Thus, stormwater runoff rates in cities that have a large percentage of paved surfaces will be much higher than in less-developed areas. During heavy rains, runoff may raise local stream levels to flood levels. For example, a torrential rain in an urban area of northeastern Illinois in the summer of 1972 caused over $23 million in flood damage. (See *Natural Hazards: Can Planning Avert Disaster?,* LWVEF #210, 30¢.)

In some urban areas, local jurisdictions have adopted legislation requiring land developers to take steps to assure that peak runoff flow rates after development are not in excess of those that prevailed prior to development. To meet these requirements, some developers of commercial and industrial properties have installed devices on roof drains of buildings to reduce flow rates into the drains and thus minimize the effect of roof drainage on peak runoff flows. Developers of residential complexes have constructed ponds and basins to capture and detain runoff. According to urban stormwater studies funded by NSF, these on-site detention facilities are an effective and economic method of controlling runoff and abating local flooding.

Development patterns that intersperse developed areas with open space can also reduce the volume of urban runoff discharged to adjacent surface waters. Furthermore, since over 60 percent of the land surface in many cities is used for auto-related functions, such as superhighways and parking lots, less reliance on the auto as a means of transportation and greater use of mass transit could decrease the need for more impervious paved surfaces.

While land-use patterns influence the rate and volume of runoff, their effect on the quantity of pollutants in stormwater runoff is less clear. When EPA compared data from a large number of stormwater case studies in various metropolitan areas, the agency found that dust and dirt appear to accumulate at the same rate in heavily industrialized areas, in large-lot residential areas, and in undeveloped areas.

Another study completed in 1976 in Sonoma County, California, compared the effects of five different development patterns on runoff and water quality. These ranged from highly centralized patterns with new industries and residents located in one or a few existing urban centers, to a dispersed pattern where industrial and commercial growth occur in urban fringe areas and residential development occurs in the suburbs.

The researchers found little difference in the effect of runoff on water quality among the five development patterns tested. However, they did find that site design and other management techniques have the potential for significantly mitigating pollution from runoff. For example, street sweeping was estimated to reduce the total amount of suspended solids discharged by 50 percent. Large-scale temporary storage and subsequent treatment of runoff was even more effective, with 95-percent reductions in suspended solids.

Whether measures can be taken to prevent or control runoff at construction sites will depend to some extent on local development ordinances. If development controls such as Planned Unit Development ordinances provide some flexibility, developers will have a greater opportunity to use a site's natural topography or existing vegetated areas to detain and filter runoff. Flexibility in setbacks, lot line, density and other development requirements could also facilitate the construction of artificial runoff-control devices such as detention basins, permanent ponds and groundwater recharge areas.

Some states have enacted sediment- and erosion-control laws which require developers to take certain measures to control soil erosion at construction sites.

*208 is the number of a section of the Federal Water Pollution Control Act. This section requires areawide planning to control all sources of water pollution.

Noise

Every year since 1973, urban homeowners and renters have ranked noise as the most undesirable neighborhood condition, in an Annual Housing Survey conducted by the U.S. Census Bureau. Some sources of residential noise now exceed 90 decibels*—the federal limit (averaged over an 8-hour day) set for industrial workers. And many experts are predicting that noise levels in urban communities will double by 1990.

Sources and Impacts

The major source of noise in most urban communities is motor-vehicle traffic, followed by construction, industrial activities and aircraft operations.

Prolonged exposure to noise above 70 decibels can cause emotional stress, serious physiological changes and even permanent hearing impairment. Medical researchers have found that noise produces direct physical changes, including the constriction of blood vessels, changes in blood pressure (due to stepped-up output of adrenalin) and increased gastrointestinal activity which can result in ulcers, indigestion and even heart disease. Researchers have also found that people exposed to high noise levels are inclined to be more aggressive, distrustful and easily irritated.

EPA estimates that about 10 million Americans suffer hearing losses caused by noise where they work, and another 40 million are exposed to potentially harmful levels without knowing it.

Noise can also lower property values in a city. In an NSF-funded study by the University of Chicago's Center for Urban Studies, scientists estimated that noise levels in Chicago caused property values in the city to fall $460 million in 1971.

*A *decibel* (a unit of measurement) represents the smallest difference in sound level that a human ear can detect. Leaves rustle at 10 decibels, ordinary conversation is carried on at about 50 decibels, and a busy street corner generates 75 decibels.

Reducing noise pollution

The Noise Control Act of 1972 authorized EPA to establish federal noise emission standards for transportation and construction equipment, electrical and electronic products, and any type of motor or engine. So far, EPA has set maximum limits for trucks over 10,000 pounds (starting with 1975 models) and diesel locomotives (beginning in 1976). The agency has also proposed noise regulations for new city transit buses, school buses and intercity buses.

EPA proposes programs to help the city

Urban environmental problems are EPA's most important problems because the cities generate high concentrations of pollutants which affect large numbers of people. Clean, healthy air and safe drinking water are critical to the prosperity of the cities. . . .

Douglas M. Costle
EPA Administrator

EPA has been reviewing its policies and programs to determine what the agency could do to help revitalize the nation's cities. The following proposals are some of the urban programs EPA would like to initiate.

Nonattainment Area* Planning EPA has requested $75 million to fund local and metropolitan area planning programs in areas exceeding either of two national ambient air-quality standards—photochemical oxidants or carbon monoxide. These programs will concentrate on transportation and land-use planning in addition to the more traditional direct control of air emissions.

The affected nonattainment areas include the nation's most highly urbanized areas. Thus, distressed cities, where the "rationing" of air resources may cause the greatest economic hardships, will receive substantial support in attempting to resolve their air resource- and related economic-development problems.

Assistance to Severely Impacted Industries Since environmental regulations could cause economic problems for some urban industries, EPA is evaluating alternative ways of providing economic and technical assistance to these industries. The agency is also trying to design special regulatory control strategies that provide for economic growth in cities and still achieve air- and water-quality standards.

Inspection and Maintenance for Federally Owned Vehicle Fleets Since the automobile is the source of pollution that prevents many cities from achieving air-quality standards, reduction in automobile pollutants could make room for industrial use of the limited air resources in urban areas and thus allow for economic growth. EPA has proposed that the federal government set an example for the rest of the country by subjecting its own vehicles to inspection and maintenance standards necessary to significantly reduce harmful pollutants. The agency has proposed that the President sign an Executive Order subjecting federal vehicle fleets to a Federal Inspection and Maintenance program, beginning with those fleets in distressed urban areas.

Urban Recreation Because of the tremendous public investment in cleaning up the nation's water, EPA wants to insure increased opportunities for recreational use of newly cleaned rivers, lakes and harbors. Thus, the agency plans to require consideration of recreation and open space opportunities in Section 208 water-quality planning. For example, 208 plans in urban areas must identify recreational shoreland needs and specify implementation measures to achieve water-based open space and recreational benefits as part of the required land-use planning element.

EPA is also encouraging multiple use of Section 201 funds for wastewater-treatment facilities and for recreation and educational purposes. For example, sewage-treatment plants can be used as access points to urban waterfronts and recreational facilities.

Public Service Employment EPA is exploring the possibilities of using Public Service Employment (PSE) participants to accomplish selected pollution abatement and control tasks.

The Economic Stimulus Act of 1977 increased the number of PSE positions authorized under the Comprehensive Employment and Training Act (CETA). Because of this increase in public service positions, EPA has been working with CETA sponsors and with state and local environmental agencies to develop a list of environmentally related projects which can be accomplished by CETA clientele (many of whom are urban dwellers).

In the past, EPA has contracted with the Department of Labor to train and place over 800 welfare clients in environmental jobs. The project placed women in nontraditional occupations such as pesticide application, waste treatment plant operation and maintenance, and waste collection.

EPA is currently operating an older Americans' employment program in cooperation with the Administration on Aging. This program selects, trains and places older Americans in environmentally related jobs; it could be expanded to focus on urban employment needs.

*A "nonattainment area" is a region not meeting air quality standards.

Recognizing that there is a limit to what is technically feasible in reducing motor vehicle noise, and because of the predominance of older motor vehicles on the road, EPA has been encouraging cities to develop local noise-control programs. These programs may specify land-use and transportation controls and site design features (i.e. landscaping) to reduce noise levels.

In general, noise levels increase as the population density of a community increases. In an NSF-funded study of how urban development affects noise generation, the Urban Institute concluded that a compact, high-density development pattern, or one which places transportation corridors adjacent to residential or employment areas, is likely to expose more people to higher noise levels than a low-density development pattern.

However, the UI study also emphasized that human exposure to noise depends on site-specific design features. For example, when freeways are lined with a dense buffer of vegetation or special sound-absorbing baffles, noise levels in urban areas may be substantially reduced.

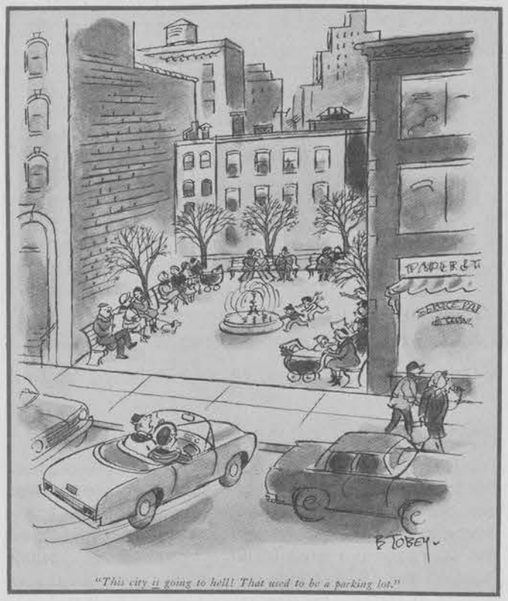
The Federal Highway Administration recently developed noise standards for highway design; plans for any new projects will not be approved unless those plans include adequate measures such as landscaping to achieve these standards. Urban communities can request funds from the Highway Trust Fund to install noise barriers or buffer zones along existing interstate freeways.

Automobile-related noise can also be reduced by encouraging mass transit or consolidation of deliveries to a specific area.

In addition to reducing highway noise, urban communities also need to control noise from industries, construction sites, airports and other sources. Comprehensive zoning and land-use planning can be effective methods for controlling these noise sources.

Through zoning laws, cities could prevent residential development near industrial parks, airports and other noise generators. Or municipal governments could acquire land or easements near these noise sources to prevent people from locating there. Urban communities could also pass laws which limit noise levels for various classes of land or create noise performance standards for industrial zones. Building codes could be revised to include extensive acoustical requirements such as insulation for homes and businesses located near airports.

To combat airport noise, cities may develop plans to prohibit airport operations at certain hours, restrict the time when engine run-up maintenance can be done and establish landing fees based on aircraft noise-emission levels. With financial assistance from the Federal Aviation Administration (FAA), local airport authorities can buy land adjacent to the airport and use it for purposes compatible with airport operations. They can also purchase noise-suppression equipment or help finance the insulation of nearby homes.



"This city is going to hell! That used to be a parking lot."

Drawing by B. Tobey; © 1975
The New Yorker Magazine, Inc.

Quieter communities

Over 600 U.S. communities now have some type of noise control legislation. For example, local noise ordinances may prohibit the operation of power equipment during certain hours of the day or require adequate mufflers on all motor vehicles or motorcycles. But many ordinances are not enforced because communities don't have the money to enforce them, and there is often little public awareness or understanding of such measures.

EPA has initiated a "Quiet Communities Program" to demonstrate how cities and towns can develop comprehensive approaches to reducing noise. During the fall of 1977, Allentown, Pennsylvania, the first community to participate, began assessing its noise problems through attitudinal surveys of local citizens and physical monitoring of specific noise levels in various locations in the city. The data are being used by local organizations to develop a noise-control strategy. Citizens and local officials will then work together to set up an effective noise-control and abatement program.

While EPA provides technical assistance, the real key to the success of the Quiet Communities Program depends on the efforts of citizens, neighborhood groups and social/civic organizations to control noise in the city.

In another EPA program, called "Echo," noise-control experts from communities with established control programs will assist other communities in solving particular noise problems. A community noise advisor will help identify the most annoying or harmful noise sources in a city and help draft appropriate ordinances. EPA will provide noise-monitoring equipment to communities wishing to determine background noise levels in different locations. The agency has also prepared a model noise control ordinance that cities can use in developing noise-abatement programs.

Questions to ask

If environmental quality in cities is going to improve, citizens must encourage municipal planners and government officials to adopt innovative and effective pollution-control measures.

Air pollution

The Clean Air Act Amendments of 1977 require all states to submit revised air-quality implementation plans to EPA by early 1979. The law also requires states to involve local governments in this revision process. The minimum requirements for state plans vary, depending on the present level of air quality in each air-quality control region.

All cities with a population over 200,000 have been classified as "dirty air" or nonattainment areas (that is, they won't attain primary air quality standards by July 1, 1979). These areas have up to 5 more years to meet primary air standards, but this extension will be given only if the revision of the State Implementation Plan (SIP) includes adequate control measures to assure attainment of federal standards by December 1982.

Cities that have high levels of photochemical oxidants and CO from heavy traffic may obtain another five-year extension (until 1987), provided their air-quality implementation plans include vehicle inspection and maintenance programs and other transportation controls.

In these nonattainment areas, state and local officials may select one of two approaches in approving new economic development. A state agency could carry out an emission offset policy which requires pollution increases from a new source to be more than offset by decreases from existing sources. Or municipal governments could operate their own growth policy, if they have programs which provide incremental reductions in air pollution to assure attainment of the standards by the deadlines. These local programs could include land-use controls, transportation controls or stricter emission requirements.

If the State Implementation Plan is rejected by EPA for lack of local government involvement in the revision or because of other inadequacies, stiff sanctions will automatically be imposed against the cities and regions covered by that plan. The U.S. Department of Transportation is prohibited from making construction grants (except for mass transit, safety and air-pollution improvement projects) to any jurisdiction covered by a rejected or unsubmitted SIP; EPA grants are likewise prohibited. Also, no new or modified stationary sources will be permitted in jurisdictions covered by faulty plans, thus halting economic growth in the area.

☐ *What are the major air quality problems in your community? What strategies for controlling these problems are outlined in your State Implementation Plan? Have any of these strategies been implemented? How adequate are they?*

☐ *Has your state started to revise its air-quality implementation plan? Does the state have a program to involve citizens in this revision process?* (The Clean Air Act *requires* citizen participation in the planning process.)

☐ *Is your city or metropolitan region classified as a non-attainment area (i.e., exceeding federal air-quality standards)? If yes, has your city proposed a program or special measures to reduce air-pollution levels?*

☐ *Does your city have a transportation-control plan as part of its program to reduce air pollution? What control measures are identified and have any of these measures been enforced?*

☐ *Does the air-pollution control plan for your city propose land use policies to reduce emissions from motor vehicles and industry?*

Water quality

☐ *What are the major water-quality problems in your community? What efforts have state and local authorities made to solve these problems?*

☐ *If your city is part of a designated 208 water-quality planning region, has the plan for your region been completed and approved? What nonpoint source-control measures, such as street cleaning or land-use regulations, has the plan identified? Have any of these measures been implemented? If yes, how effective have they been? If not, when will they be implemented?*

☐ *Can local zoning and subdivision ordinances in your city be used to control stormwater runoff?*

☐ *Does the municipal sewage-treatment plant in your city meet federal standards for bacteria, BOD and suspended solids? Is it well maintained and operated? Are your municipal sewer systems in good condition?*

☐ *Is urban sprawl increasing the cost of sewage treatment in your community?*

☐ *Is your municipal treatment plant releasing toxic chemicals into urban waterways? Are local authorities monitoring the effect of these discharges on the quality of drinking water in downstream communities?*

☐ *Has your municipal government established a monitoring and surveillance program to insure that industrial discharges to public treatment plants are in compliance with EPA regulations?*

Noise

☐ *Is noise a major problem in your community? What are its major sources?*

☐ *Does your city have a noise-control ordinance? Is it being enforced?*

☐ *Does your community need help in analyzing a particular noise problem?* If it does, contact a state or federal noise representative (regional EPA office). Find out how your city can participate in EPA's "Quiet Communities" and "Echo" programs.

In general

☐ *Do the land-use plans for your city consider environmental objectives, such as achieving clean air and water?*

☐ *When highways and major facilities are proposed for your city, do planners and officials consider using physical design features to reduce the project's environmental impact?*

☐ *Does your municipal government have an indirect source review program to evaluate the potential environmental impact of new industrial plants, shopping centers and other major facilities?*

☐ *All metropolitan areas with populations over 50,000 must have approved transportation plans to qualify for federal highway and transit funds. Does the plan for your city give priority to highway construction or mass-transit projects?*

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Environment: A New Focus for Land-Use Planning, edited by Donald M. McAllister, NSF, October 1973. Publication PB237223/AS. $3.00.

Environmental Pollutants and the Urban Economy: Phase 1, June 1972-October 1975, Final Report. The University of Chicago: Center for Urban Studies and Argonne National Laboratory: Energy and Environmental Systems Division. October 1976. Publication ANL-76-XX-69. $6.00. Individual publications derived from this report include:

☐ "Air Pollution and Urban Land Use Policy," Publication PB249122/AS. $3.50;

☐ "Air Quality and Center City Residential Development," Publication PB273015/AS. $4.00;

☐ "Urban Design and Public Exposure to Carbon Monoxide," Publication ANL-76-AA-22. $4.00;

☐ "The Location of Industrial Water Users and Air Pollution: An Overlooked Relationship," Publication PB246670/AS. $3.50;

☐ "Environmental Regulations and Urban Traffic," Publication PB240697/AS. $3.25;

☐ "Energy versus the Environment: The Issues," Publication PB246382/AS. $4.00.

All are available from the National Technical Information Service, U.S. Department of Commerce, Springfield, VA, 22161.

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National Municipal Policy, National League of Cities, 1977. Available from the National League of Cities, 1620 Eye Street, NW, Washington, D.C., 20006, $10.

Progress Report for the Draft Environment Management Plan for the San Francisco Bay Area, September 1977. Prepared by the Association of Bay Area Governments, San Francisco, California.

The Urban Noise Survey, August 1977. Office of Noise Abatement and Control, Washington, D.C. 20460. EPA #550/9-77-100.

Related League of Women Voters' publications

Air Rights for All: Air Quality Maintenance Plan, 1978. (A regional publication of the LWV of the San Francisco Bay Area, 1221 Broadway, Suite 390, Oakland, California, 94612).

Are Jobs Really the Price of a Clean Environment?, 1977. LWVEF #400, 40¢.

Caring About Cities, 1977. LWVEF #675, 50¢.

Curbing Trash, 1978. LWVEF #147, 40¢.

Environmental Update on Water. Controlling Hazardous Pollutants: In Inland Waters, June 1975. LWVEF #591, 25¢.

Federal Environmental Laws and You, revised 1978. LWVEF #564, 75¢.

Getting in the Swim: How Citizens Can Influence Water Quality Planning, 1977. LWVEF #188, 40¢.

Land Use: Can We Keep Public and Private Rights in Balance?, 1974. LWVEF #585, 75¢.

The Municipal Construction Grant Program: Problems and Prospects, 1975. LWVEF #612, 20¢.

Municipal Sludge: What Shall We Do With It?, 1976. LWVEF #627, 50¢.

Natural Hazards: Can Planning Avert Disaster?, 1977. LWVEF #210, 25¢.

Turning the Tap: Think Before You Drink, 1977. LWVEF #342, 15¢.

Update on Section 208: Doing Something About Polluted Water, 1976. LWVEF #585, 75¢.

Update on Section 208. Grime in the Streets: The Problems of Urban Runoff, 1977. LWVEF #189, 20¢.

Update on Section 208. Putting the Pieces Together, 1977. LWVEF #182, 20¢.

Order League of Women Voters Education Fund (LWVEF) publications from the LWVUS, address below.

For more information

The Joint Center for Urban Environmental Studies provides technical assistance and information to organizations and governments interested in developing urban environmental strategies (Address: 1800 N.Kent St., Suite 806, Arlington, VA 22209, (703)528-1818.)

The Urban Land Institute, a non-profit organization, researches and develops publications on land use practices in metropolitan areas. (Address: 1200 18th St., NW, Washington, 20036, (202)331-8500.)

Office of Noise Abatement Control, Environmental Protection Agency, AW-471, Washington, D.C., (202)685-2320.

Printed on paper recycled from 100% consumer scrap.

Researched and written by Marjorie Beane, LWVEF natural resources staff specialist.

Order from League of Women Voters of the United States, 1730 M Street, N.W., Washington, D.C. 20036. Pub. No. 135, 75¢.

URBAN BRIEF 1

SOURCES ON CITIES

Urban issues are front-page news. To keep up with current developments see the daily and periodical press. But for deeper exploration of problems of cities and the urban crisis, here are selected publications that provide facts, opinions, causes and proposals for change. Several contain comprehensive reading lists. For convenience titles have been grouped under categories, but there is considerable overlap because of the interrelatedness of issues.

BACKGROUND

THE URBAN PREDICAMENT, William Gorham and Nathan Glazer, eds. Urban Institute, 2100 M St. NW, Washington, D.C. 20037, 1976, 363pp, $4.95 paper ppd (Order #GURI 14500). Original research by 12 authors zeroes in on key urban crisis issues, analyzing proposals to deal with fiscal problems, housing, crime, education, and transportation. Presents a summary of federal intervention efforts and of national trends that affect urban issues.

THE STATES AND THE URBAN CRISIS, Alan K. Campbell, ed. Prentice-Hall, Inc., Englewood Cliffs, N.J., 1970, 215pp. $2.45 paper. In recognition of state governments' responsibility for cities and metropolitan areas, scholars, journalists and government practitioners examine obstacles to state action on urban problems and the potential for a more vigorous state role. Covers the political containment of cities by an inhibiting suburban-rural coalition as well as constitutional, organizational and fiscal constraints on self-improvement.

URBAN ECONOMIC DEVELOPMENT: SUBURBANIZATION, MINORITY OPPORTUNITY AND THE CONDITION OF THE CENTRAL CITY, Bennett Harrison, Urban Institute, Washington, D.C., 1974, 200pp. (see address above), Order URI 51000, $4.50 paper. Calls for redefinition of urban economic problems and argues that the economy of central cities, despite a range of problems, is still viable if public attention is directed toward restructuring urban government, better land use, and possible public ownership of land.

SETTLEMENT PATTERNS

POST-INDUSTRIAL AMERICA: METROPOLITAN DECLINE & INTER-REGIONAL JOB SHIFTS, George Sternlieb and James W. Hughes, eds., Rutgers University, New Brunswick, N.J., 1975, 267pp. $6.95 paper. Scholarly review of data showing recent migration trends and economic implications, especially for declining areas. Of particular interest are sections on public policy--social and political ramifications of metropolitan decline and the dilemmas of governmental responses to urban problems.

WHERE THE FUNDS FLOW, National Journal, June 26, 1976. Graphic report on how federal spending is disbursed geographically in relation to economic shifts from the Northeast and Great Lakes States to the West and Sunbelt. Region-by-region and state-by-state statistics. (National Journal is a continuing source of information on urban issues.)

OPENING UP THE SUBURBS, Anthony Downs. Yale University Press, New Haven, Conn., 1973, 219pp. $2.95 paper. Contends that exclusion of poor and ethnic minorities from suburbs not only undermines equality of opportunity but helps perpetuate a host of problems by concentrating the burdens of poverty inside central cities. Stresses the need to open up suburbs both economically and ethnically.

FISCAL

ECONOMICS & URBAN PROBLEMS: DIAGNOSES & PRESCRIPTIONS, Richard Netzer, Basic Books, Inc., New York, 1974, 213pp. $7.95 paper. Translates economist's language into nontechnical terms to demonstrate how economic analysis can help decisionmakers and citizens define policy options and evaluate the "payoffs" of reform alternatives.

URBAN FISCAL PROBLEMS. Proceedings of symposium sponsored by the National Tax Association-Tax Institute of America. published in National Tax Journal, 21 East State St., Columbus, Ohio 43215. 367pp $3.50. Fiscal experts analyze causes and cures, covering both expenditure and revenue problems. Reforms include diversification of local revenues, property tax proposals, correcting metropolitan fiscal disparities and redesigning general revenue sharing and block grants, taxable bonds.

FINANCING STATE & LOCAL GOVERNMENTS, James A. Maxwell and J. Richard Aronson, Brookings Institution, Washington, D.C. 1977, 290pp. $4.95 paper. and IT'S YOUR BUSINESS: LOCAL & STATE FINANCE, L. Laszlo Ecker-Racz, National Municipal League, N.Y. 1976, 147pp. $5 paper. Both written in nontechnical language to help the reader form intelligent opinions and effective decisions. The former has more comprehensive detail; the latter is written in more popular language to encourage citizen involvement.

POINTS OF VIEW

UNHEAVENLY CITY REVISITED, Edward C. Banfield. Little, Brown & Co., Boston, 1974. $4.95 paper. This sequel to an earlier work challenges conventional thinking about the nature of the urban crisis. Contends that many well-heralded urban ills--revenue problems, congestion, transportation--are insignificant and easy to solve when compared with the serious quality-of-life problems--crime, poverty, ignorance and racial injustice experienced by the inner city poor and disaffected. Charges that major government programs to aid cities (urban transportation, housing, urban renewal) have not only

LEAGUE PUBLICATIONS ON TAP

National League publications

Refer to your CATALOG FOR MEMBERS AND THE PUBLIC (Printed in the spring 1976 VOTER), CATALOG FOR LEADERS (spring 1976) and the fall 1976 Supplement for many titles related to urban problems, under Natural Resources, Human Rights and Government. The spring 1977 CATALOG FOR MEMBERS AND THE PUBLIC will flag publications relevant to the Cities/Urban Crisis focus. A few of special interest:

FOCUSING ON CITIES/URBAN CRISIS, (CeG). Reviews urban ramifications of national League positions, suggestions for organizing exploration of urban issues, examples of Leagues' urban activities. US, 1977, 6pp. #344, 40¢.

SUPERCITY/HOMETOWN USA: PROSPECTS FOR TWO-TIER GOVERNMENT. Describes efforts to strengthen government structures on regional and neighborhood levels in metropolitan areas. EF, 1974, 138pp. #477, $1.95

WHO PAYS FOR URBAN TRANSPORTATION? (F&I) Arguments for balanced transportation systems vs. unlimited use of automobiles. EF, 1971, 6pp. #700, 35¢.

ENERGY 9: THE CITIES. Brief overview of energy issues affecting cities and their people. EF, 1974, 2pp. #480, 15¢, 25/$1.

Local League publications

THE URBAN CRISIS: A LOOK AT NEW YORK CITY'S FINANCIAL PROBLEMS. Series of reports by League members. LWV of the City of New York, 817 Broadway, New York, NY 10003. $1.25.

VISION OF A CITY. Results of first of two parts of local League study seeking characteristics of the good city, including sections on downtown vitality and neighborhood quality. LWV of Seattle, 1402 18th Ave., Seattle, WA 98122. 1976. $1.

PRODUCTIVITY-LOCAL GOVERNMENT AND YOU: A GUIDE TO WHAT, WHEN, HOW. What one League learned from a LWVEF project about the importance of improving productivity of local government as a means of stretching tax dollars and about the ways citizens can participate. LWV of Rochester Metropolitan Area 11 N. Goodman St. Rochester, N.Y. 14607.1976, 13pp, 50¢ plus postage.

See Leaders Catalog classified ads for other titles.

failed to address but made these problems worse.

THE DEATH AND LIFE OF GREAT AMERICAN CITIES, Jane Jacobs. Vintage Books, Random House, NY, 1961, 458 pp. $1.95 paper. This classic derives from the author's love affair with cities. Attacks the planning policies that dictated vast urban renewal programs and rebuilding efforts, advocating instead new principles and practices of planning to promote social and economic vitality. Later developments in thinking tend to reinforce her conclusions.

THE HEART OF OUR CITIES: THE URBAN CRISIS: DIAGNOSIS AND CURE, Victor Gruen. Simon and Schuster, NY, 1964 368pp. $4.45 paper. Looking inward, Gruen asserts that revitalization of the heart of our cities is one of America's urgent tasks. Discussing whether planning helps or hinders, he opts for planning--if we know our goals and if we know what we want our cities to look like and why. Describes "anti-city" forces that have given spread, sprawl and scatteration to launch his counterattack for the rebirth of the core area.

THE UNWALLED CITY, REBUILDING THE URBAN COMMUNITY, Norton E. Long, Basic Books, NY, 1972, 208pp. $8.45 cloth. States that the cities are sick not so much from lack of money as from failure to use their resources to improve the local economic climate--an admittedly unpopular view. Sees a possible future for the city as a "human cooperative," by starting with inventorying and marshalling the city's many resources, including the human ones.

PERSPECTIVES ON URBAN AMERICA, Melvin I. Urofsky, ed. Anchor Press/Doubleday, Garden City, NY, 1973, 307pp. $2.95 paper. Series of essays on such urban issues as racism, crime, education, environment, planning, financial, citizen involvement and federal impacts on cities written by urban scholars, planners and former LWV staffers. Refutes contentions that cities are dying; calls for national leadership to relieve cities of problems of total society, which are not of their own making, so that cities can realize their considerable potential.

OPTIONS FOR REFORM

REBIRTH OF THE AMERICAN CITY. Hearing record of House Committee on Banking, Currency & Housing, Sept. 1976, 1233pp (2 vol.), free while they last from the committe or your congressman. Urban strategists from research and academic institutions advocate proposals for reform, and neighborhood activists relate success stories of "bootstrap" revitalization projects. Issues include employment, housing rehabilitation, strengthening neighborhoods, reallocation of federal, state and local funding and functions, local tax reforms, federal priorities and urban design.

CITIES IN TROUBLE, David T. Stanley. Academy for Contemporary Problems, 1501 Neil Avenue, Columbus, Ohio 43201, 1976, 16pp. Single copies free. Which ones, how much trouble, why, and what can be done? Analyzes criteria used by a variety of authorities and lists cities threatened by fiscal disaster and in long-term decline. Discusses why cities are in trouble and outlines available options for reform at federal, state and local levels. Useful for getting a handle on the city problem. More detailed analysis of specific areas for reform is available from the same source: URBAN OPTIONS I (state and local agenda, private delivery of public services, neighborhood empowerment, metro-regionalism, land management) 149pp. and STATE & LOCAL EMPLOYEE PENSION PLANS: WATCHING FOR TROUBLE, 13pp.

RECOVERY OF AMERICAN CITIES, Paul Porter. Two Continents Sun River Press, NY, 1976, $8.95. The former head of the Marshall Plan offers a plan to bring the white collar middle class back from the suburbs through a major urban rebuilding program and to help the inner city unemployed to relocate in industrial areas where the jobs are. He thinks cities should adapt to rather than resist the forces behind urban decline and decentralization.

IMPROVING URBAN AMERICA: A CHALLENGE TO AMERICAN FEDERALISM, Advisory Commission on Intergovernmental Relations, 726 Jackson Place NW, Washington, D.C. 20575, 1976 283pp, single copies free. Presents a broad and bold program for meeting urban needs. ACIR recommends specific reforms to achieve fiscal balance in housing and urban development policies; local government structure and management of services, finances and personnel; coordination of multi-state and substate regions and special function governments; crime reduction.

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URBAN BRIEF 2

WHO'S IN CHARGE? 1977

Who are the leaders in developing and activating strategies to deal with the problems of cities? Given the interconnections of urban issues and a new Administration and Congress, that leadership and the arenas for action are still difficult to pinpoint. Here is a reading at the federal level in the early months of the Carter administration and the 95th Congress.

ADMINISTRATION

President Carter, during his campaign, expressed strong support for cities--through jobs, welfare, direct aid to cities, housing, transportation and crime programs coupled with a close working partnership with the nation's cities. During the transition period, he announced urban priorities in three general areas: more precise targeting of federal aid where the need is greatest (i.e. revising allocation formulas for federal aid to help ailing cities), use of public dollars to stimulate private reinvestment, and untangling the red tape that often frustrates intergovernmental operations. Of course, his economic stimulus proposals, announced shortly after he took office, have significant implications for cities--especially public works, public service employment, job training, jobs for youth and countercyclical revenue sharing.

Just who is taking the lead in the new Administration in translating these priorities into action is still unclear. The cast of characters is becoming known but how they will interrelate is another matter.

White House

President Carter's background as a governor, with experience working with both the federal government and local governments, indicates that he is likely to devote personal attention to urban affairs and intergovernmental relations. Three members of his staff appear to have prime responsibilities:

- Stuart E. Eizenstat, presidential assistant for domestic policy, has been assigned to develop legislation related to cities among his other domestic duties. The assignment puts him in a lead position for urban policy development for the Administration.
- Jack H. Watson Jr., Cabinet secretary and coordinator of intergovernmental relations, is (under the latter function) Carter's liaison with the mayors, governors and county officials and troubleshooter for their problems with the federal government.
- Bert Lance, director of the Office of Management and Budget, has the responsibility and staff capability for implementing the various directives for distributing federal funds to state and local governments. Because both Eizenstat and Watson have additional duties besides urban concerns and because of the reduction in the White House staff, Lance and OMB may end up with a strong role in managing intergovernmental matters.

Cabinet

Carter is committed to use his Cabinet secretaries more extensively than recent administrations. In the light of White House staff reductions and Eizenstat's other domestic policy duties, it is likely that more policy development, as well as policy management, will fall to the departments. It will be interesting to watch how Eizenstat and the Cabinet will handle their shared policy-making duties. (In reality, the line between making policy and managing it are often blurred. Management strategies, such as the allocation formulas mentioned below, can determine policy as well.)

The Cabinet department with the most obvious urban responsibilities is the Department of Housing and Urban Development (HUD), although many other departments are clearly involved.

"Targeting" or allocating aid to areas of greatest need, is a key issue at HUD (and at other departments that dispense federal aid to cities). A recent Brookings Institution study sponsored by HUD shows that the present allocation formula for Community Development Block Grants (CDBG), which HUD administers, favors fast-growing towns and cities, which lie mostly in the South and West, at the expense of the older declining cities, located mostly in the northeast quadrant. At issue: a new formula might cut the pie differently and alleviate both the fiscal burdens of older declining central cities and the growing pains of burgeoning communities.

HUD has proposed adding a factor of age of housing to the formula, in order to direct more funds to cities with old and deteriorating housing. The proposal is tied to a request for a three-year extension of the CDBG program, progressing from $4 billion to $4.15 to $4.30 annually. Secretary Patricia Harris, who has already identified herself as a friend of the cities, also proposes a $400 million-a-year action fund to be used for dealing with the most critical urban problems on a flexible emergency basis.

Other key HUD appointees (subject to confirmation) include Robert E. Embry Jr., Baltimore's former housing and community development commissioner as assistant secretary for community planning and development; Donna Shalala, former professor at Teachers College at Columbia University and treasurer of Municipal Assistance Corporation as assistant secretary for policy development and research; Geno Baroni, from the presidency of National Center of Urban Ethnic Affairs to the new post of assistant secretary of neighborhood development, consumer affairs and regulatory functions.

All the other domestic departments and many independent agencies bear watching. Of special interest:

- Commerce, particularly the Economic Development Administration (EDA), where targeting is also a key issue. EDA has been under attack by large-city mayors for an apparent rural-suburban bias in allocating anti-recession public works funds. In a number

of cases, small communities with relatively low unemployment got more than large cities with high unemployment. Secretary Juanita M. Kreps has pledged that large cities and other high unemployment areas will fare better in the next distribution of funds and that Commerce will use its influence to stimulate private reinvestment in depressed cities.

•Treasury, where an urban development bank (Urbank) is under consideration to provide low-interest federal loans to cities and businesses willing to locate in them. Plans for it are high on the agenda of Secretary W. Michael Blumenthal's new urban office.

•Health, Education and Welfare, where Secretary Joseph Califano is chairing an intergovernmental task force on welfare reform. If that reform meant assumption of a larger share of welfare payments by the federal government, this change would have strong implications for cities and states. Almost the entire panoply of HEW programs are significant to cities because of the urban concentration of health, educational and welfare problems. (Another significant development: the large cities are now discovering what many others have already discovered--that federal aid to schools is dependent on HEW's assessment of nondiscrimination practices. New York City faces possible loss of $200 million for alleged discrimination.)

•Transportation,with its responsibility for the Urban Mass Transit Administration

•Labor, which manages manpower training and other stimuli to reduce unemployment, which is greatest in the older, declining cities. Jobs are basic to the long-term recovery prospects for cities.

•Defense, whose decisions about locating installations can add or subtract jobs in the surrounding area. Northeastern cities are particularly concerned.

Independent federal agencies significant to urban problems include those dealing with small business, environmental protection, banking and mortgage practices, energy (which, subject to Congress' reaction to Carter's reorganization plans, may move to departmental status) and others.

CONGRESS

Urban overtones could be detected in the early weeks of the 95th Congress: reorganization of Senate committees, shifting some of the functional areas that relate to the cities...a new House Subcommittee on Citis, with a mandate to look at (although not act upon) urban problems as a whole rather than in their segmented legislative parts...introduction of bills, discussed below, designed to spotlight the importance of neighborhood vitality.

Senate

Sen. William Proxmire (D-Wis), chairman of the Committee on Banking, Housing and Urban Affairs, has introduced three city-oriented bills early in the session--one to establish a National Commission on Neighborhoods to study and make recommendations to strengthen neighborhoods (National Neighborhood Policy Act, S.417), to encourage neighborhood preservation (Neighborhood Preservation Act of 1977, S.411) and to encourage financial institutions to meet credit needs of their communities (Community Reinvestment Act of 1977, S.406)

Under reorganization, many urban-oriented responsibilities are grouped under this committee, including urban development, public and private housing, urban mass transit, financial aid to commerce and industry, monetary policy, money and credit.

While reorganization increased this committee's scope over urban affairs, it also underscored the reality that the problems of cities are so varied and interrelated that it is almost impossible to lump them for assignment to one committee. Other relevant committees and functions include:

•Environment and Public Works (solid waste, air, water and noise pollution, improvement of rivers and harbors, public works, bridges and dams and regional economic development.)

•Finance (general revenue sharing)

•Governmental Affairs (intergovernmental relations)

•Human Resources (education, labor, health, public welfare, vocational education and the study of income maintenance.)

•Agriculture (food stamps)

•Energy and Natural Resources to the extent that it is concerned with location of energy installations.

•Armed Services to the extent that it is concerned with the location of military installations.

House of Representatives

Rep. Henry S. Reuss (D-Wis.), chairman of the Banking Currency and Urban Affairs Committee, has formed and staffed a new non-legislative subcommittee on the city. Reuss, who conducted two weeks of hearings in September 1976 on the "Rebirth of the American Cities," is chairing the subcommittee himself. He has outlined these policy considerations he believes must be addressed:

1. Jobs: to bring jobs to the people in the cities; to take the people to where the jobs are; and interim public service jobs.

2. Restructure federal aids to cities: assume welfare benefits; equalize the transfer of funds; revise formulas for grants in aid.

3. Conservation of neighborhoods, land and energy.

4. Equalize tax burdens among area jurisdictions.

His subcommittee will be conducting hearings on the experience of foreign cities, on the distribution of federal grant-in-aid funds to cities, and on energy and land use as they affect cities.

Other items on the subcommittee's agenda--whether by hearings, studies or other means: neighborhood revitalization, impact of federal programs on cities, economic decline of central cities, streamlining operations of state, regional and local governments. Special projects planned are an analysis of the federal budget, tracking the flow of federal funds to cities, and publication of a set of urban indicators designed to reflect the well-being (or lack thereof) of cities.

As new people, with new promises and hopes, and new ways to deal with urban problems begin to fall into place, urban buffs around the country will want to monitor both ends of Pennsylvania Avenue to see what kind of impacts federal policies and programs (existing and proposed) will have for the future of cities.

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URBAN BRIEF 3

NATIONAL URBAN POLICY: THE PRESIDENT'S PROPOSALS

America's communities are an invaluable national asset. They are the centers of our culture, the incubators of new ideas and inventions, the centers of commerce and finance, and the homes of our great museums, libraries and theaters. Cities contain trillions of dollars of public and private investments--investments which we must conconserve, rehabilitate and fully use.

Jimmy Carter, March 27, 1978, Urban Policy Message

President Carter unveiled his proposals for a national urban policy under the slogan, a "New Partnership," to involve all levels of government, the private sector, and neighborhood and voluntary organizations. He envisions a long-term effort "to make America's cities better places to live and work."

Although other administrations have contended with a multitude of urban problems, this was the first effort to pull together an umbrella "urban policy." It came after a year of interdepartmental policy deliberations, punctuated by well-publicized struggles for power.

The "New Partnership," Carter maintains, recognizes the changes in federal/state/local relationships as strong federal control of categorical aid programs of the sixties relaxed under the "New Federalism" of the early seventies, giving state and local governments greater responsibility for use of federal aid. He says that experience shows that neither the federal government nor the state and local governments by themselves can solve deep-seated city problems that have developed "over a generation as a result of private market and demographic forces and inadvertent government action."

ACTIONS ALREADY UNDERWAY

The President stressed that prior commitments are as much a part of his urban policy as are the proposed new initiatives. The message notes that federal aid to state and local governments is up 25% in his proposed budget (from $68 billion in FY 1977 to $85 billion in FY 1979) and more is targeted to cities in distress.

Carter cites as part of his urban policy both recently enacted measures (e.g., Community Development Block Grants [CDBG] with higher funding levels and a formula targeted to aid old declining cities; supplementary "action grants" for distressed cities; expanded youth and training programs; public service employment programs; an economic stimulus package, which provided fiscal aid to cities and states) and those still in the works (e.g., a private sector job program in the reauthorization proposal of Comprehensive Employment and Training Act [CETA]; education assistance, targeted more to large city school systems with concentrations of children of low-income families; the welfare reform proposal [Better Jobs and Income Act], especially the fiscal relief provision; more funds for housing rehabilitation loan programs).

NEW URBAN INITIATIVES

The President's package of "new" initiatives includes some that are already being implemented through administrative action, some requiring legislation and some still on agency or departmental drawing boards. He emphasizes that many of his initiatives will cost no money. He referred to over 150 no-cost strategies, identified by his interagency task force, to make existing federal programs more supportive of urban areas. Examples he cited include:

- Modifications in Environmental Protection Agency (EPA) water and sewer programs to discourage sprawl.
- Amendments in EPA regulations to permit cities with high air pollution to "bank" reductions in pollution resulting from firms going out of business; the reductions could be transferred to new firms locating in the community.
- More support for urban housing assistance in the Tandem Mortgage Assistance program.

Total cost estimates projected in the proposed urban package come to an additional $8.3 billion over the next three years; for FY 1979, $4.4 billion in budget authorizations (but only $742 million in actual outlays), $1.7 billion in tax expenditures and $2.2 billion in loan guarantees.

The President categorized his new initiatives under "five major urban needs:"

1. Improve Federal, State and Local Government Operation

■ An Interagency Coordinating Council, consisting of assistant secretaries of the "key urban departments" and directed by the Executive Office of the President will coordinate multi-agency programs and improve operational techniques (e.g., uniform grant applications).

■ Urban and community impact analysis must be included in each "domestic initiative" submitted by an agency. The Domestic Policy Staff and the Office of Management and Budget (OMB) will review programs to insure that no action inadvertently contradicts urban goals. Any anti-urban bias is to be brought to the President's attention.

■ Community and economic development planning requirements are to be consolidated by an interagency task force, headed by the director of OMB, which is also to improve the management of federal grant-in-aid programs.

■ Improved urban data and information are to be developed by a Statistical Policy Coordination Committee, headed by Secretary of Commerce.

To enhance state and local roles, the President also proposes: state incentive grants, administered by HUD ($200 million each in FY 1979 and 1980) to those states with plans to give their cities fiscal and economic development assistance; and technical assistance to local governments by HUD and Commerce to improve management and planning techniques.

2. Employment and Economic Development

The job shortage and declining tax base of the nation's cities will be addressed in the following ways:

■ Labor-Intensive Public Works. This $1 billion-a-year program (3 years) proposes to create approximately 60,000 full-time jobs annually to rehabilitate public facilities; half the jobs will be targeted to areas of high unemployment for hard core jobless.

■ Targeted Employment Tax Credit. Businesses that employ disadvantaged youth and handicapped could claim a

$2,000 tax credit for each eligible worker the first year and $1,500 for the second year ($1.5 billion a year).

■ Location of Federal Facilities. The General Services Administration (GSA) is to give priority to cities when choosing new locations for federal facilities.

■ Federal Government Procurement. The GSA will work with each agency to develop specific targets for buying needed materials and to monitor implementation. Also, the Defense Department is to target more of its procurement to high unemployment areas.

■ National Development Bank, headed by Secretaries of HUD, Commerce and Treasury, would be authorized to guarantee investments ($11 billion through 1981) to long-term, low-cost financing which will reduce an industry's financing costs by up to 60 percent, encouraging them to locate or expand in distressed urban and rural areas. A key test of project eligibility will be increased employment.

■ Economic Development Grants. Increases of $275 million each for urban development action grants and EDA grants to state and local governments will be used in conjunction with the financing incentives of the National Development Bank.

■ Differential Investment Tax Credit. Firms that locate or expand in distressed areas will be eligible for a differential 5 percent investment tax credit, to a total of 15 percent for both structures and equipment (up to $200 million as authorized by Commerce).

■ Air Quality Planning Grants. To help cities comply with the Clean Air Act without limiting private sector investment, a $25 million planning grant program for FY 1979 is proposed. EPA, HUD and EDA are to help cities reconcile air quality and economic development goals.

■ Minority Business. By the end of FY 1979, President Carter plans to have tripled minority business procurement. All agencies are to develop goals and timetables for minority participation in their contracts and grants.

■ Role of Private Financial Institutions. To encourage the private sector's role in meeting community needs, independent financial regulatory agencies are to:

- discourage redlining and develop regulations to implement the Community Reinvestment Act;
- create an Institute for Community Investment, under the Federal Home Loan Bank Board, to train appraisers, realtors, lenders, building and insurance companies in a consistent approach to urban lending;
- set up Neighborhood Commercial Reinvestment Centers, composed of local merchants, residents, government officials and commercial banks, to provide business credit in urban neighborhoods (pilot project under the Comptroller of the Currency);
- evaluate credit availability in urban areas by an interagency task force chaired by Secretary Harris.

3. Fiscal Assistance

To avoid severe service cutbacks or tax increases in cities, President Carter proposes:

■ Supplemental Fiscal Assistance. To replace the soon to expire Antirecession Fiscal Assistance Act (countercyclical revenue sharing): $1 billion is to be targeted for the next two years to local governments experiencing fiscal strain.

■ Fiscal Relief in Welfare Proposal. The provision of the Better Jobs and Income Act will be phased in upon enactment rather than in 1981 as originally planned.

4. Community and Human Development

Carter urges that any revitalization efforts include both physical facilities (parks, transportation, housing) and health and social services.

■ Housing Rehabilitation. An additional $150 million will be designated for the Section 312 rehabilitation loan and Urban Homesteading programs.

■ Urban Transportation. An additional $200 million has been designated to rehabilitate, revitalize and construct urban transportation systems.

■ Resource Recovery Planning. President Carter has requested $15 million for EPA to provide $300,000 to $400,000 seed money grants to cities to study the feasibility of solid waste recovery systems.

■ Arts and Culture. A new Livable Cities program, under HUD and the National Endowment for the Arts, will give grants (up to a total of $20 million) to states and communities.

■ Urban Parks and Recreation. "Challenge grants," competed for by urban communities, will provide for construction and rehabilitation to meet recreation goals.

■ Social Services. $150 million is to be used to improve the delivery of social services and to coordinate local, public and private agencies.

■ Health Services. Federally supported community Health Centers are to be expanded and new city-sponsored programs providing comprehensive, less costly primary care services are to be funded.

■ Education. The Cities in Schools program, which seeks to link schools and other community and social services, is to be expanded by 10 pilot schools ($1.5 million). Further, Congress has been asked to increase the Title I program of the Elementary and Secondary Education Act by $600 million, of which $400 million is to be for cities and other areas with high concentrations of low-income families.

5. Neighborhood and Volunteer Organizations

Carter acknowledges the importance of citizens' associations and volunteer groups in combating urban decline.

■ Urban Volunteer Corps. A $40 million program in ACTION would be used to create a corps of volunteers to serve the needs of local governments, community and neighborhood organizations. Small grants, averaging $5,000, will be given for beautification and other projects.

■ Self-Help Development Program. A $15 million neighborhood self-help development program will support housing and revitalization projects in low-income areas--each project including the participation of local residents, private sector and local government.

■ Crime Prevention. The Law Enforcement Assistance Administration and ACTION will operate a new program ($10 million) in which mayors and neighborhood groups will develop community crime prevention programs.

■ Community Development Credit Unions. A $12 million program will provide seed capital for additional Community Development Credit Unions in urban communities not served by any financial institutions.

IN CONCLUSION

Early reaction to the President's urban policy message was mixed. Big-city mayors and spokesmen for minorities hailed the intent but urged higher funding levels. Representatives of counties, which have a high suburban representation (including some jurisdictions in fiscal distress), said they fear the policy is biased in favor of central cities. Governors approved state incentives but decried the low level of funding. Neighborhood groups favor direct funding of their projects, while city officials prefer that such funding pass through local governments.

The President's policy faces major tests: Can administrative agencies coordinate and target under the direction of the Executive? Can a "partnership" between competing constituencies such as neighborhood groups, mayors, the private sector and government survive? Lastly, what will happen in Congress, which is a microcosm of diverse regional priorities and which has not been entirely sympathetic to proposals the President has sent to the Hill so far?

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CITIES IN CRISIS: TAXES, BUDGETS AND SERVICES

current focus

Though the urban crisis has many dimensions, one of the most tangible is the squeeze on city budgets. In cities with declining economies in particular, budgetary pressure brings home the reality of scarce resources and heightens the conflict over public objectives.

There are numerous ways to resolve a budgetary imbalance. A city may choose to impose higher taxes on the citizenry or to trim the provision of selected services — actions that tend to inflict costs on different parts of the city population. Alternatively, public sector employees may be asked to bear the brunt of budgetary adjustments through layoffs and wage freezes. Or, the fiscal pressure may be transmitted to later generations by deferring maintenance of the public capital stock or underfunding public pension systems. Even if the state or federal government intervenes to assist the city, there are costs involved. Reliance upon such external aid injects an element of risk into a city's fiscal future. What happens if the aid is later cut off? Also, financial aid usually carries with it a burdensome assortment of regulations and mandated service responsibilities.

Most city governments weathered the 1974-76 recession better than might have been expected. None (unless New York City is considered the exception) failed financially. For most cities, the increases in local tax burdens were modest, considering the shocks their economies had to absorb. The reason, of course, was the massive inpouring of federal aid under the Economic Stimulus Program. Ironically, this very surge in federal funding now poses problems for the future. Recent rates of growth in federal assistance to cities cannot be sustained — indeed, some of the temporary federal aid programs may be terminated in 1978. Though increases in local revenue resulting from economic recovery will take up some of the slack, the larger and older cities face continuing budgetary pressure.

The prospect of tight resources lends urgency to the need for local tax and spending structures to be set in order. The current period also offers special promise for fiscal innovations. The omens are strong, particularly for state-initiated reforms. In the past, state governments have embarked on local aid reforms once they accumulated ample surpluses in their own accounts. State budgetary surpluses are now running at the highest rate on record. With the right incentives, fiscal reform at the state level may result in more permanent help to cities than have the temporary countercyclical programs adopted to date by the federal government. At the same time, the battles over the division of surpluses may produce other types of reforms which permanently limit the ability of governments to raise resources for public purposes.

The author of this publication is George E. Peterson, who is Director of Public Finance Programs for The Urban Institute. This CURRENT FOCUS draws upon material from a forthcoming Urban Institute book, *Monitoring Urban Fiscal Conditions,* prepared by its Public Finance staff.

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The money: Where it comes from, where it goes

The cities' revenue picture

The revenue side of local budgets (including cities, towns, counties and other governmental units) is distinguished by two dominant characteristics: a large and growing reliance on external aid and a large but diminishing reliance on property taxation. Between them these two sources of revenue account for more than three-fourths of local governments' general income. Though not properly regarded as a "revenue" item, tax-exempt borrowing is another important part of a city's financing capacity, essential to long-term capital investment.

State and federal aid

In 1976, the last year for which full information is available, local governments as a whole received about 8 percent of their revenues from the federal government and about 35 percent from the states, much of the latter ultimately financed by federal funds as well.

Cities draw more heavily upon external assistance than do other units of local government. Especially since 1976, there has been an explosion of direct federal aid to cities. It has been estimated by the Advisory Commission on Intergovernmental Relations that in 1978 the general-purpose governments of the largest cities — those with populations of 500,000 or more — will receive almost 50¢ in direct federal aid for each dollar they raise in local general revenues. The principal elements of federal aid expansion to cities have been the programs contained in the 1976 Economic Stimulus Package (public service employment, emergency local public works, and antirecession fiscal assistance), together with more sharply targeted formulas for allocating community development block grants and capital grants for construction of municipal wastewater systems. (See *Cities in Crisis: The Impact of Federal Aid* for a description of these programs and their importance to cities.)

The apparent tilt toward dependence of cities on direct federal funding has been a source of concern

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Table 1. Percent of local expenditure growth covered by state and federal aid increases
(selected city governments, 1970-75)

City	Dollar increase in external aid as percent of dollar increase in local general expenditure
Pittsburgh	139%
Baltimore	97%
Buffalo	65%
Cleveland	62%
Detroit	62%
Atlanta	62%
Philadelphia	61%
St. Louis	59%
Chicago	54%
Indianapolis	48%
Jacksonville	48%
San Antonio	48%
Boston	46%
New York City	46%
San Diego	46%
Phoenix	43%
Los Angeles	40%
San Francisco	37%
Houston	28%
Dallas	24%

to some observers and undoubtedly represents a significant departure in federal fiscal arrangements. However, many special factors need to be borne in mind in interpreting the new federal aid figures. The largest of the new programs, and the one destined to grow most rapidly over the foreseeable future, is public service employment operated under the Comprehensive Employment and Training Act (CETA). Though structured as a grant program, CETA actually uses local governments as agents to carry out national employment policy. In the depths of the 1974-76 recession, many municipalities used public service employment funds to rehire municipal employees or to avoid the necessity of further layoffs. But the CETA program has been refashioned, with stricter limits on salaries and recruitment, to increase the probability that those hired represent net additions to the employment rolls. Now it is much harder for cities to use CETA monies to pay for ordinary municipal functions by substituting federally sponsored workers for locally financed workers. Other federal grants also fall into the "exceptional" category. For example, emergency local public works aid financed $6 billion of local public capital spending during 1976-78. Instead of creating a new dependence on federal funds, this one-time program has helped relieve a part of cities' future capital needs.

Whether the abrupt rise in the share of federal grants in the budgets of older cities represents a commensurate rise in their "dependence" upon federal funding is thus open to question. For an accurate reading, one would have to determine how greatly a city's service functions (or tax rates) would be disrupted by withdrawal of federal funds. Such projections can best be made at the local level. Indeed, some cities have shared with the public their contingency plans, showing what they would do if federal aid programs terminated according to schedule and identifying the implications of these actions for government employment, service levels and local tax rates.

For example, the city of San Diego in a document entitled *Six-Year Program and Financial Plan, 1978-83,* provided an estimate of how much the city would pay to replace current public service employment positions in the event of federal funding withdrawal. It was projected that the city would retain 178 of the 400 federally funded positions, at an approximate cost to the city of $2.5 million per year. As it turned out, it was not necessary for San Diego to implement its contingency plan, because federal funding was renewed. Similar prudent planning on the part of cities is likely to become more important in the future, however, as some of the temporary federal assistance programs actually are phased out.

Aid and spending growth

Though there is room for disagreement as to the dependence it has bred, there is no doubt whatsoever that the last decade has witnessed strong growth in external funding for cities, even before the recent spate of antirecession assistance. This growth has enabled many cities to increase their public spending levels without greatly increasing their local tax burdens. Table 1 illustrates the relation between external aid growth and expenditure growth for selected large cities over the period 1970-75. The figures measure the growth in state and federal aid to general-purpose city governments as a percentage of the growth in city expenditures. Some cities, such as Pittsburgh, where the dollar amount of aid growth exceeded the dollar amount of spending growth, were actually able to cut local tax revenues without cutting local services. Most of the other old, frostbelt cities had large shares of their spending growth covered by aid increases, a pattern that would appear even more pronounced if the period of comparison were extended to 1977-78.

These aid growth/expenditure ratios explain why the older cities' budgetary difficulties have not been more severe than they are. In effect, a large share of the spending growth of these cities has been financed by taxpayers elsewhere in the state or nation.

At the same time, the aid growth/expenditure ratios point to a major element of risk in the cities' fiscal future. Should injections of external assistance cease to grow, forcing cities to fall back on their own resources for expenditure increases, abrupt financial pressures could emerge. A simultaneous slowdown of the national economy and external aid growth did in fact contribute to the onslaught of fiscal troubles for cities in 1975—especially New York City. The 46-percent aid growth/expenditure ratio reported in Table 1 for New York masks an extraordinary growth in external aid over the period 1965-73, followed by much slower growth during the period 1973-75 just before the city's financial crisis.

The local tax structure

Part of the financial squeeze older cities suffer can be traced to the American system of federalism, which has endowed the federal, state and local governments with sharply different tax structures. All governments must draw on a limited set of tax mechanisms. How these are allocated between the different levels of government greatly affects the ability of each to raise revenues on its own initiative, without outside assistance.

Personal and corporate income taxes The principal sources of tax revenue for the federal government are taxes levied upon personal and corporate incomes. Almost all states now levy income taxes as well, but relatively few cities rely extensively upon income taxation. (Only 15 of the largest 48 cities have an income tax.) In many cases, cities are prohibited from imposing income taxes by their states.

Because cities remain work centers, one of the main attractions of an income tax to city governments is the ability to tax nonresidents who commute into the city during the day. City governments believe that commuters who use city services should contribute to a greater extent to their support. In this way a portion of the local tax burden can be "exported" beyond the city borders. However, these so-called commuter taxes have encountered resistance both from those who would be subject to taxation and from suburban communities, which have argued that taxation of their residents at the place of work jeopardizes the suburban tax base.

The search by cities for ways to tap incomes earned within the city, without violating state limitations, has produced a number of variants on the income tax. These include wage or payroll taxes, professional "franchise" taxes (i.e., levies upon doctors, lawyers or other professionals to secure a license to practice within the city), as well as reciprocal agreements with other jurisdictions to share income taxes between place of residence and place of work.

Property taxes Property taxation has been the primary source of local tax revenues since at least the eighteenth century. The property tax was introduced into the New England colonies a few years after the first settlement there. In the beginning, it was conceived as a universal tax upon wealth or the capacity to earn income. A household's tangible property — its land, house, livestock and farm equipment — constituted the vast majority of its wealth, but the property tax was also extended to professional titles, on the grounds that these constituted a valuable form of "property" from which the owner earned income. The comprehensive nature of the original property tax is illustrated by a Connecticut statute passed in the early seventeenth century. The statute required that:

> "The Commissioner for the Towne ... shall ... make a true estimation of all personall and reall estates being (or reputed to bee) the estate of all and eury the persons in the same Towne... viz: of howses, lands of all sortes, as well vnbroken vp as other (except as doth or shall lye in common...), mils, shipps, and all small vessells, merchantable goods, cranes, wharfs, and all sortes of Cattle, and all other knowne estate whatsoeuer...allso all visible estate either by sea or on shore....

The subsequent history of the property tax has been one of a gradual but persistent paring down of the basis of taxation. Today, the property tax is levied essentially on residential housing; farm property; and commercial-industrial land, buildings, and (in some states) fixed machinery. While this revision of the property tax base has made assessment more feasible, it has narrowed tax burdens to the point where the original link between property taxes and total household wealth, or earning capacity, is frequently difficult to discern.

As presently administered in the United States, the property tax is levied on the assessed valuations of property. Assessment values, in turn, are supported to reflect the market (or true) values of property, either at 100 percent of market value or at some designated proportion of market value. Inaccuracies of assessment, however, remain one of the major shortcomings of the property tax.

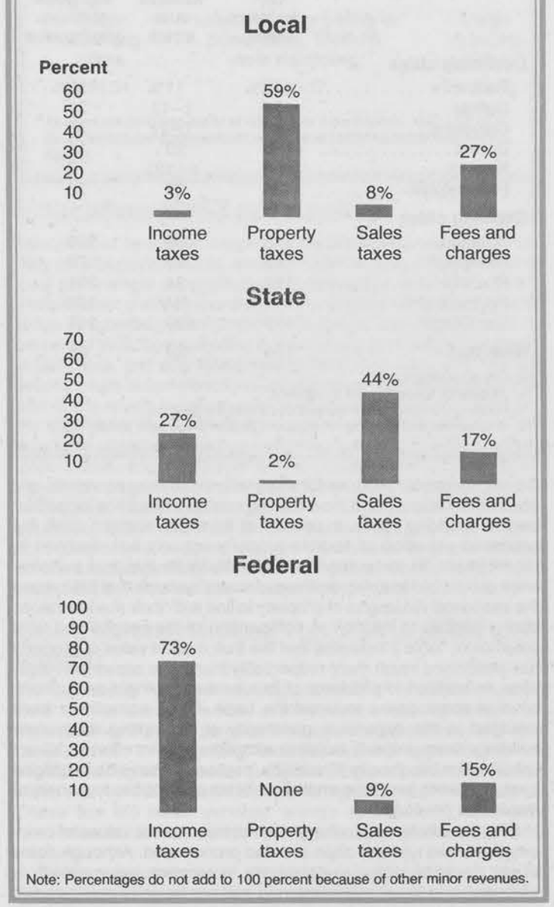
Almost half of all property tax revenues are now collected from taxes on single-family homes, about 10 percent from multifamily residential units, 25 percent from commercial and industrial property and 12 percent from agricultural property. The proportion of industrial and commercial valuations in the property tax base is greatest in the cities, but even in large cities residential housing typically constitutes the largest category of taxable property.

Sales taxes commonly are divided into two classes. General sales taxes are imposed at a uniform rate on most goods and services. Special sales taxes are imposed at specific (usually higher) rates for specific commodities, such as alcoholic beverages, cigarettes and the services of public utilities. A little over a third of all sales taxes collected in metropolitan areas are of the selective type. Of the 48 largest cities, 26 imposed local *general* sales taxes in 1976; all except Boston employed selective sales taxation.

User fees and charges resemble prices on a private market. Under a user-charge system a fee is collected from consumers when they use a publicly provided product or service. Because of the importance to local governments of direct service delivery, user charges play a significant role in local budgets — more so than at the state or federal level. Fees are charged for such standard services as municipal hospital care, mass transit ridership and sewerage operations; they also are levied on residential developers to recover the costs of public capital investments (for example, a sewer connection fee for every new home connected to the community's sewer system).

Figure 1 shows the relative importance of these four basic revenue sources in federal, state and local government budgets. The dependence of local governments on the property tax is readily apparent, as is the dependence of the federal government on the income tax. General revenues collected by the states now moderately exceed those collected by local governments ($107 billion and $93 billion, respectively, in fiscal 1976) and have been growing at a faster rate. The federal government raises more general revenues than state and local governments combined ($328 billion in 1976).

Figure 1. Relative importance of own source general revenues local, state, federal government, 1976



Note: Percentages do not add to 100 percent because of other minor revenues.

Tax-base growth

The heavy reliance that local governments place on the property tax base has created difficulties for the older, declining cities. As a tax base for central cities, property values have the drawback of magnifying differences in local economic trends. Population loss and laggard income growth tend to exert multiplier effects on the value of a city's land and buildings, which form the basis for its taxable property values.

Table 2 illustrates for selected central cities recent trends in the growth of property values relative to the growth in city government expenditures. As can be seen, the property tax has proved a

Table 2. Expenditures and property tax base growth, (selected cities, 1965-73)

	City[a] expenditure growth	Assessed value growth	True growth of taxable property value
Declining cities			
Baltimore	172%	11%	33%
Buffalo	135	[−1]	21
Cleveland	67	[−2]	36
Detroit	120	23	14
Newark	135	[−12]	2
Philadelphia	130	29	70
Growing cities			
Houston	118	136	136
Memphis[b]	65	46	76
Phoenix	166	94	251
Portland, Ore.	141	NA[c]	172
San Diego[d]	126	130	167
New York	186	29	68

a. City government only.
b. All data for Memphis refer to 1967-72.
c. Portland changed its assessment basis over the period.
d. Assessment and property value growth for San Diego refer to 1967-75.

fecund source of revenues for cities with expanding economic and population bases, but in the declining central cities it has lagged far behind spending totals. In several of the older, eastern cities the assessed valuation of taxable property actually has declined in recent years. To some degree, responsibility for this poor performance can be laid to antiquated assessment systems that fail to keep the assessed valuations of property in line with their market values during periods of inflation. A comparison of the second and third columns of Table 2 indicates that the true market value of property has performed much more respectably than have assessed valuations. In addition to problems of assessment, outright exemptions have in some cases reduced the base. Cities sometimes have indulged in the expensive generosity of exempting many new buildings from property taxation altogether, in an effort to attract construction into the city. In addition, some cities have been obliged by state laws to grant large numbers of tax exemptions to owners of residential property.

Still, the differences in the growth of true market values of property in the two types of cities are also pronounced. Although some of the declining cities' sluggishness in property value growth is attributable to lower manufacturing and commercial assessments caused by businesses deserting the city, the most important impact of a decline in economic activity is on the demand for housing. No city can withstand population losses of more than 20 percent in the space of 15 years — as happened in Buffalo, Cleveland, Detroit, Pittsburgh, St. Louis and other cities—without suffering a decline in demand for the city's standing stock of housing. This is reflected in lower housing prices. The cities with the worst population declines enjoyed only marginal increases in average housing prices during a period which was, for most of the country, one of rampant housing price inflation. Growing cities, on the other hand, have benefited greatly from having their revenues tied to the property tax base. Not only are additions constantly being made to the cities' capital stock, but immigration generates a vigorous demand for existing housing, which drives up market prices.

Tax-exempt borrowing

The ability to borrow funds on the tax-exempt market is an important part of state and local governments' fiscal capacity. State and local governments, like large-scale private borrowers, raise money for certain needs by selling bonds and notes. Interest payments on these are exempt from federal income taxes, as well as from applicable state and local income taxes. Because of this federal tax policy, governmental units are able to borrow funds at lower interest rates, usually 30-35 percent below the rates charged for comparably risky debt sold on the taxable market.

In 1977 state and local governments borrowed approximately $45 billion by means of long-term tax-exempt bonds. (Such bonds traditionally have been used to finance public sector capital projects such as highways, sewer and water systems, and public buildings.) They borrowed another $21 billion by means of short-term tax-exempt notes, to smoothe out fluctuations in cash flow — to tide them over, for example, until tax collections can replensih the public coffer.

Not long ago the tax-exempt capital market appeared to be in disarray. On top of the unsettled economic conditions of many cities and frostbelt states in 1975 came a series of disruptive blows to the tax-exempt market. First, the Urban Development Corporation of New York State failed to make timely payment on its debt; then the New York State legislature temporarily failed to act on its promised "moral obligation" to assume responsibility for this debt repayment. Several court decisions intimated that bond counsel and bond retailers might be held legally liable for the accuracy and comprehensiveness of the information disclosed about the finances of government units issuing bonds. Finally, New York City's financial crisis erupted, with the city's temporary inability to redeem its debt. These factors combined to frighten away many of the customary purchasers of municipal securities. Tax-exempt interest rates climbed to an all-time high — in excess of 7.6 percent in October 1975 — and, during part of 1975, bond sales dried up. For a time it seemed that the contagion of financial sickness would spread to other large cities through the bond market. Buffalo, Newark, Yonkers and other cities were unable to borrow funds on public markets even for emergency uses.

Since the dark days of 1975 there has been a remarkable stabilization of the bond market. Federal loan guarantees came to the rescue of New York City. State aid programs provided emergency assistance to Buffalo, Newark and other cities in need of immediate help. Over the past two years, tax-exempt interest rates have receded to their historical relation to taxable interest rates. Bond sales have experienced an unprecedented boom: long-term sales climbed 33 percent in 1977 and were double the volume for 1974. All cities except New York have been able to reenter the bond market, most of them on relatively favorable terms. Moreover, the crisis in the tax-exempt market has brought permanent benefits in the form of markedly improved information about the financial condition of the governments issuing bonds.

This calming of the municipal bond market has been furthered by specific reforms in selected states. Newark, for example, had one of the most difficult times returning to the bond market. The state of New Jersey assisted Newark's return to active borrowing by developing a program that uses state aid payments to the city as a guarantee of timely debt payment. In effect, the state and city agree that state aid will be withheld from the city for payment to creditors in the event of default by the city of its indebtedness. At the same time, the state reviews with the city its overall debt position and future borrowing plans to make these consistent with prudent financial management. The plan (which involves voluntary participation on the part of Newark and other cities in New Jersey) has worked well to restrain the interest costs of new borrowing.

The revenue picture: summary and unresolved issues

For some time now, the traditional tax bases of older cities have experienced very slow expansion. This laggard growth creates the continuing potential for severe fiscal strain.

In recent years, the most serious repercussions from tax base stagnation have been avoided by large, and rapidly growing, infusions of external aid. The federal government and most state governments have channeled new fiscal resources into the cities at a rate that seems unsustainable over the long run. In addition, cities have attempted to diversify their tax bases to tap new revenue sources.

These trends raise important issues for those concerned with the future operation of cities:

☐ Even if recent rates of state and federal aid growth to cities can be sustained, is it possible for external assistance to pay for ever-larger shares of city budgets without compromising the ability of cities to determine their own service priorities and their fiscal futures?

☐ Is it reasonable to expect that legislatures will be willing to pour more money into cities without exerting any control over how it is spent?

☐ Is diversification of the local tax base a realistic alternative to steep increases in external aid, or will it merely burden the same local taxpayers through new forms of taxation?

☐ If sustained rapid growth of external aid cannot be counted upon or is undesirable, and if local tax bases in declining cities show few signs of rejuvenation, what alternatives does a city government possess? At what cost should it try to subsidize long-term economic growth in the city? What is the potential yield for the city from metropolitan-wide tax-base sharing, or from restructuring of state tax systems to guarantee automatic sharing of statewide tax bases? Should the cities use their influence with the federal government to exert leverage for state fiscal reforms of this description?

☐ Is the recent stabilization of the tax-exempt capital market a permanent accomplishment? Or is it a temporary phenomenon, likely to be replaced at some future date by a renewed crisis? Should the federal government or the Securities and Exchange Commission impose mandatory reporting requirements on local issuers of debt? Should other states adopt bond guarantee programs similar to New Jersey's, at least as contingency plans ready to operate if another financial crisis occurs?

Expenditure and service profiles

Every budget involves an expenditure side as well as a revenue side. The spending and service responsibilities of local governments differ greatly from one urban area to another. Functional responsibilities may be centralized in one all-purpose government unit or distributed among a myriad of special-purpose districts. Functions carried out directly by the state government in one state are delegated to local units in others, with or without funding from the state.

The multiplicity of administrative arrangements makes it difficult to generalize about local spending profiles. It can be particularly misleading to look solely at the budgets of general-purpose governments since their share of total government responsibility varies so greatly.

The expenditure categories below cover the principal spending functions of *all* local governments in metropolitan areas (including school districts). The figures in parentheses represent the average per capita expenditures of the local governmental units in the 74 largest metropolitan areas.

Table 3. Public spending per capita on common municipal functions in U.S. cities

(By population size, 1976)

	City Size						
Item	1 Million +	500,000 to 999,999	300,000 to 499,999	200,000 to 299,999	100,000 to 199,999	50,000 to 99,999	Under 50,000
Expenditure for common functions	$215.54	187.75	181.04	162.94	147.09	127.60	97.87

Table 4. Expenditures per capita on common functions

(By city population trends*, 1976)

Large declining cities	Large cities growing in population, 1960-70, now declining	Large growing cities
$191.34	$160.17	$126.35

* All cities reaching population of 500,000 or more between 1960 and 1975. Excludes financial administration and general control functions included in Table 3.

Education *($353 per capita)*

Education is, by a wide margin, the predominant service responsibility of local governments, accounting for roughly 40 percent of all local government expenditures in metropolitan areas, though it is often a lesser share of spending in central cities alone and a greater share in suburban communities. (Education represents about 32 percent of total local spending in Boston, approximately 33 percent in Baltimore, and only 22 percent in New York City.) Over the last several years state reforms in school finance have shifted a greater part of the revenue-raising responsibility for school operations to the state level. The 1973-74 school year was a tip point — the first time local public schools received less than half their funding from local revenue sources. Now the state contribution to public schooling slightly exceeds the local contribution, while some 8 percent of total school budgets is financed from federal aid. School expenditures lately have risen at about the average rate for metropolitan government budgets, though the decline in public school enrollments, especially within central cities, makes schooling a potential candidate for slower expenditure growth in the future.

Common municipal functions *($168 per capita)*

The expression "common municipal functions" reflects the search for a term to describe a core of services provided by virtually all municipalities that can serve as the basis for expenditure and cost comparisons. It customarily includes *current* expenditures on streets and highways, police protection, fire protection, sanitation, parks and recreation, financial administration, and general control. These are the basic services always provided by local governments and almost always by the general-purpose city government.

Studies repeatedly have shown that large cities have higher levels of spending for common functions than do smaller cities and that cities with declining populations face higher per capita expenditure levels than cities with growing populations. These relations are illustrated in Tables 3 and 4.

It is also true that high-density cities spend more per capita — especially on police and fire services — than low-density cities, while cities with large daytime populations from commuting face higher spending levels than cities that do not serve as metropolitan job centers. Other types of studies have demonstrated that "strong mayor" cities tend to outspend cities directed by professional city managers. Cities with high rates of poverty population also have above average expenditures. Since the various characteristics of high spending cities tend to overlap, it is difficult to determine which are the dominant influences on local spending patterns.

The fiscal difficulties of older, declining cities since 1974 have forced them to cut back on real expenditure levels. In 1976, for the first time since World War II, city employment actually fell in the aggregate, and though it grew (modestly) in 1977, most of the gain was directly attributable to special federal jobs programs. Between October 1974 and October 1976, Cleveland and New York both lost 24 percent of their city employees; Detroit lost 26 percent. The sharp spending cutbacks by distressed cities have also narrowed

the expenditure gap between declining and growing cities, which is now much less than it was three years ago. The jolt of budgetary troubles has, in many cases, proved sufficient to stem the momentum of strong city spending increases. It is more difficult to measure the changes caused by personnel cuts of the magnitude sustained in Cleveland, Detroit and New York.

Welfare transfer payments

The federal government distributes its massive funds for the two principal welfare programs — Aid to Families with Dependent Children (AFDC) and Medicaid — via the states. Most states, after adding varying amounts, in turn assign to counties the task of administering the programs. City budget comparisons are distorted by the fact that a handful of cities, New York and San Francisco among them, double as counties and thus have welfare expenditures incorporated within their city budgets, while most other cities do not. These accounting complexities make it difficult to make accurate comparisons of cost burdens.

Until recently, the growth of welfare expenditures had far outpaced the growth of municipal budgets. Within metropolitan areas, per capita welfare spending nearly tripled between 1967 and 1976. Where municipal governments have had to finance a significant share of welfare payments, the explosion in welfare costs has weighed heavily on the local budget. In New York City, for example, nearly one dollar in six of locally raised revenue is used to fund welfare expenses.

Extrapolating from New York City's financial problems to other cities', however, is unjustified. Both financing arrangements and benefit levels under AFDC and Medicaid are largely selected by the states. The federal government pays for roughly half of the costs of each program. Each state determines what proportion of the remaining cost it will assume and what proportion local governments must pay for. At present, only 19 states require counties to make any financial contribution to the welfare programs they administer, and in several of these states the local portion is only nominal. New York State stands out because it requires local governments to divide welfare costs almost equally with the state — a much higher level of local contributions than found elsewhere in the country. In fact, New York City raises and spends more than one-third of *all* the locally raised dollars spent on AFDC and Medicaid in the entire country.

Fringe benefits and pensions

Fringe benefits and pensions differ from other public employee costs in two important respects — their costs are rising much more rapidly and they are far less flexible during times of major budget crunches. Costs are not readily comparable among cities because both amounts of unfunded pension liability and accounting practices are so different.

For many years, wage negotiations between public employees and local governments produced settlements that were weighted ever more heavily toward future benefit payments rather than cash income. City councils often horsetraded a future obligation for a lower pay scale in the present. In many instances, the local government underestimated the costs of retirement benefits or decided not to provide for their funding in advance. As the costs now come due, the government's expenses automatically escalate.

Of perhaps even greater significance to budgetary calculations is the inflexibility of fringe and pension payments. In most states the pension entitlements of existing employees cannot be redefined; thus the costs associated with retirement of the current work force are fixed costs that cannot be reduced. Other fringes, like health insurance benefits, are only marginally responsive to efforts to trim local spending. In some instances, the very act of cutting the number of public employees to save money may (at least in the short run) be almost fully counterbalanced by the severance pay and other additional fringes that layoffs necessitate. Incumbent officials in cities that are losing population and jobs are thus forced to struggle with inexorably rising costs, over which they have little control, at the same time that they are trying to bring spending in line with a shrinking resource base.

Table 5. Changes in public labor force, wages, fringe benefits and pensions, Pittsburgh and New York

	Pittsburgh (1970-75)	New York (1974-77)
Labor force	−21.0%	−15.8%
Wages	+3.7%	+8.9%
Fringes and employer pension contribution	+176.5%	+57.1%

Table 5 illustrates this dilemma for two cities that recently cut back spending levels. For both Pittsburgh and New York City, large scale layoffs were able to at least stabilize direct labor wage costs. However, sharp reductions in the work force could not stem a large increase in fringe and pension costs, whose magnitude frustrates efforts to achieve greater budgetary savings.

Capital costs *($119 per capita)*

Capital spending by state and local governments has followed an almost unique course over the last decade. While other expenditure items have pushed upward at an unrestrained pace, capital expenditures have risen far more gradually. Indeed, in real dollars, 1977 capital outlays by state and local governments were substantially lower than a decade earlier. Capital budgets, which in 1965 accounted for almost 29 percent of state and local spending, by 1977 had fallen to 17 percent of the spending pie.

Several factors have contributed to the steady erosion of capital investment. Underlying part of the decline is the slowing down of the nation's population growth, which has relieved pressure to build new schools, new sewer and water networks, and other elements of basic community infrastructure. This trend has been reinforced by the fact that the nation's interstate highway system, the largest object of state and local capital investment, has been substantially completed.

Two other factors contributing to the state-local capital investment decline are cause for concern. Until the last year or so, federal aid programs had steadily shifted away from support for local capital expenditures toward transfer payments and aid for operating programs. The share of federal assistance earmarked for capital spending fell by more than half between the mid-sixties and mid-seventies. This shift was doubtless responsible for part of the parallel shift in state-local spending patterns. The federal capital investment assistance committed to state and local governments in 1976-77 through the Emergency Local Public Works programs has temporarily turned the corner for state and local capital spending, which is now on the rise. The longer-term future for state and local investment and the role that federal funding will play in it remain unclear.

Perhaps the most alarming aspect of the last decade's capital spending slowdown is the deterioration of the quality of the basic public infrastructure in many older cities, where the resources squeeze has forced them to make penny-wise, pound-foolish economies in upkeep. Replacement and repairs have been deferred, causing the cities' roads, bridges, rail transit systems and schools to lose much of their productive value. The inherited stock of public capital is the cities' major advantage in competing for future economic development; to allow it to fall into a state of disrepair through neglected maintenance is short-sighted local and national policy.

Expenditure profiles: summary and unresolved issues

Measured in per capita terms, city spending is higher in the old, high-density, declining cities than it is in other cities, though there has been a marked tendency toward convergence of spending levels as a result of the financial scares of 1974-76. Intelligent design of urban fiscal policy turns upon the interpretation of these spending differences and trends:

- Is the higher spending of old cities a reflection of forces beyond their control? Is it primarily a consequence of the older and inefficiently designed capital stock of these cities?
- Do the concentration of poverty populations with their special service needs, the commuting to work that raises daytime population and service demands, and the combination of density and population habits that make it unavoidably costly to provide an adequate level of police protection or fire safety bring about higher spending?
- Or is the high spending of cities largely a self-inflicted wound, brought on by unnecessarily high public sector wages, irresponsible pension benefits accepted in the knowledge that the next generation of taxpayers will have to foot the bill, and excessive staffing of the city bureaucracy, either because of managerial inefficiency or the stockpiling of political favors? If the costs of city budgets are in large measure beyond their control, compensatory aid from higher levels of government is in order. If the costs are self-imposed, greater infusions of external aid may only perpetuate the problem. What is needed then is greater discipline in city spending decisions, perhaps reinforced by special carrots and sticks from the federal and state governments, designed to help cities hold the line on expenditures.
- Ten years from now, will the fiscal troubles of the cities in 1974-76 be seen as the turning point when declining cities finally grasped control of their spending trends and imposed continuing budgetary restraint? Or will the slowdown in city spending prove to be a temporary aberration, giving way to resumed growth once the financial emergencies recede from view?

Surplus position

The difference between a government's operating revenues and operating expenditures during a year is its annual surplus or deficit. The nature of state-local financial operations makes this an important number to watch.

State and local governments, unlike the federal government, generally are prohibited by the state constitution or city charter from incurring a deficit. Their mandate is to budget taxes and other revenues each year so as to achieve a balance with planned expenditures. Should a deficit nonetheless be incurred, the funds to pay it off must be included in the succeeding year's budget and taken into account when setting tax rates. A government may accumulate the surpluses it generates in "fat" years and draw them down in "lean" years by creating a special fund for this contingency.

By looking at the combination of a government's current operating surplus (or deficit) and its cumulative surplus (or deficit) position, one may obtain an advance warning of impending changes in the local tax rate, local public sector labor force or public employee wages. Significant current deficits, when incurred by governments with depleted cumulative surplus positions, indicate the need for major budgetary adjustments. Governments in this predicament have no choice but to raise taxes, lay off employees (which usually means a cut in services) or hold the line on wages. Only the local budgetary and political process, of course, will determine which of these budget-balancing options is exercised.

Cities, too, have a stake in the surplus position of state governments. States typically become more receptive to proposals for tax relief or new forms of assistance to local governments once they have accumulated ample surpluses in their own accounts. The wave of school-finance reforms and property-tax relief measures passed in 1973-74 stemmed in considerable part from the surpluses that state governments had accumulated as a result of earlier economic recovery and the manna of General Revenue Sharing. State aid growth and school-finance reforms both lagged severely in 1976-77 while states grappled with depleted reserve positions. Now, once again many states are enjoying record reserves. If the past is any guide, these strong financial positions will lead to a new round of innovative plans for tax relief or local government assistance. Unfortunately, however, the larger state surpluses are concentrated in the South and West, not in the states with the most severe urban fiscal problems.

City fiscal choices

The local revenue mix

In principle, one of the factors over which cities have greatest control is the composition of the local revenue mix. Though local taxing powers are delegated by the state, and frequently cities do not have at their disposal the full range of tax choices that they would like, the local revenue mix is easier to control than the pattern of external aid.

The choice of local revenue sources can be guided by certain basic principles. The canons of taxation were spelled out by Adam Smith two centuries ago and remain a reliable guide.

Tax equity: Who pays? Who benefits?

One important principle of taxation in a democratic society is that tax burdens should be distributed equitably among the citizenry. This general proposition has been given more specific content by two rival criteria for the allocation of tax burdens.

The *ability to pay principle* holds that taxes should be distributed among the citizenry in relation to ability to pay, which traditionally has been measured in terms of taxpayer income or wealth. The ability to pay criterion generally is advanced to support more *progressive* forms of taxation — i.e., taxes whose burdens rise more than proportionately with a rise in income levels. Of the taxes commonly employed at the local level, the personal income tax probably is the most progressive, especially when the tax structure itself is a progressive one as in a graduated income tax. A general sales tax is among the least progressive of tax forms, though its progressivity can be improved somewhat by exempting food, medicine and other essential commodities from taxation.

The *benefit principle* of tax equity holds that citizens should be taxed according to the value of the benefits they receive from the local public sector or according to the costs that the government incurs in providing them with services. The benefit principle provides part of the rationale for user charges and often is cited in support of specific tax relief measures. (Farmland, for example, often is assessed at a lesser proportion of market value than other property on the grounds that vacant land imposes few costs on the public sector and receives relatively few service benefits.)

It is now widely accepted that the *essential* services of a community should be financed from taxes levied according to ability to pay, while *discretionary* public services, resembling those provided in private markets, are often better financed through user charges. Such discretionary services include public recreational facilities, mass transit service and higher education, where the individual beneficiaries of the service are easy to identify. These guidelines, of course, do not resolve the practical issues of how progressive a tax-rate structure should be or whether a particular service is better financed by the benefit or ability-to-pay principle.

Market effects: Do high city taxes drive out affluent residents? businesses?

The desire to avoid taxes is deep-seated in the American psyche. High rates of taxation in the city can push households and businesses into decisions designed to reduce their tax bills.

The economic marketplace effects of greatest concern to central cities are those that emerge from local differences in tax rates. The fact that the overall tax burden in central cities is usually higher and more progressively distributed than in surrounding suburbs creates an incentive for affluent households to realize tax savings by moving out of the city. Such considerations have contributed, albeit to a largely unknown degree, to the outmigration of central-city population, especially at middle and upper income levels.

Tax differentials are a potential influence in many other market

choices. Differences in the rate of business taxation or of taxation on executive incomes may play a role in business location decisions—whether the choice is between alternative plant sites within a metropolitan area or between one region of the country and another. Developer fees imposed on subdivision builders to finance public streets, sidewalks and sewer systems, if levied in one jurisdiction but not in surrounding ones, are likely to divert new residential construction to locations where the developer can avoid the tax.

The fact that households and businesses can react to high tax rates by moving away from the taxing community often forces cities into compromises in their tax structure. Though city officials may prefer a highly progressive local tax system, taxpayers at the upper end of the income scale are usually free to move to other locations if tax rates become too burdensome. This limits the tax progressivity that a single jurisdiction can impose without coordinating its tax structure with surrounding communities.

Extreme reliance on a single tax may disrupt important markets, even when no tax differential is involved. High rates of property taxation generally are believed to discourage housing and business improvements, because owners who upgrade their facilities automatically incur higher taxes.

On occasion, taxes may be chosen precisely because they will redirect market activity. Tax or user fee differentials may be employed to steer new development away from the urban fringe and into areas where excess infrastructure capacity exists. Or, fees may be used to discourage street congestion (e.g., parking tax). The taxes used to sharpen market operation, however, are only a small portion of a locality's revenue base.

Visibility

It is a sound principle of public finance that taxpayers should be aware of the tax burdens created by public spending and make their expenditure decisions accordingly. From this point of view, a highly visible tax is to be preferred to an "invisible" one. Direct taxes like the personal income tax and property tax meet this criterion.

Unfortunately for tax principles, most citizens prefer not to have tax burdens called to their attention. The general sales tax always scores high on citizen popularity polls for the reason that it is diffused throughout the prices of all commodities that a household purchases. There is also a tendency to underestimate the total magnitude of taxes paid in small fragments at a time.

Adequacy and stability of revenue yield

Especially during periods of fiscal pressure, the revenue yield of the tax base becomes an important consideration in tax selection. Revenue sources that show little long term growth or that exaggerate the economic difficulties of declining cities are poor choices for the primary source of local tax revenue.

How rapidly *should* a tax base grow over time or with general economic activity? Government officials tend to favor tax bases that grow faster than inflation and general economic conditions. A constant tax rate then automatically yields year-to-year increases in real revenues and claims for the public sector an ever-larger share of local income. This makes it unnecessary for local authorities to submit tax rate hikes to the electorate and even paves the way for occasional reductions in the tax rate.

From the citizenry's point of view, however, there is much to be said for tax bases that grow no faster than the economy at large. When local governments rely on tax bases of this character, they must explicitly raise tax rates every time they wish to collect a larger share of local income for public spending. As a result, clear attention is called to the tax and spending choice. In many localities, moreover, tax-rate increases must be submitted to the electorate for approval at referendum. The opportunities for public participation in the choice of local tax and spending levels thus is greater when the automatic component of local revenue growth, achieved through increases in the taxable base, is not too great.

Beyond the long-term growth prospects of a tax base, there are other factors to consider. Revenue sources that fluctuate steeply in response to variations in the economic cycle are to be avoided by older industrial cities, since they may impart instability to a local budget, particularly if the economy of the area in question is itself sensitive to the business cycle. Corporate profits taxes and personal income taxes are the most cyclically sensitive of the taxes commonly used by state and local governments. The recent experience of Michigan and Detroit illustrates the cyclical vulnerability that comes from reliance on these tax sources. The economies of both state and city are closely linked to automobile production—an industry subject to steep swings in economic activity. During the 1974-75 recession, Michigan found itself faced with a severe shortfall in revenues because of unanticipated declines in the yield of the corporate income tax. In the same recession, Detroit's revenues from the personal income tax fell a jarring 14 percent below budgeted levels in 1975, due to the sharp decline in local economic activity. In a move to reduce the fiscal effects of the steep swings in the state's economy, Michigan subsequently replaced its corporate income tax with a tax on general business activity. This tax change tends to soften public revenue fluctuations, since business profits vary far more widely over the economic cycle than do business revenues or production.

Ease and feasibility of administration

Taxes should be relatively straightforward to administer, without imposing undue costs of administration on government or undue costs of compliance on the citizenry.

Several minor taxes have been eliminated from local tax arsenals on administrative grounds. It is generally agreed that local tax assessors cannot, at reasonable cost and without invasion of household privacy, accurately value household personal property (furnishings, art, etc.). Therefore, taxes on personal property, which at one time figured quite importantly in the local tax mix, have been phased out in most communities. Attempts to value business inventories and bank security holdings also have frustrated assessors. When these taxes were in widespread use, it was common for banks, jewelry stores and others with movable inventories to ship their funds or physical assets out of state for assessment day. Because taxes on inventories and paper wealth are difficult to administer and have invited tax avoidance, they too have been eliminated as important tax sources.

Constraints on the local revenue choice: States hold cities' purse strings

The original power of taxation rests with the states, which delegate taxing powers to local governments at their discretion. Hence, the local revenue choice is of necessity a constrained one—a compromise between the taxing structure that local public authorities and citizens would like to have and the restrictions that states place upon local government units.

The limitations that state law imposes on local taxing authority are severe in many states. Massachusetts requires local governments to rely exclusively on property taxation for general revenues; sales and income taxes are reserved for state use, despite continuing petitions from Boston to broaden its tax base. Many states prohibit local governments from imposing taxes on incomes or salaries. Even the Congress of the United States, when it granted partial home rule to the District of Columbia, expressly forbade the District government to impose a "commuter" tax on incomes earned within the District by nonresidents without congressional approval.

States have resisted broadening local taxing authority for fear that local taxes would compete with state taxes. They worry that local use of the sales or income tax, for example, would make it harder for the state itself to augment revenues from these sources in the future. There has been a modest trend in recent years toward relaxation of state restrictions on local taxing authority, especially for the large cities. Local governments find, however, that when states allow local governments a broader tax base, they tend to view it as a partial substitute for direct state spending or higher levels of state assistance to local governments. Conversely when states boost aid programs, they often accompany the increased aid

with new restrictions on the right to levy local taxes. Whether it is in a city's interest to lobby vigorously for greater taxing powers depends, in part, upon the dimensions of this kind of trade-off.

Tax-rate ceilings or levy limitations are perhaps the most important constraints that states place upon the local tax mix. Levy limitations have been multiplying as states have responded to citizen pressure for tax relief. In a typical sequence, a state will agree to fund new forms of property tax relief or assume greater responsibility for school financing in order to make reduced local tax burdens possible. To try to ensure that the "tax relief" measures do, in fact, dimish local tax burdens, the state government often will simultaneously freeze local tax rates, impose ceilings on the total local levy that can be collected, or create other restrictions designed to guarantee that the state-financed tax reductions are not recaptured through local expenditures and tax hikes.

The effect of state-imposed tax ceilings on the level and composition of the mix is readily discernible. Perhaps the most conspicuous example of alterations in the tax mix is provided by the state of Ohio. Ohio requires that any year-to-year increase in local *property* tax revenues be authorized by local voters, whether the increase derives from higher tax rates or increases in assessed valuations. State courts have ruled that increases in the yield of the local *income* tax due to growth in the taxable base are not similarly subject to voter approval. Predictably, Ohio cities are the nation's greatest users of local income taxation. In 1976 Columbus derived 55 percent of its municipal tax revenues from the income tax, Cleveland 31 percent and Cincinnati 27 percent.

The local revenue mix: summary and unresolved issues

The choice of a tax base is one of the fundamental fiscal decisions of local public authorities. In recent years there has been a steady if unspectacular trend away from reliance on the property tax and toward local revenue diversification. This trend has been most marked in some of the older, economically troubled cities. The attempt at revenue diversification in these cities has been fired by concern that high property tax rates would discourage new economic activity, by a desire to tap through sales and income taxation some of the population and business growth outside of the central city, and by a belief that the property tax is a peculiarly regressive and unpopular tax.

Although extremely high rates of taxation on a single base can compound the fiscal difficulties of cities, a rearrangement of the tax mix should not be regarded as a major source of fiscal relief for cities. Some exporting of tax burdens is possible through local income taxation. But by and large, the same local taxpaying capacity must be drawn upon regardless of the tax instrument.

Given this fact, how vigorously should cities lobby for expanded taxing authority? Will the granting of additional local taxing powers be taken by states as a substitute for growth in state aid to urban governments? Should cities be allowed full powers of tax selection, or should states take the initiative in mandating local property tax relief or other changes in local tax burdens?

Property taxes: a special problem

No other part of the American tax system inspires as much controversy as the property tax. Public opinion polls commissioned by the Advisory Commission on Intergovernmental Relations regularly have found the property tax to rank lowest in citizen esteem. While critics have pointed to basic flaws in the property tax, popular opposition to it appears to be based in large part on its high visibility. Property taxes arrive as one large bill, unlike the sales tax, which is hidden in the cost of goods purchased and seems therefore to be more palatable to the majority of citizens.

Is the property tax regressive?

In the past, the property tax has been criticized as one of the most regressive elements in the American revenue system—especially that part of it that falls on the homeowner. Recent studies, however, have shown that a property tax, *if levied on all real property at uniform rates*, would come close to being a progressive tax on wealth in general. But reality doesn't meet this test. In actual practice, property taxes impose higher-than-average rates on housing and fail to subject many forms of wealth, including some tangible property, to taxation.

Most of the controversy surrounding the property tax boils down to whether the distribution of tax burdens according to housing values makes for good public policy. Even economists disagree as to the distribution of housing values, and thus property tax burdens,

Proposition 13 — What is California telling us?

Proposition 13 expresses in compressed, explosive form many of the themes of this publication. Californians voted by a large margin to limit property taxes in the state to one percent of the market value of property and to restrict future assessment increases to a maximum of two percent per year.

Property taxation. Housing prices in California have been in the vanguard of national inflation. During 1976 and 1977, property tax payments in California rose at a faster rate than anywhere else in the nation. Proposition 13 expresses voter resistance to having tax burdens tied to housing values that increase without close relation to household income.

This form of the assessment limitation, however, exacerbates the division between the "haves" who own their homes and the "have nots" who are future purchasers. The two-percent ceiling on annual assessment increases applies only to homes under continuous ownership; upon sale, houses are to be reassessed at their full market value.

Over the longer term, Proposition 13 promises to shift a greater part of the local revenue burden to sales taxes and user charges—more regressive sources of income. This effect may be offset by greater reliance on the progressive state income tax.

Voter demand for spending restraint. The results of Proposition 13 reveal the latent demand by taxpayer voters to restrain public sector expenditure increases. This has taken a more direct form in other states through limitations on the annual expenditure growth of the state government. Some localities, too, have voted to impose lids on annual spending growth, often limiting growth to the rate of personal income gain. One direct consequence of Proposition 13 will be an acceleration in tax and expenditure limitation proposals elsewhere.

The battle over surpluses. At immediate stake in California has been division of the state's estimated $5 billion surplus. Voters have demanded that this surplus be returned in the form of tax relief, rather than used for new state programs or new aid to local governments. The accumulation of surpluses in other states has promoted the same type of conflict. In particular, states with distressed cities face a choice between using their extra resources for urban fiscal relief or middle-class taxpayer relief.

Expenditure cutbacks. The need to reduce spending has sharpened competition for resources. Interviews with Proposition 13 voters indicated that they preferred to cut back on redistributive functions—especially welfare payments and schooling. The actual state plan of adjustment calls for greatly increased state aid for education and protection of welfare support through state takover of funding responsibilities previously exercised by counties. How longer-term expenditure reductions will be distributed remains to be determined. The state plan for local aid is contingent upon a one-year freeze in municipal wages; public employees, quite naturally, fear that much of the burden of fiscal adjustment will be passed through directly to their wages.

by income class. Comparisons of housing values and present year household incomes show housing values rising less, proportionately, than income, implying that the residential property tax is indeed regressive in its distribution of tax burdens. When housing values are compared to a household's average lifetime earnings or total wealth position, however, the residential property tax appears considerably more progressive than when comparisons are made between tax burdens and *current* incomes.

Practical objections to the property tax focus mainly on the erratic relation between housing values and current household incomes. Because of the rapid rise in housing prices in recent years, many families now own and pay taxes on houses that are more costly than they could afford to buy if purchasing a home for the first time. Such householders argue that paying property taxes on the current value of their homes is unfair and may even make it difficult for them to retain their homes. Many elderly families, especially, occupy homes that are extremely valuable relative to their current incomes, though not out of line with their lifetime earnings.

The property tax is one of very few taxes in the American system that taxes wealth directly. Should households that have accumulated strong wealth positions through housing ownership be taxed solely on their incomes or should they bear greater tax burdens by virtue of their accumulated wealth? That is a policy decision each state and community must resolve for itself. So-called "circuit-breaker" laws, which limit household property tax payments to a certain fraction of household income, can make the property tax more acceptable by current income criteria. In effect, these laws convert the property tax into a mixture of property and income taxation. Whether such shifts in the taxable base are desirable is a state and local policy choice.

Does the property tax discourage home improvements?

The accusation is often made that high rates of property taxation discourage investment in housing and other structures — not just for new construction but even for improvements to existing housing, which lead to higher assessments. These claims may well be exaggerated. Empirical studies indicate that most routine housing improvements do *not* result in reassessment and that even major additions are reassessed with considerable lag.

In most cities, relatively few housing owners report that their investment behavior has been altered by the possibility of incurring higher property tax liabilities. Nonetheless, sizeable property tax rates and an energetic program of reassessing to reflect improvements *can* have an adverse effect on investment decisions.

The majority of cities now have property tax abatement programs designed to stimulate residential housing investment in selected neighborhoods. These programs explicitly exempt from taxation housing improvements of a selected type or magnitude. Similar exemptions frequently are granted for new industrial investments. The record of effectiveness of these programs is a highly variable one, depending on the terms of abatement and local market conditions. In some instances, extreme tax concessions turn out to coax only small amounts of additional housing investment; in other cases, neighborhood investment totals have proved to be quite sensitive to tax rate reductions, producing a high level of investment response at acceptable rates of tax loss. Such programs need to be reevaluated regularly to determine if they are having the desired effect on investment behavior and to review their costs in terms of lost tax revenues.

Do property taxes keep pace with inflation?

For many years, one of the chief complaints lodged against the property tax was that it was an "inelastic" tax: revenue was supposed to grow only sluggishly in response to either real economic growth or price inflation. The last decade's experience has required revision of this point of view. Housing prices — as every homeowner or would-be home buyer knows—have been in the forefront of the recent inflationary surge. Because the property-tax base is so dependent upon housing values, it too has responded with great vigor to inflation. In fact, many of the recent property-tax reform proposals have been aimed at slowing down the rate of assessment increase. Many states have passed laws prohibiting residential assessments or tax levies from rising as rapidly as the market values of the properties being assessed.

Local property valuations also have proved to be highly sensitive to differences in local rates of economic growth. This sensitivity of the property-tax base to local economic conditions has been a handicap for many older cities. They have been forced to make frequent and steep adjustments of their property tax *rates* to compensate for the fact that they have not been sharing either in the general economic growth or in the suburbs' strong growth in property valuations. Although most central cities once enjoyed a decided edge over their suburbs in terms of per capita taxable property values, this relation now has been reversed in the majority of metropolitan areas. Not only is the suburban tax base stronger, it is growing far more rapidly.

Assessment quality

The property tax is one of the few taxes in use in the United States that is not self-assessing.

A good deal of progress has been made in recent years in improving property-tax assessment procedures. The old practice of assessing properties at arbitrary fractions of market value has come under severe criticism. In several states courts have ordered localities to adopt assessing standards of 100 percent of market value as a means of clarifying assessments to the taxpayers and improving accuracy in the assessment practice. Courts also have responded to the rapid price changes that have characterized housing and other city real estate markets by ordering more frequent reassessments. Only through periodic reassessments can the assessed values of property be adjusted to keep them in line with often violently different market value trends in different neighborhood areas.

The fact that assessors must be hired means that the costs of administering the property tax are moderately higher than those for other (self-assessing) local tax sources. Partly to hold down these costs, local governments have commonly allowed long gaps between reassessments. When property assessments are conducted only once a decade or less frequently, and when some method of valuation other than market sale price is used, property assessments can be contaminated with large errors; such procedures also invite political abuses in the assessment process. But when full-value assessments are carried out at annual or other frequent intervals, the record of accuracy for property-tax assessment compares favorably with the accuracy of self-assessed taxes on retail sales and incomes. In no other field of local taxation, in fact, are the rewards for administrative reform so high as in the upgrading of local assessment practice.

Table 5. Growth in real average monthly wages of public employees, selected cities, 1971-1976

City	Growth in real average wages
Cincinnati	+8%
Dallas	+8%
Boston	+5%
Denver	+5%
Minneapolis	+2%
Baltimore	+1%
Houston	0
Detroit	−1%
Los Angeles	−1%
Cleveland	−2%
Milwaukee	−2%
New York	−3%
San Diego	−4%
St. Louis	−9%
Buffalo	−10%
Philadelphia	−10%
Chicago	−11%
Indianapolis	−13%
Atlanta	−17%
Pittsburgh	−19%

Checklist of fiscal reforms—tried and untried

Central city annexation of suburbs

WHAT IT IS: Incorporation of suburban areas into the political jurisdiction of the city.

Advantages: Strengthens taxing capacity of cities, allows political boundaries of the city to expand in tandem with private-sector market activity, reduces competition between fragmented local jurisdictions.

Disadvantages: Often encounters vehement opposition from annexed areas. Great legal difficulties in revising annexation laws in states where central city annexation is forbidden or where suburbs are independent incorporated areas.

Tax-base sharing

WHAT IT IS: Agreement to share part of assessed value of new industrial-commercial construction among all jursidictions in metropolitan areas, regardless of location.

Advantages: Reduces competition for industrial-commercial growth, gradually adds to taxable base of central city and older suburbs.

Disadvantages: Adds only small amount to value of city's taxable base. In Minneapolis-St. Paul metropolitan area, the only one to implement tax-base sharing, the two cities' assessment base was increased by less than 3 percent over the first five years.

State equalization of local tax bases

WHAT IT IS: State uses its resources to augment local property tax base, guaranteeing all government units a standard tax yield from a given property tax millage rate. State may recapture yields from richer-than-average districts. Principle has been widely used in school finance reforms, suggested for other essential services.

Advantages: Strongly adjusts local taxing capacity. Consistent with local choice of tax rates and spending mix. Favorable to most cities.

Disadvantages: Cities with strong industrial-commercial bases lose resources under tax base equalization. Encounters suburban resistance.

Land value taxation

WHAT IT IS: Converts property tax to tax on land values only.

Advantages: Removes property tax's discouragement to housing and other investment, encourages higher density, compact growth.

Disadvantages: Land values are declining in many older central cities, necessitating frequent rate increases to achieve constant revenue yield. Land values are difficult to assess.

Federal welfare reform

WHAT IT IS: Federal assumption of full payment for standard AFDC benefits.

Advantages: Relieves fiscal burden on states and those localities that finance welfare costs.

Disadvantages: Most of fiscal relief would go to states, requiring some arrangement for passing through benefits to local governments. Welfare reform too important to let "tail" of fiscal relief determine shape of entire "dog."

State assumption of local government responsibilities

WHAT IT IS: State uses its resources to pay for some services now paid for by cities. Courts, assessment functions, care of indigent residents in state hospitals, election machinery have all been candidates for transfer of cost or function.

Advantages: Reduces city costs, especially if services are disproportionately required in the city. Politically palatable if statewide uniformity is desirable and if state is in reasonable financial shape.

Disadvantages: Management responsibility for a legitimately local service may be lost .

Tax and expenditure limitations

WHAT THEY ARE: Limits imposed on total spending growth, total tax revenues or revenues from a particular tax source.

Advantages: Restrict public sector spending increases. Limits potentially ensure that taxpayers retain greater share of benefits of economic growth and can reduce burden of unpopular tax forms.

Disadvantages: Financing of redistributive service functions is particularly vulnerable to spending limits. Limits damage prospects for aid to cities; partial limits encourage maneuvering to avoid limits through tax shifting, formation of special districts, etc.

Local fiscal choices: expenditure decisions

When local options for revenue increases and external aid have been exhausted, budget pressure will force cities into a search for expenditure reductions acceptable to voters. The prospect of expenditure cutbacks—even more than the opportunity for spending increases — throws into conflict the various parties that have a stake in local spending decisions. Adjudicating between rival spending claims is the purpose of the budgetary process.

Cuts in services? Which services?

Taxes are for services. As consumers of public services, different types of households naturally have different types of spending demands. Households with children in public schools are more likely than others to favor increased spending for public education. The elderly demand better hospital care, publicly subsidized housing and more convenient public transportation. The highly educated and affluent often press for libraries, museums and tennis courts, while households in poorer neighborhoods seek medical clinics, more generous welfare benefits and protection against crime. Overriding these specific differences in service demands

are very substantial differences of opinion regarding the desirable level of *total* public spending — how much in taxes the local citizenry should be paying to support the public sector.

It is, of course, a considerable and unfair oversimplification to think of city residents as willing to contribute tax dollars only for public services that are in their own interest. Whenever taxpayer citizens have a chance to express their spending preferences directly, there is, nonetheless, a remarkable resemblance between their public demands and their demands on a private market. A family's vote for a school tax levy in a tax election can be predicted with considerable accuracy according to the number of children the family has in public schools, its income and its potential tax liability under the levy proposal. Because this private demand is so predictive of taxpayer voting behavior, the *how* of local budgetary decisions is very important. In a direct voter referendum, the service demands of the majority are likely to prevail; when elected representatives make the budgetary decisions, there is more latitude for spending in the public interest as conceived by these representatives. Recent state-imposed levy limitations requiring explicit voter approval for overrides have shifted public spending decisions in the direction of individual voters' demands.

City spending totals

Between 1950 and 1975 state and local spending climbed almost without interruption as a percent of national product. City spending grew still faster, and spending in declining cities on a per capita basis outpaced that in other cities. In 1976-77 this rapid spending growth came to an abrupt halt. Total state-local spending in fiscal 1977 grew by only 6.5 percent compared to a 12.4 percent increase the year before. The share of state-local expenditures in national income declined. Hardest hit were the older, declining cities. Public employment in these cities actually declined in 1976 and again in 1977.

It remains to be seen whether these expenditure slowdowns are a temporary reaction to fiscal strain or herald a longer term conservatism in spending. Several cities have passed resolutions limiting local expenditure growth to the rate of inflation plus the rate of real income growth — in effect requiring that city expenditures grow no more rapidly than national or local product. These institutional changes in spending rules imply that the present slowdown is more than temporary.

Public sector wages

In their search for budget economies, beleaguered city officials and frustrated local taxpayers have begun to scrutinize the public-sector labor force and the wage structure. Differentials in employee wages and benefits account for the bulk of the differences from one city to another in the costs of providing common municipal services. Although comparability studies of wage structures are tricky to assemble, there is some evidence that, if fringe benefits and pensions are taken into account, mid-level public-sector employees are paid more than their counterparts in the private sector.

Table 5 shows that real public sector wages, especially in cities laboring under fiscal strain, have deteriorated markedly in the last few years. Although the combination of inflation and recession between 1971 and 1976 brought real earnings losses to many sectors of the economy, the loss in real state-local wages exceeded that in most other sectors. Many cities, in addition, have cancelled previous pension benefit plans for new entrants into the labor force.

How greatly local public sector wages should be trimmed, if at all, is a local political decision. Table 5 demonstrates quite clearly, however, that public sector workers have already absorbed a significant part of the burden of financial adjustment in the nation's older cities.

Conclusion: choices in dealing with the urban fiscal crisis

In dealing with the cities' fiscal problems, the country faces a layering of unresolved options. Perhaps the first priority is to settle on the broad outlines of future spending growth by cities. In reaction to the fiscal difficulties of 1974-76, most cities, and particularly the older declining cities, have trimmed their rates of expenditure increase. Their budgetary economies have taken the form of service cutbacks, workforce reductions, wage freezes and redefinition of pension benefits. Is this spending restraint likely to continue, or is it a temporary phenomenon? Is it *desirable* for cities to spend an ever larger share of citizens' income to serve local public needs, or is it preferable for cities to plan to live within the constraints of their present share of national income?

The next layer of choices concerns the allocation of service provision and financing responsibilities between the three levels of government. There is a trend, which can be accelerated or retarded, toward greater federal responsibility for the operation of welfare functions. A similar trend has increased state responsibility for public schooling. Beyond these allocations of functional responsibility, a complicated set of intergovernmental aids has evolved, of which city governments are the principal beneficiaries. The optimum design of these aid programs requires a clearer understanding of their spending intent. Is the purpose of state and federal aid to cities to relieve local tax burdens, while sustaining a given level of service provision? Or is the purpose to augment city service expenditures? Ambiguity on this point riddles evaluations of aid, because so much depends on objectives. If the objective of state and federal aid is to reduce the tax burden that local taxpayers face in financing city services, it seems reasonable to accompany greater assistance with constraints on local tax increases, local wage rates and local spending totals. But such constraints are inappropriate if the state and federal governments mean to encourage the delivery of more services to city residents or if they are willing to accept local choices between tax relief and spending.

Decisions on city spending and external aid together will determine the magnitude of local resources that must be raised through the city tax structure. Cities, like other governmental units, are constantly striving to make their tax mix as palatable as possible to the local citizenry. Recent revisions have chipped away at the dominance of the property tax as a source of city financing and have attempted to give central cities indirect access to the wealth found in the rest of the metropolitan area.

One should not, however, hold out great hopes for net fiscal relief from rearrangements in the local tax base. Internal rearrangement simply redistributes the financing burdens from one group of taxpayers to another. Only tax changes that go beyond the city's borders to produce tax-base sharing at the metropolitan or statewide scale promise significant reductions in the magnitude of the overall city tax burden. Failing that, cities tend to gain or lose more from spending and aid decisions than from shifts in the tax mix.

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Order from League of Women Voters of the United States, 1730 M Street, N.W., Washington, D.C. 20036. Pub. No. 114, 75¢.

JUL 17 1978

League of Women Voters of the United States 1730 M Street, N.W., Washington, D. C. 20036 Tel. (202) 296-1770

memorandum

July 1978
This is going on DPM

TO: Local, State and ILO Presidents (Please share with your Urban Crisis chair)
FROM: Florence R. Rubin, Urban Crisis Chair
RE: 1. New Publication (and promotional flier), CITIES IN CRISIS: TAXES, BUDGETS AND SERVICES
2. Calendar and materials for national Urban Crisis study and consensus.
3. Information about optional state and local questions.
4. UC Committee members.

1. The timing couldn't be better! We didn't plan it that way, but passage of Proposition 13 may make TAXES, BUDGETS & SERVICES a candidate for the LWVEF best-seller list. The authoritative information presented by Dr. George E. Peterson, director of public finance at the Urban Institute, can contribute to a more reasoned understanding of the issues in the national debate on tax and spending limitations. Order free fliers for wide distribution in your community. Read on to see how TAXES, BUDGETS & SERVICES fits into the League's Urban Crisis study.

2. Here is a brief summary of plans to "evaluate urban policy options, with an emphasis on fiscal policy," as authorized by the 1978 national convention. (Also see Summer VOTER and June NBR). On June 22-23, a new Urban Crisis Committee composed of state, local and ILO representatives met with me and national staff members in Washington for a day and a half to develop a preliminary draft of the outline and consensus questions. During the summer the questions will be refined for submission to the national board for approval at the September meeting. Meanwhile the staff is already at work on the basic tools you will need in addition to background publications already in your hands.

Here is the proposed calendar:

Week of Sept. 18 -- Mail consensus questions to League presidents following national board approval at meeting during week of September 11.

Early November -- Mail Consensus Report Form and Committee Guide containing discussion outline and suggestions to resource committees for handling study and consensus.

Late November -- Mail Facts & Issues, basic every member publication, on national urban fiscal policy issues and options to be covered in the '78-79 study. I urge you to consider purchasing copies of this publication as your every-member fact sheet for your consensus meeting. You will undoubtedly want to augment it with information relating to local conditions, but it will summarize the basic national issues (pros, cons, etc). Leagues may want to pool orders to take advantage of the bulk rate.

January -- Mail LWV publication on public stimuli to private investment in cities (if funds permit publication).

Feb., March or early April -- suggested timetable for your consensus meetings.

May 1 -- Your consensus report due in the LWVUS office.

The Urban Crisis committee recognized that fiscal issues are complex and added the following suggestions to the comments in the June 1978 National Board Report:

...The national consensus questions will be do-able in one meeting, but Leagues, those just getting started in particular, may also want to plan a preliminary backgrounder. A general meeting, a joint meeting with other League(s), a workshop for urban buffs could be a big help in raising member consciousness about cities and/or providing background information on federal urban fiscal policy issues.

...Coordination and/or tailored help by state LWVs and ILOs makes sense. Many Leagues have been working on urban policy issues for the past two years (or more) and are ready for consensus. Others have told us they feel remote from urban problems or overwhelmed by the issue. State Leagues and ILOx should consider planning meetings, memos and other techniques to help local Leagues handle this program effectively.

...Use UC pubs sent to Leagues during the last biennium to get a head start before the consensus questions and new materials arrive:

[] FOCUSING ON CITIES/URBAN CRISIS, Committee Guide, Pub #344, 40¢, includes tips on organizing to do the work on urban problems. And its review of existing LWV positions relating to urban problems will help members move faster into a comprehensive look at the national interest in the fiscal conditions of cities. (The new study will not reinvent the wheel by addressing issues in detail that the League has already studied, but it will recognize the interrelationships.)

[] SOURCES ON CITIES, Urban Brief #1, Pub #339, 15¢, 25/$1, offers sources of useful background reading.

[] CARING ABOUT CITIES, Community Guide, Pub #675, 50¢, provides discussion and meeting outlines for helping your members consider whether cities are important to our society and for providing background on federal assistance to cities (closely keyed to the CF below).

[] CITIES IN CRISIS: THE IMPACT OF FEDERAL AID, Current Focus, Pub #601, 50¢, sheds light on the nature of problems of hardship cities and suggests some of the possible policy responses by the federal government. (P.S. Don't forget the reprint, mailed on a one per League basis in December 1977: The Urban Impact of Federal Policies, a preview of a Rand Corporation study and a complementary piece to the CF.)

[] A NATIONAL URBAN POLICY: THE PRESIDENT'S PROPOSALS, Urban Brief #3, Pub #112, 20¢, 20/$1, capsulizes Carter's proposed urban initiatives. Another view of what an urban policy should be is in the booklet, mailed to each state League and ILO in January 1978: "To Save Our Cities -- What Needs to be Done?" by Rep. Henry Reuss, chairman of the House Committee on Banking, Finance and Urban Affairs, and chairman of the subcommittee on the city

[] MEANINGFUL MEETINGS, Pub #319, 40¢, is a basic source of help for any resource committee, from planning to conclusion of a study. Review it and use it.

3. The League plan for study of the urban crisis acknowledges the interlocking effects of all levels of government on the well-being of cities. To help local Leagues take full advantage of the plan, suggested optional questions on state and local urban fiscal policy will be sent along with the national consensus questions. You are encouraged to use these and/or develop questions specific to your own jurisdiction.

The vertical integration of policy is suggested in the CITIES IN CRISIS series. The first of these publications, THE IMPACT OF FEDERAL AID, addresses national fiscal

programs that influence cities. Because of the responsibility states have both for sharing the cost of city services and for determining the kinds of taxes cities may levy, TAXES, BUDGETS & SERVICES is of special importance for considering the state role in the urban crisis. City self-help will be emphasized in the publication yet to come (September target date) on MANAGING THE MODERN CITY. The latter two publications, supplemented by information on your own state and local fiscal situation, will provide background for a second set of unit meetings if your League chooses to respond to questions on the role of state and local governments. If your League is already studying state fiscal issues or city finance, you may want to refer the questions to these committees. I believe a coordinated effort on all fronts this year will be useful and most rewarding.

4. Introducing.....LWVUS URBAN CRISIS COMMITTEE
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Newton Centre, MA 02159
(617) 244-0677
(202) 296-1770 (national office)

----------tear off and return----------

League _____

Urban Crisis Chairman _____

Address _____

Mail to: Urban Crisis Department, League of Women Voters
1730 M Street, N.W., Washington, D.C. 20036

JUL 17 1978

CITIES IN CRISIS: TAXES, BUDGETS AND SERVICES

WHO CARES?

EVERYONE...taxpayers...school boards...PTAs...welfare reform groups... neighborhood associations...public officials...citizen advisory committees ...public employee unions...chambers of commerce...city councils...senior citizen associations...public utilities...hospitals...art centers...legislators...homeowners...recreation boards...industries...social service agencies...museums...tourist councils...tenants organizations...public works departments...Friends of the Library...students...YOU

PROPOSITION 13. PROPERTY TAXES. AID TO CITIES. Those are fighting words and the fight is on in voting booths across the country as taxpayers "send a message" to government. While the fight rages, the League of Women Voters, in its newest publication, Cities in Crisis: Taxes, Budgets and Services, shows why taxes and municipal finances are such a tangle--why pulling one loose string just makes the matter worse.

Cities in Crisis: Taxes, Budgets and Services (Pub. #114, $.75) offers a comprehensive and well-balanced discussion of the taxes/spending dilemma, outlining the political choices voters and officials will have to make to rewind the skein of public financing into some logical, equitable and financially sound order.

The League of Women Voters Education Fund commissioned noted tax expert George Peterson of the Urban Institute to lay out the options for trade-offs between taxes and public services. This timely publication, from an organization known for its objective, thorough and clearly worded material, can take the emotional heat out of the tax debate and provide some light for citizens in the dark on tax revolt issues.

Order your copy of Cities in Crisis: Taxes, Budgets and Services today.

TO: Publications Sales Department
League of Women Voters of the U.S.
1730 M St, NW, Washington, DC 20036

Please send me____copy(ies) of Cities in Crisis: Taxes, Budgets and Services.

(Pub. #114, 12 pages, 75¢ each)

Name_____

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City_____ State_____ Zip_____

Enclosed is my check for $_____.

copy for Karen

AUG 9 1978

League of Women Voters of the United States 1730 M Street, N.W., Washington, D.C. 20036 Tel. (202) 296-1770

memorandum

August 7, 1978

TO: State League Presidents

FROM: Florence Rubin, Urban Crisis Chair

Re: "Proposition 13" questions

The national office is beginning to get requests for information on "What is the League doing about Proposition 13?" and we anticipate hearing from some of you asking what other state Leagues are doing. So that we can serve as a clearinghouse, would you please give us a quick reading from your state:

1. The political situation in your state vis a vis tax and spending limitations on state or local governments. (e.g., Is an effort to limit taxation and expenditures underway? How is it being presented? What are its prospects? If you can summarize briefly, we would be interested in your assessment of the impacts.)

2. Is your state League involved in the issue? (e.g., Do you have a position on tax and spending limitation? If so, what is it? Are you taking action or anticipating action under it? Describe briefly. Or is a study underway that will cover the issue?)

Please direct your reply to Ann Hull, Urban Crisis Department, League of Women Voters, 1730 M Street NW, Washington, D.C. 20036. We would like to hear from you no later than September 11.

LEAGUE OF WOMEN VOTERS OF MINNESOTA
555 WABASHA • ST. PAUL, MINNESOTA 55102
PHONE: (612) 224-5445

MEMO

TO: Karen
FROM: Helene
SUBJECT:
DATE: 10/14/78

TO

In August We got a memo from Rubin at nat'l LWV asking what were doing about "prop. 13". Did you ever answer? It was a letter addressed to me and you got a copy.

yes - I answered it -
N.H. approved - copy attached

LEAGUE OF WOMEN VOTERS OF MINNESOTA
555 WABASHA • ST. PAUL, MINNESOTA 55102 • TELEPHONE (612) 224-5445

To: LWVUS, Ann Hull, Urban Crisis Department
From: LWVMN, Karen Anderson, Government Co-chair
Re: "Proposition 13" questions
Date: August 31, 1978

1. Efforts to limit taxation and expenditures of state and local government in Minnesota, as well as national government, are presently limited to campaign statements of candidates of all political parties. Minnesota does not have provision for state initiative or referendum, so there will be no such proposals on the ballot in November.

   Minnesota Legislatures have been enacting measures to limit or reform the property tax for some time. Tax levy limitations were imposed on all units of local government in 1971, and an income-adjusted property tax credit adopted in 1975.

2. LWVMN will be involved in legislative proposals on the issue during the session beginning January, 1979. While we don't have a position on tax and spending limitation per se, our Financing State Government position (copy enclosed) covers many of the issues which will have to be addressed by such legislation. (E.g., a current proposal for a limit on property taxes actually is a proposal for a shift in the state tax base which our position covers.)

9/25/78

League of Women Voters of the United States 1730 M Street, N.W., Washington, D. C. 20036 Tel. (202) 296-1770

memorandum

September, 1978
This is going on DPM

TO: Local, State and ILO League Presidents
FROM: Florence R. Rubin, Urban Crisis Chair
RE: Urban Crisis Consensus Questions

Here are the consensus questions for the Urban Crisis program item that were approved by the National Board on September 14th. They are the final product of lengthy Committee and Board discussion. We are sending the questions now to assist local League committees in planning for work during the year.

Please note that this is NOT the official consensus report form. Copies of the form (to be returned to us by May 1) will be mailed to Leagues at the end of November, along with a new Committee Guide and a Current Focus on urban fiscal policy options. The Committee Guide will provide a discussion outline for a 90-minute meeting, designed to cover the consensus questions.

As early preparation for Urban Crisis units, UC committees and League membership will find useful the two publications in the Cities in Crisis series.

The Impact of Federal Aid	Publication #601	50¢
Taxes, Budgets and Services	Publication #114	75¢

Chairs will also want to review the Community Guide, *Caring About Cities*, that came out last year and the Urban Briefs already in your hands.

Of course, the federal government alone cannot solve the urban crisis. It will be necessary for states, municipalities themselves, and the private sector to take responsibility for the economic vitality and quality of life in cities. Leagues, therefore, are encouraged to schedule an extra set of urban crisis unit meetings to cover the state/local role in dealing with urban problems. For such units, your Board may also decide to design optional consensus questions on <u>state</u>, <u>local</u> or <u>regional</u> urban policy to develop state, local or regional action positions.

September 18, 1978

In adopting an Urban Crisis item, delegates to the 1978 convention of the LWVUS acknowledged the national interest in the well-being of the nation's cities and the need to develop a comprehensive national urban policy. The following questions address aspects of urban fiscal policy that deal with federal aid to cities and the federal government's relationship with state and local governments.

CONSENSUS QUESTIONS

I. FEDERAL AID OPTIONS

Rank 1,2,3 (If you choose to omit an option, do not rank it)

Should a federal role in urban policy emphasize:

A. General financial assistance to city governments _____
B. Aid for particular programs _____
C. Measures to enhance the economic base of cities _____
D. Other _____ _____

A. General financial assistance to city governments

1. General Revenue Sharing is one form of general financial assistance.

   a. Should General Revenue Sharing be continued? _____ Yes _____ No _____ Other*

   b. Changes in General Revenue Sharing have been suggested. Should the League support or oppose the following measures:

	Support	Oppose	Other*
A formula that targets more sharply to distressed cities			
Lower or no grants to states			
Increased appropriations to provide a higher level of funding			
Increased appropriations to meet inflation			
Annual appropriation process			
Other _____			

2. Various proposals for a separate form of general financial assistance have been developed to fill a role not filled by General Revenue Sharing.

   a. Is another form of general financial assistance needed? _____ Yes _____ No _____ Other*

* *Please use the letter (a) if you did not reach agreement, the letter (b) if you did not discuss, or (c) if you think the League should not take a position. Use the space provided at the end of each major question for any additional comments.*

b. If such a program is considered, should the League support or oppose:

	Support	Oppose	Other*
Targeting aid to distressed cities			
Aid designed to counter recession			
Formula that ensures broad distribution of funds			
Distribution of funds to both state and local governments			
Distribution of funds to local governments only			
Other _____			

3. Federal involvement in local borrowing for capital construction is another device for general financial assistance to municipal governments. Should the League support or oppose action by the federal government to lower the cost of city borrowing for capital construction (e.g., interest subsidies on municipal bonds, direct loans to local governments, taxable bond option)?

Comments *(Section IA)* _____

_____

_____

B. Aid for particular programs

The federal government is involved in many programs that have an impact on the fiscal well-being of cities.

1. For assistance in particular program areas (e.g., housing, education, transportation) are block grants or categorical grants more beneficial to distressed cities?

(Check one)

_____ block grants _____ categorical grants

2. In the case of block grants, should the League support or oppose formulas that target aid to distressed cities?

Support	Oppose	Other*

Comments *(Section IB)* _____

_____

_____

C. Measures to enhance the economic base of cities

Should the League support or oppose the following measures to enhance the economic self-sufficiency of cities?

	Support	Oppose	Other*
Expand community development programs			
Target community development programs to distressed cities			
Target federal purchasing to distressed cities			

	Support	Oppose	Other*
Target federal construction to distressed cities			
Expand middle-income housing in distressed cities			
Pay for relocation of workers from labor surplus to labor shortage areas			
Provide financial incentives to business to locate or expand in distressed cities via:			
loan guarantees			
investment tax credits			
direct loans			
interest subsidies			
subsidies for hiring long-term unemployed			
other _____			

Change federal fiscal policies that have contributed to middle-income families leaving the city by:			
reducing federal aid for highway construction			
modifying tax subsidies to home ownership			
other _____			

Other _____

Comments *(Section IC)* _____

_____

_____

II. INCENTIVES TO STATE AND LOCAL GOVERNMENTS

Recognizing the mutual responsibility of federal, state and local governments for the fiscal health of cities, please answer the following questions with respect to the federal role in this relationship:

	Support	Oppose	Other*
A. Should the federal government use incentives to encourage states to take an active role in promoting the fiscal viability of their cities?			
B. Should federal aid to cities provide funds for technical assistance to improve the management capacity of city governments (e.g., training, planning, fiscal practices)?			

Comments *(Section II)* _____

_____

_____

SEP 14 1978

URBAN BRIEF 5

LEARNING FROM URBAN EXPERIENCE ABROAD

The proposition that each national grouping of urban settlements presents an entirely unique universe of knowledge and achievement is preposterous on its face....The worldwide tide of urbanization is too grand a phenomenon to permit this lag [in international communication in urban affairs] to continue. Edward K. Hamilton, Stanford University Graduate School of Business, in a report for the German Marshall Fund.

Are there lessons for urban America in the experience of foreign cities?

This nation's founders, while anxious to avoid the conditions they found objectionable in the old country, revisited Europe to take note of useful ideas to bring back to the new land. Urban America took on many of the characteristics of European cities.

In time, as we achieved an unmatched standard of living, the American success story was so impressive that we began sharing our expertise and advice with other countries around the world. The role of teacher and helper to other nations grew after World War II through numerous programs to send aid and know-how to devastated countries.

Now the tables are turning again as many observers of the urban scene, concerned about the quality of life in U.S. cities, are looking abroad for ways to capture or recapture some of the ambience often missing from America's large cities. Many of those concerned about the future of cities believe that improving the quality of life is an important strategy, not only for those already living in the cities but also in creating the climate needed to entice business and the middle class back to the city.

A MATTER OF ATTITUDE

Many of us would concede that some foreign cities have an edge over American cities in livability--perhaps because Europeans as a whole care more about their cities than we do.

European cities inherit a tradition, traceable to ancient Greece and Rome, that the city is the focus and essence of civilization. The love of the city was evident in the will to rebuild cities after World War II. Cities were and are centers of religions, of governments, of culture. Theater, opera and dance flourish in cities and receive government subsidy. Old buildings are preserved, recycled. Growth of cities is controlled, especially where land is at a premium. Although some have serious environmental and social problems, European cities are a subject of national pride, fostered by their residents and governments.

Americans have not loved their cities so well. From the days of Jefferson on, there has been an anti-city bias in the attitudes of Americans. The early agrarian society was always a little suspicious of cities. Social problems growing out of the industrial revolution and the urban ghettoes associated with successive waves of foreign and domestic migration have kept the cities the target of criticism and reform efforts. In recent times city problems have been aggravated by physical decay and deterioration of services.

Although importing ideas from abroad will not bring about overnight changes or turn around urban decline, some public officials in the United States and Canada are beginning to broaden their perspectives by looking at innovations in Europe and elsewhere. The Council for International Urban Liaison is a relatively new organization sponsored by such groups as the National League of Cities, U.S. Conference of Mayors and International City Management Association. It is leading the modest effort to identify strategies for improving urban service delivery and environment that might be transferred across national borders and to improve international channels of communication among officials.

Just as many American tourists abroad are impressed by what they see and ask "why don't we?", public officials are looking, too, and saying, "maybe we can."

IDEAS TO BORROW?

■ DOWNTOWN PEDESTRIAN MALLS were first widely used in Scandinavia and West German cities, where auto traffic choked narrow streets. Some have been introduced in America, but their popularity is almost exclusively in small cities (Minneapolis being a major exception); the notion that auto access is essential to downtown commerce has prevented full-scale downtown pedestrian malls in large U.S. cities. The experience in Europe and in small American cities indicates that carefully designed traffic-free zones (taking into account the needs of merchants, citizens and the city's traffic flow) do not diminish downtown business and indeed can enhance downtown activity.

■ In Munich, West Germany, UTILITY LINES are under sidewalks instead of roadways, thus avoiding the need to tear up roads and impede traffic to make repairs. And the sidewalks are precast concrete squares that can be removed for easy-access utility repairs.

■ Even so mundane a piece of "urban furniture" as the FIRE HYDRANT has a twist in many European cities that saves both capital investment and maintenance. Fire trucks carry the fire hydrant and plug it into an underground access covered by a simple manhole cover.

■ As an alternative to retirement or nursing homes, "GRANNY FLATS" have enabled many elderly persons in Australia to live near their children and still maintain privacy and independence. The Victoria Housing Commission, which pioneered the project, rents one-bedroom prefabricated homes to the elderly and places them on their children's property. Since they are portable, they can be removed when no longer needed. Rockville, MD. is planning a pilot project.

League of Women Voters Education Fund •1730 M Street, N.W., Washington, D. C. 20036

■ Rockville is also experimenting with another innovation, imported from France, for its elderly population--a program of ACTIVE SPORTS FOR SENIOR CITIZENS to help keep them physically and psychologically fit.

■ Portability has enhanced recreation services for children in Germany and Canada. In Cologne, converted moving vans are outfitted as MOBILE PLAYGROUNDS that can be set up in an hour on a parking lot, open air market area, square or other vacant space. The van offers climbing equipment, swings, a slide, basketball nets and other game equipment. On rainy days, children participate in activities inside the van. The van travels from neighborhood to neighborhood on a regular schedule. In Canada, vacant lots that are awaiting development are equipped with modular TEMPORARY PARK and playground equipment that can be moved to a new site when construction begins.

■ More and more cities are providing AMENITIES FOR CITIZENS IN WHEELCHAIRS. One innovation in Ottawa is raised garden plots that can be tended by persons in wheelchairs as a part of the city's program of alloting garden space to citizens on unused government land. Disabled persons in wheelchairs are finding still other amenities in Canada--a specially equipped fishing wharf, adaptable picnic tables, a nature trail that accommodates wheelchairs, and runners to fit on to wheelchairs so they can operate on ice and snow.

■ From Japan come AUDIO TRAFFIC SIGNALS for blind pedestrians. Five thousand of the low-cost signals are in use in major metropolitan areas of that country; recently a demonstration signal has been installed in Washington, DC. A simulated bird call device trills while the green light is on; the volume is raised or lowered according to the surrounding noise level.

■ PARKS AND RECREATION FACILITIES FOR THE BLIND are provided in Vienna and Jerusalem. They feature sounds (of rushing water, a wind harp), scents (of an aromatic garden), braille signs, relief maps, and such activities as music lessons, gymnastics and chess.

■ A number of major cities throughout Western Europe are LEASING ADVERTISING SPACE on public property thereby providing public information facilities, adding to downtown vitality and at the same time turning a profit. In Paris, for instance, the city realizes $1.6 million a year in profits from a concessionaire who sells space for notices and posters on 400 street columns. West Germany alone has 77,000 columns.

■ In The Hague, maps and signs placed at bus stops give the public useful PUBLIC TRANSIT INFORMATION that encourages ridership or at least contributes to a more pleasant transit experience. Paris and London subway stations also get high marks for rider information.

■ Ways to IMPROVE TRANSPORTATION AND REDUCE DOWNTOWN TRAFFIC CONGESTION are the subject of innovation in many countries. One of the most drastic measures has been taken in Singapore. Any vehicle (except buses and four-person carpools) must show an expensive sticker on the windshield to enter the downtown area during the morning rush hour or pay a heavy fine. An impressive reduction of rush-hour traffic and pollution levels has been matched with better bus service.

■ RECYCLING BUILDINGS, which is an old story in Europe, is coming into vogue in America. Copenhagen is one of several European cities that can offer many examples to American cities where mills, factories or schools have closed: unused streetcar depots have become indoor playgrounds, amateur theaters and sports halls; old factories are now educational, study and social centers. Also, condemned flats have been moderately improved and modernized, for additional use by low and moderate income families, rather than being torn down and replaced by higher-income housing.

■ In Germany, PARKING LOTS have been covered by slabs perforated so that grass can grow. The lawned parking lots absorb runoff and keep down surface temperatures better than concrete/asphalt versions that occupy large areas in most cities.

LOOKING AT GOVERNMENT CHANGE

The examples above are strategies that appear to be immediately transferable, but what about practices in other countries that involve more fundamental change in government structures and powers--such as regional government, regional planning and growth controls, intergovernmental fiscal policies, citizen participation techniques, crime control, historic preservation and housing policies?

Over the last few years citizens, urban practitioners and academicians have tackled some of these issues, too. In Vancouver at Habitat '76: The UN Conference on Human Settlements, representatives from 140 nations exchanged ideas on many issues that affect urban life. The Congressional Subcommittee on the City, of the House Banking, Finance and Urban Affairs Committee held hearings in 1977 on "Success Abroad: What Foreign Cities Can Teach American Cities." In early 1978, regional planners from France, Germany, United Kingdom and Israel attended the White House Conference on Balanced National Growth and reported on the European and Israeli experience in relation to U.S. growth concerns.

A number of specifics were described at the House subcommittee hearings--regional government and planning mechanisms in London and Copenhagen; housing and neighborhood preservation in Manchester, Liverpool, Lille, Hamburg and Canada (including subsidy programs to prevent displacement of existing residents of housing to be rehabilitated); controlling growth to meet national urban policy goals in England, France, Netherlands and Sweden; institutional arrangements for housing and housing-related problems in London; and Copenhagen's citizens councils on social policy and town planning.

Whether such ideas from other countries have promise for the United States will be known only after more intensive investigation. Each country is unique in its government structure, the degree of autonomy at different levels of government, diversity of population, space limitations, traditional attitudes toward private capital and private property. The impact of these and other variables cannot be overlooked.

WANT TO KNOW MORE?

More details about both readily transferable innovations and also about broader governmental arrangements under study are available from the Council for International Liaison, Room 840, 818 18th Street NW, Washington, DC 20006. The Council publishes a quarterly newsletter, *Urban Transit Abroad*, and a monthly newsletter, *Urban Innovations Abroad*. A July 1978 supplement to the latter contains a summary report, "Balanced National Growth; The European/Israeli Experience."

Several statements from the "Successes Abroad" hearings are contained in the committee print, "Toward a National Urban Policy," single copies free while supply lasts, from the Subcommitte on the City, Committee on Banking, Finance and Urban Affairs, House of Representatives, 604 House Annex 1, Washington, DC 20515.

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OCT 5 1978

URBAN BRIEF 6

THE CITY IN AMERICAN LITERATURE

The problems of the American city have been with us for a long time. In our impatience and frustration with the urban crisis, we sometimes become vulnerable to simplistic explanations of its seeming intractability. One of our favorite simplifications is that American culture itself is responsible for the plight of the nation's cities.

Americans have a historic hatred of cities, we tell ourselves, and the clearest proof of this sweeping proposition is the vividly anti-urban bias that runs through all of American literature. As Morton and Lucia White emphasize in their influential book, *The Intellectual Versus the City,* published by the Joint Center for Urban Studies of M. I. T. and Harvard, the most sensitive recorders of the American spirit, from Jefferson to Thoreau to Faulkner, have repeatedly expressed fear or suspicion or outright loathing of all things urban. These emotions, say the Whites, "may be partly responsible for a feeling on the part of today's city planner that he has no mythology or mystique on which he can rest or depend while he launches his campaigns in behalf of urban improvement." Unlike the Periclean Greeks who loved their *polis* or the Napoleonic Frenchmen who regarded Paris as the light of the world, Americans have no tradition of attachment to the city. Through the medium of our literature American culture calls upon us to shun city values and cling to country values. In the vision of our greatest writers, we ought to remain, spiritually speaking, what we were in the beginning: "Nature's nation."

A PROFOUND AMBIVALENCE

This assessment of American literature is not wholly wrong. American writers have often voiced anti-urban sentiments. Yet these sentiments do not sum up all that they feel about the city in America. Looked at in their totality, the public writings and private lives of our poets, novelists and intellectuals reveal a profound ambivalence about urban life. At the same time that they are drawn toward the woods and fields, they experience the tug of the metropolis. As Emerson candidly confessed in 1844, "I wish to have rural strength and religion for my children, and I wish city facility and polish. I find with chagrin that I cannot have both." At the time Emerson wrote, the United States was still a predominantly rural nation, but urbanization was proceeding at a faster pace than at any time before or since. His charmingly honest comment helps us to understand that the response of mid-nineteenth-century Americans to this historic phenomenon was not automatically and unthinkingly hostile, but deeply divided, for reasons that are still comprehensible in the late 1970s.

The story of the republic's split attitude toward the city begins with the Founding Fathers. In the writings of John Adams, for example, one can find many anti-urban remarks, but it would be unwise to conclude that he actually believed it possible for the United States to avoid an urban destiny. But since Adams equated social stability with rural life, we can readily understand why he expected America's political future to be fraught with danger. In his view, people who live "chiefly by agriculture, in small numbers, sprinkled over large tracts of land, . . . are not subject to those panics and transports, those contagions of madness and folly, which are seen in countries where large numbers live in small places, in daily fear of perishing for want."

Even though city politics in late eighteenth-century America was largely controlled by gentlemen of property and standing, Adams continually feared that urban mobs, incited to violence by radical agitators, might bring down the social order.

MOBOCRACY . . . TO THE ARTS

With the rise of Jacksonian democracy and the influx of millions of immigrants, many writers and intellectuals, including Edgar Allen Poe, Fenimore Cooper, John C. Calhoun, Francis Parkman, John Hay and Mark Twain, came to feel that the mobocracy that Adams feared had become a fact. Although it is customary to think of Mark Twain as the voice of western egalitarianism, the author of *Huckleberry Finn* was also an eastern *arriviste* who lived in a rich suburban enclave in West Hartford called Nook Farm. In the scene in *Huckleberry Finn* in which Colonel Sherburn defies the mob that has come to lynch him and pours out his aristocratic contempt for its democratic cowardice, Twain allegorically expressed his own disdain for the crowd-morality of post-Civil War American cities. John Adams would have found much to admire in Colonel Sherburn's words.

Yet if Adams believed that the city was the nesting-place of mob violence, he also believed that it nurtured culture. He was sure that when the United States became sufficiently rich, the nation would turn to the cultivation of the arts—and the arts would flourish in cities. "I must study politics and war," he said, "that my sons may have liberty to study mathematics and philosophy." His sons, he prophesied, would also study the arts of commerce, "in order to give their children a right to study painting, poetry, music, architecture, tapestry, and porcelain."

This prophecy proved to be uncannily accurate, not only in the narrow terms of Adam's own descendants, but in the broader terms of their social class. For the parks and playgrounds, the symphony orchestra, the museum of fine arts, and the charitable and educational institutions that transformed nineteenth-century Boston were brought into being by "the Boston Brahmins," as Dr. Oliver Wendell Holmes dubbed the city's social elite.

John Adam's great-grandson, Henry, himself a historian, novelist and student of architecture, took pride in these cultural accomplishments of his contemporaries, but in the end he came to despise Boston and, indeed, all cities. It is a sign of his ambivalence, however, that when he left Boston in the late 1870s he did not retreat to the family homestead in Quincy, Massachusetts, but went to live in Washington, D.C., across Lafayette Park from the White House. Ensconced in a fortress-like mansion designed for him by the Romanesque-revival architect Henry H. Richardson, Adams told his continuous stream of guests how much he abominated cities.

THE LOVE OF THE LAND

The contradictions in Thomas Jefferson's views of the city are equally striking. On the one hand, Jefferson loved the land and believed that ownership of it was conducive to individual liberty. He also was horrified by the effects of the Industrial Revolution on English life and wanted to keep landless wage slaves out of the New World. Therefore, he proclaimed, in a famous passage in *Notes on Virginia* (1784-85), "For the general operations of manufacture, let our workshops remain in Europe. It is better to carry provisions and materials to workmen there, than bring them to the provisions and materials, and with them their manners and principles. The loss by the transportation of commodities across the Atlantic will be made up in happiness and permanence of government. The mobs of great cities add just so much to the support of pure government, as sores do to the strength of the human body."

The mounting pressures of international politics, however, eventually caused Jefferson to modify his position. In a letter to Benjamin Austin in 1816, he admitted that America would be foolish to depend upon its recent enemy, England, for a consistent flow of manufactures and consequently ought to develop its own industrial centers. Although Jefferson never became a civic booster in the manner of Benjamin Franklin in the maxims of "Poor Richard," he accepted the city as vital to the independence of the United States and the modern comfort of its citizenry.

Anti-urbanism in the early decades of the nineteenth century was

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largely a function of the philosophical, literary and artistic rebellion, called romanticism which swept through the entire western world in these years. That the wisdom of the heart was superior to the wisdom of the head, that country life was spiritually healthier than city life, and that God was immanent in nature were ideas that quickened the imaginations of European as well as American writers.

Proponents of the view that American literature is peculiarly anti-urban ignore this fact, because it gravely damages their facile explanation of why our cities are in trouble. European city planners cannot derive an urban mystique from the writings of Wordsworth, Coleridge and Kant, any more than American planners can from the works of Emerson, Thoreau and Melville. Indeed, American writers of Emerson's time might not have been as critical of the city as they were if it had not been for the literary example of European romanticism.

In any event, it cannot be denied that the city came under severe attack in romantic American literature. The family, Melville warned in *Pierre,* cannot long survive in the heartless metropolis; in New York, he said, "families rise and burst like bubbles in a vat." Religious inspiration never came to Emerson while walking the crooked streets of Boston, whereas in the woods outside Concord, Massachusetts, the divine currents circulated through him and he became "a transparent eyeball." In contrast to the quietly desperate men who lived in cities, Thoreau at Walden Pond greeted each new day with hope and excitement.

THE TUG OF THE CITY

Walden ends, however, with Thoreau's departure from the pond. He had "other lives to lead," he said. What he did not say is that those lives would be led within civilization rather than in nature. For all his self-reliance, Thoreau was very dependent on other people; even during his sojourn at the pond he often went home to his mother's house in Concord for companionship and comfort.

Concord, to be sure, was a town, not a city, but other romantic writers were surprisingly willing to concede that Boston, New York and other metropolises were not entirely unattractive to their sensibilities. Hawthorne, for example, recorded in *The Blithedale Romance* a deeply ambivalent attitude toward Boston. The hero of the romance does not like many things about the city, including its bad air, its monotonous buildings and its shameful contrasts of luxury and poverty. Yet when he returns to the city after an attempt to live in the rural utopian community called Blithedale (Hawthorne's fictional name for Brook Farm), the hero discovers how much he likes Boston, after all. "Whatever had been my taste for solitude and natural scenery, yet the thick, foggy, stifled element of cities, the entangled life of many men together, sordid as it was, and empty of the beautiful, took quite as strenuous a hold upon my mind. I felt as if there could never be enough of it." The sounds of the city fascinate him—the buzz of conversation in his hotel and the tumult of the pavements outside, the noise of fire engines, the chime of church bells, the blare of a military band. "All this was just as valuable in its way as the sighing of the breeze among the birch trees" at rural Blithedale. And in contrast to Melville, Hawthorne noted the vigor of family life in the city. "I bless God for these good folks!" he exclaimed. "I have not seen a prettier bit of nature in all my summer in the country than they have shown me here, in a rather stylish boarding-house."

Oddly enough, the most unalloyed celebrations of rural and smalltown life do not appear in the works by romantic writers in the early decades of the nineteenth century but in the books of realistic writers who came of age during the Civil War and afterwards. The reason is that these books are expressions of nostalgia. The postwar Americans who read and loved Mark Twain's evocations of Hannibal, Missouri in the 1840s were fully aware—as Twain was—that the United States was irrevocably becoming a nation of cities and that America could not go home again. This fundamental fact of life was explicitly recorded by other writers of the period, most notably Henry James and William Dean Howells, in novels and stories about Boston, New York, London, Paris and Rome.

The city, as Howells and James saw it, was a trap for the unwary, but it was where the action was. In their fables of innocence and experience, ambitious young men and women from simple environments who have migrated to the sophisticated metropolis become caught up in situations they do not understand and cannot control. The marriage of Bartley and Marcia Hubbard in Howells' *A Modern Instance* breaks up because their early life in backcountry New England has left them unprepared to deal with the tensions and the temptations of city living. At the end of the novel Marcia is back in Equity, Maine, where she grew up, but Howells makes clear that this return only exacerbates her unhappiness. And in fact, his depiction of the power of small towns like Equity to turn people into grotesques initiated a literary theme that would be expanded in the twentieth century by Sherwood Anderson, Eudora Welty, and Flannery O'Connor.

THE CITY AS OPIATE

A generation after Howells and James, Theodore Dreiser began to portray the American city as a kind of drug and its residents as helpless addicts. Remembering the overwhelming effect Chicago had had on him when he first arrived there from his native Indiana, Dreiser asserted that the "opium" of the city—the whole dazzling spectacle of magnificent residences, gilded shops, blazing restaurants, glamorous theaters—inevitably dominated "the unsophisticated and natural mind." To spend even one day in the artificial city, Dreiser felt, would "so affect and discolor the views, the aims, the desire of the mind, that it will thereafter remain forever dyed." The greatness of his *Sister Carrie* (1900) lies primarily in its portrayal of the mesmeric effect of Chicago and New York on the human personality. Dreiser's people are irresistibly caught up in the excitement of the city, at the same time that they continued to feel themselves to be strangers in its midst. F. Scott Fitzgerald's *The Great Gatsby* (1925) merely restates in more evocative prose the mixed attitude of exhilaration and despair about the city that Dreiser had delineated a quarter of a century earlier.

Walter Lippmann, in *Drift and Mastery* (1914), felt that city life had starved the modern imagination in the process of enthralling it. Much of what had been concrete experience for the country-dweller was now only an abstraction for the city-dweller. "The city-dweller never meets as a personal problem the elements that have ordered human life, plants and animals, the tides and the winds, forest and hill. He may work at some abstract part of a complicated manufacture, or spend his time in an office where he deals the day long with papers and telephones, the symbols and shadows of events. He has practically no sense of how he is fed, clothed, or housed, has seen no spinning and weaving, mining or reaping." Lippmann offered no solution to this problem, but other books by other writers, stretching all the way back to Howell's *Suburban Sketches* in the late 1860s, envisioned the suburb as a means of preserving a measure of the country-dweller's experience in a metropolitan context.

Yet if literary responses are a true measure of cultural attitude, modern-day Americans have disliked the suburb even more than they have the city. This statement, I realize, flouts the conventional wisdom, but the literary record is clear. Novelists and pop sociologists by the hundreds have assured us—in books we have eagerly bought—that our picture window is profoundly cracked. No wonder that John Updike's suburban rabbits want to run away!

If there is anything we seem to love unreservedly about the setting of our lives, it is the presence, within the city, of parks and trees. A tree growing in Brooklyn uplifted the heart of the young Betty Smith and of the multitudinous readers of her novel. E. B. White, however, has best expressed our feelings in a gem of a *New Yorker* story called "The Second Tree from the Corner." As the vapors hang thick above the pool of the mind and darken the whole region of the East Seventies, a neurotic Manhattanite fruitlessly discusses his symptoms with his psychiatrist. "What do you want?" asks the psychiatrist, but the man cannot say. Only after leaving the doctor's office does the answer begin to come to him, and he is renewed by it. "What he wanted was at once great and microscopic, and . . . although it borrowed from the nature of large deeds and of youthful love and of old songs and early intimations, it was not any one of these things." Suddenly, on the crowded pavement, he sees the perfect symbol of all his inexpressible desires. "A small tree, rising between him and the light, stood there saturated with the evening, each gilt-edged leaf perfectly drunk with excellence and delicacy." Answering an imaginary question from an imaginary physician, the man says, "I want the second tree from the corner, just as it stands." Behind the beautiful self-consciousness of that affirmation stands two centuries of ambivalence about the American city.

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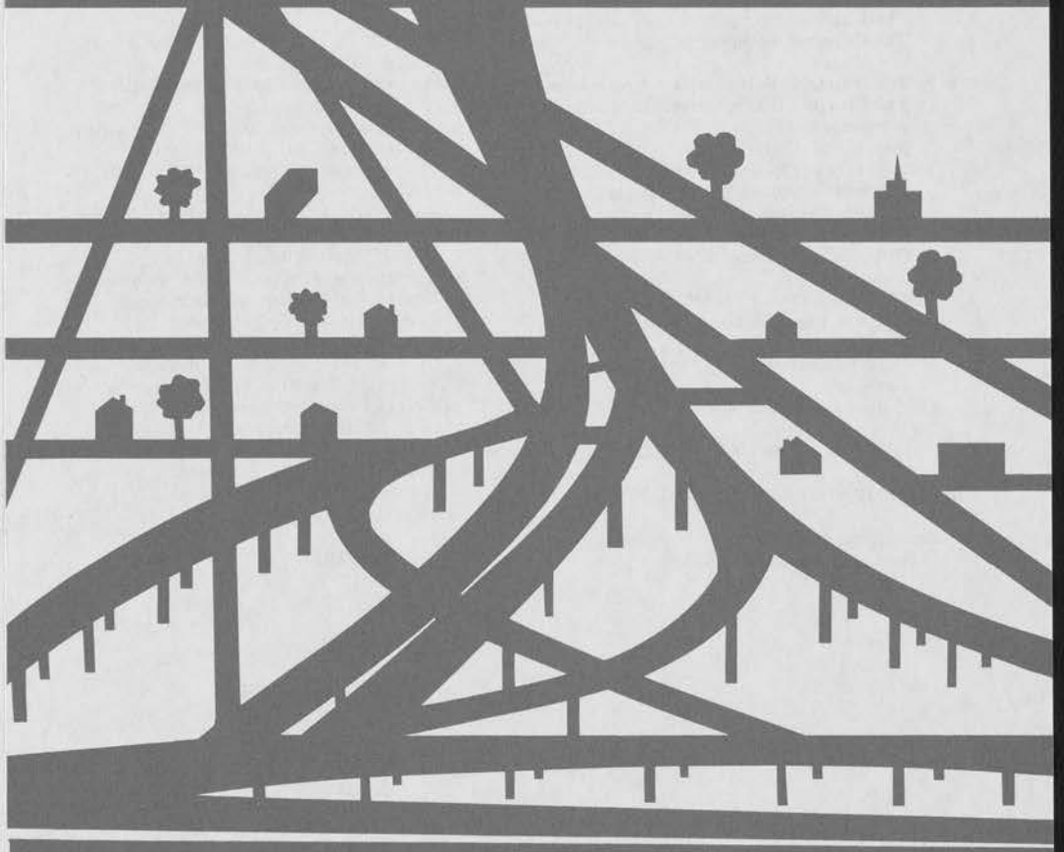
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  - Neighbors Preserve Their Communities
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  - Goal: Quality Education
  - Housing: A Major Concern
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  - Toward Effective Citizen Action
- Summary

CONCLUDING NOTES

APPENDIX

SUPERCITY/HOMETOWN, U.S.A. asks -- and reports the answers to -- these questions:

Are there better ways to organize government in the urban areas, where nearly 3 out of 4 Americans live?

Do we need regional governmental structures to handle problems that ignore city and suburban boundaries?

At the other end of the scale, do we need neighborhood units, especially in cities, to restore citizens' sense of control over their lives and to improve the quality of service that local government delivers?

The League of Women Voters Education Fund didn't go to planners or academics for the answers.

Instead, it went to:

the mayors, council members, county officials and others who have to administer or work within any new political structure; and

the citizen leaders who work constantly with governments on the issues of the day--environment, mass transportation, jobs and job accessibility, and many others--and on such close-to-home problems as street lighting, quality education, and garbage pickup.

Their answers are the meat of this book. They are not heartening ones. Evidence of mistrust is plain--mistrust between city and suburb, minorities and whites, poor and rich, citizen and official. Nonetheless, the responses warrant guarded optimism: people in urban America are able to devise government structures suited to their needs--though not a moment too soon.

In addition to reporting and analyzing responses in the 26 urban areas covered by the League survey, SUPERCITY/HOMETOWN, U.S.A. --outlines in some detail the moves already under way toward regionalism and toward neighborhood government in the city, and --provides 10 mini-case studies of citizen action to make government more responsive.

SUPERCITY/HOMETOWN, U.S.A.--must reading for the layman and the professional concerned with urban affairs.

URBAN BRIEF 7

NEW YORK CITY REVISITED

By the autumn of 1978, New York City, nearly four years after its *de facto* bankruptcy, had acquired enough breathing room to plan a fiscal future. Thanks to a restructuring of its debt, an easing of its access to credit and a technically balanced budget, the city no longer faced the prospect of *de jure* bankruptcy, with the attendant chaos of court action to satisfy its many creditors. However, the underlying problem has not changed: New York City has too little income to pay for the services its citizens expect. But the fiscal crisis has produced radical changes in the structure and process of governmental decision making in New York. These changes may well be auguries for other hard-pressed cities.

CRISIS POINT

In the winter of 1975, NYC had an operating deficit of over $1.8 billion (in a $12.8 billion budget). The city had been operating at a loss for many years, but each year it had been able to cover the deficit through extensive short-term borrowing. In addition, the city "hid" much of its true operating costs by capitalizing expense items—that is, borrowing on a long-term basis to pay for current services. Since debt service must ultimately be paid from current revenues, it was obvious that the deficit would continue to mushroom, because revenues during the economically bleak 1970s had fallen off substantially. When the city tried to refinance some short-term loans, the two banks handling the loans refused on the grounds of insufficient evidence that they could be repaid. February 2, 1975 was the first of many crisis days to come.

FIRST FINANCIAL PLAN—1975-1978

During the next six months, a complex structure and system were crafted to enable the city to avoid technical bankruptcy. Key elements were:

- New York State advanced $800 million in aid.
- The state and city created the Municipal Assistance Corporation (MAC) to assume the city's debt and issue new debt instruments backed by the state (tax revenues collected for New York City by the state were earmarked for debt repayment).
- The state appointed a deputy comptroller to watch over the city's accounting and to serve MAC as auditor and accountant.
- The state and city created the Emergency Financial Control Board (EFCB) to oversee a long-term financial plan.
- Congress agreed to permit the Treasury Department to lend the city up to $2.8 billion a year at slightly over the prime interest rate (not to reduce the deficit but to bridge cash-flow gaps—revenues coming in too late to meet payroll or other expenditure outlays).
- The pension funds of city employees promised to buy city and MAC notes and bonds.
- The city promised to cut spending to close the budget gap—excess of expenditures over revenues—by June 30, 1978.
- The courts upheld a moratorium on repayment of short-term city notes to allow MAC to refinance them into long-term debt.

At the end of the first financial plan (June 30, 1978) progress towards fiscal solvency was good enough to secure additional federal commitments. However, the city was still unable to borrow on its own credit rating. Technically, the budget is balanced, but actually there is still a potential $1 billion gap between revenues and expenditures. (It is impossible to determine the gap accurately because the adoption of Generally Approved Accounting Procedures, required by the financial plan to undo the damage caused by traditional budgetary gimmickery, is not complete.)

The **debt picture** is gloomy. To eliminate the current deficit, the city had to extend its borrowing (through MAC) into the future, thus eliminating the immediate crunch of repaying short-term debt but increasing the total debt. Although the amount the city has to borrow each year is lower, its debt service costs are still too high to engender confidence among potential lenders.

The **expenditure picture** has improved. When one is used to steak, it is hard to switch to a regular diet of hamburger; nevertheless, New York City has curbed its appetite substantially. The annual rate of increase in expenditures (in constant dollars) during the first financial plan was about 7.8%, compared with 13.4% from 1971-75. This change was achieved chiefly through an initial wage freeze, a hiring freeze, layoffs and attrition (resignations and retirement). The city's work force was reduced by 55,500, or 29%, by the end of 1977. Even so, employee costs during the first financial plan rose by approximately $1.5 billion—a 37% increase, partly due to deferred wage increases for teachers, policemen, firemen and sanitation workers.

The **revenue picture** improved as the recession began to ease. Real estate taxes, (about 44% of locally raised revenues) increased about 20% from 1975-78. Sales and personal income taxes went up 30%. Even more significant, however, was increased state and federal aid. State aid rose about 16%, with most of the increase going to welfare, social security and the city's four-year colleges. Federal aid increased nearly 44%, most of this from countercyclical revenue sharing and public service employment (CETA) funds available to all recession-sensitive cities. Without CETA, the city would have had to cut perhaps another 10,000 workers.

Quality of services may have suffered from low morale among employees in the wake of wage freezes, payless weeks, actual and threatened layoffs and demands for increased productivity. Nevertheless, productivity may be increasing. Although the volume of services declined between 1975 and 1977, one study suggests that the rate of decline was less than that of staff reductions, thus indicating more work per employee.

SECOND FINANCIAL PLAN—1978-1982

A new four-year plan, on the basis of which Congress extended fiscal loan guarantees through 1982, is now in force. The goals are the same as those of the first plan: to achieve a balanced budget according to generally accepted accounting principles (meaning that many items now listed as capital expenditures will have to go into the current operating costs column) and to produce sufficient budget stability to enable the city to acquire credit on its own. These objectives must be achieved within the context of economic forces beyond the city's control and without such drastic reductions in service quality that residents and businesses are induced to flee. Should that occur, the revenue base would decrease proportionately.

Projections about the size of the city's deficit by 1982 vary widely. The plan projected a deficit of just under $1 billion as of November 1978; the state review agency said $2.6 billion. The plan's lower figure was based on several debatable assumptions, among them:

- that the attrition rate can be further accelerated;
- that management reforms can save $242 million—though details on how to achieve them are lacking; and
- that city workers will get no salary increases.

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The state's special deputy comptroller labels some 43% of the proposals questionable and about 10% unattainable. Moreover, the plan does not take into account the possibility of a national recession in 1979 or 1980. The consequences could again be disastrous for NYC revenues.

IMPLICATIONS OF NYC's EXPERIENCE FOR STATE AND LOCAL GOVERNMENTS

New York City's situation raises critical issues concerning governance in general. The first question is: What do we want government—any level of government—to do? With the recent Proposition 13-type tax limits or rollbacks, citizens have put a lid on expenditures, without considering which are vital, which dispensable. In the first throes of the fiscal crisis, New York City tried the technique of across-the-board cuts. It soon became evident that these were counterproductive and that a more planned and structured kind of service evaluation is necessary in order to maintain an acceptable quality of life.

Selective cutbacks are now based on assessments of agency objectives and a costing out of wages and other expenditures to meet these objectives. Although there is still a long road to travel to achieve optimum efficiency, the fact that these assessment procedures have been introduced is a significant milestone in the history of local governmental performance.

Allocation of service responsibility The definition of essential services leads to the next logical step—the assignment of those services to the appropriate level of government. New York City's experience highlights the confusing and illogical allocation of service responsibilities with which local government must cope. For instance, the welfare caseload in New York, one of three American cities that is required to contribute to welfare benefits, is the consequence of large economic and demographic forces over which the local government has virtually no control. NYC's heavy welfare burden is part of the argument in favor of the federal assumption of all welfare costs.

Planning The city has rightly been required to produce a workable plan for achieving fiscal solvency and maintaining a balanced budget. However, the state and federal governments, upon which all cities heavily depend, have no long-range plan. City officials cannot plan effectively unless they know what to expect from those levels of government. The uncertainties New York City has experienced suggest that state governments and possibly the federal government should also prepare a three-to-five year financial plan.

Record keeping Another New York City lesson is the importance of appropriate record keeping and accounting methods. The city, in order to satisfy its many new overseers, now has an integrated, computerized financial management system. While not totally debugged, it has helped enormously. Most of the nation's cities lack appropriate record-keeping procedures.

State oversight All through the sixties, the state legislature had to approve New York City's issuance of short-term obligations. Had the legislature scrutinized the city's balance sheets more thoroughly, this borrowing might have been curtailed earlier. Now, audit and analysis provided by the state comptroller's office may be better than that available to any other local government in the country.

Pension funds The city employee pension funds were pivotal elements in saving the city from legal bankruptcy. Without them, the major banks would not have agreed to purchase MAC bonds, and there would have been no market for the restructured debt. Other declining cities will undoubtedly press their employees to invest their union pension funds in the city's future—downtown redevelopment, housing and industrial projects and the like. Offsetting the obvious interest the funds may have in a viable economy is their fiduciary responsibility that requires conservative management of the funds. The experience of New York City's public-sector unions will be instructive.

Deferred capital investment Because of New York City's cash and credit crisis, construction ceased on countless capital projects such as roads, bridges, water tunnels, sewers and subways, and only minimal maintenance is permitted. No estimate of the accruing backlog of needed repair, reconstruction and new construction has been made public, but it is undoubtedly formidable. New York is no different from thousands of other local governments, burdened with an obsolete capital plant (or, in growing cities, burgeoning demands for new construction, which stretch the financing burden beyond acceptable limits). A major effort is needed in many communities to inventory and cost out the essential physical needs if cities are to remain viable in the 21st century.

New governing bodies The creation of MAC and FBC (which no longer includes the word "Emergency") was a most significant event in political history. These new quasi-governing bodies of New York City epitomize the crucial need for state responsibility concerning the fiscal condition of local governments. These semi-independent agencies are now making most of the important decisions for the city—and can continue to do so until 2008. Given the current mood of taxpayers and a threatened recession, more and more cities will want the image that MAC and FCB project—nonpolitical, "hard-nosed" and practical. But, few city officials will want to incur the ensuing loss of power. Perhaps the very knowledge that an MAC or an FCB waits in the wings if things get out of hand will encourage responsible fiscal behavior by officials who are accountable to the electorate.

Visible government Finally, NYC's fiscal crisis has dramatized the need for visible government, opening as it has to public scrutiny a process formerly masked in near-voodoo. Although city officials did not lack critics of their budgetary procedures while the debt was rolling up, the seriousness of the problem was not understood by a large and representative enough public. Voters who may get excited about whether or not to build a highway or subway are notoriously apathetic about the complexities of fiscal matters. But once the realities became clear, New Yorkers on the whole showed remarkable acceptance of the need for stringency.

HOPEFUL SIGNS

Offsetting the gloomy fiscal picture in New York are many positive harbingers:

- Outmigration may reduce the city's dependent population and the associated service costs.
- Young, independent, taxpaying residents appear to be making a stronger commitment to city living—in lofts, "rehabbed" brownstones and new three-family housing in the outer boroughs.
- A real-estate revival is underway in the central business district, with several new office buildings and both new and refurbished hotels in the works or planned.
- Visitors are flocking to the city in unprecedented numbers.
- Foreign firms are opening new offices in the city.
- Retail sales in the last two years are up sharply.
- Many formerly derelict neighborhoods are beginning to show signs of stability and revival.

* * * * *

The inherent strengths of a richly diverse city are there to be nourished, but New York City's fiscal crisis is far from over. Barring drastic declines in federal aid and/or a prolonged deep recession, the city will probably meet or come close to the objectives of the second financial plan. If it can close the budget gap, it will have a chance to reestablish itself in the credit markets. After 1982, parsimonious, targeted public investments will be necessary to maintain the city's economic and tax base.

The current danger is complacency. Many citizens appear not to understand that the city is by no means beyond its crisis. However, the issues—in New York or any city—can be made clear with creative effort on the part of public-interest and citizen groups.

This publication was written for the LWVEF by Gail Garfield Schwartz, senior fellow of the Academy for Contemporary Problems. She is a member of the New York State Comptroller's advisory committee on New York City and was formerly director of economic planning and development for NYC.

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Consider:

- Are successful public-private urban revitalization strategies in older cities possible, given demographic and economic trends?
- Or should national policy be geared more to helping distressed cities "grow old gracefully"?
- Who will benefit from revitalization? How can an urban revitalization program address the needs of the present low-income residents who may be displaced by middle- and upper-income people moving into the city?
- Should revitalization strategies be targeted to cities in distress? If so, how?

Section II. A. & B. Incentives to state and local governments (10 min.)

Basic reference, the F&I, *Urban Options: A Fiscal Accent.*

Here is another instance where attention to *concepts* is in order rather than detailed discussion. Member reaction to these two questions could give the League a basis on which to support or oppose measures to encourage states and cities to take a greater responsibility for dealing with urban fiscal problems.

A. Problems of cities, which are creatures of their states, may be aggravated by state policies—on taxation, municipal boundaries and functions, land use, to name a few. Could changes in some state urban policies help change the fortunes of fiscally troubled cities? In the Administration's 1978 urban policy document, President Carter suggested a new concept—an incentive program to award grants to those states that come up with an acceptable program to support their cities. (A tip: you may want to call attention to your own state's policies and programs affecting the well-being of major cities.)

B. Some cities' fiscal problems are said to be at least partly self-inflicted—through inefficiency, waste, mismanagement or worse. At present, the federal government has a modest program of technical assistance to help participating cities to increase their management capability. Should it do more?

Consider:

- Should the federal government give incentives to states and technical assistance to cities, to encourage and/or help them to address urban problems more effectively?
- Or would this strategy simply reward neglect, inefficiency, waste, mismanagement and fraud—penalize efficiency, good management and honesty—as some critics charge?

These questions can also serve to launch any forthcoming consideration of optional state or local League consensus questions under the Urban Crisis banner (see below).

Optional state and local consensus questions

State, local and ILO boards are encouraged to schedule an extra set of Urban Crisis unit meetings to deal with state, local or regional issues of special significance to cities in their area. Recognizing that conditions are unique to different jurisdictions and different sections of the country, the national board is leaving it to each board to design suitable questions.

Some state Leagues may want to investigate goals and strategies for a state urban policy. Some Leagues will undoubtedly want to design a question around state and local options vis-à-vis "Proposition 13 fever"—the outcropping of state and local initiatives to limit taxes and spending. Some city Leagues may opt to examine strategies to improve the management capacity of their city governments. (In fact, taxpayer frustration about local government service delivery and fiscal accountability may be central to the surge of Proposition 13-type measures.) Some may want to explore ways to forge an effective public-private partnership for central city revitalization.

Two LWVEF publications in the Cities in Crisis series—*Taxes, Budgets and Services* and *Managing the Modern City* (off press soon)—contain a wealth of useful information for such studies.

By piggybacking on the national study, your state and local Leagues can take maximum advantage of the Urban Crisis item. Since state and city governments have an essential role, along with the federal government, in the solution of urban problems, the impetus for state involvement and city management reform must be generated on the home fronts—where *you* are.

Checklist of urban crisis materials

Issue-oriented publications

Urban Options: A Fiscal Accent (F&I), Pub. #277, 1978, 75¢. Provides the basic review of national urban fiscal policy options to help your committee and members cover the consensus issues. Your League is urged to consider purchasing copies as your every-member briefing publication. You may want to pool your order with other nearby Leagues to take advantage of bulk rates.

Cities in Crisis: The Impact of Federal Aid, (CF), Pub. #601, 50¢. Sheds light on effects of federal fiscal policies and programs.

Cities in Crisis: Taxes, Budgets and Services, (CF), Pub. #114, 75¢. Discussion of the taxes/spending dilemmas and the effect on city budgets. (Of particular help for state/local studies.)

Circuit-Breakers for the Tax Overload? Urban Brief #4, Pub. #170, 20¢, 20/$1. More on one tax reform strategy.

A National Urban Policy: The President's Proposals, Urban Brief #3, Pub. #112, 20¢, 20/$1. Capsulizes Carter's proposed urban initiatives.

Sources on Cities, Urban Brief #1, Pub.#339, 15¢, 25/$1. Useful background reading.

Learning From Urban Experience Abroad, Urban Brief #5, Pub. #241, 20¢, 20/$1. Enrichment on quality of urban life.

The City in American Literature, Urban Brief #6, Pub.#245, 20¢, 20/$1. Insights on attitudes toward cities.

Monitoring Your CDBG Program, Pub. #120, 40¢. Reviews the CDBG program and its implementation.

General Revenue Sharing and the States, Pub. #595, $1. Results of an in-depth LWVEF survey of GRS in 6 states.

The Urban Impact of Federal Policies, a preview of a Rand Corporation study and a complementary piece to the LWVEF's *Cities in Crisis: The Impact of Federal Aid.* A reprint from the Nov. 1977 *Nation's Cities* was mailed on a one-per-League basis in December 1977. No more copies available.

To Save Our Cities–What Needs to be Done? by Rep. Henry Reuss, chairman of the House Committee on Banking, Finance, and Urban Affairs, and chairman of the subcommittee on the city, was mailed to each state League and ILO in January 1978. $2.36 (includes postage) from Public Affairs Press, 419 New Jersey Ave. S.E., Washington, D.C. 20003.

COMING SOON: Two new LWVEF publications: one, tentatively titled *Public-Private Partnership for Urban Investment,* to enrich League background on private reinvestment in cities (Section I.C of consensus questions) is planned for a January mailing; the other *Managing the Modern City,* due about the same time, will be of special help for optional local studies.

How-to publications

Caring About Cities, Pub. #675, 50¢. Discussion and meeting outlines for helping your members consider whether cities are important to our society and for providing background on federal assistance to cities (closely keyed to *The Impact of Federal Aid*).

Focusing on Cities/Urban Crisis, (CeG), Pub. #344, 40¢. Tips on organizing for the study. Review of relevant LWV positions.

Meaningful Meetings, Pub. #319, 40¢. Basic source for any resource committee, from planning to conclusion of a study.

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Urban Crisis: Making Decisions on Fiscal Policy

***Urban Crisis: Evaluate urban policy options, with an emphasis on fiscal policy*, National program, 1978-80, authorized by national convention, May 1978.**

This COMMITTEE GUIDE is designed to help your League's Urban Crisis resource committee to prepare your members for consensus on the national Urban Crisis study. It provides:

- mini-history of the UC study;
- review of what the League has done to date;
- tips for organizing the committee and meeting the deadline;
- techniques for preparing your members for the approaching member agreement;
- checklist of materials available or coming soon;
- sample discussion outline keyed to the consensus questions and to LWVEF publications on the issues;
- guidance on how the optional state/local questions can be handled.

The League and urban problems

Urban Crisis made its debut on the national League program in 1976, when delegates to the national convention added this issue to the 1976-78 program; it was born again in 1978, when convention delegates adopted the present study.

Although Urban Crisis is a comparatively recent addition to the national League agenda, urban concerns are by no means new to the League. Over the last decade or more the League has addressed many urban problems and has worked vigorously to improve the urban condition. The League has active national positions—on Human Resources (income assistance and equal access to jobs, education and housing), Environmental Quality (air, water, solid waste), Land Use, Energy and Transportation—that spell out the League's commitment to combat poverty and discrimination and to improve the quality of life. In addition, many state and local Leagues and ILOs have positions that deal specifically with their own urban problems.

During the 1976-78 biennium the League moved to expand League-wide understanding of the dimensions of the urban crisis. The LWVEF produced the first of a continuing series of publications to foster public understanding of the urban dilemma. Leagues held meetings, workshops, forums, conferences to raise community consciousness about the importance of cities and to combat the "it's not my problem" attitude prevalent in suburban and rural areas. They examined the impact of federal policies and programs on cities, often using their own cities as cases in point.

These explorations revealed that serious fiscal distress, due to an eroding tax base, was the common plight of many of the nation's cities. The message came through loud and clear in national program making: put the emphasis on fiscal policy.

The national study focuses specifically on fiscal policy options at the *federal* level, to develop a position that will enable the League to act on a variety of national urban initiatives. But from the outset, the study has been programmed vertically, because solutions to cities' problems are to be found at each level of government. To get a total picture of urban options (and to avoid the trap of assuming that the federal government should come up with all the answers), state and local Leagues and ILOs are strongly encouraged to factor into their study suitable state/local policy issues at another set of units. (See section on State/Local Optional Questions.)

Urban fiscal policy options may seem to defy coverage in one set of unit meetlngs, and indeed some Leagues are planning two units to take consensus. But Leagues have managed to cover other difficult and complex issues in equally compressed time. We hope that this COMMITTEE GUIDE will help make your committee's job do-able. We've culled the best from other preconsensus guides, to offer help in preparing your members for this process and in dealing with the consensus questions. *Remember: the deadline for receipt of the completed official consensus Report Form at the LWVUS office is May 1, 1979.*

Tips and timing

As is often the case in national studies, Leagues are at various stages of preparation. Whether yours is a new committee or an experienced committee, whether your League has done little on Urban Crisis during the past biennium or has immersed itself in the issues, whether your members live in the midst of urban crisis or feel remote from the problems of cities, your job as a committee is the same: to size up where your members are "at" and to tailor a plan for energizing and informing them in time to meet the consensus deadline.

Your committee

Planning your strategy for the next few months is a key to success.

- ☐ If you are just getting started, review the section of the 1977 COMMITTEE GUIDE (CeG), *Focusing on Cities/Urban Crisis* (#344, 40¢) headed "Organizing to Do the Work."
- ☐ Ask your state League for advice. Many state Leagues are coordinating this study by scheduling workshops, circulating memos and serving as a clearinghouse for information on urban crisis issues of particular local or regional interest.
- ☐ Get in touch with your ILO, if your League is part of one, or with a nearby city League that is experienced in the study, to share ideas.

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committee guide

League of Women Voters
of the United States
1730 M Street, N.W.
Washington, D.C. 20036

□ To put your job in perspective, review the consensus questions; the sample discussion outline in this COMMITTEE GUIDE; and the new every-member FACTS & ISSUES (F&I), *Urban Options: A Fiscal Accent,* (#277, 75¢, off press at the end of November).

The discussion outline, timed for a 90-minute meeting, is predicated on a well-prepared membership. Unless your League is already well informed and "raring to go," your game plan should ideally include some kind of preliminary informational activity for members. Your committee is best qualified to judge what to offer. Should you plan a workshop, conference, seminar, go-see tour, general meeting or informational unit meetings? Will members benefit most from consciousness raising about cities or from factual information and discussion about federal urban fiscal policies and programs (or, quite possibly, both)?

Backgrounding your members

If it's consciousness raising that your League needs, check out the COMMUNITY GUIDE (CyG), *Caring about Cities* (#675, 50¢). It contains a study outline, "Why Cities Matter," and a suggested agenda for a day-long conference on this theme. Some Leagues have used the questionnaire, "Testing Your Urban Consciousness," from the fall 1977 *National VOTER.* A number have conducted go-see tours of a nearby city's declining or revitalized neighborhoods. Some have prepared comparative statistics about federal aid for housing, jobs, block grants and the like that flow into your state's central cities, suburbs and smaller communities.

For a backgrounder focused on the issues, adapt the suggested agenda for a 90-minute meeting on "Federal Aid to Cities" in *Caring About Cities,* or adapt the discussion outline in this COMMITTEE GUIDE. For speakers to supplement your committee's own resources, check out your federal regional offices (e.g., HUD, Economic Development Administration); your local bankers, chamber of commerce, or economic development commission; grass-roots neighborhood organizations; your U.S. representative (or staff aide); college or university staff; or state or city officials. It makes all kinds of sense for a group of Leagues to join forces for a backgrounder on the issues covered by the consensus questions.

Whatever the subject, you can use "your" city or metropolitan area as a case in point. But keep the broader picture—the national interest in the well-being of cities—before the group, as well. Capitalize on member interest in the local scene—and perhaps their past work on housing and jobs—as a way to get into the national context.

The two guides mentioned above describe some of the creative activities Leagues have designed to give members essential background. Since then, there have been many more. (For example: San Francisco Bay Area Leagues have published *Urban Crisis Forums,* summarizing an earlier project. For ideas on format or speakers, order c/o LWV Central San Mateo County, 444 Peninsula Ave., #3, San Mateo, CA 94401, 50¢.)

The written word

Find ways to capture member interest through your local bulletin, by sharing enticing bits of information or suggesting articles to read or noting upcoming TV programs. However, don't reinvent the wheel! We urge you to rely on the F&I to provide your members a common information base with other Leagues around the country. Attach copies to your bulletin or make it available to members at the meetings before you take consensus. It will make the discussion leaders' job of pulling them together for reporting far easier.

Sample discussion outline

(Suggested timing for a 90-min. meeting)

If you can schedule two meetings, adapt the times to cover the Introduction and Sections I.A & B in the first meeting, Section I.C and Section II in the second.

Introduction (10 min.)

1. Make the purpose of the meeting clear: to determine areas of member agreement on a range of fiscal policy options available to the federal government to address hardship conditions in the nation's cities.

2. Make clear to members where the League is coming from on urban issues. A note of caution: present this information quickly, to set the tone. Avoid taking up each point in discussion.

□ By adopting this item at the 1978 convention, the League has committed itself to the proposition that the well-being of cities is a national interest and that a comprehensive national urban policy is needed.

□ Mention that our HR and NR positions have urban implications (see *Focusing on Cities/Urban Crisis*).

□ Review what your League has done since May 1976. Make clear that even if your League has centered its efforts on your own or a nearby city, the emphasis now is on the national arena.

3. Establish the fiscal hardship in many older central cities (see the F&I and *Caring About Cities*). Blow up the chart on Page 2 in the CURRENT FOCUS, *Cities in Crisis: The Impact of Federal Aid* (#601, 50¢) for a quick visual shortcut.

4. Review what the goals of a national urban policy could be. Use "Goals and Strategies for Cities" in the F&I to outline them on a flip chart.

Obviously, there is meat for more than a 10-minute introduction. This outline presumes that you've offered members background at an earlier meeting or by other means.

Section I. Ranking the priorities in federal aid options (5 min.)

This first general question lays out the framework for the entire first section, which constitutes most of the meeting. (Each broad option is the subject of detailed questions in A, B and C under Section I.) Its purpose is to elicit members' sense of priorities. A tip: you may want to take up subsections A, B and C, then return to this. If so, BE SURE TO SAVE TIME to do so; the answers should come quickly after discussion of the subsections.

Consider:

■ Do members favor federal aid given to local governments, with few strings attached, to be spent according to locally determined priorities?

■ Or do they prefer federal aid given to support particular programs (either categorical or block grants) under more narrowly defined federal regulation?

■ Or should federal aid primarily help cities become more self-sufficient, by helping attract reinvestment to increase the city's tax base?

However members rank the three categories—even if they decide on "none of the above"—the fact is that many federal programs of each type are already in place and there are frequent proposals for new programs. The rest of the consensus questions in Section I are designed to elicit League preferences within each category, irrespective of members' views on the desirability of the broad category itself.

Section I.A. General financial assistance (25 min.)

Basic references: the F&I, *Urban Options: A Fiscal Accent,* "General Financial Assistance to City Governments;" *Cities in Crisis: The Impact of Federal Aid,* pp. 3-6.

These questions cover federal programs that can provide cities financial aid to be used according to their own decisions and priorities—both direct (General Revenue Sharing and other federal programs of general financial assistance) and indirect (through involvement in municipal borrowing for capital needs).

A gameplan to meet the deadline

	DEC	JAN	FEB	MAR	APR
Committee Planning					
Nail down your timetable Allocate research responsibility	■				
Flesh out resource information per discussion outline	■	■	■		
Feed background information to your members (special meeting, fact sheets, etc.)		■	■	■	
Member Agreement Process			■	■	■

Section I.A. (1 & 2). Direct aid—revenue sharing, general and otherwise

Points to consider:

■ "Targeting" is the name of the game in both General Revenue Sharing (GRS) and all other programs that distribute aid by formula. So a discussion of formula distribution of federal aid is in order here—to be continued in Section I.B. The basic issue is: Should federal aid be distributed widely among many local jurisdictions or should federal resources be targeted to areas of fiscal distress? Or do we need both? Prior to October 1, 1978 we had both, with GRS based on the wide distribution option and countercyclical aid more targeted to cities. With the expiration of countercyclical aid (and failure of the Administration's proposal to replace it with supplemental fiscal assistance), GRS is now the only form of direct general fiscal assistance.

Formula debates spill over periodically into headlines that pit sunbelt against frostbelt, suburbia against central cities. Formulas that provide "something for everybody" are more palatable politically since the representation of rural areas, small towns, suburbs and booming cities, combined, outweighs that of distressed cities.

■ To bring the targeting issue home, show how much direct general financial aid your own local government gets in relation to its total budget and as compared with other jurisdictions in the nearest metropolitan area. (Offer the facts on a flip chart to save time.)

■ Review the strengths and weaknesses of GRS and countercyclical aid, to help members decide whether they want each used.

■ Briefly discuss whether the federal government should make a long- or short-term commitment, whether funding should yield a higher amount in real dollars or simply keep up with inflation.

Section I.A. (3). Indirect aid—borrowing assistance

The federal government can give *indirect* general financial assistance through a variety of measures to lower cities' cost of borrowing for capital construction needs. Since time is short and some of these options are highly technical, focus on the *concept* of federal government involvement in this area rather than on each type of initiative. (NOTE: if your League is knowledgeable in this area, please attach to your Report Form any comments, pro or con, on any of the techniques to lower the cost of municipal borrowing.)

Section I.B. Aid for particular programs (15 min.)

Basic references: the F&I, *Urban Options: A Fiscal Accent,* distribution of program aid, housing, employment; *Cities in Crisis: The Impact of Federal Aid,* pp. 3-8.

The League has taken action in the past on a number of programs that affect cities—action under the HR positions on housing and employment is particularly relevant. The League, however, does not have a position on a *method of distributing* aid for such programs. The HR positions were adopted when federal aid was given via categorical grants, which are closely regulated from the federal level, whether awarded by competitive application or by formula. More recently, many federal programs in these fields have been folded into block grants. These are awarded by formula only, and local officials have had much more freedom to decide how to use their allocations, within broad program areas. (Refer to *Impact on Issues* if questions arise concerning past League action.)

While it is not the purpose of this consensus process to examine our existing positions on housing and employment, both of these program areas are closely related to urban issues. A brief review of how existing federal programs in these spheres affect city governments will help members add new perspectives to what they already know about housing and employment. (See sections in the F&I.) A caution: keep your eye on the national consensus questions (and the clock) and avoid getting too involved in analyzing local CETA, CDBG and housing programs.

The first question (I.B.1) opens up two basic issues:

■ National priorities versus local priorities. Who should decide how federal funds should be spent in local communities? Should local officials use federal aid to meet their own budget priorities? Is the national interest in certain programs sufficient that they should be directly funded, and hence regulated, by the federal government?

■ The effect of different grant systems on the local budget. How important is predictability of income? How significant is the pressure on local spending that is generated by federal grants?

The second question (I.B.2) relates closely to the earlier discussion on targeting because block grant formulas raise the same issue: wide distribution of funds to local governments versus targeting aid to areas of greatest need.

Section I.C. Enhancing the economic base of cities (25 min.)

Basic references: the F&I, *Urban Options: A Fiscal Accent,* introduction on causes of urban problems and section on "Enhancing Economic Self-Sufficiency;" forthcoming CURRENT FOCUS, tentatively titled *Public-Private Partnership for Urban Investment,* scheduled for January publication.

Because economic development is related to many other urban issues, references to specific strategies will be found throughout the F&I in addition to the section on "Enhancing Economic Self-Sufficiency." Here are some "traffic signals" to help you use the F&I for these consensus questions.

□ Community development programs (CDBG, Economic Development Agency, Small Business Administration, in particular) are part of the discussion of *capital* in the "Enhancing Economic Self-sufficiency" section, and, of course, the targeting issue discussed in the "Aid for Particular Programs" section arises again.

□ Relocation of labor and subsidized hiring are part of the *labor* component of the "Enhancing Economic Self-sufficiency" section.

□ Highway aid is in the same section, under *transportation.*

□ Both investment tax credits and federal purchasing and location of federal facilities are discussed in the same section, under *market* influences.

□ Middle-income housing and tax subsidies are also discussed under *market* influences as well as in "Aid for Particular Programs," under *housing.*

Members will want to consider not only the individual strategies listed but the *concept* of economic development, especially in ranking priorities under the general consensus question, Section I. The rationale is that public money used to "leverage" private investment could lead to long-term revitalization—lowered central-city unemployment rates, increased tax base for city governments and therefore reduced, rather than increased, dependence on federal aid.

7) Provide financial incentives to business to locate or expand in distressed cities via:

Support	Oppose	Other*

a) Loan guarantees

b) Investment tax credits

c) Direct loans

d) Interest subsidies

e) Subsidies for hiring long-term unemployed

f) Other _____

8) Change federal fiscal policies that have contributed to middle-income families leaving the city by

Support	Oppose	Other*

a) Reducing federal aid for highway construction

b) Modifying tax subsidies to home ownership

c) Other _____

9) Other _____

Comments on Section I.C _____

Section II
Incentives to State and Local Governments

Recognizing the mutual responsibility of federal, state and local governments for the fiscal health of cities, please answer the following questions with respect to the federal role in this relationship:

	Support	Oppose	Other*
II. A. Should the federal government use incentives to encourage states to take an active role in promoting the fiscal viability of their cities?			
B. Should federal aid to cities provide funds for technical assistance to improve the management capacity of city governments (e.g., training, planning, fiscal practices)?			

Comments on Section II _____

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League of Women Voters of the U.S.
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Washington, D.C. 20036

(This is not going on DPM)
Each local League president is getting three copies.
November 1978

Report Form
Member Agreement / Consensus on Urban Crisis

Suggested time for consensus process is February, March or early April.

Send one copy to LWVUS, c/o Organization Division, and one copy to your state League. Keep one copy for your file.

It is not necessary to wait for the deadline to mail your completed report. Mail it to the LWVUS as soon as possible. Thank you.

Note: Use the space provided for any additional comments. Attach another sheet if you need more space.

Whenever the asterisk (*) appears with "other":
- --use the letter (a) if you did not reach agreement;
- --use the letter (b) if you did not discuss;
- --use the letter (c) if you think the League should not take a position.

LWV OF _____
(name of local League) (state)

Number of members participating in this member agreement/consensus process on Urban Crisis: _____

Number of members in your local League: _____

Describe briefly the member agreement/consensus method(s) used, e.g., unit discussion, general meeting; member survey; etc.:

_____
(signature) (portfolio)

The two essential tools for dealing with this member agreement/consensus process are:

- LWVUS COMMITTEE GUIDE, Urban Crisis: Making Decisions on Fiscal Policy, for the resource committee (#287, 30¢)
- LWVEF FACTS & ISSUES, Urban Options: A Fiscal Accent, for every member (#277 , 75¢)

In addition, these LWVEF CURRENT FOCUSes will prove very helpful:

- Cities in Crisis: The Impact of Federal Aid (#601, 50¢)
- Cities in Crisis: Taxes, Budgets, Services (#114, 75¢)
- Public-Private Partnership for Urban Investment (tentative title; available early February 1979)

In adopting an Urban Crisis item, delegates to the 1978 convention of the LWVUS acknowledged the national interest in the well-being of the nation's cities and the need to develop a comprehensive national urban policy. The questions on the following pages address aspects of urban fiscal policy that deal with federal aid to cities and the federal government's relationship with state and local governments.

Section I
Federal Aid Options

Should a federal role in urban policy emphasize:

Rank these in order of priority--1, 2, & 3. Do not rank an option you wish to omit.

GENERAL FINANCIAL ASSISTANCE TO CITY GOVERNMENT (see Sec. I. A) ____
AID FOR PARTICULAR PROGRAMS (see Sec. I. B) ____
MEASURES TO ENHANCE THE ECONOMIC BASE OF CITIES (see Sec. I. C) ____
OTHER ____

I. A. GENERAL FINANCIAL ASSISTANCE TO CITY GOVERNMENTS

1. *General Revenue Sharing is one form of general financial assistance that the federal government now provides.*

   a. Should General Revenue Sharing be continued? ____Yes ____No ____Other*

   b. Should the League support or oppose the following changes that have been suggested in General Revenue Sharing:

	Support	Oppose	Other*
1) A formula that targets more sharply to distressed cities			
2) Lower grants or no grants to states			
3) Increased appropriations to provide a higher level of funding			
4) Increased appropriations to meet inflation			
5) Annual appropriation process			
6) Other _____			

2. *Various proposals have been developed for a separate form of direct general financial assistance to fill a role not filled by General Revenue Sharing.*

   a. Is another form of direct general financial assistance needed? ____Yes ____No ____Other*

   b. If such a program is considered, should Leagues support or oppose:

	Support	Oppose	Other*
1) Targeting aid to distressed cities			
2) Aid designed to counter recession			
3) Formula that ensures broad distribution of funds			
4) Distribution of funds to both state and local governments			
5) Distribution of funds to local governments only			
6) Other _____			

3. *Federal involvement in local borrowing for capital construction is another device for general financial assistance to municipal governments.*

	Support	Oppose	Other*
1) Should the League support or oppose action by the federal government to lower the cost of city borrowing for capital construction; e.g., interest subsidies on municipal bonds, direct loans to local governments, taxable bond option.			

Comments on Section I.A _____

I. B. AID FOR PARTICULAR PROGRAMS

The federal government is involved in many programs that have an impact on the fiscal well-being of cities.

	Block Grants	Categorical Grants
1) For assistance in particular program areas, (e.g., housing, education, transportation) are block grants or categorical grants more beneficial to distressed cities?		

	Support	Oppose	Other*
2) In the case of block grants, should the League support or oppose formulas that target aid to distressed cities?			

Comments on Section I.B _____

I. C. MEASURES TO ENHANCE THE ECONOMIC BASE OF CITIES

Should the League support or oppose the following measures to enhance the economic self-sufficiency of cities?

	Support	Oppose	Other*
1) Expand community development programs			
2) Target community development programs to distressed cities			
3) Target federal purchasing to distressed cities			
4) Target federal facilities to distressed cities			
5) Expand middle-income housing in distressed cities			
6) Pay for relocation of workers from labor surplus to labor shortage areas			

NOV 17 1978

League of Women Voters of the United States 1730 M Street, N.W., Washington, D. C. 20036 Tel. (202) 296-1770

memorandum

November 1978
This memo and CeG are going DPM

TO: State, Local, ILO Presidents (Please share at once with your Urban Crisis chair)
FROM: Florence R. Rubin, Urban Crisis Chair
RE: Urban Crisis consensus materials

Here's what you've been waiting for! You received an advance copy of the Urban Crisis consensus questions shortly after they were approved by the national board in September. Now here are 1) three copies of the official National Consensus Report Form (to Presidents only) and 2) the Committee Guide, Urban Crisis: Making Decisions on Fiscal Policy.

This Committee Guide can be your Urban Crisis committee's "best friend" during the next few months. It provides the essential link between the consensus questions and issue-oriented materials. It's full of suggestions to help the committee do its job well. (See box for an at-a-glance example.) And we all know how important the committee's job is in developing effective membership participation in the consensus process.

A Brief Look at a 90-Minute Consensus Meeting
-Introduction, 10 minutes
-Section I, 5 minutes
-Section I.A., 25 minutes
-Section I.B., 15 minutes
-Section I.C., 25 minutes
-Section II, 10 minutes

We are putting the finishing touches on the Facts and Issues that puts in perspective the issues covered by the consensus questions, and it will be in the mail the first week of December. The Committee Guide lists the other basic publications available for background information. Also, we rescued from the cutting room floor and reproduced below a list of supplementary readings we thought your committee would want to have.

As many Leagues have already found, this study is proving to be an exciting and provocative one. Unfortunately, space in the Committee Guide did not permit a swap shop of League activities, but I do want to share with you (on the reverse side of this memo) a flyer that came in at press time so you can see for yourself how the Detroit Metropolitan League is preparing for consensus. A similar meeting might be just the thing for your League(s).

I hope you will keep up front the significance of this Urban Crisis consensus process. Since urban policy can be expected to remain a major national issue, any position that derives from this study can form the basis for action on a variety of urban policy initiatives. It can also serve to broaden the scope of action under existing programs (e.g., HR). If you have questions, feel free to call me or the Urban Crisis staff at the national office. BEST WISHES FOR A REWARDING STUDY!

Suggested Additional Readings for Resource Committees

Revitalizing Central City Investment, Peter Libassi and Victor Hausner, Academy for Contemporary Problems, 1501 Neil Ave, Columbus, OH 43201.

Financial Relief for Troubled Cities, William Oakland. Single copies free from address above.

The President's 1978 National Urban Policy Report. Urban Policy office, Dept. Housing & Urban Development, 451 7th St. SW, Washington D.C. 20410. Limited copies free.

"Urban Policy," Anthony Downs, in *Setting National Priorities: The 1978 Budget,* Joseph Pechman, Ed., 1978. Brookings Institution, 1775 Massachusetts Ave. NW, Washington, D.C. 20036. $4.95 (paper).

Revenue Sharing: The Second Round, Richard P. Nathan and Charles F. Adams, Jr., 1977. Brookings Institution (above). $4.95 (paper).

The Changing Economic Role of Central Cities, J. Thomas Black, 1978. Urban Land Institute, Publications Dept., 1200 18th St. NW, Washington, D.C. 20036. $5.00.

Barriers to Urban Economic Development, Congressional Budget Office, 1978. U.S. Govt. Printing Office, Documents Dept., Washington, D.C. 20402. $2.30.

Bridges to the Future: Forces Impacting Urban Economies, Gail G. Schwartz. Office of Economic Research, Room 6018, Dept. of Commerce, (Main Bldg.) Washington, D.C. 20230. Single copies free.

League of Women Voters of the Detroit Metropolitan Area

PRESENT

URBAN CRISIS WORKSHOP - PREPARING FOR CONSENUS

Friday, November 10, 1978 9:30 AM to 3:00 PM

MARYGROVE COLLEGE, LIBERAL ARTS BUILDING, LIBRARY LECTURE HALL

PROGRAM

9:30 to 9:45 Registration & Coffee

9:45 to 10:00 Welcome - Kay Cushman, President, Detroit Metropolitan League of Women Voters

10:00 to 10:15 Introduction - Libby Richards, Chairman, Urban Crisis Committee - DMA-LWV
Member, National LWV Urban Crisis Committee

10:15 to 11:15 "POLICY OPTIONS: GENERAL FINANCIAL ASSISTANCE TO CITY GOVERNMENTS"
PANEL:

1) GENERAL REVENUE SHARING PROGRAM AND OTHER POTENTIAL ASSISTANCE PROGRAMS
Professor Joseph Cepurin, University of Michigan, Dearborn
2) FEDERAL INVOLVEMENT IN LOCAL BORROWING FOR CAPITAL CONSTRUCTION
Stratton Brown, bond attorney, Law Firm of Miller, Canfield, Paddock and Stone
3) THE COMMUNITY DEVELOPMENT PROGRAM
Henry Lewandowski, Program Manager, Community Development and Block Grant Program, U.S. Housing and Urban Development Department
4) BLOCK GRANTS vs. CATEGORICAL GRANTS
David Shepherd, Chairman, SEMCOG, Mayor of Oak Park; Member, Revenue Sharing Task Force, National League of Cities

11:15 to 12:00 Discussion

12:00 to 1:15 Luncheon - Madame Cadillac Dining Room

1:15 to 2:00 "POLICY OPTIONS: MEASURES TO ENHANCE THE ECONOMIC BASE OF CITIES; INCENTIVES TO STATE AND LOCAL GOVERNMENTS"
PANEL:

1) INCENTIVES TO BUSINESSES TO LOCATE OR EXPAND IN CITIES - VIEW I
Al Bodgen, Detroit Regional Director State Office of Economic Development
2) INCENTIVES TO BUSINESSES TO LOCATE OR EXPAND IN CITIES - VIEW II
Jack Pryor, Economic Development Director, Community and Economic Development Department City of Detroit
3) USING INCENTIVES TO ENCOURAGE STATES TO AID THEIR DISTRESSED CITIES
Linda Barnes, Director, Office of Intergovernmental Relations, State of Michigan

2:00 to 2:45 Discussion

3:00 Adjournment

Advance Registration of $5.00 (includes luncheon) can be made by contacting:

League of Women Voters
14017 Cranbrook Lane
Riverview, Michigan 48192
Phone: 282-5250

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NOV 27 1978

Route 2 Box 268
Detroit Lakes
Minnesota 56501
November 22, 1978

President Jimmy Carter
The White House
Washington, D.C. 20500

Dear President Carter:

We in League of Women Voters currently undertaking a study in the Urban Crisis have been made aware of the drastic cut in Section/8 public housing portion of the Federal Budget for 1980 of 109,235 units. We appreciate your efforts to reduce the federal deficit, but not at the expense of the poor of our nation.

Since housing cost increases were not allowed in the FY/79 budget request of 400,000 units, we would like to see at least those "400,000" units restored to the Section/8 public housing portion in an overall budget request that will allow 600,000 units of new and rehabilitated housing for lower-income households.

We in Becker County, Minnesota, live in a county which has a large Native American population, many of whom live in substandard housing on or off the reservation besides many elderly and other households well below the national minimum income standard. There is an inactive Becker County Housing Authority despite the county needs so the actual number of households needing adequate housing has not been determined.

However, Detroit Lakes has an active and able Housing and Redevelopment Authority working on housing for the low-income segment of the urban population. There are 97 additional units under construction making a total of 188 units either occupied or scheduled for availibility in the near future. There is a waiting list of 175 households without any advertising for applicants for the units presently under construction. The Detroit Lakes Housing Authority has made application to HUD for a minimum of 30 new units so any cut in the HUD budget would adversely affect our community. Please reconsider this portion of the FY/80 budget.

Sincerely,

Dulcy R. Bowman
Asst. to Action Chair
LWV of Detroit Lakes
Chair Social Concerns Committee
United Methodist Church of
Detroit Lakes

Copies to: Stuart Eizenstat, HUD Sec. Patricia Harris, Minnesota Congressmen: Anderson, Durenburger, Stangeland, LWV of USA and MN, and Detroit Lakes Tribune and Record

DEC 11 1978

URBAN OPTIONS: A FISCAL ACCENT

facts & issues

It is no wonder that many Americans over 30 have a sense of the world gone awry. Stealthily or abruptly, change has made past social and economic truisms true no longer.

■ In the 1800s, cities became a magnet for Americans—the place of opportunity. From coast to coast, this country grew increasingly urban. But during the last three decades, urban growth has been, more accurately, *sub*urban growth; the suburbs gained six times as many new residents as the cities did, and some major cities suffered a population decline. Now, a new pattern may be emerging: over two million people moved away from both cities and suburbs in the seventies.

■ Since the early 1900s, the nation's center of population has moved steadily westward—and southward. A counter force after World War II—the movement of blacks out of the South to the Midwest and Northeast—has turned around in the seventies, with more blacks moving back to the South, generally paralleling white migration trends.

■ The husband-and-wife nuclear family is no longer the norm it once was. From 1970 to 1976 the number of households in the United States increased by 15 percent. Husband-wife families grew by only 6 percent, while single-parent families headed by males increased by 16 percent and those headed by women increased by 33 percent. Households consisting of unrelated individuals increased by 67 percent. One- or two-person households have been increasing at what is, for a demographic statistic, a precipitous rate.

■ Prosperity once was measured by the number of new factories opening their doors. Since the early sixties, the nation has been losing manufacturing jobs at the rate of more than 1 percent per year. And, since 1970, many large cities have been losing 4–6 percent of their manufacturing jobs every year.

Only a decade ago, government was trying to cope with such problems as accommodating substantial population increases in the suburbs and continuing inflows of rural poor to the cities. The big challenge was to promote economic development based on manufacturing, especially in the South. Ample supplies of energy were just assumed.

Today the nation is faced with an almost completely different set of problems. Such rapid changes suggest the need for caution in interpreting demographic and economic trends and in prescribing remedies for today's urban ills.

The central city blues

What have these recent trends meant, particularly to the older central cities of our nation?

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Concentration of the poor

The exodus to the suburbs of affluent and middle-income residents has left the poor ghettoed in the central cities. In 1975, 21 percent of all central city residents (defined by the Census Bureau as the principal city in a metropolitan area) lived in census tracts in which 20 percent or more of the population had incomes below the poverty level. Only 5 percent of the suburban population lived in such areas.

This selective thinning out of the population in the older cities has resulted in economic segregation. Because a higher proportion of black families than white families are poor, a racial segregation occurs as well, even when not reinforced by covert racial discrimination. The elderly, who as a group are poorer than the rest of the population, also tend to be left behind in the older central cities.

Fewer jobs

Both the north-south population shift and suburbanization have changed the job market in central cities. For the lower-skilled residents concentrated in central cities, the change has been for the worse.

Although the United States as a whole is gaining in employment, the gains are not uniform. The north-south shift in population is matched by a shift in job opportunities: between 1970 and 1976 the South accounted for 50 percent of all new jobs, the West accounted for 30 percent.

The metropolitan areas of the northeast and north central states have added jobs in total, but the central city has not usually participated in the increase. The growth of business in the suburbs, now more economically independent than before, has been at the expense of central cities. The older cities have been particularly hard hit by the overall downward slide in manufacturing jobs since manufacturing was the mainstay of their economies. Eight of the declining cities listed in Table 1 lost 20 to 30 percent of their manufacturing jobs in five years, according to the Urban Land Institute. Service employment, although increasing in the cities, has not picked up the difference. Now many central city jobs do not match the skills of central city residents; they are filled by suburban commuters.

Lower income and higher expenses for city hall

Fewer people and businesses mean fewer taxpayers and lower tax revenues to sustain the aging capital plant of older cities. Yet all the streets, sewer systems, public buildings, water mains and the like are still in place, and they all require maintenance. The older the facilities get and the longer maintenance is delayed (as it has been in many fiscally distressed cities), the

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more costly it becomes to keep the capital plant functioning. Moreover, the costs of services are higher in the central cities than in prosperous suburbs because of special needs of the central city poor and the daily influx of commuters.

Higher taxes

A decline in the city's ability to raise revenues through property taxes is the natural result when people leave and the demand for housing goes down, when factories fail to expand, when housing and industrial sites are abandoned outright. Since property taxes are every city's major "own-source" revenue, the older cities have had to raise their tax rates steeply if they wished to maintain service levels.

In 1972 the Urban Institute staff compared the effective property-tax rate (that is, tax as a proportion of true market value) for 28 U.S. cities with populations of over 500,000. They found that those cities that had been losing people had an average tax rate nearly twice as high as the average for cities that were still growing. And the difference between the two groups is increasing.

Measuring fiscal distress

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Chicago	Denver	El Paso
Cincinnati	Fort Worth	Honolulu
Cleveland	Indianapolis	Houston
Detroit	Kansas City	Jacksonville
Milwaukee	Long Beach	Memphis
Newark	Los Angeles	Oklahoma City
New Orleans	Louisville	Phoenix
New York	Miami	San Diego
Oakland	Minneapolis-St. Paul	San Jose
Pittsburgh	Nashville	Tampa
Philadelphia	Norfolk	Tucson
Rochester	Omaha	
St. Louis	Portland	
	Sacramento	
	San Francisco	
	Seattle	
	Toledo	
	Tulsa	
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Source: William G. Colman, "The Future of Cities: Contrasting Strategies for the Haves and Have Nots," paper presented for Conference on Reorganization, Woodrow Wilson International Center for Scholars, Washington, D.C., September 1977.

Goals and strategies for cities

There is a strong tendency to blame the distressed cities themselves for their troubles. But many of the conditions within which they are forced to maneuver for survival are products of national, even international, changes over which they have no control. The decline of cities can be traced in large part to altered demographic and economic patterns that no amount of civic virtue or fiscal leger-de-main can counter. To arrest or turn around the sagging fortunes of our older cities requires a strong commitment in both the public and the private sectors.

What should the national component of that commitment be?

What goals should be set for a national urban policy?

The Urban and Regional Policy Group, the interagency task force named by President Carter, recommended the following broad goals in March 1978.

- Preserve the heritage and values of our older cities.
- Maintain the investment in our older cities and their neighborhoods.
- Help newer cities to confront the challenge of growth and pockets of poverty in a fair, efficient and equitable manner.
- Provide improved housing, job opportunities and community services to the urban poor, minorities and women.

Other urban policy goals suggested by observers of the urban scene include:

- gradual or moderate economic growth;
- stable or gradually changing racial balance;
- adequately maintained public and private infrastructure;
- stable taxes based on an adequate tax base; and
- prevention of public services deterioration.

Some combinations of goals clearly are mutually supportive. For example, continuing a reasonable level of services such as road maintenance, fire protection and garbage collection tends to decrease the incentive for people to move out of the city and, consequently, contributes to the city's economic base. Similarly, commercial enterprises that add to the tax base may pay for public services that enhance the quality of life for city residents.

On the other hand, some goals may be perceived to be in conflict, especially if there is competition for physical space or dollars. Is it better to concentrate on income assistance and social services for people who are in the city now, or is money better spent to support programs to maintain the city's capital plant? Will new middle-income housing that displaces low-income city residents create sufficient demand for retail services to increase job opportunities for the city's unemployed?

Observers have contrasted two general strategies to meet urban policy goals—a revitalization strategy and an adjustment strategy.

A revitalization strategy would be designed to restore the city as the economic and cultural center of its metropolitan area. In this scenario, capital would be invested for the purpose of keeping and attracting both business and residents. Financial incentives for locating in distressed areas, wage subsidies for employment, spending to improve city schools, shoring up declining neighborhoods, a shift in federal housing policy to emphasize rehabilitation instead of new construction—all have been cited as techniques for revitalizing the city. Priority would be given to making municipal services and the municipal environment more competitive with the suburbs.

An adjustment strategy, on the other hand, would help the city cope with its most pressing problems until that city's circumstances stabilized at a lower level of population and economic activity. This strategy has been tagged as one of helping cities to grow old gracefully. Transitional financial aid might be provided to city government while its payrolls were gradually reduced. Investment in physical improvement would be limited to maintenance, and sick neighborhoods would be allowed to die. Complementary policies could promote low-income housing in the suburbs and interregional relocation of disadvantaged workers from labor-surplus to labor-shortage areas.

It is easy to state the alternatives in broad brush strokes but difficult to recommend for a given city out-and-out adoption of one or the other. Cities are very different and what will work for one may have little chance of success in another. Elements of both strategies could appropriately be applied in a single city. For example, cities like Atlanta that are (or might become) regional economic centers are likely to profit from incentives to encourage specialized banking and professional services and office functions. Other cities might foster an ambience of the city as a desirable place to live and work by pushing for housing for higher-income families: such households would have a job-creating effect in retail and service establishments. The same city could also clear partially abandoned neighborhoods and offer relocation payments to workers.

In the short term, the two strategies overlap, because both call for financial aid simply to allow ordinary operations of city government to continue at some minimally functional level. In the long term, the principal differences occur in the perception of where or whether development and reinvestment efforts should occur.

Federal help for cities: an overview

In addition to the national debate about urban policy itself, there are also vigorous differences about the *form* that federal help should take. There are three principal ways to deliver fiscal aid to cities:

- *general* financial assistance to city governments;
- aid for *particular* programs, either through assuming costs or earmarking funds for a given service; and
- aid designed to enhance the economic base of cities to enable them to be more self-sustaining.

The federal government is currently using, in one form or another, all three possible ways of aiding cities. No one kind of aid is inherently good or bad. The most desirable mix or emphasis depends on the goals that are accepted, the strategies adopted and the outcomes that are considered possible.

In point of fact, federal financial aid is seldom packaged and labelled FOR DISTRESSED CITIES ONLY or even FOR CITIES ONLY. Federal policies may help some cities and damage others. Both positive and negative results may be quite unintentional. Furthermore, as with most solutions to social and economic problems in America, existing federal programs that affect cities are all products of political compromise. The decisions of Congress that directly or indirectly impact on cities reflect the pendulum swings, the consensus and conflict in the nation as a whole.

In order to evaluate the importance for central cities of various kinds of aid, it is useful to examine the present aid distribution. Tables 2 and 3 offer a summary from which several significant points emerge:

- Two-thirds of the money goes directly to individuals.
- Almost a fourth goes to pay for specific services for which the city is the delivery agent.
- City government is able to choose how to spend only a small fraction—under 4 percent.

All urban-oriented spending (of which the central city portion is the $91.7 billion in Table 2) equals about half of the $500-billion 1979 budget proposed by President Carter. Of that huge sum, only $8 billion was new money for program increases or fresh initiatives.

If urban areas were to get a proportional share of the "new" $8 billion, that would mean $4 billion in urban-oriented spending. What are the consequences for central cities of various spending alternatives? Tables 2 and 3 give some useful insights.

If $4 billion were applied to a program of payments for individuals, it might not make much change, because it is a relatively small increment. Furthermore, only one-third would go to people in cities. The same amount devoted to general financial assistance or to other programs and services would mean a very substantial increase. And, in most cases, about half would benefit cities.

Federal money for central cities: a capsule view

Table 2: Proposed budget outlays for 1979 ($ billions)

General financial assistance (general and countercyclical revenue sharing)	$ 3.6
Jobs	5.7
Housing and economic development	5.9
Social and health services	5.6
Transportation	2.7
Waste water and sewage treatment	1.7
	$21.6
Income maintenance, Medicaid, Medicare, food stamps, etc.	$28.7
Social Security, railroad retirement, federal retirement, etc.	37.7
	$66.4
Total	$91.7

Table 3: Shares of urban-oriented outlays, 1979 proposed budget

(expressed as percentage of federal dollars)

	Metropolitan areas		
	Central cities	Suburbs	Nonmetropolitan areas
General financial assistance	44	28½	27½
Programs other than social and health services	45	29	26
Social and health services	33	32	35
Payments to individuals	34	34	32

- These tables are adapted from material in a chapter by Anthony Downs, "Urban Policy," in *Setting National Priorities: The 1979 Budget* (edited by Joseph A. Pechman, Brookings Institution, Washington D.C., 1978).
- Data include almost all federal programs that affect city residents or city governments.
- Not included is federal spending that does not impinge directly on urban affairs, such as defense spending.
- Figures in many cases are approximations, because the central city component is not separated out in available statistics.

General financial assistance to city governments

General revenue sharing

The principal form of *no-strings* financial assistance to all other governments, cities included, is general revenue sharing (GRS), a relatively new concept in federal aid. It was not until 1972 that Congress authorized the transfer of federally collected funds to state and local government without requiring plans, applications or approvals. Though the law originally listed broad expenditure areas that were to be given priority, even this mild constraint later disappeared.

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Newark	Los Angeles	Oklahoma City
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Philadelphia	Norfolk	Tucson
Rochester	Omaha	
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Glossary

Hold harmless When a formula is changed, some jurisdictions are likely to be losers financially. In order to get political support needed to bring about change, it is common practice to provide that no jurisdiction will receive less than it did under the original formula. Those jurisdictions that benefit are said to be "held harmless."

Leveraging If you have a long enough lever and a stone to put it on, you can move the world. In the economic development context, leveraging means the investment of a relatively small amount of public money to induce the investment of a large amount of private funds in order to make a project possible.

Matching funds Many federal grant programs pay for only part of the program. The state or local government has to put up the rest. Ninety percent of the money for interstate highways, for example, is provided by the federal government; the state must provide ten percent "matching funds" in order to get the ninety.

Standard Metropolitan Statistical Area In general terms, an SMSA consists of a central city and its surrounding suburban counties. The Census Bureau sets the criteria.

Tax expenditure The money that the government fails to get when it exempts a particular class of taxpayers from a tax that is otherwise applied across the board is called a tax expenditure. The income-tax exemption for interest on municipal bonds is a tax expenditure; so is the deduction for the three-martini business lunch as well as that for interest on home mortgages.

The goals of the GRS program have been a subject of controversy from the start. In 1972 the Administration stressed two themes: returning decision making from Washington to state and local governments and giving those governments fiscal relief. In the ensuing years, all of the facets of the formula game have come into play in the competition for slices of the GRS pie.

GRS money is allocated first of all among the 50 states on the basis of two formulas, each state using the one that gives the better yield. Both formulas involve population, per-capita income and tax effort; one adds urbanized populations and income-tax collections. State government itself gets a third of the money coming to each state; the balance is allocated to *all* units of general-purpose local government. The local distribution, which is based on population, tax effort (exclusive of taxes for education) and per-capita income, has two ceilings. A county can get per-capita assistance equal to no more than 145 percent of the per-capita average for the state; a city can get no more than 145 percent of the per-capita average for its county.

What is the effect of this allocation structure for distressed cities? It gives rather favorable treatment to central cities, for two principal reasons:

- The tax effort measure includes taxes levied on commercial-industrial property—typically a large part of a central city tax base. To a considerable extent these tax bills are not really paid by city residents; they are "exported."
- The city has fewer children in school (though higher non-school expenses) than the suburbs. Exclusion of school taxes from the formula consequently gives more revenue to the central cities than would be the case if all local taxes were considered. The magnitude of the difference in favor of the central city is indicated in Table 4.

The table assumes that the city within a county shares in proportion to its population in the county's revenue sharing allotment. The validity of this assumption varies, depending on what functions a particular county government carries out and what choices each county makes for use of the GRS funds.

The 145-percent ceiling affects severely those cities, such as Baltimore and St. Louis, that do not have an overlying county government. Their basic allotment is 145 percent of the state per-capita average, and they do not get any benefit from expenditures of county funds, although they have to provide the services in the city that the counties provide outside it.

Since 1972 any number of investigators have tried to find out what really happens to these GRS dollars. A GRS dollar does not have a radioactive tracer element. Once it goes into a government budget it has no label. Maryland, for example, has formally reported that GRS money was used for the state contribution to the public employee retirement systems. This contribution obviously freed up the same amount of money for some other use. During these years, however, the $120 million a year in GRS receipts from 1972 on—a relatively constant figure—amounted to about one-half of the state's increase in total revenues in a single year. Who could say whether revenue sharing or the new state lottery constituted the marginal dollar and what service was provided by one or the other? The larger the unit of government, the more difficult this replacement question becomes in evaluating program effects.

A Brookings Institution study examined a large sample of receiving jurisdictions. It concluded that in those experiencing extreme fiscal pressure, all of them city governments, only 7 percent of the funds were used for new spending. Most of the rest of the money went to maintain existing programs or to stabilize taxes.

Points at issue

GRS will be up for renewal in the 1979 Congress. Some of the past arguments for and against its continuance are likely to be revived.

One message sure to be heard is that priorities should be determined locally rather than in Washington. The big cities will support GRS because, as Kenneth Gibson, the mayor of Newark, said in 1975, "The federal government has many programs that assist us in our efforts to provide the vitally needed new social services for our residents. However, except for general revenue sharing, you offer us no program that enables us to offset the destructive burden of paying for the services we already provide."

Those who want to preserve a Washington voice in the spending of federal aid point out that local governments, when left to choose how to spend the "new" GRS money, did not continue human services programs that had lost other federal funding; nor did they use the money to start new ones.

Should general revenue sharing be changed? When GRS was last reviewed, in 1975, various proposals for change were advanced and these, too, may be raised again. They include giving more money to cities, either by sharper targeting or by leaving the states out of the formula and distributing the same dollars to all other jurisdictions. Annual appropriation has also been suggested.

Formula Those who are concerned about the greater needs of distressed cities support sharper targeting and suggest changing the present formula, establishing a "dual formula" (one component of which would include factors more favorable to older cities), or adding a supplementary distribution that would go only to jurisdictions of greatest need. Removing the 145-percent ceiling would also benefit a number of distressed cities. Defenders of the present GRS

Table 4: Per-capita general revenue sharing funds, 1972

	City area	Rest of SMSA*
Baltimore	$26.39	$16.38
Boston	28.05	17.44
Chicago	21.23	10.37
Milwaukee	29.22	13.80
San Francisco	24.90	14.79
Seattle	20.84	10.29
Dallas	16.14	9.03
Los Angeles	23.34	17.19
Houston	15.66	9.75
Phoenix	18.48	12.38

*Standard Metropolitan Statistical Area; see glossary.

Source: William Gorham and Nathan Glazer, eds., *The Urban Predicament.* Urban Institute, Washington D.C., 1976, p. 89.

Formulas: the new numbers game in federal aid

The main difference between the federal aid of the seventies and that of the sixties is the sheer growth in dollars going directly to local governments. Another notable change is that a substantial amount of this aid to governments is now parceled out through broad-purpose formula grants.

A formula is a remarkably flexible instrument. It can be designed to give benefits to any desired category that can be measured or to offer financial rewards for particular actions. Once in place, a formula determines shares mathematically, on the basis of objective data, so there should be no claims of skewing or favoritism in the award process.

The choices of initial eligibility and of factors to be included in the formula are critical in determining what units get aid. Will it be *targeted* to areas of greatest need or *spread out,* so that every state and every city, village, county and township, even some special-purpose units of local government, gets something? *How much* each receives will also depend on the composition of the formula. For example, a formula based on population would tend to benefit suburbs; a formula based on a lag in population growth would tend to benefit older central cities. Ceilings—upper limits on what a locality may receive, regardless of the arithmetic of the formula—and "hold harmless" provisions (see glossary) also affect the distribution of formula-determined aid.

For the receiving governments, formulas have two clear advantages: they provide fiscal predictability and they remove subjective judgment from the award process. The problem for central cities lies in the strong political pressures to spread out the benefits, even when this spreading threatens the original program purpose.

It is on questions like these that differences in goals show up, or to put it another way, here is where the politicking and the horse-trading begin.

design argue that it is already targeted in some measure. While acknowledging that it is possible to create a formula that would funnel a larger proportion of dollars to distressed cities, they question whether it is realistic to make general revenue sharing the vehicle and ask whether some other program is more appropriate. In these times, no local government of any kind will quietly accept a dollar decrease in aid. Therefore, if the total dollar amount were increased at the same time as the formula was changed, targeting to cities might be more viable politically. Or it may be possible to rally support to change the 145-percent ceiling, which many see as manifestly unfair. Ceilings in general, along with floors and "hold harmless" provisions, all constitute some departure from equity.

State participation With respect to lowering or eliminating state shares, proponents suggest that this is an easy way to find some more money for cities without increasing the federal commitment to the program. They add that states have not done well by their cities and that funds given to states disproportionately benefit suburban residents. The evidence on this point is discussed later.

Those who oppose cutting state participation in GRS funds make these arguments:

- Such a move would be an inconsistent response to the widely stated belief that the answer for the cities is an intimate state-urban partnership.
- States have built GRS money into their operations, just as cities have. In states with no appreciable surplus, loss of GRS funds would result in severe dislocation in the services that states traditionally provide—corrections, state hospital systems, welfare and the like.
- Distribution of state portions to local units, without changing the formula, would give a bonanza not just to cities but to units of local government, such as the midwestern townships, that have traditionally served a very limited government role.

Level of funding Although the funds have increased from $5.31 billion in 1972 to $6.85 billion for 1980, inflation has risen at an even faster clip. Consequently, GRS aid has substantially decreased in real dollars. If jurisdictions relied on GRS funds to start new programs, they will find it increasingly difficult to maintain them; if they have used GRS aid simply to hold the line, they will find it harder to prevent either cuts in services or tax increases.

Time frame for appropriations General revenue sharing was enacted in 1972 for a five-year period and reenacted in 1976 for an additional three-and-three-quarters years. Recipient governments believe that one of the advantages of the multiyear spending approval that Congress has given for revenue sharing is its predictability. They can plan ahead and know exactly how many and when the dollars will be available. The larger the governmental unit and the more sophisticated its budget process, the more important is this assurance. Critics have argued that Congress has inadequate oversight if the program does not come up for renewal every year.

Other general financial assistance

One of the most important facts about direct general financial assistance other than general revenue sharing is that at the moment there isn't any. One kind has been used—countercyclical revenue sharing—but Congress allowed the program to die on October 1, 1978. Nevertheless, it is worth reviewing the experience with countercyclical aid. State, county and municipal government associations all urged its renewal during the 95th Congress. The idea is still very much alive.

Countercyclical revenue sharing

The federal government has at its disposal conventional monetary and tax tools to carry out a policy of stimulating the economy in recessions and dampening it in boom periods. (Hence, the term *countercyclical:* against the prevailing economic cycle.) But to deal with the recession of 1973–75, more, it was agreed, was needed. In an 18-month period, real gross national product had declined by 6 percent; inflation had swooped up from an 8.6 annual rate to 12.6 percent, and unemployment had risen sharply.

State and local governments are particularly affected by recession because of the resulting reduction in sales and income-tax revenues. The state/local public sector has become such a large share of the total national economy (11 percent) that the potential reduction in state/local spending to match reduced revenues threatens to neutralize federal efforts to "prime the pump."

In order, therefore, both to give an effective boost to the national economy *and* to provide hard-pressed states and localities with special financial assistance, Congress enacted in 1977 a three-part economic stimulus package. It included countercyclical revenue sharing, which was funded for $3.5 billion over its two-and-a-half-year life. (The other parts were Local Public Works, which expired in 1978, and an expanded Comprehensive Employment and Training Act, which was extended and increased in 1978. The latter is discussed under "Employment: Heart of the City's Problem.")

A number of the features of countercyclical revenue sharing were similar to general revenue sharing:

- funds could be spent at local discretion, and
- both state and local governments shared in the pot.

But the countercyclical program was much more targeted, in that fewer governments were eligible (townships were excluded unless they performed substantial government functions) and the unemployment rate was used as a trigger. The funds became available when the national unemployment rate reached 6 percent. Each quarter of the year, one-third of the money was allocated among the states on the basis of each state's GRS allotment *and* the percentage by which the state's unemployment rate exceeded 4.5 percent. The calculation for allocating the remaining two-thirds to local governments was, with some exceptions, the same as that for the states.

How did the program work? Reflecting the countercyclical aim of the law, the number of units aided dropped as the economy recovered—from 60 percent of general-purpose governments in the first quarter to 43 percent in the quarter ending June 30, 1978. A preliminary evaluation by the comptroller general provided some documentation that the aid was also fulfilling its other purpose: to benefit

cities. Although this aid made up only a small proportion of the total revenues of the jurisdictions reviewed, it was a higher proportion for cities than for other jurisdictions. Furthermore, cities, as opposed to states and counties, put their funds back into the economy more promptly.

When renewal time came in mid-1978, chief sponsor Senator Edmund Muskie (D ME) maintained that a permanent countercyclical plan was needed on the grounds that:

- the indicators would keep the money pinpointed to specific areas that were in economic trouble, and
- the automatic trigger feature would eliminate the usual lag between perception of the problem and legislative response.

The countercyclical concept was given strong support by the Advisory Commission on Intergovernmental Relations (ACIR). In proposing its own design, which included financial assistance, employment and construction components, ACIR stressed that such an overall policy "is the best way of providing equitable treatment for those jurisdictions suffering from long-term secular decline as well as those suffering short-term cyclical unemployment."

Opponents countered that the program was not needed, citing large state and local government surpluses. (Huge budget surpluses in such states as California and Texas may have obscured the fact that many cities are barely making it.) Their arguments—plus the lack of wide political support for a program that would benefit only a limited number of localities—carried the day. The Senate-passed countercyclical aid extension died in the House with the close of the 95th Congress.

Meanwhile, President Carter's proposal for a Supplementary Fiscal Assistance program fared no better in Congress, where it was rejected by a House committee near the end of the session. As part of his urban policy package, he sought a two-year program of $1 billion annually and called for elimination of grants to states. The President's plan abandoned the antirecession rationale.

According to Carter's March 1978 policy message, this program was to be more strongly targeted to cities than countercyclical aid had been. In fact, however, the dual formula that was proposed would have spread out the distribution. The proposal also included a ceiling (equal to the money received under the then existing countercyclical program) on the amount of money any city could receive.

Easing cities' borrowing

Bond issues play the same part in the life of state and local government that home mortgages do in the lives of individuals: they make capital investments possible. Most individuals can't pay cash on the barrelhead for a home or car; neither can a community replace its 100-year-old water mains or build a new lion house at the zoo out of revenues in a single year. As private citizens would do, the local government borrows the money; that is, it floats a bond issue.

The federal government already subsidizes costs of borrowing by local government to the tune of billions of dollars. Because the interest that lenders get on municipal bonds is exempt from federal income tax, cities can borrow at favorable interest rates, which save them money. The associated federal "cost" in lost tax revenues is one of the large national contributions to local jurisdictions.

There are a number of ideas afloat about how the federal government might play an expanded or more direct role in the sphere of city finance. One that is raised repeatedly is to have cities issue bonds with a higher rate of interest that is fully taxable. The federal government would pay the difference between the lower-rate, tax-exempt bonds and the higher-rate, taxable bonds. Proponents say that the market for nontaxable bonds has narrowed substantially in recent years, thereby allowing buyers to be more selective and driving up these once helpfully low interest rates. They argue that a taxable bond would attract those who buy corporate bonds. This would include the major pension funds, which are not attracted by the tax-exempt feature.

However, the attitude of municipal governments toward this concept has been, "Don't do us any favors." They are afraid such a move would be the first step toward writing the tax-exempt municipal bond out of the tax code. Further, they think a federal subsidy that is subject to the appropriations process eventually would lead to a federal approval process for participation in the program.

Another suggested proposal is to create a national development bank. There is no agreement among the experts, however, about the optimal form or function of such a bank. Three examples follow.

- Make a national development bank simply an alternative source of funds for municipalities, in addition to the regular tax-exempt market. To get the funds the bank would market its own issues.
- Fund such a bank by congressional appropriation and let the bank in turn make loans to private development banks. These would then combine private money (at private rates) and public money to make loans for development projects that need lower interest rates to be fiscally viable.
- Give the bank several functions, notably a capacity to fund major redevelopment of cities with hardship conditions and to make direct loans to state and local governments. According to the Brookings Institution staff, which made this proposal, Community Development Block Grants (see "Capital," below), depending as they do on recurring authorization, are not a reasonable device for long-term financing of redevelopment programs.

Others have doubted the desirability of setting up a new financing mechanism when, they say, an assortment of assistance is available in the federal system now. Moreover, one expert, George Peterson of the Urban Institute, in testifying on the question of a national redevelopment bank, commented that it is more important to subsidize the cost of maintaining the city's present capital investment than to make it cheaper for local governments to borrow.

How people react to these varied ideas about how the federal government could ease communities' borrowing costs depends in part on whether they feel the federal government is the best source of assistance. Some observers think that states are a better bet. Some states—which in general enjoy higher bond ratings than their cities—have made this advantage available to their local jurisdictions. States that do the borrowing on behalf of local government are protected because they have a built-in collection mechanism, through deduction from state aid. Some states provide technical assistance to their local governments in dealing with the bond market. New Jersey, for example, has developed an innovative Qualified Bond program to make the municipal offerings in that state more acceptable to lenders.

Aid for particular programs

A backward glance at Tables 2 and 3 helps one to get a handle on the role of aid for particular programs in helping distressed cities. Of course, this kind of federal aid, like general financial assistance, is not *expressly* for cities. All together, about $124 billion is distributed through these programs, $50 billion of it to central cities. The $124 billion is distributed by a system of block grants and categorical grants to state and local governments.

Below is a brief statement of the nature of the two kinds of grants and their relative importance; some comments on the problems that have arisen in the grant arena; and a summary of some of the issues in two program areas of most importance to central cities —employment and housing.

Block grants, like GRS funds, are distributed by means of a formula. However, the amount of flexibility varies among block grants; they tend to be less flexible over time, as Congress adds first one restriction then another. There are now five block grants—in the fields of health, criminal justice, employment, housing and community development, and social services.

Categorical grants typically have rather precise program aims. Money can be used only for the given subject and/or population. Rat control, research on characteristics of successful foster parents, highway safety programs are all examples of categorical grant subjects. Because they are so specific, they are also far more numerous: 442 separate grant systems in 1976. In dollar amounts they have declined somewhat—from 98 percent of the federal grants-in-aid in 1968 to 76 percent in 1978—but they are still the major channel for federal aid. Even for categorical grants, more than two-thirds of the money is allocated by formula. The rest is given in *project* grants, which are obtained by application and competition among interested governments.

There are many problems associated with the federal grant system. Some are more characteristic of categorical grants, some of block grants.

Specificity If a community does not have the *exact* need stated in the grant, it may not get money, even though it has *similar* needs. Further, the more narrowly drawn the grant, the more difficult it may be to coordinate that grant with other programs serving the same population.

Distortion of priorities The carrot of federal money encourages a local government to modify its own priorities. Such distortions can occur in block grants as well as categorical grants. In the block grant for social services, for example, federal payment is made for foster care for children who are eligible for Aid for Dependent Children; it will not be made for subsidized adoption. Differentials in matching requirements may also distort spending; in cases of identical local need, the program that requires the lower local match is the one that gets implemented.

Spending stimulus Many categorical grants, especially of the seed money type, are intended to start programs in which the national government has an interest, with subsequent costs to be assumed by the recipient government. In discussing Proposition 13 aftereffects with the Joint Economic Committee of Congress, State Senator Jason Boe of Oregon, president of the National Conference of State Legislatures, said that "the federal government has contributed to the expansion of the state-local sector...through categorical aid which promotes higher state-local spending." ACIR suggests that block grants be used rather than categorical grants when there is no primary intent to encourage local spending.

Who gets grants? Matters quite extraneous to need may influence who gets grants. In competitive grants a high premium is placed on techniques of "grantsmanship." City governments simply may not have the personnel or know-how to make the most of grant opportunities. Further, a recent examination of the distribution of HUD funds in Texas in the early seventies (prior to the Community Development Block Grant program) actually found a negative relationship between measures of need and levels of funding. The ideological bent of the city council was the most significant of the variables investigated—the more conservative the council, the less federal grant money the city used.

In the entire intergovernmental grant system the national government is trying to do two things—attend to the national interest and provide for local autonomy. There is no clearly superior way of distributing money. Because the government's two goals may be in conflict and are subject to alternating stresses, there is likely to be a continuing creative tension in the distribution of aid.

Employment: heart of the city's problem

The two top categories of 1979 federal spending in the central cities, as indicated in Table 2, are *jobs* and *housing and economic development.*

The bare statistics on unemployment, together with the demographic profile, indicate the unemployment burden borne by these distressed cities. In 1977, the national unemployment rate was 7.0 percent, but in central cities it was 8.7—nearly 25 percent higher. For blacks, who are disproportionately represented in central cities, the figure was 14.5—more than double the national rate. Comparable figures for the suburbs were 6.3 and 10.8, respectively. In poverty areas in cities (defined as census tracts in which 20 percent or more of the people were poor in 1970), the rate of unemployment was 13.4; for black workers, 15.5; and for black youth 16–19 years of age, 45.4.

What is to be done about unemployment in general and about the severe problems of jobs in central cities in particular? Many economists believe that the nation now has a dual labor market—made up, on the one hand, of workers with skills and a firm attachment to the labor force and, on the other, of the young, the uneducated, the beginners whose attachment to the labor force is sporadic. The latter group is often referred to as the "structurally unemployed."

With vigorous economic growth, supported by appropriate fiscal and monetary policies, the nation could presumably employ fully the skilled part of the labor force. But the hard-core unemployed are unlikely to be affected by conventional policies to stimulate the economy. The causes of structural unemployment (that is, the mismatch between qualifications of available workers and the requirements of the jobs available) are multiple and complex, including technological change and shifts in demand for particular products or services. But whatever the causes, the prognosis is poor for absorbing these marginal "workers without work" into the regular job market—whether in the private sector or in the government sector—without fueling inflation to an unacceptable degree.

In the 1978 Employment and Training Report to the President, Secretary of Labor Ray Marshall recognized the intractability of structural unemployment. Marshall estimated that the nation could limit unemployment to 4.75 percent by 1983 without greater inflation, even if progress was not made in drawing the structurally unemployed into the labor force. The compromise version of the Humphrey-Hawkins bill enacted in the closing days of the 95th Congress sets an unemployment goal of 4 percent by 1983 and an inflation goal of 3 percent, but adds that the Budget Committee of the Congress may set other goals if the President finds these unattainable. It is worth noting that in no year of the 1970s has unemployment dropped as low as 4.75 percent.

U.S. employment policy in recent years has attempted to address unemployment in both groups—the usually employed and the occasionally employed. Most of the federal investment has gone into the same program to be used for both purposes. Under the Comprehensive Employment and Training Act (CETA), the federal government has provided money to hire additional local government employees; it pays directly for jobs in *public service employment.* A much smaller amount of federal funds has been devoted to various kinds of *job-training programs,* mostly geared to the disadvantaged.

Public service employment

As an economic stimulus program, public service employment (PSE) works well. Studies show that the money goes into the economy rapidly. Questions have been raised, however, about whether the federal money really creates new jobs in a city or just substitutes federal for city money to keep city workers from being laid off. A Brookings investigation found that, overall, 18 percent of the jobs amounted to substitution, 31 percent provided program maintenance, and the balance of 51 percent staffed new or expanding services. In terms of boosting the economy (with its concurrent effects of relieving unemployment of the usually employed), the substitution phenomenon is not especially significant. Money that is not collected for local government's spending because of the receipt of federal funds is freed for private spending.

Public service employment as a device to deal with structural unemployment receives much more mixed reviews. In 1977, the most recent year for which data are available, minorities were well served by the program as far as participation was concerned. Many more blacks were hired in PSE jobs than would be expected from their numbers of unemployed. On the other hand, young people and those with less than a high school education did not participate in the program in proportion to their members in the unemployment pool.

The data show that it was difficult for participants to make the transition from public service jobs to private employment. At the end of their stint in public employment, about one-third of the participants were placed in nonsubsidized jobs. Unfortunately there is almost no information about how long these jobs last or the long-term effects on participants' earnings.

Observers point out that suitable eligibility criteria could restrict participation to those who now have poor prospects for long-term employment. If this were to happen, city government would be pressed to provide useful jobs for a much less qualified labor pool and at the same time assure work experience with potential for application in the private sector. It can be argued that there is no reason not to continue to experiment with PSE, however, because

no other program has a track record of more promise.

Policy questions regarding public service employment include: What should be the major goals and optimum size of the program? Should some level of public service employment be made permanent, regardless of the national unemployment rate? Who should be the target population?

Congress in effect decided in late 1978 to continue public service employment at substantial levels—if not permanently, at least for many years—when it set the unemployment rate that triggers the program at a low 4 percent. The design is countercyclical, in that the government will pay for public service jobs for 20 percent of the unemployed in excess of 4 percent of the labor force. (At the October 1978 unemployment rate of 5.7 percent, the government would be paying for 660,000 jobs.) If the unemployment rate exceeds 7 percent, the number of jobs will rise to 25 percent of the excess over 4 percent. PSE is authorized for about $6 billion for fiscal year (FY) 1979.

Job training and placement

The federal government promotes employment in the private sector primarily by job-training programs and support of the United States Employment Service (USES). In much of the rhetoric, though not necessarily in the implementation, government employment policy emphasizes the desirability of increasing private employment. After all, 80 percent of the jobs in the country are in the private sector.

CETA inherited the many job-training efforts carried out at various times and under various names since the early sixties. Both classroom and on-the-job training are provided, either directly by prime sponsors (governments) or through contracts with private and nonprofit organizations.

No evaluations of CETA training programs are available, though information has been assembled on earlier activities that were similar. The Congressional Budget Office (CBO) concluded in 1978 that highly structured classroom programs serving the disadvantaged had the highest payoff for participants. But gains in these cases in annual earnings were relatively small; absolute gains dissipated after 18 months. A 1973 synthesis by Urban Institute staff attempted to compare costs and benefits of all kinds of training programs. It found no clear preference among them. While most job-training programs did achieve moderate benefits for many trainees, the study could not document that the wage gains were worth the economic costs incurred.

Thus, the common conclusion that job training is "good" is largely intuitive. If structural unemployment is defined as a mismatch between skills unemployed workers have and those required for job vacancies that exist, it seems logical to try to change the workers' skills. This leads to the policy questions: What should be the volume of training in relation to other programs? What kinds of training should be emphasized?

The job-training program, exclusive of the CETA youth programs, is authorized at about $2 billion; a private sector initiative, basically an on-the-job training and hiring subsidy, is newly added at $500 million. It remains to be seen whether the eligibility and definition changes will improve the flawed targeting to distressed cities that has been characteristic of CETA funds.

Matching jobs and workers is the special responsibility of the USES. The magnitude of turnover in the labor market underlines the importance of a good job information system. Between three and five million workers are continually involved in the job search process, and the annual flow through the labor market is roughly half the size of the labor force. Measures that will make for a better and faster person-job match will decrease unemployment and contribute to reducing inflation.

A number of suggestions have been made for improving the operation of the Employment Service. They include: expansion of computerized job banks for applicants and openings; staff incentives for quality placement, measured by the job tenure of the newly placed; assignment of "account representatives" to related groups of employers to increase employer participation (a technique used in only 10 percent of USES offices); and special staff for handling and providing continuity in dealing with difficult-to-place applicant groups. Integration with CETA of the placement services that the USES provides is essential. Since local governments can use CETA funds for placement activities, the potential for costly duplication exists and in fact has occurred in some places.

Housing

A job that pays a living wage . . . a roof over one's head—those are the main essentials for a decent life. The quality of that "roof" is an obvious feature of the urban scene. Slums (and, before slums, tenements) have long been a target for reformers. The modern array of housing assistance programs (see Table 5) includes public housing, subsidized rent in new and rehabilitated housing for low- and moderate-income families (with special programs for the elderly) and mortgage assistance for moderate-income families.

Entirely aside from the volume of the programs, a number of factors influence their possible efficacy. The title of one of the often-quoted works in the housing field, *The Web of Urban Housing* by Frank de Leeuw and Raymond J. Struyk, suggests the interrelationships: on the one hand, the intimate intertwining of structures and neighborhoods in the housing market; on the other, the interdependence of supply and cost of housing for all income levels.

When you buy a house, you buy a piece of the neighborhood that goes with it. Your perception of the quality of that neighborhood, which includes schools, parks, public safety and character of the residents, influences what you are willing to pay for the house. The 1949 Housing Act that called for a decent home in a suitable living environment for every American explicitly recognized this neighborhood element of the housing picture. However, most housing policies are concerned only with availability, affordability and nature of the structure. Economist Henry Aaron comments, in *Shelters and Subsidies,* "Even if the [national housing] goals were achieved they would not directly affect the quality of residential services consumed with housing."

What happens to the housing market when new homes are built in the city? If more houses are built than new households formed, the supply of moderate-income housing rises relative to demand. This works to decrease the prices of the existing dwellings that families vacate, as they move into the new houses. Lower-income families then are able to afford these existing houses. If there is not an inmigration of low-income households, this process may continue until the worst housing is permanently vacated.

On the average, construction of each new housing unit in the United States results in between two and three household moves. In the sixties the increase in new construction, which was greater than the increase in population, contributed to relieving city overcrowding; in the seventies it is leading to abandonment in many central cities. Frank de Leeuw, in *The Urban Predicament,* again uses the metaphor of the web when he calls attention to the fact that "luxurious new units [and] slum level housing are all joined through a web of dynamic interactions."

Table 5 analyzes the cost of various kinds of housing assistance provided under current programs.

The figures, as so often is the case, support some obvious generalizations: costs are lowest for the homeowner program, because these middle-income families can afford to pay a large share of their own housing costs. Public housing, which serves families with the lowest incomes, is among the highest in cost. A deep subsidy is necessary to provide new housing for people who, if they were to spend the 25 percent of income that is usually cited as a rule of thumb, could pay only $75 per month for shelter.

Arithmetic ensures that the more costly a program is, the fewer people can be helped for the same expenditure. The dilemma is whether to concentrate limited resources on the neediest of all or give some help to more of those who are less desperate and trust to the trickle-down effect to get the poorest families out of the worst homes.

In the past, as Table 5 suggests, housing assistance has been heavily weighted toward investment in new construction. The government has paid a high premium for this priority. Only in 1975, with the advent of the Section 8 program of rent subsidies for existing housing chosen by participating households themselves, has this

Table 5: The cost of federal housing aid

Program and type of housing	Median income of participant in 1975	Subsidy cost/ household in FY 1982
Public Housing—rental debt service and operating cost subsidies (mainly new construction)	$ 3,400	$4,860
Section 8—rent subsidies		
existing housing	$ 4,200	$1,680
new construction	$ 5,700	$4,630 (if privately sponsored)*
		$5,070 (if state-local sponsored)
Section 236—rental mortgage interest subsidy (new construction)	$10,000	$2,180
Section 235—homeowner mortgage interest subsidy	$13,000	$ 900

*(includes outlays, tax expenditures and the Government National Mortgage Association mortgage costs as appropriate)

Source: Congressional Budget Office, *Housing Assistance for Low- and-Moderate-Income Families.* Washington, D.C., 1977, p. 39.

emphasis noticeably changed. Not only does this program carry a lower per-unit price tag; but it also skirts around one of the main problems of new low-income housing: where to put it. The Section 8 assistance program permits scattered sites rather than concentrating low-income families. It closely resembles an earmarked income-subsidy.

A notable feature of the whole housing picture is the small proportion of income-eligible households that were actually assisted—less than 10 percent. Nevertheless, despite the small size of the program, the pockets of dilapidated housing and the continuing problems of segregation in cities, there has been a measurable improvement in housing quality in America's urban centers since World War II.

Some experts point out that increased income assistance could have much the same effect as housing assistance and could, in fact, be delivered to recipients more efficiently than existing housing programs. However, there may be a collective benefit from applying public support specifically to housing, if investment triggers other private improvements that ripple through a neighborhood. In any case, income assistance may not be a realistic alternative, because it is probably more acceptable politically to pay for housing than for a cash grant.

A good case can be made for flexibility in housing programs. Markets differ within cities and among cities. Frank de Leeuw points out that it makes no sense to subsidize construction of large numbers of low-cost housing units in a city where there is an excess supply of low-quality housing. It will only exacerbate the abandonment problem. And where there is an inadequate supply of housing in the desired cost range, rent subsidies will only be transferred immediately to landlords as increased demand drives the price up.

Clearly, there are many other federal programs, in addition to those dealing with jobs and housing, that can be used to influence the well-being of cities. Some believe that a city's declining fortunes can be helped most by making it more livable, attracting or at least holding residents. Crime is cited repeatedly as a drawback to city living, and crime control measures are high on many agendas. So are measures to improve city schools, which generally have a dismal reputation and thus detract from city living. The list goes on.

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Direct aid to local government, intended to help local governments solve their fiscal and service delivery problems, has been the focus of the preceding sections. What follows is a brief review of federal policies and programs—some in place, some proposed—that put the focus not so much on shoring up *local government* as on shoring up *local economies.* If the programs succeed—in tandem with measures to make the city more inviting—they will help business, industry and resident-consumers produce enough tax revenues to make cities more independent of federal aid and more able to improve the urban condition with their own resources, according to their own priorities.

Urban economic development . . . central city revitalization . . . public-private partnership—whatever words one uses, this is an area of urban policy that is gaining widespread attention. There is, however, by no means widespread understanding and agreement on how or how much the federal government *can* or *should* affect local economies.

Enhancing economic self-suffiency

One of the problems with trying to increase the income of the city by increasing its economic base is that economic development is an inexact science. There are theories and econometric models, but the quirks of the real world prevent accurate prediction of success in particular situations.

Decisions to locate a business in a place are made in response to *demand* for the business's goods or services, i.e., the **market,** and the cost and availability of the things it takes to produce them. The principal *supply* factors that influence location are **labor, transportation, land** and **capital.**

The federal government may be involved directly or indirectly in all of the demand and supply factors that make cities more or less attractive to business. Existing program grants (see earlier section) constitute part of the federal involvement. Federal tax policy, including decisions about tax expenditures, is also related.

The "inadvertent impacts" of federal policies and programs not specifically designed for cities have been significant. Prime examples are the FHA mortgage program and the Highway Trust Fund; neither was initiated as an urban program but both contributed to the exodus of the middle class from the cities.

Market: the demand side

The federal government may influence the market by influencing the movement of people, by actions taken to increase total demand for goods and services and by its own purchases.

The lower rate of economic growth of cities in the Northeast and Midwest vis-à-vis other regions is often cited as being more significant than the contest between cities and their suburbs. Population movement and climate are estimated to account for at least half of the regional variation in employment growth rates. Jobs follow people to a considerable extent. The frostbelt-sunbelt contest is not altogether a myth, and the federal influence is not benign.

The interstate highway system is often cited as partly responsible for population dispersion. Although the trend to decentralization preceded the interstate system, there is little doubt that these highways facilitated it and consequently made the South and West more attractive to industry. Similarly, the beltways did not cause suburbanization, but they did make suburban location more desirable for many firms. These impacts were (for the most part) inadvertent; but, intended or not, they cannot be undone.

Federal efforts to increase demand

Expansionary measures undertaken nationally to counter recession and stimulate demand have different effects on cities and suburbs and on different areas of the country. Generally, the older cities aren't the biggest beneficiaries. Personal income-tax cuts, for example, tend to favor areas of high personal income and high rates of employment. Central cities therefore benefit less than suburbs; the

Northeast and West Coast more than the South. Investment tax credits for manufacturers who buy equipment favor strongly growing areas over slow-growing areas and suburbs over central cities (because suburban firms on the whole are more capital- than labor-intensive).

The tax reform package law signed by the President in November 1978 stabilized the investment tax credit at 10 percent of investment but omitted an Administration proposal of another 5-percent credit for investment in distressed areas. The likelihood that the 5-percent feature would succeed in eliminating the antiurban bias of investment tax credits was in any case questioned by at least one expert. Dr. Peterson of the Urban Institute testified: "The generally slow investment response of business firms to state and local tax incentives suggests that it may be equally difficult to induce private investment in higher unemployment central cities through anything except drastic federal tax reductions, which would convert the country's central cities into miniature tax havens, like Puerto Rico."

Congress has allowed two parts of the economic stimulus package, Local Public Works and countercyclical revenue sharing, to lapse. The remaining part—PSE programs under CETA—appears to affect cities rather erratically: in FY 1978, for example, per-capita allocations were $26.80 in Chicago, $39.30 in St. Louis, $53.20 in Atlanta. The principal federal efforts now in place to sustain private demand may be thin gruel for distressed cities.

Government as purchaser

The federal government does have one potent tool at its command: its own enormous power in the marketplace, both as buyer of billions of dollars worth of goods and services and as employer with a payroll in the billions. The federal government can design its purchasing and facility-siting policies to make a difference in the economies of distressed cities, but until recently it has not done so. All but three of the 17 declining cities of Table 1 are in regions that send more in taxes to Washington than they receive in federal spending. The figures in Table 6 are at the heart of the efforts of frostbelt governors to turn around federal spending patterns.

In August 1978, President Carter signed two executive orders that recognize the national government's role as a major purchaser. One provided that, in meeting space needs for federal installations in urban areas, first consideration be given to central business districts. The other directed executive agencies to emphasize procurement in labor-surplus areas. Mayors would like to see some real muscle behind these marching orders.

The supply side

Labor

Migration to the suburbs has been selective, with the more skilled and educated part of the labor force more likely to leave the city. In the city of Newark, for example, the proportion of high school graduates is only about three-fifths that of the metropolitan area as a whole; in Baltimore, Philadelphia and Rochester the proportion is about three-fourths that of the SMSA. Firms requiring higher levels of skill have followed the labor force to the suburbs. Since labor is the single most important factor in production, central cities' lack of skilled and professional labor is the most significant labor-related barrier to commercial and industrial development.

Federal intervention to improve the quality of the labor force has been limited. Despite Administration commitment to employment in the private sector, only about 17 percent of the CETA funds requested in the FY 1979 budget are for training. Only a third of that is for on-the-job training. A CBO study comments, "Manpower training is neither effectively targeted to cities nor linked with job creation activities."

The investment tax credit, which has been mentioned in connection with government moves to stimulate demand, also has labor implications. It has a modest tendency to cause the replacement of blue-collar labor by machines.

Direct tax breaks were available to firms increasing their hiring until passage of the tax package of 1978, which allowed their expiration. Since these tax breaks tend to benefit fast-growing regions over slow-growing regions, officials of declining cities have small interest in lobbying for this kind of incentive. The Committee for Economic Development (CED), an association of business executives, specifically disapproves of tax breaks given on the basis of incremental hiring; CED believes they tend to reward people for doing what they were going to do anyway.

One of the proposals for increasing placement of the hard-to-employ was cranked into the 1978 CETA renewal: private industry councils will be set up to approve plans and allocate funds to employers who commit themselves to hiring trainees. John Palmer, in the Brookings analysis of the 1979 budget, comments that similar programs in the past met with limited success, because the financial incentive was too small to compensate for the hassles. And, understandably, private employers are most reluctant to participate when unemployment is high, because there are plenty of job applicants to fill openings.

It has been suggested that, rather than trying to design "a bold new program," the federal government could profitably focus on such alternative strategies as:

- Incentive grants to CETA prime sponsors who develop innovative relationships with the private sector.
- Experiments with tax credits to subsidize training and employment of youth and/or the hard-core unemployed, as suggested by CED.
- Wage subsidy—an option that has been tried in past U.S. jobs programs. Some concern is voiced that subsidized jobs for youth may skew employment away from adult workers whose wages are essential to the family. A decreasing subsidy with increasing age of the employee might minimize the impact of a sudden cut-off point.
- Relocation of workers from labor-surplus to labor-shortage areas. Gail Schwartz of the Academy for Contemporary Problems maintains that attempts to solve the problems of the poor "in place" can be explosively counterproductive. Government has to distinguish between a redistribution policy and a development policy, according to Schwartz, and a mobility strategy can complement development. She stresses that incentives for relocation are common in Great Britain and Western Europe, including cash payments, skill and on-the-job training, and wage subsidies to employers. In criticism of relocation strategies, labor unions have expressed concern that people who relocate may sacrifice higher wage levels that unions have negotiated in the North for lower wages in "right to work" states.

Transportation

All America, goods and people, moves on tires. The trucking industry accounted for 30 percent of the ton-miles of freight movement in 1976. Most of the gain over the past 25 years has been at the expense of railroads and at substantial cost to the older central cities.

Many older cities are ports, and all have major railroad terminals, designed for major commodity interchanges. It has been extremely difficult for these cities to make the transition to a truck-oriented economy. Congested inner-city roads and inadequate truck terminals place them at a substantial disadvantage.

The ubiquitous automobile, together with the federally assisted highway system, has permitted people to live farther and farther from the central city for the same travel-to-work time. Good public transit, especially rapid rail, ironically has the same effect for commuters.

Highways Past federal interest in the interstate highway system has already been discussed. More important *now* is the future. Between 1970 and 1975, urban arterials with "good" pavement declined by 10 percent, and measured congestion increased. Withdrawal of proposed radial highways from the interstate system may have saved neighborhoods but did so at the cost of central city economic development. The CBO comments, "To compete effectively for industry and commerce, central cities need to upgrade and maintain their arterial roads and, where the integrity of neighborhoods can be preserved, complete their radial highways. At present, the interstate system contains roughly equal mileage in radial and circumferential gaps . . . more progress will be made on the circumferential gaps [than on the radial] unless programmatic changes are made." CBO goes on to suggest possible higher priority for radials and dropping of certain circumferential segments.

Mass transit has received increasing federal support, but such aid has not particularly helped older cities in the development competition. The distribution system used has worked against them. Urban Mass Transportation Agency (UMTA) operating assistance funds go to localities on the basis of population, not transit ridership or potential ridership. Consequently, such highway-oriented cities as Los Angeles and Houston receive twice as much *per rider* as Chicago and Boston; cities of 50,000 to 200,000 people receive three times as much *per rider* as cities over 1,000,000. With the right circumstances of land, demand and capital, federally aided rapid rail construction could trigger development in cities.

Regulation The societal costs of regulation have been much debated. Many observers believe that regulation inhibits pricing at the actual cost of services. If this is true, areas with dense employment and production—mostly in the Northeast and Midwest—where *unit* costs of transportation are lower, are implicitly subsidizing areas of less intensive transportation use where unit costs are higher. Less regulation of railroads and trucking lines might, according to this line of reasoning, help central cities, at least in this region.

Land

There is general agreement that availability of land does not constitute a problem for *commercial* development in cities. Vertical construction is feasible and desirable. Office space expansion in downtown, in fact, is the bright spot for urban economies. Between 1970 and 1975 such space averaged a 27-percent increase in 20 of the nation's cities.

With respect to land for *industry,* some economists also find there is no constraint; others see it as a major barrier. Surveys show that there is a lot of vacant land in cities, though this is less true in the more densely packed centers of the Northeast. The land may, however, be in small parcels that pose assembly problems. When firms move from the city to the suburbs, they usually adopt the single-story industrial building pattern that has so many advantages in materials handling. Floor space increases substantially and lot size sometimes increases even more. There is some evidence that when industry moves to the urban edge it buys excess land with an eye to profiting from its increase in value. These moves are made easier by the fact that prime industrial land is cheaper in the suburbs than in the city.

Any direct federal involvement with land in cities is likely to be associated with acquisition or assembly of parcels of land for inner-city redevelopment, which in turn is closely related to the availability of capital discussed below.

Capital

Cities have three kinds of capital needs: 1) start-up funds for the entrepreneur establishing a small business; 2) support for the showcase projects (whether in public infrastructure, housing or private enterprise) that can have a multiplier effect; and 3) capital for major long-term redevelopment activities. A number of federal programs address one or more of these needs.

The Small Business Administration (SBA), an independent agency, might be considered the cities' answer for start-up money for new business. Cities have traditionally been incubators of small businesses, both the obvious retail and service businesses and those based on technological innovation. Most businesses in cities are small—75 percent have fewer than ten employees. A few are minority owned.

Small businesses cannot use the national money market, and they have difficulty with local lenders. Many are undercapitalized to start. The heavy concentration of SBA loans in fast-growing areas of the country indicates that SBA business assistance programs have not met the needs of these businesses in declining cities. On direct loans, SBA requires rigid repayment schedules, beginning before the financial break-even point. The agency does not promote an alternative device at its disposal for making capital available: equity investment (i.e., a risk interest or share in ownership). The advantage here would be that steady repayment would not be required nor would other financing be cut off because of an unfavorable increase in debt-equity rations. Equity financing is implemented by Small Business Investment Corporations established around the country by SBA. Referring to equity investment, the CBO wrote, "In FY 1977, SBA budgeted twenty times as much for its loan programs as [for] its Small Business Investment Corporation program and the SBICs themselves provided five times as much in straight debt as in straight equity financing."

The **Economic Development Administration (EDA)** is another federal agency that can help small businesses—and meet other development needs as well. In the past, EDA has had a strong rural orientation, but is now moving into the urban development scene. Under 1976 changes to Title IX of the Public Works and Economic Development Act, areas of "long-term economic deterioration" became eligible for EDA funds for construction of public facilities, business loans, rent supplements, mortgage payment assistance and relocation assistance for individuals and businesses. In the FY 1979 budget EDA proposed to allocate $137 million for activities under this authorization. Employee stock ownership trusts and equity funding corporations are other options advanced by EDA.

Urban Development Action Grants (UDAG), administered by HUD, are the major federal vehicle for individual catalyst—or showcase—projects. The 1977 amendments to the Community Development Block Grant program (see below) set up a new system for one-time grants for particular projects designed to have a pay-off in jobs and revitalization within four years. Cities compete for the grants. Among criteria for awards are the amount of investment from nonfederal sources that will be committed to the project and the number of new jobs created. Awards must strike a reasonable balance among neighborhood revitalization, reclamation of industrial uses, and renewal of commercial centers. The first two rounds of awards were completed in July 1978, using all but $39 million of the first year's $300 million authorized for cities over 50,000. Over five times that total in private money has been promised as a result. Thirty-nine percent of the grants are for commercial projects, 29 percent for industrial.

Some of the more interesting and exciting things going on in cities are related to UDAG projects. They range from the $10 million that Baltimore received to finance a 500-unit Hyatt Hotel (and associated walkways) to the $250,000 that went to Hartford to start a solar water heating manufacturing operation in an abandoned building. In Baltimore, a $68 million private and $6.5 million city investment will complement federal funds. Baltimore expects the UDAG-aided project to save 2,000 jobs and develop 1,700 new ones; the Hartford grant will result in 200 new jobs.

Community Development Block Grants (CDBG), administered by HUD, are an important part of the government's arsenal to provide

Table 6: Per-Capita Federal Taxes Collected and Federal Dollars Spent, 1975, by Regions

Regions	Spending* Per Capita	Taxes* Per Capita	Spending/ Taxes Ratio
New England	$1470	$1533	0.96
Mid-Atlantic	1325	1594	0.83
East North Central	1064	1518	0.70
West North Central	1287	1374	0.94
South Atlantic	1454	1303	1.12
South Central	1327	1137	1.17
Mountain	1615	1238	1.30
Pacific	1745	1497	1.17
Nation	1412	1412	1.00

*Spending excludes interest payments. Taxes include federal deficit distributed as an added tax.

Source: Joel Haveman, Neal R. Pierce and Rochelle L. Stanfield, "Federal Spending: The North's Loss is the Sunbelt's Gain," *National Journal* © June 26, 1976.

Intergovernmental responsibilities

All the textbooks on structure of government point out that local governments are creatures of the state. The state as the sovereign entity defines how all units of local government come into being, sets out the way they can be changed, defines their taxing powers and in broad terms lays out their functions. In this context, the state is ultimately responsible for the city's well-being.

One of the state powers germane to this discussion is the power to determine whether and how local governments may change their boundaries. Many a city has been foreclosed from sharing in the growth taking place in its own metropolitan area by the barriers to expanding its boundaries. In older parts of the country, where cities are often surrounded by independently incorporated smaller municipalities with similar powers, future prospects for annexation are dim to nonexistent. With rare exceptions, proposals for metropolitan government have met with limited success. Most state legislators come from noncity districts and are no more eager than might be expected to be out front in embracing the city's problems.

Impressions vary, though, about the extent to which states have addressed urban difficulties in ways less obvious than boundary changes. According to the ACIR, state aid in dollars to the nation's 48 largest cities (excluding New York) tripled from 1967 to 1976, while federal aid grew 7.4 times.

An in-depth analysis of the finances of New York and the ten other largest cities in the Midwest and Northeast was done by Dick Netzer, dean, Graduate School of Public Administration of New York University. He included all of the governments serving the central city—municipality, county, school district and transit district. For the five fiscal years 1970-75, federal assistance to these cities through all overlying governments averaged a 42-percent growth annually, while its aid to all other local governments was growing at a rate of 67 percent. State aid, on the other hand, averaged a 23-percent annual increase to the ten largest cities and only 17 percent to all other governments. Since state aid to local governments, except for education aid, does not usually have an equalizing design, these figures may reflect particular efforts by some states that are not matched generally across the country.

Another way besides transfer payments for states to help local government is to pick up functions that the local units formerly handled. It is not easy to determine the extent of such relief, because there is no methodical count of such changes. An ACIR study, which measured the increase in state direct expenditure for various government functions as a proportion of total state-local expenditure, offers an indirect indication. In the 15 years between 1957 and 1972, there were about 80 percent more shifts to a larger state responsibility than to lesser responsibility.

States may also help their distressed cities through economic development efforts. Again, no one has authoritative data on how much states are doing, overall, to help in this way. The importance of such state-level effort is obvious, because the next best thing to a new plant within your borders is a new plant within your SMSA.

How can state governments be encouraged to respond to cities' needs? Public and legislative understanding of the city's role in the state and the dimensions of its problems will help. So will demonstrations that the city government is doing all in its power to solve its problems (if it is): in this era, city governments need to be *austere* and *pure*. Perhaps financial incentives would help. The Administration proposal for grants to reward states for taking an active role in restoring fiscal viability to their cities has been called a very small carrot. States, however, have a very large stake in their own central cities. The dialogue induced by the carrot could expand the effect.

In a recent speech, the executive director of the Texas Municipal League charged the distressed cities of the Northeast with profligate spending and unconscionable mismanagement. Somewhat more dispassionately, Netzer has urged that these cities strip away "functions and activities of marginal value, leaving them undone." He recommends, also, federal help in research on application of technology to state and local government, arguing that these levels of the public sector are not distinguished either for the best application of the state-of-the-art or for innovation.

Federal restraint in requiring specific kinds of plans and planning bodies, without regard for existing local planning structures, would be a constructive complement to federal technical assistance in this field. Some intergovernmental personnel loan programs have proved useful in letting state and local governments know what really goes on in Washington. Benefits may be mutual.

for the development needs of cities, but they do not fill a serious gap in large-scale capital availability: assistance for long-term development. In 1974, the CDBG program was established to replace former federal programs—including Model Cities, urban renewal and neighborhood development, water and sewer grants, neighborhood and senior citizen centers and code enforcement. Cities of 50,000 or more and large urban counties are eligible for formula-granted funds. A 1977 change substantially benefited older cities by allowing them to use an alternative formula based on growth lag, poverty and age of housing. The 1977 amendments also added a new program objective: to alleviate physical and economic distress by stimulating "private investment and community revitalization in areas with population out-migration or a stagnating or declining tax base." Under this rubric, cities can build commercial and industrial structures, acquire land, build public facilities, and make grants to small business or minority investment corporations.

Brookings's investigation found that CDBG funds tend to be dispersed throughout a city and have not been used for comprehensive redevelopment. The research also documented that leveraging to get private money is relatively uncommon.

An untapped resource to influence investment location may well be the **pension funds** of state and local government employees and of unions in the Northeast and Midwest. Funds have been managed to maximize apparent financial return; they have not been used, for example, to make capital available to firms that will expand in the unions' own regions or to deny resources to firms that settle elsewhere.

Whether the appropriate device for long-term capital investment is a national development bank discussed earlier, or expansion or modification of existing federal programs, or even pension funds, it seem indisputable that private capital will not shoulder the risk in static or declining central cities when investment return is surer elsewhere. Schwartz stresses that a revival program should rely on "private sector initiative . . . maximum leverage of federal funds . . . [and] strong community interest which antedates federal participation."

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The question for the cities: Can all of the sometimes overlapping and contradictory efforts add up to more than the sum of their parts? Large though federal program figures sound, they pale beside the $64 billion private investment in plant and equipment expected in 1978 for manufacturing alone, not including office, retail and warehousing facilities.

Each city is unique. Each needs a realistic vision of its future. Success depends on coordination of federal, state and local programs by an aggressive city policy that concentrates the effort, emphasizes the linkages and brings about complementary private participation.

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Neighborhoods and Citizen Participation:

a Search for an Effective Model

by Esther Wattenberg

Esther Wattenberg has been associated with CURA from its beginnings. In addition to her present work as a coordinator for CURA's Office of Social Services Training Projects, she is an associate professor in the University's School of Social Work. There, she teaches classes about community development. Esther is a long time observer of citizen participation processes. This paper was presented to the National Federation of Settlements and Neighborhood Centers at their annual meeting in Denver, Colorado in May of 1978. Students in a class on community development participated in interviewing the citizens involved in the Community Development Block Grant process described here. Portions of this material were also presented to the Citizens League's committee on community representation in the winter of 1978.

The subject of citizen participation is fraught with connotations: its champions and detractors debate the concept with partisan passion. The defiant slogan *Power to the People* caught the spirit of an age associated with the War on Poverty and Model Cities. The slogan captures the spirit of that time, in which it was hoped that citizen participation could transform neighborhoods from powerlessness to powerfulness, cure the fear and trembling of a decaying urban life, and send a lively and invigorated pulse throbbing through the feeble body of a dying urban center. The spirited controversies finally boiled down to a general conclusion that the past decade, dating chiefly from the Office of Economic Opportunity (OEO) days, placed a high value on the process of consultation with *grass roots* citizens but few effective models for doing so emerged.

Despite *the spoiled identity* of the '60s, citizen participation as a powerful vehicle capable of enlarging benefits to the powerless is now revived once again as a necessary instrument of urban revitalization. There is a general recognition, articulated in the President's Urban Policy Statement, that rebuilding inner city areas will require the partnership of neighborhood people, community groups, and the public sector. Moreover, the recently established Office of Neighborhoods and the National Commission on Neighborhoods reinforces the notion that this political administration stresses, at least in ideology, the concept of citizens at the local level participating in decisions that will affect their lives. Further, we note that every piece of major social legislation in the last five years supports and indeed, in some instances, mandates consultation with citizens: Community Development Block Grants and Title XX are illustrative.

It is reasonable to assume that for the next decade an essential aspect of urban revival will be focused on neighborhoods and attention will once again be paid to how to involve *the grass roots* in shaping the environment of the local community.

To what extent can settlement houses and neighborhood centers articulate the needs and aspirations of neighbors, strengthen community groups to participate in the planning and restructuring of services, and provide a credible vehicle for reflecting the mosaic of interests on the local level?

The proposition in this paper is that devising and testing models of citizen participation can be a valuable contribution for settlements whose historic association has always been rooted in their knowledge and understanding of how people live, endure, survive in neighborhoods. To assist citizens in articulating what is known, transforming this information into programs, and presenting these as priorities for the funding streams in the social services is a partial but essential task requiring the involvement of citizens.

In this paper one model of citizen participation will be presented along with some underlying concepts that may be used as guidelines. Before describing and offering some analysis of the form of citizen participation that was designed in Minneapolis to allocate 17 million dollars in Community Development funds, a few observations on the contemporary context of political decision-making are in order.

Firstly, we live at a time of an explosion of single interest groups. They

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crowd the landscape, concentrating on their individual constituencies, and fighting fiercely with partisan ardor for the narrow and particular issues of the groups or causes they represent. Coalitions are painfully wrought and easily destroyed. Secondly, while the special interest groups abound, there is a general apathy to public issues. The age has sometimes been called the Narcissistic Era, and one that is primarily absorbed in private interests. People appear to be resigned to the notion that life-shaping decisions are beyond their control. Throughout the country there are general reports of dwindling public participation in elections and a widespread and deep distrust of elected officials.

These phenomena are perceived as troublesome if not dangerous for a democratic society. The search for a way to bring citizens into a substantial and significant partnership with government, augmenting the role of elected officials, persists since, despite the detractors and cynics of the '60s, few could dispute the value of a participating community. At this point, it might be of interest to review from the experience of the '60s, some of the positive outcomes and features of organized citizen participation. Here are some general agreements. An active, involved neighborhood increases the bargaining power of the least advantaged. Further, it provides a source of intimacy, social attachment, and mutual support in an increasingly alienated world. Moreover, citizens organized to express and articulate the needs of their neighborhood provide the mediating role between their own small geographic space and that of the larger complex world, which is often represented in structures such as city hall. To amplify the private troubles and convert them into public issues is essentially the nature of organized citizen participation. Perhaps the last and in some ways the most enduring value is the knowledge (learned from OEO and Model Cities) that organized citizen groups provide a training ground for upward mobility of indigenous leaders.

It was against this background that a number of citizens active in the political and community life of Minneapolis gathered to design a model of citizen participation that would serve to work with elected officials to allocate community development funds designated for neighborhood rehabilitation.

The key question which they faced was "Who speaks for whom?" the representation issue. How does one select participants who represent the infinite variety and competing interests so characteristic of urban neighborhoods?

This puzzling question which must be answered in a way that will ensure credibility and trust leads us to consider, as Minneapolis did, the various methods of selection. Citizens may be: (1) appointed by publicly elected officials or administrators of social agencies; (2) self-selected (self-appointed spokespersons who are interested and have the capacity to speak for others are occasionally known as *indigenous leaders*); (3) elected, in which case they must pass the test of having a larger community legitimize them as spokesperson; or (4) any combination of these.

A further word about the nature of selection will help us with our understanding of the Minneapolis model. Elections may be based on two possible procedures. In the first instance one can have what is commonly called a *friends and neighbors* election. Here one can set out some general qualifications such as age and residence, but generally it is an *off the street* process. In the second instance the election is organized by group representatives; that is, each organized group, by an election process, sends forward its representatives. Both have limitations as well as positive features. It is generally recognized in a friends and neighbors election that people can emerge with almost no known base for their neighborhood interests. There is almost no accountability and they can seldom be retired because the ballot box may not even draw in sufficient numbers to turn them out. Moreover, in a general sense, these persons tend to be concerned with personal and sometimes particular issues: that is, they may be concerned with their own employment, but not necessarily with employment programs. The group representation process on the whole turns out more skilled, better educated, leadership persons since they have come through a competition for representation. Furthermore, it builds up group strength by having a legitimate and recognized role for groups, and this tends to strengthen community building. Its major deficiency is that it is difficult, if not impossible, in election from organized groups to capture representation from the unaffiliated, which may be a large segment of a community.

The Minneapolis model, developed in 1974, derived a citizen group of forty-seven members reflecting three different sources of representation. The neighborhood representation came out of an election in which 239 community organizations out of eighty-four neighborhoods elected twenty-nine members to serve on a city-wide task force. Thirteen representatives were appointed by the aldermen and five by the mayor. The cross-section that emerged was extremely interesting. The elected representatives were, on the whole, young, mostly under thirty-five years of age; virtually all of them were renters and mobile within the community. They were highly educated and marginally employed, mostly working in white collar publically funded jobs. In their choices for allocation of funds, they leaned heavily towards social services and only in minor ways did they support housing rehabilitation and physical improvements in the neighborhoods.

The city council appointees were chiefly older, homeowners with a history of residential stability in the neighborhood. One-third had a vocational-technical education, and only a few had any college background. Their incomes were moderate and they worked chiefly in the private sector. Minority representation came out of appointments (generally, minority representation from the election process tends to be disproportionally sparse). The priorities of this group for expenditure of funds were for physical rehabilitation projects and housing. The mayoral appointees were on the whole highly educated, high income managers and executives. In many ways they were known as *the establishment* figures. The differences, demographically and in preferences for funding priorities, between the elected and appointed groups went even further. The elected members presented an adversarial relationship to the technical staff in contrast to the appointed members who gave the staff high marks for effectiveness and the quality of information they provided. The suspicions of the elected members appeared to be rooted in an *anti-establishment* ideology whereas the appointed members expressed a conventional respect for professional staff and trust in elected officials.

Indisputably, the resultant representation from this model of elected and appointed citizens presented a fair cross-section of neighborhood interests, ideologies, and demographic features. (Less well represented, however, were the young, the old, and minorities.) Could the diverse interests and attributes be conciliated?

It is important to note that in interviews with all of the participants,* they uniformly gave high marks to the process that took place at the city-wide level in which they had to examine proposals, rank them, and give the city some sense of the diversity of needs that needed to be funded out of the Community Development Block Grants. Indeed, most of the participants in the first year of this process stated that they had come in with strong parochial interests that dealt chiefly with their own nighborhood but that they had emerged with a sense of what the city as a whole needed, and they all stated that their understanding had grown enormously during the discussions. Ninety-five percent of their recommendations were accepted by the City Council. The exchange theory appeared to have worked: the citizens presented neighborhood needs and shaped decisions on them and the elected officials received recommendations that relieved them from the politically thorny problem of sorting out competing interests.

In the next four years the process was reviewed and modified. The chief structural change was a shift in the representation process to a friends and neighbors election.

Did the process retain the confidence of participants and elected officials, as the years went by? It is a fair assessment to say that, in fact, expectations on both sides have not been realized and this past few months [Spring of 1978] some major reorganization, after stormy hearings, were recommended by the City Council. The changes are worth noting because they reflect the nature of the erosion of confidence that occurred. In the new model, as before, each neighborhood would be allowed one delegate and one alternate for every 1,500 residents, but at least eight people must be present to elect each delegate (one-half of 1 percent!). The City Council can appoint where no elected delegates emerge. Further, delegates would have to sign a no-conflict-of-interest statement and remain in the committee for not longer than two years. As before, the elections will start from the neighborhood and indeed the neighborhood representation will review all funding proposals affecting their communities. The city-wide task force made up of thirty-nine members now, will be selected by broad-based neighborhood elections.**

Despite the disappointments, indeed, the anger of some elected participants and elected officials (administrative complaints have been filed by a group of elected citizens complaining that the monies were improperly allocated in the last three years of the process), the city-wide citizen participants were given two additional highly significant tasks: 1) assisting in the development of the city's Comprehensive Plan and 2) forming a task force for the city's budget review process.

Can a closer examination of the experience contribute to our understanding of what strengthens or inhibits the partnership between citizens and elected officials?

Firstly, the elections persisted in low turn-outs. Nationwide, this continues to be a serious problem. We certainly need ideas on how to engage the wider community in an interest in neighborhood elections. Moreover, the problem of drop-out and high levels of absenteeism plagued the Minneapolis model from time to time. Enormous amounts of time and a high tolerance for frustration are two essential characteristics for citizen participants and the burn-out rate is high. The pool of available citizens for these intensely absorbing tasks is small.

Secondly, and perhaps related to the above, a significant level of distrust emerged between the elected citizens and certain of the elected officials. City Council members lodged charges of conflict-of-interest. Did the elected citizens truly represent their neighborhoods or were they trying to get their own projects funded? Latent political ambitions were suspected and allegations were made that the community *activists, the aging flower children* of the '60s, had captured the city-wide committee and were using it as a new staging area for harassing the *establishment*.

Elected citizens, on the other hand, frequently questioned the *hidden agendas* of the council members and continuously wondered whether or not allocations had already been made. Was their hard work simply going to legitimize a procedure which in fact perhaps had no substance?

Thirdly, differing interpretations on the purposes of Community Block Grants created sharp controversies. The elected citizens contended that the intent of the law was not being observed: namely, that the monies were not going predominantly to persons with low and moderate incomes. The City Council, on the other hand, felt that this stream of money was intended to be used for hard services such as street paving and the physical needs of housing rehabilitation. "They [elected citizens] are going to the wrong pot. This program is from HUD [Housing and Urban Development] not HEW [Health, Education, and Welfare]," commented one observer.

Could a reconstructed model benefit from these experiences? The following recommendations could be suggested:

1. Elections should proceed from organized groups so as to establish accountability and community group development, and to assure a wider base of participation.



Citizen groups, like this one in Minneapolis, will continue to be an essential part of the urban revival. In these groups, "Who speaks for whom?" is a key question.

*Details of the interviews and study data compiled on the first year citizen participants is available in mimeographed form: "A Report on the Minneapolis Citizens Advisory Committee on Community Development: the Characteristics of the Elected and Appointed Officials" from Esther Wattenberg, School of Social Work, Room 400 Ford Hall, University of Minnesota, Minneapolis, MN 55455

**For more information on the new procedures, copies of the City Council resolution on the citizen participation plan (February 10, 1978) and the amended plan of July 28, 1978 may be obtained from the City Planning Department, 210 City Hall, Minneapolis, MN 55415

2. Appointments should fill in the gaps of the election process so that young, old, and minorities that may not emerge in the election process can be assured of representation through appointment.
3. A period of negotiation should follow the recommendations made to elected officials.

Experience shows that citizen participants can do excellent work in examining the often hundreds of proposals that emerge from neighborhood needs. They can prioritize them, and give an overall sense of how these might be integrated into the perspective of the city as a whole. The City Council perspective, however, is shaped from a concentrated interest in the tax base and the need to revitalize, in an economic sense, the spirit of the city. What is needed, then, is a period of negotiation between these two substantial interests. In the process it would appear that both could exchange views and broaden each other's understanding, and come to a successful negotiated position, thereby strengthening confidence in each other's judgments and bringing the partnership of elected officials and elected citizens to a successful conclusion.

A clearer understanding of the perspective of all participants is required. For the elected citizens, participation gives personal satisfaction in status, role, and attachment. It is not inconceivable that a few might use this role for political advantage, for self-interest, but if they are elected from organized groups (here you will note my own bias), then it seems to me that they have a base to which they have to be accountable and, indeed, the group must have the responsibility to call these individuals to account.

For the elected official, citizen participation often gives two irreconcilable messages. On the one hand, elected officials are bound to be suspicious of the latent political ambitions of certain elected citizen participants. They may indeed see them in their confrontative manner as bothersome adversaries, and they may perhaps continue to suspect that they represent themselves and not a broad constituency. However, they will also respect elected citizens, for they will understand that they do, on the whole, represent neighborhood interests, that they are valuable as go-betweens between the elected officials and the sometimes confusing and competing interests of a neighborhood. Above all, they are needed for legitimacy in explaining how tax monies are spent for grass roots needs.

There is an issue emerging which I believe will strengthen and revive a flagging interest in citizen participation. It is the issue of location of community-based facilities. This is a significant and crisis-laden issue. There is an over-concentration of these community-based facilities in areas that have not been able to organize to defend themselves against the location. The question of equity in distributing these facilities throughout neighborhoods is a compelling one. It seems to me that settlements and neighborhood centers which are very closely involved in networks of agencies and in the informal support networks of kin, family, and friendship, can play a leading role here. Involving citizens groups in a structured kind of representation, not only to make recommendations for equitable distribution of community-based facilities, but also to assume the control of resources and program direction for these enterprises is an essential task.

Even though many neighborhoods are in swift change, so that the mobility patterns are almost beginning to look like nomads vs. settlers, there is now a realization that cities cannot survive without redevelopment in their neighborhoods. It is time for a constructive reappraisal of citizen participation. We need wide experimentation with different models in order to construct the widest cross-section of community involvement and procedures that will enable citizens to make effective contributions. We need to define more clearly the different kinds of structures that can deal in a collective sense with neighborhood needs and to connect these to the wider needs of our total communities. I do believe that citizen participation is alive and well, although breathing hard from time to time. It would be my judgment that the long and admirable history of settlements and neighborhood centers prepares them to play a formidable role in constructing ever more effective models.

A footnote to our readers:
The Citizens League has recently published a report on community representation: *Community Plans for City Decisions* (June 8, 1978). It is available for $1.00 from the Citizens League, 84 South 6th Street, Minneapolis, MN 55402.

The Community Classroom:

How Student Involvement in Community Design Projects Has Evolved at CURA

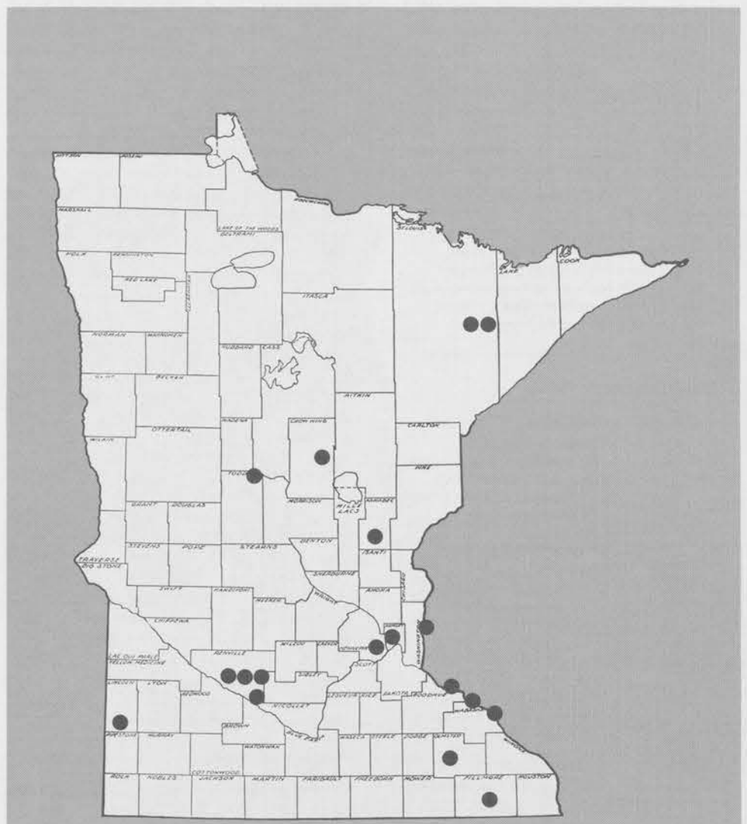
*by Judith H. Weir,** CURA Staff

As the mayor of one small Minnesota community put it:

> I'm glad the city got involved in this type of project because I think it's good for the student. Plus I think it's good for the community to see different aspects of what can be done to certain areas that we live in, you know, and get new ideas. And, because I'm sure that a lot of us that have lived here all our lives don't think of projects and the possibilities of the way things can be expanded.

The project the mayor refers to was a year long program involving students of architecture and landscape architecture in community design proposals for a small city in rural Minnesota. It was one of many projects which CURA has helped foster over the past ten years.

CURA is not directly involved in teaching, rather it identifies resources in various parts of the University, brings them together and focuses them on community issues. It links University faculty and students to appropriate groups or agencies when the connection will be helpful in exploring and finding possible solutions to community problems. This CURA function has helped create some challenging new models for student and faculty involved in community projects.



SITES OF THE COMMUNITY CLASSROOMS

CURA's Urban Education Center has housed these service-learning projects for eight years. Within this period it has involved more than 400 students from a dozen disciplines; some twenty-five faculty members from architecture, housing, geography, sociology, rural sociology, journalism, photojournalism, urban studies, and landscape architecture; hundreds of low-income urban community groups and individuals; more than twenty small communities throughout the state; and over 100 practicing professionals from such disciplines as architecture, landscape architecture, planning, engineering, housing, and social work in more than a thousand community serving projects of every conceivable shape and size from logo designs and brochure layouts to building remodeling designs and overall community plans. The Urban Education Center has helped to generate over $250,000 in grant funds to broaden its service-learning outreach. Table 1 lists those parts of the University and community which have been involved in major roles with the Urban Education Center.

Over the years, the Center has sought to combine service to the community with learning experiences for students. It has served as a broker, linking community groups in need of service with students and faculty able to provide those services in a way compatible with sound learning objectives. Not surprisingly, execution of this service-learning thrust has required a number of variations in program structure and organization. Certain dimensions of the program have grown. Others have come and gone as needs, desires, commitments and/or resources have changed.

Beginnings

The Urban Education Center came into being as the collective brainchild of a small group of students and faculty meeting during the winter, spring and summer of 1969 to seek a viable model for community-based learning which would be of service to low-income people. Key people in this early planning were Roger Clemence, associate professor of architecture; L. Scott Helmes, architecture senior; Esther Wattenberg, director of the Office of Career Development; and Tom Walz, director of the Living Learning Center.

Two broad operational objectives were agreed upon to guide the fledgling Urban Education Center:

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*With apologies to Roger Clemence and Robert Morse, whose report "Urban Education Center: Eight Years Revisited" formed the base for this article.

1. the provision of valid and relevant educational experience for students seeking closer contact with disadvantaged communities, and
2. the development of a student service corps with the capacity to help the community help itself.

The early planning of policies and methods of operation extended over many months but by the summer of 1969 a concept was ready for testing. The Urban Education Center received its first commitment for financial support from the Center for Urban and Regional Affairs and the program began.

The Early Years

The Urban Education Center students of 1969-1971 were characterized and bound together by a rising tide of anti-war feeling and a deep commitment to help resolve the economic and racial injustices spotlighted by the Great Society programs of the mid- and late-1960s. Design, planning, and engineering practitioners from the Community Design Center of Minnesota (CDC) shared many of the same concerns, and in the fall of 1970 joined forces with the Urban Education Center (UEC) to establish the joint CDC/UEC program for adovcacy design, a program which has continued in varying forms, ever since. These were turbulent times marked by a deep surge of idealism which drew together people of all ages in a common commitment to peace and social justice.

The service-learning projects of that time were typically urban in location, small in size, and primarily design-focused. Examples include a building remodeling for Southeast Free School, designing a Model Cities Communications Center van, creating an office layout and a logo for the St. Paul Model Cities program, and an inventory and analysis of the Holmes Renewal Area neighborhood in Southeast Minneapolis to help document problems and potentials of the physical environment.

A year was spent renovating the third floor at 118 East 26th Street, Minneapolis where CDC and UEC shared quarters. The sharing of both place and program gave each group a significantly greater capacity for serving the needs of low budget community groups throughout the metropolitan area and helped develop a sense of camaraderie and commitment.

Expanded Horizons

Then came the Bird Island Study of 1971-72, and with it the start of a program of service-learning with outstate communities using many disciplines. The Bird Island project, which focused on a study of county planning, brought a new direction to UEC that complemented the on-going urban focus and ultimately became the largest component of UEC. From this small beginning, a major interdisciplinary program grew — the Renville County Development Program. Funding was provided by a grant from the Minnesota Higher Education Coordinating Board with federal Title I monies matched by University funds. Looking back some years later, Father John Brunner, a principal actor in both projects, noted:

> The effect of UEC in Renville County could never be properly assessed. Why? The effects today are too far reaching. From a small beginning, vast results are felt in Bird Island, Olivia, Hector and Fairfax. The people of these towns in Renville County are now open to unified planning and long range planning. They are open to change. All these positive qualities came to UEC. Because there is not the population turn-over of a more populated area, the effects of UEC contact in Renville County is still evident today. This will continue for many more years. Today UEC is not needed as a beginning push in Renville; they have caught the spirit of unification and long range inter-city planning.

The Renville County study of 1972-73 indicated that there was a substantial potential for matching rural and small town low budget groups with the learning interests of many types of University students. Long distance travel did present logistical problems, but the concept of outstate service by UEC showed great promise.

In Renville County, sixteen study projects were completed. Each of these projects started with a need identified within the county. Forty-two students from seven disciplines participated. Ten different types of clients/sponsors were involved, including village councils, local planning commissions and their committees, service clubs, school districts, local newspapers, the 4-H program, a non-profit housing corporation, school superintendents, the County Fair Board, and an association of farmers.

Completed projects included design studies for the county fairgrounds, rehabilitation proposals for the business districts of four communities, a course examining the environment through photography for 4-H members, community study projects for local high school students, a study of high school students post-graduation plans, a service-area study, and articles for the local newspapers.

In 1973-74 a similar program evolved in Lincoln County. As the student interest in outstate involvements enlarged, the capacity to cover metropolitan projects might have been threatened. This possibility was averted through a decision by the Federal ACTION Agency that brought Volunteers in Service to America (VISTA) to CDC and the University Year for Action volunteers (UYA) to UEC in the spring of 1973. With the combination of UYA and the outstate programs of Renville County and Lincoln County, UEC/CDC moved from its scattered Twin Cities storefront beginnings of 1969-1970 to a solid, on-going, year-round, set of programs serving a wide variety of Minnesota communities.

Table 1: Major Participants in the Urban Education Center

University Organizations	Community Organizations	
College of Home Economics	Advocate Service Inc.	Minneapolis Model City Neighborhood Organization
CURA	City of Bird Island	Minnesota State Arts Board
Department of Horticultural Sciences and Landscape Architecture	City of Deerwood	Nicollet Island East Bank Urban Renewal Area Project Committee
Living Learning Center	City of Fairfax	Northside Settlement Services
School of Architecture and Landscape Architecture	City of Hector	Old Town Restorations
School of Social Work	City of Hoyt Lakes	Payne Avenue Businessmen's Association
Service Learning Corps	City of Ironton	Project for Pride in Living
Teacher Service Corps	City of Lake Benton	Renville County
Urban Studies Program of the College of Liberal Arts	City of Lanesboro	St. Paul Housing and Redevelopment Authority
	City of Mora	St. Paul Model City Neighborhood Organization
	City of Olivia	South St. Anthony Park Association
	City of Red Wing	University Community Development Corporation
	City of Rochester Committee on Urban Environment	
	City of Staples	
	City of Wabasha	
	Community Design Center	
	Countryside Council	
	Higher Education Consortium for Urban Affairs	
	Lake City	

Project Rediscovery

Spring of 1974 brought funding from the Minnesota State Arts Board and the National Endowment for the Arts for the first year of Project Rediscovery, a program of service to outstate small towns which grew in subsequent years to become the central feature of UEC.

Roger Clemence, UEC director, defined the new program in this way:

> The thrust of Rediscovery is just what the name implies. It is a program to help selected small towns in Minnesota look at themselves, at their present and their past, and, in the spirit of rediscovery, to look at future choices with that combination of zest and imagination so essential for good design and good living.
>
> Our hope is that Project Rediscovery can be a catalyst for inspiring new ideas. Hence, one of the primary purposes is to help create an open forum within the community so that people better recognize the unique characteristics of their town and sharpen their awareness of its needs and potentials.

Rediscovery programs spanned the years 1974-77. Efforts centered in architecture and landscape architecture. Since continuity and follow-through were important it was desirable to have students who would be available throughout the year. Undertaking such projects involved a real commitment to the selected communities. Ties with the Agricultural Extension Service were strengthened. Their community resource development area agents suggested outstate communities where student work might prove useful and provided initial community contacts for the program.

In all, ten small Minnesota communities worked with University students and professors in Project Rediscovery: Lake Benton, Hoyt Lakes, Mora, Staples, Deerwood, Ironton, Lanesboro, Wabasha, Red Wing, and Lake City. Projects ranged from the historic restoration of a drill site in northeastern Minnesota to proposing plans for expanding a city marina on the Mississippi River.

The projects and the program proved to be very popular with citizens in these communities. Two citizens have commented:

> . . . Well, choices have to be made. I don't think we can always keep everything as it is, nor should we . . . and this is why Project Rediscovery has been helpful, I think. Sort of brings to mind what there is here and what your choice is and gives you something to choose from.
>
> . . . I think this whole business of all sorts of ideas just helps people realize that, you know, it's a group of students with some ideas of their own but also having had the willingness to visit with store owners, store managers, government people, business people, ah, just Mr. and Mrs. Red Wing, as to what their ideas are. It just shows that there can be most anything happen if somebody wants to put an idea to work.

During the first years of Project Rediscovery, balancing community service with controlled learning experience proved to be a problem. Students were either trapped by their desire to design



A student confers with Professor Richard Forsyth in planning new design concepts for Lake City.

something practical or were diverted into community-organizing efforts. While the results in each case were useful to the involved communities, the students did not concentrate enough on the design process to satisfy faculty goals. By the last two years of the program, however, a good balance was struck.

Faculty goals were carefully drawn up and it was agreed to concentrate efforts in one region over several years. A single issue focus — recreational development — was chosen. The new structure changed the nature of projects from preparing immediate practical proposals with high potential for follow-through to studying emerging issues in a more academic manner.

UEC sought issues the community felt were important but were as yet unresolved. Questions about new directions for the community which were currently being discussed by residents were identified. Opportunities were sought for students to think in broad alternatives and contribute them to the community planning process. Emphasis was placed on contributing alternatives to an ongoing city development process rather than producing an immediately buildable proposal. If a feasible design proposal resulted, it was seen as an extra benefit.

The Red Wing Project

The project in Red Wing is illustrative of how the new service-learning project model worked. The year began with an overall study of the Lake Pepin area. In five weeks, students tried to get a sense of the landscape, visual character, economy, transportation, settlement patterns, and major issues facing the region. In teams of two to four, they chose areas of study — the entire region in some cases, corridors, counties, or single communities in others.

Students presented their impressions at a public meeting held in mid-November at Frontenac. Resident reactions suggested that the students had accurately perceived the major issues facing the region.

Following their overview of the region, students divided into two groups, each focusing on one town. The next two projects were concerned with the same problem in both Red Wing and Lake City — studying expansion of the city marina. Both communities were concerned about a perceived increase in recreational activity in their areas and its effect on their marinas. A follow-up project involved refinement of the marina concepts. These ideas were then presented at public meetings held in each community.

In Red Wing, the last two projects focused on downtown rehabilitation. In the last four years there had been growing concern in Red Wing about the historic character of the central section of town and the need for increased commercial space and parking in the downtown. In 1977 this concern was sharpened when a developer proposed building a large shopping center on the outskirts of Red Wing. An issue surfaced in which students could make a contribution.

During the winter quarter, students completed a study of building masses and open space, exploring the feasibility of inserting new commercial space among existing buildings. The final project, involving the entire spring quarter, focused on the rehabilitation of individual buildings on a single block downtown. Students worked with building owners and managers to program and design remodeling efforts. The students also proposed a system of enclosed walkways to link the stores on the block. This proposal so intrigued the owners that they formed a corporation to carry out more detailed explorations of the student proposed changes.

A program paralleling that of the University students was conducted with sixth graders in the Red Wing public schools. By introducing architecture and environmental design into the public schools, ideas that the University design students were exploring with the community might be better understood in the short term and an appreciation for architecture and planning might live on after Project Rediscovery had gone. The project with the public schools proved quite successful and plans to expand this type of program are being explored.



UEC director, Roger Clemence, discusses new ideas for the community with a citizen in Red Wing.

Administrative Changes

The evolving separation of UEC's outstate service-learning efforts from the normally more urban-focused University Year for Action projects was formalized in the spring of 1976 with the administrative shift of UYA to the College of Liberal Arts's Office of Special Learning Opportunities (OSLO). The program grew there from its earlier design-focused projects to embrace a multi-disciplinary program involving six to eight different majors. The program continues now under the administrative wing of University College.

During a year of evaluation, 1977-78, CURA examined the UEC experience and decided to continue its brokerage function, broadening both its community and University relationships. The UEC functions have been absorbed into the Office of Land Use and Housing Research. The community classroom service-learning model is very much alive and available to be applied in a great variety of situations; some of them similar to previous experiences and others new and different. Currently, a major program in the St. Croix Valley is underway in addition to a series of projects in St. Paul.

A Service-Learning Model

Eight years of experience in the Urban Education Center have helped CURA evolve a model for combining service to the community with practical learning experience for the student.

The educational activity may include field study, internships, independent study, or class projects — tasks which have academic validity as determined by an instructor. Studies can involve everything from developing a model for elementary level environmental education to collecting oral histories from older citizens; from preparing a proposal to rehabilitate an old railroad depot into a museum to staffing a citizen effort to create a county planning commission.

Each participant experiences unique benefits. Faculty members have an opportunity to monitor current issues, to develop new links for further research, and to develop new learning opportunities for students. Communities can increase the variety of issues receiving attention, can have issues raised in an objective atmosphere, and can more clearly define areas of action requiring professional activity. Students have a chance to relate theory to real-world concerns. They can test their newly acquired skills, and can join collaborations in which the results of their study may ultimately be of direct use to the community.

Service-learning activities can involve various disciplines, differing numbers of students, groups and sizes of communities, and varying issues, amounts of time, and study approaches. Any successful project, however, must expect to achieve three core elements.

1) A Community Consultant Relationship

The presence of a community consultant or group which is interested in the study effort is of prime importance for the model of service-learning. This presence increases motivation to do a thorough project. Students can learn about community issues and problems, and have the independence to pursue a variety of solutions — even unpopular ones. The community has the opportunity to examine many ideas. Since the community is free to select only those ideas it values — or none at all — an atmosphere of real study is created.

2) Project Selection

While the community consultant relationship creates the atmosphere for a project, project selection provides the structure linking the participants. Projects are selected that benefit all the participants (faculty, student, and community).

Projects are developed around current issues which are perceived by the community as important, are still in the questioning stage, are accepted by faculty as legitimate academic exercises, and do not duplicate existing public or private efforts. A final product is envisioned which is acceptable to the faculty, potentially useful to the community, and able to focus student effort.



Interaction between students and the community encourages students to learn about community issues and citizens to explore new ideas.

3) Institutional Support

Sufficient support must be provided to enable the project to function smoothly. An organizing staff is needed to identify projects, initiate and maintain contact with communities, advise on project selection, and provide liaison between students and the community. (Often, Agricultural Extension Service area and county staff have assisted in these tasks.)

Enough lead-time is needed to make local contacts, identify major issues needing action, and insure faculty planning prior to that portion of the school year in which the project will occur. Since students are involved, projects must be scheduled to fit the school calendar. And money is needed to facilitate community contact, buy supplies, and produce the final product. Community contact typically involves travel expenses for students and staff, and phone calls. When lodging is needed it may be provided by community residents, thereby allowing the University students to become better acquainted with townsfolk and understand the community more fully.

The Community Classroom in New Settings

Now through the Office of Land Use and Housing Research, CURA is prepared to respond to many different kinds of community issues and seek out student-faculty resources which can make meaningful contributions. Currently, two classroom areas have evolved allowing us to expand the number of disciplines involved in service-learning projects.

St. Paul Mississippi River Plan

In 1976 the governor of Minnesota designated the Mississippi River corridor between Anoka and Hastings as a critical area. The City of St. Paul has responded by developing plans for that section of the corridor which falls within the city limits. Two St. Paul offices — the Department of Parks and Recreation and the Department of Planning and Economic Development — have been primarily responsible for working on the project in conjunction with University students and faculty. To date, students from two University units have been involved: the Law School and the Department of History.

Draft legislation has been prepared in the form of new ordinances and suggested consolidations of existing ordinances that will provide standards and regulations for the Mississippi River Plan. A history of settlement on the river is also in preparation, providing background information to be used in various projects along the river as the plan materializes. We anticipate that other sections of the University will be brought into the project in the near future.

St. Croix Study Program

A joint project with the University of Wisconsin-Madison is bringing students and faculty from both Minnesota and Wisconsin together to study an area we both share — the St. Croix River Valley.

The study program, at present, includes some eighty-five students and twelve faculty. Students from Wisconsin are looking at the regional landscape patterns and corridors. They will prepare

an overview analysis of the region and then concentrate on physical design and planning problems in selected townships.

Students from Minnesota will study selected development issues in the St. Croix region as well as comprehensive planning, institutional constraints, and land-use planning. Architecture and landscape architecture students will collaborate in a regional analysis followed by the development of physical planning and design alternatives for selected communities and recreational sites.

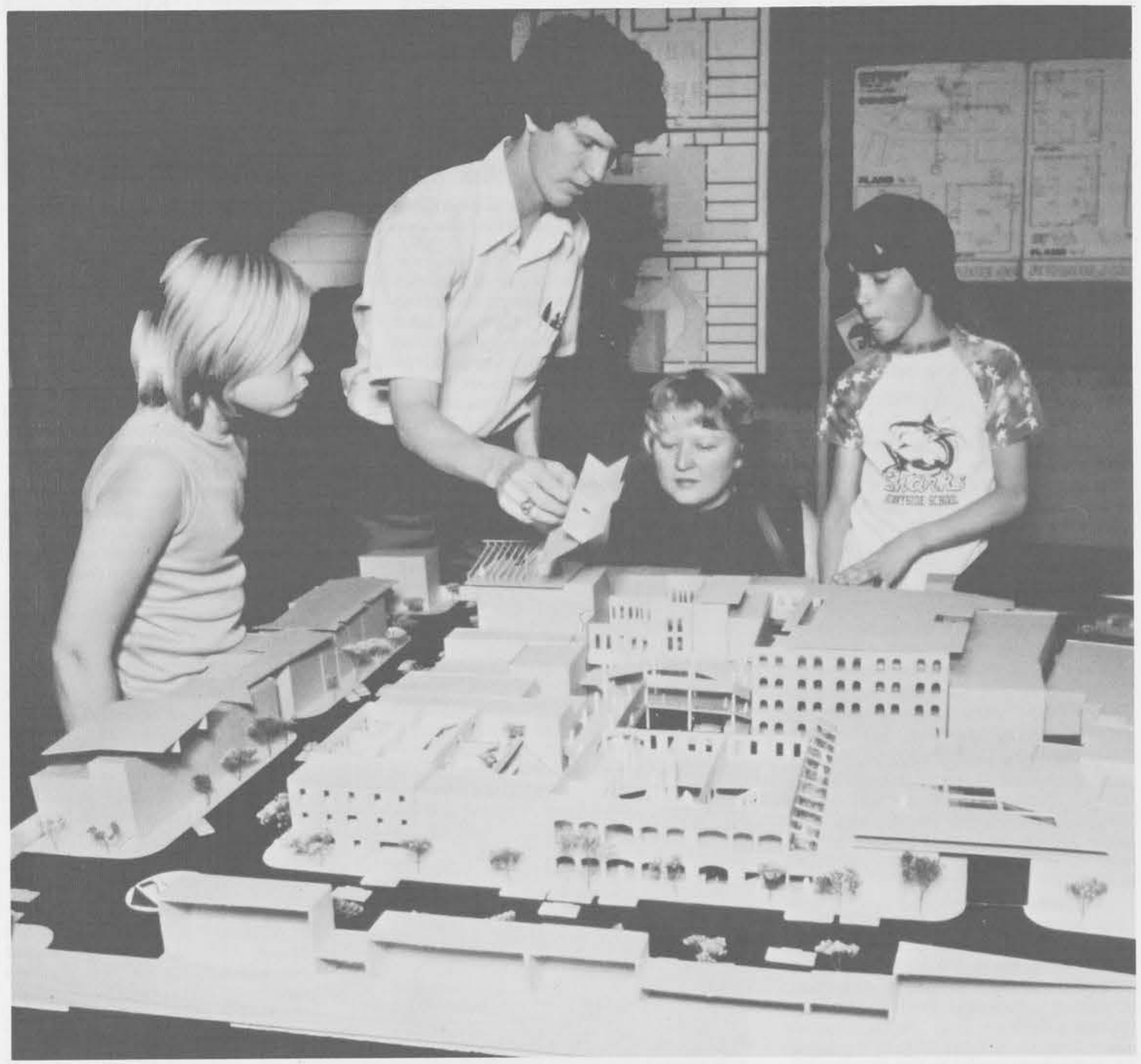
Agricultural Extension Services from both Universities are helping with community contacts. They have arranged a series of local meetings throughout the year where students and faculty will exchange ideas with community people and representatives of groups concerned with planning and development in the St. Croix region. A major regional conference is planned for May 1979, at which results of the study and design alternatives will be presented to the leaders and citizens of the region. Materials for the conference will form the basis for a traveling exhibit for use throughout the St. Croix Valley.

In all, nine units of the University of Minnesota are involved in the program: Agricultural and Applied Economics, Agricultural Engineering, Agricultural Extension Service, Architecture and Landscape Architecture, CURA, Forest Resources, Horticulture and Landscape Architecture, Humphrey Institute, and Soil Science. Three units from the University of Wisconsin-Madison are included: Agricultural Extension Service, the Environmental Awareness Center, and Landscape Architecture. Community participation spans five Minnesota counties and four counties in Wisconsin. The program hopes to provide a fresh look at the problems and opportunities in the region, an area that is now one of the fastest growing in the upper mid-west, and to suggest policy and physical design alternatives to the people who live there.

The year long project concept, used for so long in CURA's community classrooms, has been expanded in the St. Paul and St. Croix Valley programs. The scope of the projects clearly indicates that more time is needed. It is hoped that the longer program period will allow more community contact and a more extensive follow-up on projects as they develop in the community.

B. Warner Shippee, director of CURA's Office of Land Use and Housing Research, is coordinating these new community classroom efforts. Questions or comments may be directed to him at 2001 Riverside Avenue, Minneapolis, MN 55454 (612/ 376-3684).

A limited number of Urban Education Center publications are available free of charge from CURA's central office. See p. 12 for a list and order form.



Sixth grade students in Red Wing examine University students' proposal for renovating one block in the downtown area.

Citizen participation photo courtesy of Minneapolis' City Planning Department.

Community classroom photos by Robert Friedman.

New CURA Publications

Postwar Housing in National and Local Perspective: A Twin Cities Case Study by Rebecca Lou Smith, CURA 78-4

Hundreds of thousands of small houses were produced in American suburbs and cities in the late 1940s and 1950s with V.A. and F.H.A. funding. Hailed as ticky-tacky boxes and the slums of the future, these houses provided the first homes for veterans' families after World War II. Rebecca Smith in *Postwar Housing in National and Local Perspective* reports on the experience. She considers the events and conditions that molded the postwar housing boom at the national scale and examines how these various forces were muted in the case of housing construction in the Twin Cities area. The history of residential change in some fairly typical Twin Cities postwar neighborhoods is analyzed in depth. 63 pp. Individual copies available free of charge.

Recent Population Change in the United States by David J. Borchert and James D. Fitzsimmons, CURA 78-5

For most of American history people have gravitated toward large urban centers, but currently that trend seems to have reversed. The nation's metropolitan areas are either losing population or experiencing a slowdown in growth rate while rural areas, even some very remote areas, after decades of population loss, are now gaining population. Borchert and Fitzsimmons present a series of twenty-six maps to document these changes in population growth rate. Based on population estimates from the Census Bureau for 1975 and the population count for 1950, 1960, and 1970, the maps present data on population change, net migration, natural increase, and per capita income on a county by county basis. The atlas also includes population changes and net migration patterns for Standard Metropolitan Statistical Areas. All maps were prepared so that direct comparisons are possible without any need to make extra mental calculations. 30 pp. Individual copies available for $2.50 plus 50¢ postage and handling.

A Student Guide to University of Minnesota Courses and Programs in the Environment 1978-80, by Mary Trigg and Lorna McKeen

Prepared every two years by the All-University Council on Environmental Quality, this course bulletin is designed to aid anyone wishing to take courses related to environmental concerns at the University of Minnesota. All relevant courses and programs from any discipline are listed. The bulletin covers the Twin Cities campuses and also the Duluth, Morris, Crookston, and Waseca campuses. 75 pp. Available free of charge from the Information Booth in Williamson Hall (Minneapolis Campus) or by mail from the Service Bureau, University of Minnesota, 110 Williamson Hall, 231 Pillsbury Drive S.E., Minneapolis, MN 55455

Recycling the Central City: The Development of a New Town-In Town by Judith A. Martin, CURA 78-1

What actually happened in Cedar-Riverside? This book presents a detailed account of how a failing neighborhood in Minneapolis became the first planned new town-in town. Judith Martin chronicles the story behind the current West Bank controversies, through the first stages of construction and occupancy at Cedar Square West. 176 pp., 56 photos, 10 maps. Individual copies available for $6.00 plus $1.00 postage and handling.

CURA publications may be ordered by phone (612/373-7833) or on the CURA Publication Order Form, p. 12 of this *Reporter*.

CURA Publication Order Form

Please send me the following publications:

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- ☐ **Recycling the Central City: The Development of a New Town-In Town,** Judith A. Martin, CURA 78-1. 161 pp. $6.00 +$1.00 postage and handling.
- ☐ **Room at the Top: Moving Women Into Administrative Positions in Social Welfare,** edited by Esther Wattenberg, CURA 78-3. 28 pp. Free.

Urban Education Center publications

- ☐ **The Renville County Development Program: a setting for service-learning,** Robert M. Morse, March 1976. 90 pp. Free.
- ☐ **Lanesboro and the Root River Valley: Ideas for Recreational Development and Community Design,** Roger Clemence, Robert M. Morse, and Judith H. Weir, CURA 77-2. 45 pp. Free.
- ☐ **Wabasha: Design Possibilities,** Gar Hargens, CURA 77-1. 32 pp. Free.
- ☐ **Staples,** Richard G. Wolfgramm, CURA 77-5. 37 pp. Free.
- ☐ **Parks and Open Space: Mora, Minnesota,** Lynn Stearns, CURA 77-4. 21 pp. Free.

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CURA reporter

Volume IX, Number 1 January 1979

The Center for Urban and Regional Affairs was established to help make the University of Minnesota more responsive to the needs of the larger community and to increase the constructive interaction between faculty and students, on the one hand, and those dealing directly with major public problems, on the other hand.

The **CURA REPORTER** is published by CURA to provide information about:

- what CURA projects are doing
- related programs and projects in the University
- related programs in other Minnesota colleges and universities, and
- actions outside the educational establishment which affect our plans and programs.

Comments and contributions are welcome. Thomas M. Scott, director; Thomas L. Anding, associate director; William J. Craig, assistant director; Judith H. Weir, editor.

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CITIES IN CRISIS: MANAGING THE MODERN CITY

current issues

With headlines about the fiscal troubles of major cities running alongside news of taxpayer revolts, good city management—always a worthwhile goal—demands even closer attention. And with state and federal funds a growing segment of every city's budget, all citizens, not just those who live in cities, have a stake in better urban management.

For aging cities—caught in the squeeze between population losses and declining tax bases on the one hand, deteriorating capital facilities and a high proportion of dependent citizens on the other—it is not merely desirable but imperative. Better management can stretch scarce resources, instill confidence in the credit market and convince state and federal government that aid dollars will not be wasted.

It must be added, however, that politicians and business and management experts often oversell the potential benefits of management reform. As a result, many citizens underestimate the difficulties of achieving it, understanding neither the constraints under which public managers work nor the obstacles to improvement. Notwithstanding the ballyhoo that often accompanies such innovations as zero-base budgeting, no management system offers a miracle cure for problems. Nor can any group of talented public managers—however, energetic, tough-minded, politically astute and wise—hope to "turn a city around" without a good deal of help from forces beyond their control.

The truth is that the triumphs of management practice tend to be a cumulative series of small victories, often imperceptible to the public. Furthermore, it doesn't pay to sell management improvements with arguments about efficiency and economy, because productivity gains rarely keep pace with normal budget increases caused by inflation, deteriorating capital equipment and increased services. Citizens are prone to look at the actual bill for a completed project and at their rising taxes; they seldom appreciate hypothetical savings: "how much it might have cost if we hadn't taken prudent steps."

Despite these caveats, the potential impact of better management is significant. Local government employees—teachers, police, sanitation workers, public health officers, social workers, dog catchers—affect nearly every city dweller. To improve the quality of their services is to enhance the quality of urban life. And the dollars involved are big money. State and local governments have become increasingly important elements of the national economy.

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Data compiled by the Brookings Institution show that between 1955 and 1974 state and local government expenditures grew from 9.2 to 12.1 percent of the Gross National Product—and increased more than 250 percent in total dollars (corrected for inflation). Employment also expanded substantially: in roughly the same period (between 1955 and 1973) the number of state and local government workers more than doubled to a total of about 9.1 million, accounting for 12 percent of the national civilian work force, compared to only 2.5 percent employed by the federal government.

Good management alone cannot cure urban ills, but it can help assure that resources—human, financial and physical—are used more effectively to solve problems and deliver services. Some cities have continued to rely on traditional practices that are inadequate in the face of dramatic growth and change. Others have adopted advanced management techniques and labored hard to make them productive. The obstacles are substantial, but opportunities for improvement abound.

Concerned citizens will find in these pages brief accounts of the newer city-management techniques, indicating their advantages and drawbacks, and some starting points for asking questions about the quality of management in their own community.

The manager's environment

To appreciate both the obstacles and the opportunities, it is important to understand the environment in which public managers work today: the political context of the job, the forces that have caused local government to expand rapidly since the 1960s and the reasons why the role of public manager differs substantially from that of the business manager.

The political context of urban management

Early in this century, municipal reformers focused on the evil they saw at the root of urban problems: that all political participants, whether voters, businessmen or ward politicians, usually let their own private interest overshadow the public interest. The reformers' agenda of institutional change—nonpartisan elections, council-manager government and at-large representation—was designed to prevent municipal affairs from being contaminated by state and national politics. Within the city, reformers worked to restrict the scope of political activity and rigidly separate it from administration. They believed that the political function of *setting* policy should be reserved for a small number of elected officials, with the managerial task of *executing* policy the responsibility of professional administrators.

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The politics of street cleaning

Cleaning the streets sounds like about as unpolitical a municipal task as one could imagine. But a closer look may shed some light on how the delivery of a relatively simple service is intertwined with politics.

Imagine this scenario. A community group has confronted the commissioner of sanitation to protest about dirty streets in its part of the city. What should the commissioner do?

Although we have all heard that "there is no Democratic or Republican way to clean the streets," there may, in fact, be a party-politics dimension to the problem. Perhaps the group was among the mayor's staunch electoral supporters; perhaps the mayor hopes to win its backing in the future.

Aside from any such narrow political implications, improving service delivery involves other kinds of political questions. There are vexing bureaucratic problems to be solved. Example: a sizable number of the mechanical sweepers are usually in the maintenance shop awaiting repairs. More effective repair methods are available, but the maintenance employees' union insists that its contract precludes changes in work rules without compensation. Example: cleaning crews often find the streets so choked with illegally parked cars that they cannot clean effectively. But when the commissioner tries to persuade the Traffic and Parking Department to ticket and tow these cars before the scheduled arrival of the sweepers, the department claims that other important priorities preclude giving this kind of help.

Street cleaning, moreover, competes with other Sanitation Department responsibilities. Given its present complement of equipment and personnel, neighborhood streets can be swept only every third week. More frequent sweeping would mean less frequent garbage collection. Should the city buy more equipment and hire more people? Without more income, that decision would mean trimming some other public service. How can the commissioner persuade the mayor and city council to appropriate funds when the public seems outraged by current tax rates?

Can existing resources reasonably be used to meet the group's demands? Under the current plan, every residential street is swept at equal intervals, but the results aren't equal because some streets are more heavily used and get dirty faster than others. Should streets in densely populated neighborhoods of apartments and rowhouses be swept more often than streets of single-family detached homes? That, too, calls for a decision with a political impact.

There is no way to evade making political judgments in responding to that community group, though professional skills are needed, too—in work scheduling, labor relations and maintenance operations. Directly or indirectly, the commissioner's decisions about street cleaning must take account of the next election, of how to distribute the benefits of staff, equipment and money, and of how to maneuver within the bureaucracy. Reasonable people, each deeply committed to serving the public, might approach these decisions in different ways and reach different conclusions—but they could not ignore the politics of the problem.

Another view has evolved in recent decades: that politics is a necessary but imperfect form of social decision making, not an evil to be avoided at any cost. In this view, there is no simple definition of the public interest: government action inevitably confers advantages on some (better public services, status, the chance to turn a profit), while placing burdens on others (higher taxes, legal restrictions on behavior); yet the public interest—or justice—may not be readily apparent. Reasonable, public-spirited citizens, as well as self-interested persons, may disagree vigorously about what government should try to accomplish either generally or in a specific case.

Theorists who embrace this view argue that politics gives people, individuals and groups, a means to express preferences, stake claims to recognition or services, and assert a vision of the public interest. Taken together, the formal and informal processes of politics—competitive elections, legislative deliberation, administrative policy making, interest-group bargaining, organized protest, citizen complaints, and even corruption—provide a more or less peaceful means of resolving conflicts among rival claimants.

The defects of the system are obvious. In the political competition, not every person has equal resources. Some issues, not necessarily the most important, are more likely to win attention than others. And short-run calculations frequently outweigh important long-range considerations. Yet, flawed though it be, no public manager—whether an elected official or a professional administrator—can escape this political context of the job. That is true, first, in the narrow sense: virtually any choice about the nature or distribution of public services may affect the electoral fortunes of a mayor, council member or other politician. It is also true in a broader sense: no administrative decision is purely technical; it always gives preference to some individuals or groups over others or bases action on a choice among alternative values. And even after a decision is made, the manager may need political support to win public approval or to persuade other officials to cooperate or comply. In short, it is impossible to mark precisely the boundary between politics and administration as the early municipal reformers sought to do.

The expanding role of local government

Some observers have noted a paradox of contemporary politics: Americans simultaneously expect too much from government and feel disillusioned about what it can do. The rapid growth and changing job description for local government in recent years both demonstrate the expectation and help to explain the disillusionment.

Historically, American government has taken on more and more functions once performed by the private sector, and wholly new activities as well—sometimes gradually, sometimes in bursts of energy. Since the 1960s, municipal responsibilities have expanded dramatically: scores of new programs have emerged in such areas as education, consumer protection, housing, drug treatment, services for the elderly and environmental protection.

Not only the number but the nature of these functions has changed. Municipal government has always accepted some no-win tasks. It's impossible to carry out some kinds of responsibilities a hundred percent—for example, crime control.

Increasingly, however, local governments seem to be tackling social and economic problems that they have neither the know-how nor the resources to resolve. They set out to rehabilitate drug addicts . . . assure that children from poor families learn to read, write and compute . . . promote racial harmony . . . supply the hard-core unemployed with marketable job skills . . . provide adequate housing and medical care for low-income persons . . . rebuild blighted neighborhoods . . . expand public transportation services.

To a great extent, these changes have been stimulated by federal and state policies that either mandated new activities for municipal governments or offered them substantial financial inducements. Moreover, local politicians—responding to citizen demands or hoping to generate public support—have often campaigned for office with promises to cure various urban ills and then, once elected, have helped to proliferate new programs.

Intergovernmental programs

Massive federal intervention in a wide range of city affairs is unmistakably a product of the 1960s. Until 1964, five major programs—public housing, urban renewal, airport and school construction assistance, and educational aid for "impacted areas"—accounted for 75 percent of all direct federal aid to localities. Since then, federal aid has increased by great leaps, both in aggregate amounts and as a percentage of total municipal revenue. President Johnson promoted an awesome number of urban programs, most aimed at quite specific objectives. And, although the "New Federalism" of the Nixon-Ford years sought to simplify the grant-in-aid system by consolidating related programs into block grants and by providing general revenue sharing, these efforts neither eliminated special-purpose programs (over 400 remain) nor halted the expansion of resources devoted to urban policy.

State government has also played an expansionist role in urban affairs. Many federal grant programs pass through state coffers, and state aid to localities has also increased rapidly.* Moreover, because of their broad legal authority over municipalities, even in "home rule" states, state governments often pass laws or adopt administrative rules that commit local officials to instituting major new programs.

The vastly expanded federal and state roles in urban affairs have had an enormous impact on both the long-range perspectives and the daily activities of municipal government.

- Intergovernmental programs significantly change the circumstances under which local officials and citizens set priorities. Sometimes these programs give localities money for problems they might not otherwise be able to tackle. But federal or state objectives are not necessarily congruent with local goals or preferences. Local officials may therefore make a tactical decision to "go where there's dough" but make only the minimum policy change necessary to secure the grant-in-aid. Or they may insist on maintaining local priorities at the risk of losing intergovernmental revenues and/or being party to protracted administrative disputes and legal proceedings.

- The proliferation of federal and state programs creates an administrative morass for local government. Program managers must respond to a number of separate administrative units in Washington or the state capital, each of which may impose its own schedule, regulations and performance standards on local government. Although such requirements may rationally serve the objectives of individual programs, they are often not only mutually incompatible but also inconsistent with local administrative procedures and budget cycles. The result is a complex, seemingly irrational agglomeration of programs that presents thorny management problems. The substitution of block grants for certain federal categorical programs improves but does not fundamentally change the situation. To cope with the intergovernmental system, therefore, local government needs management personnel who are thoroughly conversant with the requirements of federal and state programs, who can manage finances, keep appropriate records, and write grant applications, progress reports and final reports.

- Because urban managers are usually uncertain about the amount and timing of intergovernmental aid, they find it extremely difficult to do effective fiscal or program planning. Congress or the state legislature must periodically reauthorize and annually appropriate funds for the programs, and in many cases federal or state administrative personnel have discretion over how much and for what purposes funds will be given. These decisions frequently occur at the last moment or even apply retroactively. Program managers must therefore be ready to spend program funds promptly, if their grant proposals are successful, and to do without intergovernmental funds if not. Over time a city may come to depend on federal or state money for a certain purpose; if the grant program is changed or discontinued, however, the city must drop the program, find new revenue or reallocate its existing budget.

- The procedures and regulations of intergovernmental programs affect the balance of power among various participants in urban management. Categorical grants that are channelled directly to specific city agencies give these agencies a measure of independence from the chief executive and the city council, who control the rest of the budget. In contrast, block grants that go into the city's general fund strengthen the policy role of central budget makers. Federal or state regulations can also give new forces access to municipal decision making. Citizen participation requirements in many programs give community groups and individuals a chance to express their views and sometimes to sit on policy-making bodies.

*For further information about these patterns of federal and state fiscal involvement, see the two earlier papers in this Cities in Crisis series: *The Impact of Federal Aid* (Pub. No. 601, 50¢) and *Taxes, Budgets and Services* (Pub. No. 114, 75¢).

The local political environment

Although federal and state inducements and requirements help explain the growth of municipal government, local politics has generally supported the trend. Here again, dramatic changes since the 1960s have made the tasks of urban public managers far more complex.

First, the number of persons and groups clamoring for attention has greatly increased. Neighborhood organizations, special interest groups, citywide civic associations, as well as individual citizens, watch closely what administrators do and freely express their views about city policy. Second, competition and conflict have intensified, at various times pitting the interests of neighborhoods and/or racial, ethnic, religious and income groups against each other. Third, political alignments have become quite unstable. In most cities, newly emergent political groups have been unable to forge enduring alliances with each other; they have pursued their objectives independently or through ad hoc coalitions. At the same time, the groups that have traditionally channelled political competition and centralized power—such as political parties or the civic and economic leadership in the community—have generally become weaker and less cohesive.

Under these circumstances, politicians frequently build electoral coalitions by making selective appeals to special interests, promising to solve or ameliorate their problems. This tactic often proves effective, since citizens react to government in at least two roles—as service consumers and as taxpayers. While generally citizens may wish to control tax rates, they usually prefer to economize on the programs that matter to someone else. (Opinion surveys about California's Proposition 13, for example, indicate that most citizens believed that property taxes could be drastically reduced without substantively damaging programs about which they cared.) At least until recently, in most cities, coalitions of intensely motivated service consumers have proved politically more influential on specific issues than the economizers, contributing to pressure to expand government programs.

Managing service delivery

Local government is distinguished by its service delivery responsibilities. No other level of government devotes comparable effort to providing services directly—education, sanitation, police and fire protection, and the like. And no other has such frequent encounters with citizens. Too often, however, citizen expectations are disappointed by actual performance. What strategies are available to public managers who wish to improve service delivery?

Policy analysis

Is government providing public services efficiently? Are these services accomplishing what providers and recipients expect? How would changes in the mix of services or the methods of delivering them alter their impact? These are questions that public managers should ask periodically about every government activity, but frequently they do not.

The way to answer such questions is through policy analysis. The term is often associated with sophisticated analytic or quantitative techniques, but at root, it means any systematic thinking about the impacts of alternate actions—in this case, government

Shortcomings of the business management analogy

Asserting that city government is a "multi-million dollar business," its critics frequently argue that urban problems might prove more tractable if public managers applied modern business techniques and were held accountable according to the performance standards of private enterprise. This analogy to the business world is beguiling—but misleading. The environment of public management differs in quite important ways from the private sector, as Joseph Bower and other management experts point out. Business executives who venture into government service rapidly learn that the "rules of the game" vary significantly.

Organizational purpose A business firm exists to advance the material interests of its owners. Within this mandate, its managers enjoy broad discretion to alter its activities: a real estate agency may begin selling insurance; a conglomerate may sell off its recreational vehicle division and acquire an electronics firm. Public administrators, in contrast, manage organizations whose purpose is rarely to turn a profit; instead, they must serve an often ambiguous set of public goals that are usually enshrined in legislation. Although public managers may influence operational goal setting, they rarely enjoy power comparable to their private-sector counterparts; their agencies must respond to shifts in public opinion, to interest-group competition, and to informal legislative guidance. As a result they cannot abandon an "unprofitable" product line or launch a new "enterprise" without persuading these influential outsiders.

Ambiguous performance indicators Although private-sector managers know that their work will normally be judged by the financial performance of their firms—measured by long- and short-term profitability, sales growth, or the like—public managers frequently cannot be certain what criteria will be applied to their work, especially when there is no consensus about the agency's goals. A police commissioner, for example, may be judged for supposed effectiveness in reducing crime rates, "clearing" cases of reported crime, controlling disorderly juveniles in residential neighborhoods, punishing police corruption, increasing opportunities for minority officers, or supervising officers during a critical event such as a power blackout. Given the vagaries of local politics, the commissioner must worry about having performance evaluated by largely impressionistic evidence rather than by the relatively hard data of a profit-and-loss sheet.

Organization structure In the private sector the accession of a new manager often signals significant change in organizational structure. Responsible for results, new executives are usually granted the right to organize tasks and lines of supervisory authority as they see fit. In city government, organizational structure is usually fixed by the municipal charter or by state or city legislation. Although some public managers succeed in reorganizing their administrative domains, they usually must expend considerable time, energy and political support to get even half a loaf, because of interest-group and legislative opposition. Furthermore, even top public managers often lack authority over a number of institutions that affect their work. In addition to "the" city government, presided over by the city council and mayor or manager, there are layers of independent institutions with congruent or overlapping geographic boundaries, including school districts, transit authorities, water-supply commissions, and regional planning agencies. Since there are no clear lines of authority over these agencies, it is often extremely difficult to coordinate their activities.

Personnel In the business world, although unionization, internal personnel systems and equal opportunity regulations have reduced the absolute right to hire and fire personnel, managers retain considerable discretion about rewarding effective employees with promotion or salary increases and transferring or dismissing unsatisfactory workers. Decades ago, however, to protect public employees from political interference, most cities created civil service systems that constrain managerial discretion over personnel hiring, promotion, salary increases and termination. Recent public-sector unionization has added another layer of restrictions. As a result, public managers cannot use the typical incentives of the private sector to motivate their employees to work hard for organization goals.

Time perspective While a major corporation can devote a decade to developing and marketing a new product before expecting to see positive results, public managers must usually make an impact in a few years. To a great degree, the electoral calendar controls events: since an appointee's job is at stake when elected officials run for office, managers must demonstrate the political worth of their programs between one election and the next. In a heated campaign, moreover, administrative priorities may suddenly change significantly, with short-term goals often crowding out long-range planning.

Accountability The decisions of corporate managers are rarely scrutinized in public, and accountability is delineated through a well-defined chain of command within the organization. In contrast, public managers know that every choice they make is subject to public question by the press, politicians, interest groups and individual citizens. Lines of accountability, moreover, are more complex, running not only within the executive branch of government but also to legislative authorities and ultimately to the electorate.

action. Such analysis has two broad functions: to diagnose or assess the causes and effects of current conditions and to evaluate possible changes and prescribe one or more alternatives. For management purposes, several kinds of policy analysis are useful:

- productivity analysis and program evaluation help managers identify service delivery deficiencies;
- operations analysis helps them to devise solutions; and
- forecasting techniques enable them to identify future problems.

Productivity analysis What does it cost per patient to provide prenatal care in a neighborhood health clinic? How many tons of garbage do city sanitation workers collect per person or per unit of equipment used? These questions—relating the inputs and outputs of public services—focus on the productivity of government.

Though it is difficult both to measure services and to interpret the data collected, even rough methods can yield useful information. Comparing local productivity indices with similar information from other cities can indicate program areas where a city's procedures seem better or worse than average. Local productivity data collected over time can show trends of government performance. When local productivity measures compare unfavorably to those of similar jurisdictions or when performance seems to be deteriorating, public managers should seek to learn why and take remedial action.

Program evaluation Virtually any program is based on assumptions about what is likely to happen if government takes certain actions. If prenatal care is made more widely available, for example, then infant mortality rates and the incidence of birth defects should decline. Program evaluations test whether such intended results are realized. Although rigorous methods of program evaluation have been developed, even less elaborate forms are quite useful. The crucial step is to begin asking questions about service impacts so that programs that are performing poorly are identified, reassessed, and either improved or terminated.

Operations analysis When either productivity or program impacts seem unsatisfactory, public managers must assess *why* current efforts produce these results. To do this, they must examine both the technical methods and the human organization of service delivery, in order to understand how to foster improvement. That requires not only substantive knowledge about the technology of a particular service area—e.g., health care, transportation, public safety—but also insight into the dynamics of large-scale organizations. For example, will reform proposals be well received? Do public employees, clients or other groups want current operating procedures to continue? Can effective alternatives that reduce or eliminate resistance to change be designed?

Forecasting Anticipating future conditions and taking timely action to avert or minimize problems is essential to effective planning. Are existing school buildings adequate for the probable student population in 1985? Are new water distribution facilities necessary to accommodate future community growth? Is the city setting aside enough funds to cover its pension obligations to current employees? Management's task is both to pose such questions and to seek answers. While forecasts are not guaranteed to be accurate, managers can estimate the degree of uncertainty in a particular prediction. Even imperfect forecasts help managers to plan for future contingencies more effectively than they could without them.

To realize the potential benefits of policy analysis, however, management must set priorities. Good analysis is expensive; it consumes the limited time and energy of talented staff. Managers must, therefore, develop criteria to identify promising analytic "targets." These criteria may be relatively objective—the high cost of a project or service, for example—but they may also be more subjective, such as a sense that the time for change is "ripe" politically or administratively. "Scattergun" use of analytic resources, on the other hand, almost certainly guarantees poor quality work and ineffectiveness.

Management personnel

Although many citizens think of government agencies as "bloated bureaucracies"—overstaffed and underworked—municipal government frequently suffers from a severe shortage of skilled management personnel to plan, supervise, coordinate and evaluate service delivery. Rather than being unproductive jobs, these "steering" functions are prerequisites to any real improvement in government performance.

Traditionally, this shortage of managerial resources is most acute for top executives. In the departments, commissioners are often forced to "preside" over rather than "manage" their realms. It is not unusual in major cities for commissioners to be responsible for hundreds or thousands of employees, aided only by a handful of professional staff assistants. Under these circumstances, an agency inevitably runs itself. The commissioner's time is absorbed by day-to-day demands (equipment failures, citizen complaints, employee grievances and the like)—and by custodial attention to major management tasks, such as budget preparation. There is too little time for evaluation of current operations, administrative trouble-shooting and strategic planning.

A similar problem frequently plagues the city's chief executive. As the range and scale of municipal functions has expanded, the need for forceful central management to set policy, mediate interagency disputes and promote innovation has also increased. A chief executive must, in addition, play a critical liaison role with the external world—dealing with citizens and organized groups and representing the city in many of its contacts with regional, state and federal officials.

It is important that management be strong at both the department and the citywide level, even when that creates some tension between the two. Department heads have the motivation and opportunity to oversee routine operations more systematically than a chief executive does, and they need the capacity to serve as effective advocates for their agencies' interests in interdepartmental relations. In contrast, the chief executive needs a counterweight to department expertise, to prevent parochial perceptions from overshadowing central objectives. Although the clash between these perspectives may sometimes seem unproductive, the long-run vitality of public management depends on strong leadership at both levels.

Effective management is obviously not just a matter of assigning enough people to management tasks but also of finding people with appropriate training and sensitivities. Increasingly, management jobs demand skills best acquired through professional training. No single educational background is suited for these positions; engineers, accountants, lawyers and others are needed. Some universities have initiated graduate programs that train a new breed of professionals specifically oriented toward public-sector jobs. These "public policy" programs offer multidisciplinary training in analytic methods, economics and finance, law, management and quantitative techniques; their graduates are equipped for a wide range of management positions in local government. No matter what professional training urban managers bring to the job, however, it is essential that they be sensitive to the unique environment of public-sector management, particularly to the obligation to be responsible and responsive to elected officials and citizens.

Personnel development Not all cities can afford or have sufficiently flexible personnel systems to place professionals in many management jobs. Because the world changes rapidly, moreover, even professionals need to update their skills periodically.

In-service training opportunities are an excellent way to teach specific skills. Some states give technical assistance for such training, and local universities often have programs for full-time government employees. Another source of help is the federal Intergovernmental Personnel Act, which since 1970 has offered federal employees the chance to work for one or two years in state or local government and has also given opportunities for personnel exchanges in the opposite direction.

Management by objectives

All managers must try to assure that their subordinates are performing so that they advance the purposes of the agency; that is a basic management responsibility. If they are not, the manager must devise some way to alter their behavior. Of the techniques currently discussed by management specialists, "management by objectives" or "MBO" is very frequently mentioned. Enthusiasts present MBO as the manager's cure-all: a system that brings order out of chaos by systematically defining agency purposes, developing subordinates' commitment to these goals, and giving superiors and subordinates clear and mutually agreed upon indicators of whether performance accomplishes objectives.

While there are several versions of MBO, certain elements are common.

- The agency must carefully define its purposes, specifying *operational goals.* Instead of stating that its objective is to "improve housing quality," an agency must state this goal in concrete terms, such as "bringing 200 houses up to code" by a certain date. For government agencies, which lack the profit motive that guides private enterprise, such definition of purpose is crucial for guiding actions.
- The manager must involve subordinates in defining objectives—making use of their knowledge, motivating them to cooperate and make commitments by having them think through agency goals and understand how their effort contributes to meeting these goals.
- Manager and subordinates must agree on a set of *performance indicators,* measures that document progress toward goals. These indicators should focus on outputs, such as the number of public housing units renovated, rather than on inputs, such as the number of hours spent on painting or reroofing.

■ Managers must develop ways to track progress toward these goals and to evaluate the results, so that mid-course corrections can be made if necessary.

Two other elements are often included in MBO systems.

■ Goals are stated within a relatively short time frame, so that progress can be assessed quickly.

■ The system is designed so that managerial authority is decentralized. Subordinates are given enough latitude to pursue objectives as they see fit, while the manager holds them accountable for results.

Despite proponents' enthusiasm, certain shortcomings of MBO in the public sector must be noted. Although emphasis on clarity of goals is salutary, public agencies frequently have multiple, conflicting or ambiguous goals, for reasons that are beyond the manager's control. When a program has multiple constituencies, a vague statutory mandate, or symbolic as well as substantive purposes, a manager may not have enough freedom to establish an effective MBO framework. It is also often difficult to develop performance indicators: quantitative measures may not exist; qualitative indicators may be hard to monitor; current indicators for long-term goals may be impossible to devise; and specific performance measures may divert agency personnel from other significant tasks.

In order to function, moreover, MBO requires influence over key organizational resources; but the agency's budget may be subject to external control, and its personnel system may prevent flexible assignments to reallocate effort. Finally, MBO's emphasis on participation and self-management by subordinates may simply disguise a straightforward effort by management to control them. As such, it may be deeply resented for disingenuousness and it may also deflect managers from searching for incentives that make workers wish to cooperate or that compensate them for difficulties.

None of these shortcomings is reason enough to reject MBO; instead they should make managers cautious about wholesale application of the technique. Used in a limited way for priority matters, MBO's emphasis on goals, performance measures and tracking of progress makes excellent sense.

Project management techniques

Every city government undertakes one-time-only projects (for example, equipping, staffing and opening a new health clinic, or refurbishing park recreation facilities) that must be completed on a tight time schedule and often require close cooperation among several municipal agencies. To expedite such projects, urban administrators can adapt some of the project management methods developed over the past two decades by industrial engineers.

Known by various acronyms (PERT, CPM) and seemingly requiring esoteric quantitative techniques, these methods in fact share some relatively simple characteristics: (1) breaking the project down into a sequence of discrete tasks or steps, (2) determining resource requirements, (3) analyzing how certain tasks are dependent on previous ones, (4) estimating the time required for each step, (5) identifying and devoting close management attention to potential bottlenecks, and (6) tracking whether each step is accomplished on schedule. Key parts of the manager's role are to facilitate communication and personal relations among those people necessary for project completion and to invoke authority where necessary to push the process along.

Project management methods can be extremely helpful in expediting priority tasks, but a few caveats are necessary. The techniques are most effective when participants agree on project goals. Whether a manager can cope with conflict over objectives depends on how much authority and what other resources are available. Furthermore, only a small number of projects can receive such close managerial attention. If too many tasks are treated as priority matters, they may divert agency personnel from their regular responsibilities to the detriment of the overall quality of service delivery.

Redesigning service delivery systems

Sometimes improvements in urban services require not simply better analysis of problems or changes in managerial behavior but also redesign of the delivery system. Among the changes possible, several are frequently discussed: neighborhood service districts, contracting out, and regional service districts.

Neighborhood service districts

In large cities, citizens often feel that it is impossible to get attention for their complaints about service delivery or even to learn which bureau within an agency is responsible for providing it. In part, this problem arises because each agency subdivides the city in different ways. School districts, police precincts, public works areas, fire districts—these boundaries cut across each other in a crazy-quilt fashion. Citizens therefore have a hard time identifying the officials who can satisfy their grievances.

One solution being tested in New York City and a few other places is to make the boundaries of most service delivery districts congruent. Especially if these common borders coincide with "natural neighborhoods," citizens will have a far easier time dealing with government, and agencies may have an easier time coordinating their activities or assisting each other.

While this option is attractive in many ways, managers are likely to be sensitive to its drawbacks. First, not all services are provided with equal efficiency from the same size district, and some compromises may be necessary to make the neighborhood service district concept workable. Second, the transition from the old system to new district alignments is likely to be fraught with difficulty. The architects of change must expect considerable confusion and resistance; gradual rather than comprehensive change may prove the better strategy. Finally, it is likely that an agency's district manager will continue to feel tension between his obligations to superiors downtown and the requests of local citizens.

Contracting out

Some communities have long contracted with private companies to provide certain services—garbage collection, snow removal, road repairs—rather than employing municipal workers for these tasks. This arrangement has two important advantages. It gives greater flexibility because the municipality is not committed to a work force whose size and composition are hard to change as needs evolve. And, because contracts are let by competitive bidding, there are strong incentives for cost control. Consequently, more cities are adopting this method for providing new services and considering it even for old, established functions.

Why not contract for a wide range of public services?

■ Under some circumstances, government may realize economies of scale in providing a package of services.

■ It can be very difficult to monitor and assure the quality of contracted services, especially for "soft" services such as health care or education.

■ Cities that try to make the switch often open a Pandora's box of labor-relations problems as municipal unions fight to retain public-sector jobs.

Regional service districts

Especially for smaller cities, regional service delivery arrangements make sense for improving quality and reducing costs. For several decades, under California's "Lakewood Plan," the county of Los Angeles has provided a total package of municipal services, including police, fire, public works and others to a number of municipalities. For individual services, such as water supply or sewage disposal, similar cooperative ventures are common throughout the country. While the advantages of such arrangements are clear, there is sometimes a hidden price to pay: today's efficient service delivery mechanism may be tomorrow's unresponsive bureaucracy. Specialized regional institutions are often insulated from political control by local mayors and city councils. That is both their virtue and their vice: it may make them more efficient, at least in their early years, but it may also make them slow to react to changing local needs and preferences.

Managing service delivery: questions for citizens

Do the chief executive and department heads have adequate management staff to help them oversee operations, trouble-shoot on administrative problems, and undertake strategic planning?

Has the city made a commitment to better management by recruiting personnel with key professional skills, conducting in-service training of current staff, and taking advantage of federal and state assistance?

Are current programs and future needs being adequately analyzed, with in-depth attention being reserved for major issues where better analysis can make a difference in results?

Are top managers working with staff to reach consensus on goals, appropriate performance measures and ways of tracking progress?

When major, one-time-only projects are undertaken, are project management methods being used to promote interagency cooperation, identify potential bottlenecks and keep work on schedule?

Have city officials considered the potential advantages of contracting out for certain services or of redesigning service delivery systems?

Managing municipal finances

New York City's flirtation with bankruptcy and the fiscal ills of other cities have focused policy makers' and citizens' attention on how local government manages its money. For some cities this has meant increased state regulation of budget preparation and execution; for virtually all, it has meant increased concern about budget-making, accounting systems and debt management.

What makes the task of improving fiscal management so challenging is that it involves far more than technical changes in how revenue and expenditures are itemized and controlled. Because it determines how city government's resources are distributed, budgeting is a fundamental political process. City departments worry about maintaining or expanding their functions, citizen groups and other interests lobby to win funds for favored programs, and council members watch out for their own or their constituents' priorities. As a result, the chief executive and the budget staff must weigh competing claims, while worrying about budget totals and revenue constraints.

Budgeting and financial management appropriately serve three major purposes: planning, management and control.

The *planning* function deals with broad issues. How are expenditure decisions related to the government's long-range goals? How should departmental budget requests be evaluated? Which existing programs should grow or be cut back? What new programs should be initiated?

The *management* function focuses on the efficiency of government financial operations. Are public resources being used as productively as possible?

Finally, the *control* function is concerned with rather narrow issues of accountability. How can managers be sure that expenditures do not exceed budget allotments and that public money is used for appropriate purposes?

Different budget purposes require different administrative arrangements, expertise and data. In assessing potential budget reforms, it is important to be explicit about the intended purposes and requirements of the measures considered.

Planning

In the past two decades, government budget reformers have devoted great attention to the planning function of finance systems. Because budget makers decide what purposes public funds will serve and how the money will be distributed, budgeting is a resource allocation process—whether by design or by default. Reformers have therefore argued that budget decisions should reflect searching policy analysis, assessing the probable impacts of alternate types and levels of funding.

PPBS and ZBB

The two most widely used planning systems, the Planning-Program-Budgeting System (PPBS) and Zero-Base Budgeting (ZBB), share important characteristics:

■ Both require top-to-bottom analysis of government programs rather than concentration on annual increments to the budget.

■ In organizing the budget, both focus attention on the broad purposes of government (community development, public health) rather than on individual organization units (the Redevelopment Authority, Economic Development Department, Hospital Department) or specific activities (home improvement loans, neighborhood business incentives, preschool immunization).

■ Both emphasize outputs or results of government activity rather than inputs, for example by making estimates of how many low-income housing units can be rehabilitated for a given amount of money rather than estimates of how many construction workers can be hired.

■ To highlight the choices implicit in alternate spending options, both depend on systematic analysis of the marginal impact of additional government spending in a given program area.

■ Both are useful to and enhance the influence of the top policy makers—the chief executive, budget director, agency heads—who make basic budget decisions.

Although these budget systems aim at desirable objectives, several factors prevent them, when applied to the public sector, from fully satisfying the expectations of their proponents. Many major "errors" in budgetary resource allocation are the result not of poor planning but of calculated political decisions. More often than not, city officials know that a particular program does not achieve its objectives or that anticipated federal grant-in-aid revenue is being grossly overestimated. In many cases, deviations from sound policy will occur regardless of what budget system is used or what decision makers are told by budget analysts.

Furthermore, city budgets cannot in reality be built from scratch each year. Large parts of a city's expenditures are mandated by state law, collective bargaining agreements or prior program commitments.

Another constraint arises from the fact that the requirements of systematic analysis frequently outstrip available data. The planning orientation assumes that outputs of government action can be identified and measured, but for many public services there is neither consensus on goals nor satisfactory measures of output. This problem is not insurmountable for "hard" services such as street repair but is perplexing for "soft" services such as education; even if there were agreement on the proper goals of education, there would be great difficulty in measuring performance.

A further issue relates to how well we understand the causes and remedies of problems. Even when adequate measures of output exist, they must be causally linked to inputs to permit sensible budget appraisals. To improve the school performance of low-income children, for example, how can we use educational inputs—teachers, classrooms, textbooks—more effectively? Could we reduce the resources already committed to education without diminishing current performance levels? These questions demand causal knowledge that does not exist; they are matters for public and scientific debate. There are no simple answers that budget makers can plug into their analysis.

Bureaucratic and political factors also make these comprehensive budget systems difficult to implement.

- They consume scarce organizational resources—particularly the time of skilled personnel. Most city governments lack enough expert policy analysts to make a budget system work properly, a problem that has affected even the federal government.
- PPBS and ZBB have generally been unpopular with middle-level managers and often with top agency executives. Comprehensive budget review is a threatening prospect, especially when fiscal conditions are tight; an agency may fear that its budget share will be cut, perhaps drastically. Because officials therefore have strong incentives to resist tough evaluations of their agency's performance, budget reviews frequently produce "mushy," uncritical analysis.
- Both PPBS and ZBB require that the chief executive thoroughly understand and support its purposes. Without that commitment, no hard choices are confronted, and the system rapidly degenerates into a paper-pushing exercise in futility.
- The chief executive must be able to make decisions stick politically—to be able to negotiate "give-backs" from municipal employee unions, to withstand pressures from citizen groups for overturn of unpopular choices, and to prevent successful end-runs to the city council.

These practical shortcomings do not diminish the importance of PPBS's or ZBB's objectives, but they do suggest that most cities should adopt planning techniques selectively, taking small steps before attempting large ones. In many smaller cities, especially, budgeting is regarded more as a bookkeeping function than as a policy-making process. Responsible officials must begin explicitly to recognize the tradeoffs among apparently independent choices, consider more than the increment to last year's budget totals, examine the link between levels of expenditure and levels of service, and adopt a longer-range time perspective. Where analytic capability is more advanced, budget officials must still recognize the practical constraints discussed above. That means seeking "targets of opportunity": projects or programs where systematic analysis can be done and where recommendations are feasible politically. Budget officials are likely to accomplish more by picking their fights carefully than by challenging everyone.

Capital programming

The capital budget is the city's fiscal plan for expanding or improving its public buildings, roads, parks and other physical facilities. It is one promising area for systematic analysis. Most cities have adopted the convention of capital programming, but many have not accepted its planning intent. Annual budgets simply note current projects and costs, while the long-range plan for investment in the city's physical plant is merely a "wish list" rather than a serious statement of priorities.

Although varying degrees of sophistication are possible, any good capital budgeting process must start with an assessment of community needs based on citizen preferences, demographic trends, the aging or obsolescence of present facilities, and the requirements of state and federal law. Next comes an evaluation of alternate methods of meeting these needs, resting on analysis of probable costs (both operating and capital) and impacts of each alternative. Then officials can set priorities and agree how to phase in projects over several years. Long-range projects should be updated periodically in light of new information and priorities.

While political considerations probably preclude precision in developing a long-range capital plan, most cities would benefit from more thorough analysis of capital projects. Because choices can often be made deliberately, there is enough time to assess various alternatives. The large sums involved, moreover, mean that such systematic analysis may lead to substantial savings or at least greater confidence that planned expenditures are worthwhile. And a key tool—cost-benefit analysis—can be effectively applied to evaluate capital investments.

Management

Local financial management is primarily focused on how efficiently and equitably budget and finance systems operate. Is the productivity of existing resources being maximized? Could desired results be achieved at lower cost? Are local finances being administered fairly?

Performance budgeting

Budget officials can monitor the efficiency of government operations by using performance budgeting methods. This means aggregating budget totals in functional categories and then estimating the unit cost of providing services. While planning budgeting systems, such as PPBS and ZBB, are concerned with resource allocation questions, performance budgeting is concerned with the efficiency of current functions. It uses cost-accounting techniques and is closely related to productivity analysis, discussed above.

Debt management

Although borrowing is an appropriate way to finance worthwhile capital projects and to accommodate seasonal variations in revenues, New York City's and Cleveland's fiscal troubles dramatize the need for prudent management of municipal debt. While the amount of debt that a city can "afford" is a matter of judgment, the consequences of "excessive" debt are clear. Debt service costs are high; financial flexibility is greatly reduced; and the city's credit rating is degraded, increasing the costs of, or even precluding, future borrowing. When the capital budget is being formulated, therefore, careful consideration should be given to alternate financing methods.

There are several commonly accepted rules of thumb about the fairness of possible financing arrangements for capital projects:

- If the beneficiaries of a project can be individually identified, user charges or special tax assessments are appropriate, unless income redistribution is an explicit project purpose.
- If the project has a relatively brief life span, short-term financing is appropriate.
- If the project provides continuing benefits to the city, it is fair to apportion part of the cost to future citizens by issuing long-term bonds.

In evaluating alternate financing methods, money managers need to calculate the true cost of borrowing. Simply adding up the total interest charges during the life of a loan does not give an accurate picture of its cost. The timing of repayment makes a major difference. A dollar due today costs the city more than one due tomorrow, because the city loses the chance to use it for another purpose in the meantime. Money managers must carefully consider the discounted value of various financing options.

The timing of a bond issue is another variable that can significantly affect the overall cost of a capital project. To minimize interest expenses, borrowing should occur as close as possible to the date that the money is actually needed. When changes in interest rates are anticipated, the start of the project can perhaps be delayed or accelerated to take advantage of the more favorable rates. When the project itself cannot be delayed, it is sometimes advantageous to delay long-term financing commitments until interest rates drop, meanwhile using short-term arrangements, such as bond anticipation notes. Similar considerations can help smooth out total municipal debt service expenses when the financing periods of projects overlap.

Cash-flow management

Many cities are insensitive to the savings possible from intelligent cash-flow management. Like any complex enterprise, city government engages in a continual series of financial transactions. The rhythm of these transactions has implications for municipal finance: when there isn't enough cash on hand to cover necessary expenditures, a city must borrow for a short time and pay the interest; when excess cash accumulates, it can earn interest if prudently invested, even for very brief periods.

The prerequisite to effective short-term money management is to predict the timing of various sources of revenue (tax collection, user fees, state and federal aid) and expenditures (payroll, debt service, supplies and equipment). Certain sources are regular, others are highly variable. Financial managers must therefore design an information system to gather data from city departments about actual and anticipated revenues and expenditures. Although manual information systems are feasible, computerized data systems are quite helpful in making cash-flow forecasts. As with any forecasting technique, there are clear trade-offs between comprehensiveness and precision, on the one hand, and speed and low cost, on the other. Because the largest transactions are usually predictable, the system need not be highly complex to make fairly accurate forecasts of cash requirements.

With such information, money managers can develop strategies that maximize the return on idle cash and minimize the costs of short-term borrowing. By estimating the size and duration of cash surpluses, they can identify the most favorable short-term investment opportunities. If they anticipate the size and duration of cash shortfalls, they can sometimes reduce the need for borrowing by timing discretionary expenditures, adjusting payment schedules and accelerating revenue collections. When short-term borrowing is necessary, accurate forecasts of needs permit them to select the least expensive form. As a result, the city can achieve appreciable savings.

Pension funding

Increasingly, municipalities are encountering the serious problem of unfunded pension liabilities.* In the past, to minimize the immediate fiscal and political impact of wage agreements with city workers, officials have negotiated generous pension arrangements without setting aside enough money to cover these future liabilities. As pension payments come due, municipalities must therefore meet the cost in part from current revenues, a recourse that imposes unfair burdens on today's taxpayers, diminishes budget flexibility and damages the city's credit rating. The fiscal troubles generated by the underfunding of pension accounts are likely to increase, for two reasons: the collective bargaining and budget-making practices that created this problem continue in many localities, and the law in most states does not permit renegotiation of existing pension rights.

To reduce this threat, officials should first determine the extent of their city's unfunded pension liability, probably by commissioning a study by qualified pension consultants. If a problem exists, it probably cannot be rectified in only a few years without disrupting current finances. City officials, however, should seek to identify present practices that are exacerbating the problem and plan to change them in future labor negotiations and budget making. They should also plan to build up pension reserves to compensate for earlier management errors. Since state governments are beginning to take interest in the problem, municipalities that do not take action on their own may be compelled to under state regulations.

Tax assessment and collection

The effectiveness of tax assessment and collection methods, especially for real property taxes, has an important impact on both municipal fiscal health and the equity of the tax system. Outdated or inaccurate assessment practices can hasten the deterioration or abandonment of property in declining areas or reduce the revenue that might be derived from increasing market value. Toleration of delinquent tax payments also reduces revenues and unfairly permits some citizens to defer or evade legitimate tax obligations. Both assessment and collection practices, moreover, affect the municipal credit rating. Bond underwriters and investors regard them as significant indicators of managerial efficiency and of citizen willingness to accept current taxes.

The following management steps can improve assessment and collection methods:

- improve in-service training for present assessors and recruit more skilled personnel;
- develop standard procedures and criteria for more frequent reassessments;

*See *Cities in Crisis: Taxes, Budgets and Services.*

Promoting a good credit rating*

Although prevailing interest rates and other market conditions are the primary determinants, the cost and availability of loan funds for a municipality hinge to a considerable extent on its credit rating. A poor credit rating can mean large amounts of extra interest costs and perhaps limits on how much money can be raised at any price.

Criteria

Among the key members of the investment community whose judgments count are the underwriting firms that market the securities; independent credit analysis organizations, particularly Standard and Poor's and Moody's, that evaluate the creditworthiness of specific security issues; and the institutional investors (commercial banks, fire and casualty insurance companies) that buy municipal securities. All of these firms are concerned with certain indicators of fiscal health.

- *Fiscal affairs data:* effective local tax rate, tax collection performance, recent spending and tax increases, operating deficits, per-capita debt burden, debt as a percentage of assessed property values, and rate of debt retirement.
- *Local economic data:* trends in property values, median household income and employment; the diversity of the economic base; the financial well-being of major taxpayers.
- *Social and political information:* demographic trends, political and legal uncertainties.

Remedial steps

Even though it is hard to improve a municipal credit rating quickly, financial managers can take a number of immediate steps to increase the confidence of the investment community, including the following.

- Examine the city's recent credit reports to identify problems and make plans for improvements.
- Take the initiative in preparing detailed information responsive to analysts' needs, including comparison of the city's recent expenditure, tax and debt history with other municipalities of similar size and condition. If an effective case is made for the municipality's fiscal health, this may be reflected in the credit rating.
- Adopt nationally recognized accounting standards and arrange for regular independent audits to facilitate comparison.
- Make certain that analysts in the lending community know about the city's efforts to improve financial management, including changes in capital budgeting, debt and cash-flow management, and pension funding.
- Because interest rates reflect the perceptions of the investment community as well as objective factors, work to improve the city's image in both the general and financial press. That requires awareness and understanding by the press of key events affecting local fiscal health, such as new financing plans, annual operating and capital budgets, qualifications of new financial officials, and major employee expansions or cutbacks.

*See Peter F. Rousmaniere, *et. al.*, "Selling Your City: A Primer for Government Officials on Communicating with the Investment Community," (New York: Council on Municipal Performance, 1978).

■ computerize record keeping;

■ develop procedures for quickly identifying tax delinquents and beginning collection procedures;

■ increase penalties for delinquent taxpayers so that they do not, in effect, get low-interest loans at government expense.

Control

Financial managers must assure that agencies do not exceed their budgets, that they save money when possible and that they adhere to standards of fiscal probity. Especially when a city is in financial distress, these control activities are critical tasks.

Without up-to-date expenditure information, no public manager can control an agency's financial affairs. If data about cost overruns are received months after the fact, for example, it may be too late to take corrective action. Similarly, because personnel costs are so large a percentage of city budgets, "position control" of vacancies is a critical method of economizing. Yet many cities cannot give managers timely reports of financial transactions or personnel turnover.

The first step toward improved control is for top officials to recognize that better accounting methods are important. Frequently, more and better personnel are needed. Even when there are civil service constraints on acquiring them, determined leadership can produce noticeable gains. Where primitive accounting procedures exist, relatively simple changes can prove quite beneficial. Where the foundation for efficient accounting systems has already been built, advanced computer techniques may be feasible. In general, nationally recognized accounting procedures should be adopted, because of advantages in promoting bond issues in the investment community.

In some states, regulations about municipal auditing are inadequate or poorly enforced. Whether or not state requirements are stiff, municipal finance officials must arrange to have the city's records audited—according to nationally accepted standards—by the appropriate state agency or a reputable private firm. A local government that lacks timely independent audits may run into trouble in securing access to or favorable treatment in the credit market and jeopardize its right to federal revenue sharing money.

Managing municipal finances: questions for citizens

Have city officials used the budget as a planning document, carefully analyzing key budget choices, considering the relationship between levels of expenditure and levels of service, and examining the future impact of current budget choices?

Have officials developed procedures for evaluating alternative capital budget proposals, e.g., using cost-benefit analysis to compare them?

Are sound debt management practices being applied, e.g., calculating the true cost of borrowing by discounting and considering the timing of bond issues?

Is the city maximizing the return on idle cash and minimizing the costs of short-term borrowing?

Has the city adopted sound pension funding practices? Have past problems been corrected by determining the extent of unfunded liabilities and devising a plan for covering them?

Are effective and efficient tax assessing and collecting procedures used?

Are timely financial reports available to assist managers in controlling expenditures?

Are generally accepted auditing practices used?

Managing personnel

The doubling of employment in state and local government since the 1950s has intensified a persistent administrative problem—how to protect the legitimate rights of public employees while assuring that essential services are competently and reliably delivered to the public. Historically, this problem has appeared in several guises. At the turn of the century, advocates of civil service urged creation of a "merit" system to protect the public from payroll padding and municipal workers from political threats and interference. By the 1950s and 1960s, public employees were asserting the right to unionize, bargain collectively, and strike for better wages, benefits and working conditions. Most recently, critics of local government performance have charged that both civil services and unionization have made municipal employees too powerful, too insulated from managerial control, and unresponsive to citizen needs.

Civil service

What was once a dream for municipal reformers is today largely reality: personnel systems in most cities are based on the merit principle. Although civil service systems vary considerably, certain features are commonly found.

■ Initial appointments are based on how candidates perform on a competitive examination designed to test job qualifications.

■ Having served a probationary period, civil servants are granted "tenure," after which removal from office is possible only through administrative proceedings to establish cause.

■ Promotions are also based on merit, usually measured in whole or in part by examinations.

Increasingly, however, civil service appointment procedures have been sharply questioned. Critics have argued that examinations often have little to do with the skills actually needed for the job. Many have suggested, furthermore, that such examinations intentionally or inadvertently discriminate against disadvantaged minority groups. The practice of granting military veterans preference in hiring has also drawn critics' fire. Often a veteran wins a job over a person better qualified on "merit" criteria; women in particular are victims of this practice.

Some critics also charge that by trying to prevent political manipulation, civil service has reduced or eliminated supervisory authority essential for effective management. In their view, public managers lack control over incentives to motivate workers: there are usually no merit pay increases, the tenure system makes it too difficult to discipline incompetent or lackadaisical employees, and promotions depend too much on test-taking ability and too little on actual job performance. In some systems, moreover, regulations tightly constrain career paths: because entrance into the system is often restricted to entry-level positions, able outsiders are often ineligible to compete for top jobs; and job classification schemes rigidly define duties and restrict job mobility. Until recently, New York City had 3,679 separate job titles, including gas roller engineer, day camp consultant, thermostat repairman and doorstop maintainer.

Many public managers believe that such a personnel system cannot adapt to changing policies, priorities and methods of service delivery. In a number of cities, mayors have sought ways to circumvent civil service requirements, by arranging to exclude some workers from the merit system or by giving permanent employees "temporary" appointments. While political motives are sometimes involved, chief executives are frequently concerned with having appointees on the job who will respond to executive policy change rather than resist or subvert new programs.

Although the risk of political abuse remains, many observers are convinced that improvements in local government performance require civil service reform. Specifically, their agenda includes:

■ redesigning examinations to assure that job-related knowledge is tested,

■ giving administrators greater discretion in selecting among those job candidates who score well on tests,

■ curtailing veterans' preference,

■ simplifying procedures for disciplining employees,

■ permitting some form of merit pay hikes,

■ increasing the consideration of prior job performance in promotion decisions, and

■ reducing the barriers to lateral entry to the civil service system.

Public employee unions

Another important factor in personnel management is the influence of public employee unions. In the past few decades, city workers in most states have won the right to organize unions and to bargain collectively with city officials. As a result, municipal unions have become key participants in city affairs.

Collective bargaining as a policy process

Most citizens are well aware of the budgetary impacts of collective bargaining. When employee wages and benefits increase, public officials must cut other costs, reduce service levels or raise more revenue. Too few people, however, realize the extent to which collective bargaining shapes public policy through nonfinancial contract provisions. By negotiating about "working conditions," unions seek to limit managerial discretion and often to influence substantive government policies. Police unions, for example, frequently bargain over work-shift schedules and squad car manning regulations; school teachers seek specific programmatic commitments and student disciplinary regulations from school boards. Although these may be legitimate issues for bargaining, elected officials and citizens have often underestimated their implications for effective management and service delivery. Such provisions constrain how and for what purpose city officials can assign personnel; they can also limit the productivity of the existing work force and necessitate hiring more people.

Union influence extends beyond the bargaining table. To avoid grievance claims or suits challenging administrative actions while a contract is in effect, top city officials usually find it useful to maintain informal contacts with union leaders, consulting or at least informing them when managerial decisions are likely to affect topics covered by the contract. This ongoing contact gives the union a continuous voice in policy making.

Political role of employee organizations

In many cities, union leaders have sought to expand their influence through political activity. Politicians frequently regard municipal workers and their families as a pivotal voting bloc; because they are both well informed and personally affected by municipal policy, they are more likely than the average citizen to participate in politics. When a union organizes this potential political energy, it can supply candidates with extremely valuable campaign resources: publicity, money and election workers. That help is particularly valuable in an era when political parties no longer command voter loyalties and when many cities have nonpartisan local elections; sometimes public employees are the only organized force in municipal politics.

Union electoral influence unquestionably enhances public employees' bargaining power in contract negotiations. But elected officials are also likely to be sensitive to public reaction to large wage increases. As a result, unions and officials frequently agree upon less visible fringe-benefit packages as a partial substitute for higher wages. This arrangement is especially attractive to officials when payments can be deferred for years—hence, the unfunded pension liabilities of many cities.

Unions in larger cities often have statewide influence as well. Their electoral support may be critical to key legislators who chair committees or hold other legislative leadership positions, and even gubernatorial candidates will value the backing of a major union with state and national affiliates. Given the capacity of state authorities to intervene in local affairs, unions can sometimes secure objectives opposed by city officials.

Improving management effectiveness in collective bargaining

At least until recently, the participants in public-sector collective bargaining tended to have less experience than their private-sector counterparts. Because top public officials turn over faster than union leaders do, and because unions frequently get expert technical assistance from national headquarters, such inexperience was usually a more severe problem for management than for labor. As the years go by, however, many public officials have learned significant lessons that improve their effectiveness.

■ They understand the importance of thorough preparation for negotiations, particularly by developing data about wages, benefits and work rules in other cities and in comparable private sector jobs.

■ They fully "cost out" union wage demands, making certain that "hidden" costs (such as retirement, insurance and vacation benefits tied to wage rates) are taken into account.

■ They insist on projecting the productivity impact and, when possible, the cost of proposed work rule changes.

■ They are more sophisticated about interpreting internal union politics, recognizing how factionalism or rank-and-file unrest affect the bargaining positions of union negotiators. Therefore, they develop strategies to cope with or take advantage of these factors.

■ They make contingency plans for service interruptions—perhaps using supervisory personnel for emergency duty—so that a union strike threat is a less potent bargaining device.

Public officials have also begun to make counterdemands in labor negotiations. In "productivity bargaining," management proposes changes in work rules in return for monetary concessions. This practice has considerable promise, but there may be a pitfall; increases in unit costs of providing service may outweigh any increases in output per man-hour. A five-percent increase in output, for example, is probably not worth a ten-percent wage premium. While that example seems obvious, the same problem may arise in far more complex form when negotiators try to distinguish between a "normal" raise and a "productivity premium" or to predict the exact effects on output of a work rule change. Thus, while management should pursue such productivity improvements, it must be careful in valuing the potential gains.

Public access to collective bargaining

Because decisions affecting both delivery of service and allocation of public resources are being made at the bargaining table, pressures are beginning to arise for direct public access to the process. The range of initiatives in this direction (each with limited practical experience to date) includes: making public the initial proposals of the parties before negotiations begin, to permit public comment; open negotiating sessions; and "public" representatives to advise or serve on the management team.

In seeking ways to accommodate public access, however, a delicate balance must be struck. In collective bargaining, as in diplomacy, is it often necessary for negotiators to explore potential settlements in secret. Otherwise, the ardor of their constituencies may make compromise impossible.

Dispute resolution

Two decades ago, strikes by public employees were rare events. Most jurisdictions had harsh laws against them, and public opinion was overwhelmingly hostile. Since then, labor militancy has proved that punitive laws are ineffective deterrents, while the public's experience with strikes has shown that most municipal services are less indispensable than officials or citizens supposed. Every recent September, for example, in spite of legal prohibitions, there has been a rash of teachers' strikes; even strikes by firefighters, previously unthinkable, have begun to occur. Nonetheless, policy makers continue to search for workable techniques for resolving disputes.

Most communities have used two techniques that were developed in the private sector: mediation and fact finding. In mediation, a neutral third party helps labor and management explore possible settlements but has no authority to impose terms. In fact finding, a third party recommends specific settlement terms but, again, cannot compel agreement. While both techniques have often produced agreements, policy makers need other methods to resolve some intractable disputes short of a strike.

Under binding arbitration, a third option, a neutral third party makes a legally binding judgment about contract terms. Seventeen states have laws requiring binding arbitration at least for disputes involving police and firefighters. Some observers believe, however, that arbitration is a deterrent to serious collective bargaining. In this view, a union is likely to regard the city's last offer as the starting point of an arbitrator's award. Why settle, therefore, when it might do better in arbitration? Realizing this, moreover, city officials are unlikely to bargain seriously either, fearing that an honest statement of what they are really prepared to pay will simply raise the arbitration ante.

In a variation designed to deal with this problem, the arbitrators must select either management's final offer or labor's final demand but cannot award anything in between. (Under some arrangements, the arbitrators must choose one entire contract proposal or the other; others permit a different selection for each bargaining issue.) This arbitration procedure forces each side to submit a reasonable final position, thereby narrowing the range of disagreement, for fear that the arbitrator will accept the opposing position. Nonetheless, because many municipal officials believe that settlements are inflated by any arbitration procedure, legislators have come under pressure in some states to repeal compulsory arbitration statutes.

Adoption of disputed contract terms by referendum has been instituted in San Francisco and a handful of smaller localities. This practice has serious problems also. Public managers may have little incentive to bargain in good faith. Unions believe that citizens will vote to minimize tax obligations, rather than fairly evaluate the proposed settlement terms. There is no guarantee, therefore, that unions will accept such imposed solutions; strikes continue to threaten and the problem of dispute resolution remains.

Managing personnel: questions for citizens

Do existing civil service regulations help or hinder government in attracting and promoting skilled workers?

Do these procedures strike an appropriate balance between protecting workers' rights and giving public managers essential authority to motivate and direct their employees?

Do city officials prepare adequately for labor negotiations with municipal unions?

Do they fully "cost out" union demands, considering productivity as well as budget impacts?

Are existing methods for resolving public employee labor disputes effective?

Conclusion

The case for good city management has been boosted dramatically by such events as the New York and Cleveland fiscal crises and the ascent of California's Proposition 13 and its many look-alikes. The tax revolt represents not only a protest against high taxes but also the frustration of citizens who believe tax dollars are not being spent wisely or effectively. The money squeeze in the wake of fiscal crises and tax limits challenges the American public and public managers everywhere to advance the goal of improved city management.

Where do citizens fit into this management scene?

- Hard choices must be made. Citizens should plug into the budget process to make the case before policy makers for their priorities. It is easier to call for drastic reductions in government spending than to reach consensus on which services should be cut and by how much. One person's idea of budget "fat" is inevitably another's critical program.

- Once priorities are set, limited resources must be managed efficiently, concentrated in areas most likely to produce significant improvements in productivity and quality of public services. Citizens should see to it that their public servants use management strategies most likely to produce results.

- Changes in public attitudes must take place if good management is to take root in city government. Citizens must learn to give political credit to officials who perform basic management functions capably rather than rewarding only those who promise innovation or threaten to use a meat cleaver on taxes.

Although management reforms alone will not produce miracles (urban problems are not susceptible to quick solutions), good management is one of the essential tools available for restoring the fiscal health of the nation's cities. City governments are unlikely to use this tool widely, however, until the public places a political value on good management.

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memorandum

January 25, 1979
this is going on DPM

TO: State, Local, ILO Presidents
(Please share at once with Urban Crisis Chair)

FROM: Florence R. Rubin, Urban Crisis Chair

RE: New Publication: MANAGING THE MODERN CITY

MANAGING THE MODERN CITY is the third in the LWVEF's Cities in Crisis series. The first two, THE IMPACT OF FEDERAL AID and TAXES, BUDGETS AND SERVICES, focus on federal and state urban fiscal policy issues, respectively. Now, the third addresses what city governments can do for themselves to make more effective and efficient use of their resources. Prop 13 fever will make city management a relevant issue for a long time to come.

In this publication, Dr. Arnold Howitt of Harvard University provides a citizens-eye view of the problems of city management and analyzes proposals for reform. It is applicable to cities large and small, distressed or healthy. In fact, residents of booming cities can find insights in MANAGING THE MODERN CITY that could help avoid the crunch that older cities have experienced.

The publication will provide League members with supplementary background for the Urban Crisis consensus process; it can be of particular help to those Leagues that are undertaking optional local questions. And, of course, any League that has (or expects to have) a local government or fiscal policy study will find this publication a gold mine. In times of strident demands for spending/tax cuts, it can help undergird your League's ability to assume a responsible community leadership role.

Also enclosed is a new version of an old favorite, Urban Brief I, SOURCES ON CITIES. Because your orders kept coming after it was sold out, we have revised, updated and reprinted this annotated bibliography of selected readings.

COMING SOON: Watch the next mailing for an interesting case in point on managing the modern city: Urban Brief 7, NEW YORK CITY REVISITED, featuring lessons other cities can learn from NYC's fiscal crisis.

We have finally received the manuscript for the promised publication on public stimuli to private reinvestment (ie. measures to enhance the economic base of cities, a la consensus question I.C.) We are rushing it through the editorial and publication process and hope to have it in the mail by the end of February.

NEW FOR YOUR URBAN CRISIS LIBRARY: A book has come across the Urban Crisis desk that will make good reading in the "managing the modern city'" context. URBAN POLICY AND POLITICS by Clarence N. Stone, Robert K. Whelan and William J. Murin addresses a wide range of urban policy issues from the perspective of political and bureaucratic realities of local government. It concludes with a look at the capacity of local governments to serve the public interest. It raises key questions about the role of national government vis a vis cities, technical expertise vs. democratic practices and the pros and cons of service delivery on a metropolitan scale. (Published by Prentice-Hall, Englewood Cliffs, N.J. 1979, $9.95, 399 pp).

MUNICIPAL MANAGEMENT, written by Boston Municipal Research Bureau for LWV Mass, analyzes a number of ways to "get more for your money" from a management point of view. Order from LWV Mass, 120 Boylston St., Boston, Mass. 02116, $4 (includes postage and handling), 39 pp.

Two recent articles of interest: "The Urban Crisis Leaves Town--and Moves to the Suburbs" in December 1978 Harpers, and "Rediscovering the City" in New York Times Magazine, January 14, 1979.

ABOUT CONSENSUS. I hope your preparations for the consensus process are going well. Remember that one of your committee's greatest resources for every members background information is URBAN OPTIONS: A FISCAL ACCENT (F&I, LWVEF #277). Even if you can do little more, try to get copies to your members before the consensus meetings. Check out the excellent discounts available for this particular pub.

Please share with us information about the activities and publications you are developing to inform your members about the consensus issues. If you have any problems, call Janet Damtoft of the Urban Crisis Department or me. And remember the deadline for having your completed consensus report form reach the LWVUS Organization Division: May 1, 1979. It must be in our hands by that date in order to be included in the official tabulation and analysis.

Finally, Ann Hull, Urban Crisis Department Head, is leaving to join the staff of the new governor of Maryland. We will miss her expertise, but wish her well.

X X X X X

Watch for the National Board Report for news about a new interdisciplinary resource that an urban crisis, planning, or other local League committee can use in promoting quality development.

JAN 29 1979

URBAN BRIEF 1

SOURCES ON CITIES

Urban issues are front-page news. To keep up with current developments see the daily and periodical press. But for deeper exploration of problems of cities and the urban crisis, here are selected publications that provide facts, opinions, causes and proposals for change. Several contain comprehensive reading lists. For convenience titles have been grouped under categories, but there is considerable overlap because of the interrelatedness of issues.

BACKGROUND

THE URBAN PREDICAMENT, William Gorham and Nathan Glazer, eds. Urban Institute, 2100 M St. NW, Washington, D.C. 20037, 1976, 363pp. $4.95 paper ppd (Order #GURI 14500). Original research by 12 authors zeroes in on key urban crisis issues, analyzing proposals to deal with fiscal problems, housing, crime, education, and transportation. Presents a summary of federal intervention efforts and of national trends that affect urban issues.

THE DEATH AND LIFE OF GREAT AMERICAN CITIES, Jane Jacobs, Vintage Books, Random House, New York, 1961, 458pp. $1.95 paper. This classic derives from the author's love affair with cities. Attacks the planning policies that dictated vast urban renewal programs and rebuilding efforts, advocating instead new principles and practices of planning to promote social and economic vitality. Later developments in thinking tend to reinforce her conclusions.

THE CITY IN HISTORY, Lewis Mumford, Harcourt, Brace and World, Inc., New York, 1961, 657pp. Restates and expands the author's seminal 1938 work, Culture of Cities. In scholarly but vivid terms, Mumford gives an intensely personal view of human settlement from neolithic villages to modern urban agglomerations. He has a lively appreciation of the earliest cities, in which for the first time specialization of labor yielded a surplus that permitted a life of the mind. And he comments favorably on the walled medieval cities, that within their walls provided a humane mixture of rural and commercial activities. The congestion, acquisitiveness, and artifical environment of present-day metropolitan cities are targets of bitter attack.

FISCAL SETTING

FINANCING STATE & LOCAL GOVERNMENTS, James A. Maxwell and J. Richard Aronson, Brookings Institution, Washington, D.C., 1977, 290pp. $4.95 paper. Classic presentation for the interested non-expert of how state and local governments raise and spend their money. Includes discussion of the incidence of various taxes, the transfer of revenues from one level of government to another, and ways that governments manage borrowing.

THE FISCAL OUTLOOK FOR CITIES, Roy Bahl, ed., Syracuse University Press, Syracuse, NY, 1978, 136pp. $3.50. Four papers by leading urban fiscal experts originally presented at the 1978 meeting of the US Conference of Mayors. They deal with city fiscal performance in the frostbelt, problems of obsolescence of physical facilities and the city and the federal budget.

ECONOMICS & URBAN PROBLEMS: DIAGNOSES & PRESCRIPTIONS, Richard Netzer, Basic Books, Inc., New York, 1974, 213pp. $7.95 paper. Translates economists' language into nontechnical terms to demonstrate how economic analysis can help decisionmakers and citizens define policy options and evaluate the "payoffs" of reform alternatives.

URBAN FISCAL PROBLEMS. Proceedings of symposium sponsored by the National Tax Association-Tax Institute of America, published in National Tax Journal, 21 East State St., Columbus, OH 43215. 367pp. $3.50. Fiscal experts analyze causes and cures, covering both expenditure and revenue problems. Reforms include diversification of local revenues, property tax proposals, correcting metropolitan fiscal disparities, redesigning general revenue sharing and block grants, taxable bonds.

PROBLEMS AND PRESCRIPTIONS

THE PRESIDENT'S 1978 URBAN POLICY REPORT, Urban Policy Office, Department of Housing and Urban Development, 451 7th St. SW, Washington, D.C. 20410, August 1978, 147pp. Limited copies free. In highly usable style report contains a variety of maps, tables and textual material on demographic and economic trends. Text indicates related federal policies and administrative proposals for change.

CITIES IN TROUBLE, David T. Stanley, Academy for Contemporary Problems, 1501 Neil Ave., Columbus, OH 43201, 1976, 16pp. Single copies free. Which ones, how much trouble, why, and what can be done? Analyzes criteria used by a variety of authorities and lists cities threatened by fiscal disaster and in long-term decline. Discusses why cities are in trouble and outlines available options for reform at federal, state and local levels. Useful for getting a handle on the city problem. Also available free in single copy from the same source: FINANCIAL RELIEF FOR TROUBLED CITIES, William Oakland, 1978, 24pp. and REVITALIZING CENTRAL CITY INVESTMENTS, Peter Libassi and Victor Hausner, 1977, 24pp.

HOW CITIES CAN GROW OLD GRACEFULLY, Subcommittee on the City of the House Committee on Banking, Finance and Urban Affairs, Washington, D.C., December 1977, 222pp. Free while they last from the committee or your representative. A group of essays on our

changing cities. Urban experts discuss strategies for managing change and the federal role in helping cities adjust to change. A provocative balance of writers.

LEAGUE PUBLICATIONS

The CITIES IN CRISIS series emphasizes that local, state and federal efforts are all necessary to address the problems of America's declining cities.

CITIES IN CRISIS: THE IMPACT OF FEDERAL AID, 1978, Pub #601, 50¢. Adapted from a chapter by Richard Nathan in the Brookings Institution publication analyzing the 1978 federal budget.

CITIES IN CRISIS: TAXES, BUDGETS AND SERVICES, 1978, Pub #114, 75¢. George Peterson, fiscal specialist with the Urban Institute, discusses the interrelationships of taxes and services. Makes plain the importance of state action on city circumstances.

CITIES IN CRISIS: MANAGING THE MODERN CITY, 1979, Pub #290, 75¢. Arnold Howitt of the Department of City and Regional Planning of Harvard University analyzes what cities can do for themselves in budget, financial and personnel management.

URBAN OPTIONS: A FISCAL ACCENT, 1978, Pub #277, 75¢. An overview of federal government help for declining cities by means of general financial assistance, aid for particular programs and measures to enhance the economic self-sufficiency of cities. Includes brief accounts of two critical problems, employment and housing.

URBAN BRIEFS

3. NATIONAL URBAN POLICY: THE PRESIDENT'S PROPOSALS Pub #112.
4. CIRCUIT-BREAKERS FOR THE TAX OVERLOAD? Pub #170.
5. LEARNING FROM URBAN EXPERIENCE ABROAD Pub #241.
6. THE CITY IN AMERICAN LITERATURE Pub #245.

All Urban Briefs 20¢, 20/$1.

UNHEAVENLY CITY REVISITED, Edward C. Banfield, Little, Brown & Co., Boston, 1974. $4.95 paper. This sequel to an earlier work challenges conventional thinking about the nature of the urban crisis. Contends that many well-heralded urban ills--revenue problems, congestion, transportation--are insignificant and easy to solve when compared with the serious quality-of-life problems--crime, poverty, ignorance and racial injustice--experienced by the inner city poor. Charges that major government programs to aid cities (urban transportation, housing, urban renewal) have not only failed to address but have made these problems worse.

POST-INDUSTRIAL AMERICA: METROPOLITAN DECLINE & INTER-REGIONAL JOB SHIFTS, George Sternlieb and James W. Hughes, eds., Rutgers University, New Brunswick, NJ, 1975, 267pp. $6.95 paper. Scholarly review of data showing recent migration trends and economic implications, especially for declining areas. Of particular interest are sections on public policy--social and political ramifications of metropolitan decline and the dilemmas of governmental responses to urban problems.

OPENING UP THE SUBURBS, Anthony Downs, Yale University Press, New Haven, CT, 1973, 219pp. $2.95 paper. Contends that exclusion of poor and ethnic minorities from suburbs not only undermines equality of opportunity but helps perpetuate a host of problems by concentrating the burdens of poverty inside central cities. Stresses the need to open up suburbs both economically and ethnically.

IMPROVING URBAN AMERICA: A CHALLENGE TO AMERICAN FEDERALISM, Advisory Commission on Intergovernmental Relations, 726 Jackson Place NW, Washington, D.C. 20575, 1976, 283pp. Single copies free. Presents a broad and bold program for meeting urban needs. ACIR recommends specific reforms to achieve fiscal balance among governments; restructure local government and strengthen local management of services, finances and personnel; coordinate multi-state and substate regions and special function governments; and reduce crime.

ECONOMIC DEVELOPMENT

URBAN ECONOMIC DEVELOPMENT: SUBURBANIZATION, MINORITY OPPORTUNITY AND THE CONDITION OF THE CENTRAL CITY, Bennett Harrison, Urban Institute, 2100 M St. NW, Washington, D.C., 1974, 200pp. $4.50 paper (Order URI 51000). Detailed economic analysis of population and job trends in the city and the suburbs. Discusses strategies for rebuilding central city economies, with emphasis on Community Development Corporations.

BRIDGES TO THE FUTURE: FORCES IMPACTING URBAN ECONOMIES, Gail G. Schwartz, Office of Economic Research, Room 6018, Dept. of Commerce (Main Bldg.) Washington, D.C. 20230, 1978, 35pp. Single copies free. A look at the changes that new technology, personal spending patterns related to different lifestyles and changing corporate policies may bring to city economies. Schwartz analyzes the implications for public policy.

THE UNWALLED CITY, REBUILDING THE URBAN COMMUNITY, Norton E. Long, Basic Books, NY, 1972, 208pp. $8.45 cloth. States that the cities are sick not so much from lack of money as from failure to use their resources to improve the local economic climate--an admittedly unpopular view. Sees a possible future for the city as a "human cooperative," by starting with inventorying and marshalling the city's many resources, including the human ones.

THE CHANGING ECONOMIC ROLE OF CENTRAL CITIES, J. Thomas Black, Urban Land Institute, Publications Dept., 1200 18th St. NW, Washington, D.C. 20636, 1978, 30pp. $5.00. Black holds that even though growth rates are lower there are continuing economic opportunities in northeastern and north central cities. The shift from manufacturing to service economies can be cushioned, especially by nurturing specialized financial or office functions that cities offer. Argues that subsidizing the resident labor force will lock the cities in as caretakers of the poor.

BARRIERS TO URBAN ECONOMIC DEVELOPMENT, Congressional Budget Office, 1978, 51pp. U.S. Government Printing Office, Documents Dept., Washington, D.C. 20402. $2.30. Discusses land, labor, finance, management, market potential and transportation as possible barriers to urban economic development and the federal policies and programs that bear on each. The authors conclude that, instead of new programs, "There is ample opportunity to encourage central city industrial and commercial development through reorientation of existing policies and...programs."

Revised edition © January 1979 LWVEF. Pub. No. 339. 20¢, 20/$1.

League of Women Voters of the United States 1730 M Street, N.W., Washington, D. C. 20036 Tel. (202) 296-1770

memorandum

February 26, 1979
This is going on DPM

TO: Local, ILO, State Presidents (Please share at once with Urban Crisis Chair)

FROM: Florence R. Rubin, Urban Crisis Chair

RE: New LWVEF Publication: "Growth & the Cities: Can We Reshape the Urban Economy?

Helping cities to become more economically self sufficient is frequently advocated as a key component of a national urban policy. This publication (#234, 40¢), discusses federal governmental incentives to stimulate urban economies, an issue particularly relevant to question I C. on the Urban Crisis consensus report form.

Acknowledging that federal aid to cities and creation of direct employment opportunities are necessary, authors George Sternlieb and David Listokin of Rutgers' Center for Urban Policy Research believe such measures are "doomed to fall of their own weight" unless accompanied by growth in the private sector. They now see a new federal commitment to address the decline in business activity and job availability in central cities--a commitment characterized by such themes as rehabilitation rather than new construction, a search for public-private coalitions, encouragement for private reinvestment. Is it realistic to believe that cities can again become significant economic entities? Does the present federal approach carry seeds for success in promoting urban growth? By analyzing economic trends and evaluating the current crop of federal strategies to restore large-scale private/government investment in urban economic activities, the authors seek answers.

Order copies now to help members prepare for consensus. You will want to use it too, if your League gets involved in economic development strategies for your community. A supplementary inventory of relevant federal programs will be published soon to help citizens analyze individual strategies in more detail.

Also enclosed is Urban Brief 7, "New York City Revisited" (329, 20¢, 20/$1), in which economist Gail G. Schwartz gives an update on efforts to put that city on a sound fiscal footing. She also points up lessons other cities can learn from New York's experience with fiscal crisis. It's a natural companion for "Managing the Modern City" (#290, 75¢), which you received last month.

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LOOKING AHEAD IN URBAN CRISIS: By the first of May, Leagues will have completed the Urban Crisis consensus process (after which the national board will determine the results), and the National Council will be convening in Washington. As one part of the agenda, National Council will be discussing the outlook for work under Urban Crisis next year. I hope Urban Crisis committees and local, ILO and state boards will be doing some preliminary thinking about this before then.

REGISTRATION:

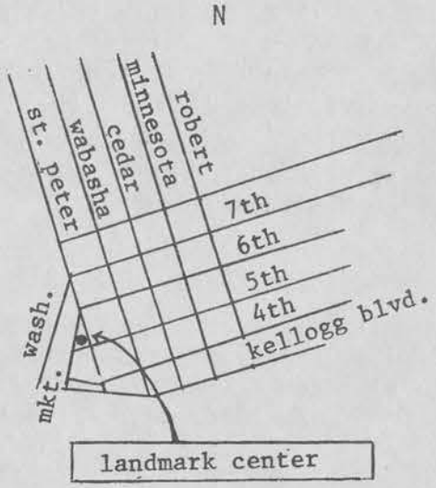
Deadline for registration is February 24, 1979. Enrollment is limited to 120 and registrations will be confirmed in the order received.

COLLEGE CREDIT:

We may be able to arrange one graduate credit through Mankato State University for those who wish it. If so, a follow-up project and a report will be required. Contact the Environmental Education office (296-2368) for more information.

LOCATION:

The conference will be held at the Landmark Center (Old Federal Courts Building) 75 West 5th Street, St. Paul, MN 55102.



Metro Regional Environmental Education Council
and K-12 Task Force:
Box 5, Centennial Office Building
658 Cedar Street
St. Paul, MN 55155

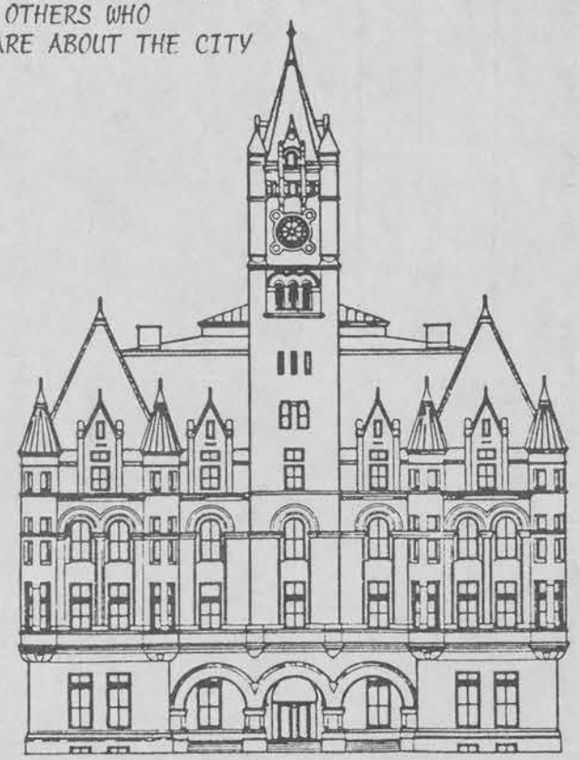
(612) 296-2368 or (612) 296-0211

MN Environmental Education Bd.
Centennial Office Building
Box 5 – 658 Cedar St.
St. Paul, MN 55155

METRO-MORPHOSIS

THE CHANGING URBAN ENVIRONMENT

A CONFERENCE FOR TEACHERS & OTHERS WHO CARE ABOUT THE CITY



LANDMARK CENTER, MARCH 3, 1979

SPONSORED BY:

Metro Regional Environmental Education Council
Metro Environmental Education K-12 Task Force
Minnesota Environmental Sciences Foundation, Inc.

REGISTRATION FORM

Please reserve my place at the March 3 conference on the urban environment...

Name: _____ Street: _____

_____ City: _____

Zip Code: _____ Phone: _____ Occupation: _____

Subject or grade level (if you are a teacher) _____

School: _____

WORKSHOP CHOICES (choose 2)

- ☐ Landuse Conflicts
- ☐ Community as a Learning Resource
- ☐ Self Conducted Field Studies
- ☐ Metropolitan Issues

☐ I am interested in graduate credit

I have enclosed ☐ $8 (Registration & lunch)

☐ $6 (Registration only)

Make Checks payable to: Minnesota Environmental Sciences Foundation Inc.

Return Registration and check to: Metro Regional Environmental Education Council
Box 5, Centennial Office Building
658 Cedar Street, St. Paul, MN 55155

THE CHANGING URBAN ENVIRONMENT

Sponsored by
Metro Regional Environmental Education Council
Environmental Education K-12 Task Force
Minnesota Environmental Sciences Foundation Inc.

This conference is intended to:

1. Increase understanding of trends and changes in the urban environment
2. Encourage use of the urban environment as a teaching/learning resource
3. Provide a forum for exchange of ideas and development of skills appropriate to environmental education in an urban setting.

PROGRAM

8:45 - 9:00 Registration

9:00 - 9:10 Welcome & Introductions

9:10 - 9:30 "Reflections on Community as Place" ED HESSLER, Director, Minnesota Environmental Sciences Foundation Incorporated (*Discovering conference participant's attitudes toward the city and urban life*).

9:30 -10:15 Keynote Address: "Cities That Work" DR. DAVID LANEGRAN, Professor of Geography, Macalester College (*How do urban environments resemble and differ from other ecosystems? What features characterize "successful" urban environments? What is a "sense of place" and its impact upon urban environments?*).

10:15-11:00 "On Knowing Your Place" GERALD ALLAN, Director, Criteria, Inc. (*A discussion of environmental problems at the personal level and new approaches to architecture and shelter*).

11:00 -11:30 "Energy--Anatomy of a Local Urban Environmental Issue" JOHN MILLHONE, Director, The Minnesota Energy Agency (Tentative) (*Changes in energy supply and demand and their probable effects upon the twin cities area*).

11:30 -12:00 "Putting the Issue to Work" (*Several "master teachers" representing various disciplines and age levels use energy as a model to demonstrate ways environmental issues can be studied and used in the classroom--Choose one*).

12:00 -12:45 Lunch & Chamber Music (Also view special exhibits in the Landmark Center)

12:45 - 1:45 Concurrent Workshops--Choose one

1. "Landuse Conflicts in the Mississippi River Valley" TOM BAERWALD Geographer, Science Museum of Minnesota (*A Walking tour of the St. Paul Riverfront*).
2. "The Community as a Learning Resource--An Interdisciplinary Approach" STEVE TRIMBLE, Freelance Historian, Consultant
3. "Self Conducted Field Studies of Urban Neighborhoods" DR. DAVID LANEGRAN.
4. "Metropolitan Issues" PAUL FREDRICKSON, Curriculum Specialist, Mpls Public Schools (*An introduction to the Metropolitan Council Classroom Kit for secondary teachers*).

1:45 - 2:45 Repeat of Concurrent Workshops

2:45 - 3:45 "Visions & Revisions--A Futures Approach to Urban Environmental Education", ED HESSLER

3:45 - 4:00 "Wrapup" (*Conference evaluation and interpretation of participant's attitudes recorded earlier in the day*).

GROWTH and the cities: can we reshape the urban economy?

A tide of decentralization—in jobs . . . housing . . . entertainment . . . in fact, all the money-begetting activities of Americans—has been running against the cities for many years. Government efforts to stem that tide and revitalize the city have amounted so far to little more than symbolic gestures.

The disparities between the rhetoric of the programs and the numbers of dollars allocated speak for themselves. Current federal programs are broad in their sweep. In design, they come closer than ever before to meeting the goal of inducing large-scale private reinvestment in economic activities in troubled central cities. But the budget figures reveal a harsh truth: that at present funding levels the programs can do little more than alleviate the worst effects of continuing out-migration of the more affluent, of the more skilled, and of the businesses that give life to the economy of a city.

Through the expansionist years since World War II, federal programs have abetted the growth of suburbia and more recently of exurbia. The factors need no retelling here: mortgage policy, tax policy, highway policy—all favored the new over the old. In contrast to this rich fare, the country's malnourished older central cities were fed a subsistence diet of federal aid—kept going "just in case." Kept breathing—though raggedly—on grounds that the penalty of not having them, if things should change, would be vast.

Now, things *are* changing. There is a growing uneasiness about the nation's capacity to sustain, let alone extend, post-World War II development patterns. Energy problems won't go away. The cities' density, cited so often as a crippling disability, is once again acquiring allure. As real incomes in the United States diminish, particularly in housing and transportation buying power, the central city is beginning to look like a good speculation again. Reuse and recycling are in; sprawl and the profligate use of resources are losing their appeal.

A new perspective on the cities' labor pool is also beginning to emerge. *De facto* policy has certainly encouraged a migration of redundant labor from the nation's newly mechanized, super-efficient agricultural sector to its cities. The United States now has the smallest proportion of its people involved in agriculture of any major food-producing nation. By way of comparison, the Soviet Union has ten times the proportion of its population living on the land.

This country-to-city migration of jobseekers is far from a new American phenomenon. What *is* new is its breathtaking pace since the forties, and the simultaneous outflow of the middle class. What is also new is that the economy of the central city, out of tune with the post-industrial era, has not been able to offer jobs to this latest wave of incoming unskilled workers, as it always had in the past. The upshot is that most major cities have a welfare population ranging from 15 to 25 percent of their total population.

Absorption of these in-migrants into the working force has been further inhibited by an enormous growth in the number of U.S. workers. The bulge is a function in part of the post-war baby boom, but much more strikingly of the surge of women into the labor force. From 1947 to 1977, for example, the number of employed husbands in husband-wife families increased by 23 percent, while the number of employed wives increased by 208 percent. To state the contrast another way, nearly twice as many women as men were *added* to the job market.

By now, the impact of these social forces has almost peaked, and a different demographic curve is shaping up. The same phenomenon that has emptied the grammar and junior high schools of the country and has made teaching credentials a passport to the ranks of the unemployed will soon make the nation labor short. The rates at which people join the labor force are scheduled to decline quite abruptly in the early 1980s. As a result, the young people of the central city, who now top the lists of the jobless, may in a few years find themselves looked upon more as a national resource and less as an economic liability. (This scenario makes a large assumption: that they will be competitive with their equivalents in other countries that are becoming focal points for worldwide manufacture).

Out of a convergence of new social and economic forces, a new pattern of American economic growth may be emerging. Now we import labor-intensive products, while a surplus or marginal labor force in central cities is minimally cared for. We may be moving toward a time when the central city will be a significant economic entity and its unemployed, hitherto disregarded, will have work to do.

Is this a realistic picture of the future? Can the central city be once again a vigorous part of the economy, or, at a minimum, be stabilized? The answers to these questions are far from definitive. Tough practical issues of the post-industrial economy must be addressed.

□ Up to roughly 1970 the decline of the central city was a uniquely American phenomenon,

This is the fifth in the LWVEF growth series, which is supported by a grant from the Rockefeller Brothers Fund. The authors are Dr. George Sternlieb, director of the Center for Urban Policy Research, Rutgers University, and David Listokin, assistant research professor at the Center. Their paper, upon which the publication is based, was prepared under an LWVEF grant from the National Endowment for the Humanities. A supplement, *An Inventory of Public Policy Initiatives to Reshape Urban Economies* (#335, 40¢) will be published for use by citizen groups to analyze these strategies in further detail.

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CURRENT FOCUS

League of Women Voters
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1730 M Street, N W
Washington D C 20036

viewed by European observers particularly, as an exotic happening confined to the United States—home of a wide set of aberrations. Since 1970, however, there is increasing evidence that this is a phenomenon of post-industrial urban economies. France, Italy and Germany as well as Japan show the beginnings of parallels with the American experience. The shift of manufacturing out of the central city is far from unique to the United States. Restoration efforts, therefore, must probably face a much more potent underlying economic dynamic rather than a simple idiosyncrasy of American land-use and investment patterns.

□ The nature of the new businesses in the central city—increasingly, service and office activities—continues to accentuate the mismatch between the cities' jobless and the new work opportunities. Studies by the Center for Urban Policy Research show, for example, that some 70 percent of persons employed in manufacturing within the city of Philadelphia also lived in the city, but only 30 percent of new office employees were city residents. So, it is not possible to conclude that more jobs in the city will necessarily mean lowered unemployment among its residents.

□ As we move further and further into the post-industrial state, one issue bulks ever larger: For whom is the city to be revitalized? Should it be a refuge for the fall-off from the old industrial mass employment? Or should the goal be to optimize the new, exciting "city within a city," which is attracting the young and well-educated, to live in the city where they work—at jobs in the banks, insurance companies, consulting facilities and production service employments that are growing within the core? The *de facto* new towns-within-towns—Soho in New York, Capitol Hill in Washington, Society Hill in Philadelphia and the many equivalents elsewhere—epitomize the second alternative. This dichotomy constitutes one of the major problems in government/private efforts at economic revitalization within the central city. The issues of relocation for example, are evident as the childless, young, high-incomed look for one-of-a-kind housing accommodations—sometimes at the cost of low-income individuals, many of whom indeed are welfare recipients.

□ Racial issues further complicate this dilemma. While the new middle class is by no means all white, the bulk of the poor in central cities are also racial and ethnic minorities. An economic revitalization of the central city that disturbs their living accommodations yet does not yield them jobs is bound to lead to racial as well as class friction. Indeed, in cities where the new middle class neighborhoods are developing, the conflict is already evident.

Public policy and the cities

Analysis of the problems of central cities has gone through many permutations, each of them generating equivalent remedies. Initially, the decline of the cities was seen as a transient problem caused by faulty or archaic land use, by the intrusion of slums into viable economic areas, as well as by the difficulties of assembling suitable large tracts of land for new job-begetting purposes. These interpretations underlay the era of physical improvement typified by urban renewal clearance and highway development.

The turbulance of the sixties refocused the issues to those of structural unemployment: the mismatch between the education and training of central-city residents and the kinds of jobs that are emerging in a post-industrial society. Much of the Model Cities program and the great wave of training initiatives that ensued were the result.

Only within the last half-dozen years has the very *availability* of jobs—the decline of employment opportunities and of entrepreneurial activity in the central city—become the focus of concern.

The scale of the problem is epitomized in manufacturing and can be seen as the end result of three geographic trends:

□ the movement of jobs from central city to suburbia (and now to exurbia);

□ the shift of jobs regionally, often at the cost of the areas in which old, large cities dominate—the Northeast and older North Central sections of the country; and

□ the changing nature of employment opportunities in the United States as a whole.

Behind a facade of hotel and high-rise office development in older central cities, there has been a devastating shrinkage in the job base. With that has come a shrinkage both in population and in the buying power of that population, as wealthier residents leave and the less fortunate remain. From 1976 through 1978, a net total of nearly 3 million individuals migrated from central cities. In the same period, because of selective migration, the income of central-city residents went down some $18 billion a year, with concomitant shrinkage in retailing, service and small-scale for-local-consumption manufacturing. The dismal post-1970 economic history of New York City, during which 600,000 private jobs were lost, dramatized the problem.

In a United States suddenly grown fearful of its competitive status in the world economy, there is an unfortunate tendency to think that federal support for one sector—the nation's distressed cities—can be won only at the cost of another. Missing is the perception that if new growth is generated there, the country as a whole will benefit. This attitude has inhibited the execution of a variety of programs earmarked specifically for the poor and for the urban regions in which they increasingly predominate. The report of the White House Task Force on Balanced National Growth in the spring of 1978 and the responses made to it reflected some of this conflict.

Government aid and direct employment opportunities certainly are necessary, but unless they are complemented by an increase in the private sector they are doomed to fall of their own weight.

Despite the stress, there is the beginning of a major consensus. The first item in this new ordering is an agreement that what is required in order to revitalize ailing urban economies is a broad-based constructive partnership between government at all levels and private industry. It is becoming clear that the former cannot "go it alone;" that, within a competitive economy, there must be a reshaping of the environment and the incentives given the private sector, if appropriate job-generating activities are to be secured. The second element that is gradually emerging is the understanding that this issue is not one of merely parochial interest—of a few geographic locuses or of a particular segment of the population—but rather one of national urgency: that, on both fiscal and moral grounds, the costs of welfare and non-self-support of individuals require intervention, and that this intervention is in the broad public interest.

Now, after some years of dole—of inputs for life support but little for restructuring—the federal government is beginning at least to verbalize an intent to provide more potent urban revitalization. The President visits the South Bronx. The executive branch prepares a comprehensive urban policy. HUD, Commerce and other federal agencies vie for the lead in directing that policy.

The new urban commitment is characterized by certain themes. The accent is on rehabilitation and readapting existing uses, as opposed to new construction. There is a search for public-private coalition building. There is repeated emphasis on the economic stress encountered by cities and the need to encourage private reinvestment in urban areas. The gospel of economic regeneration is promulgated by both HUD and Commerce; there is even a proposal to expand HUD's purview and rename this agency the Department of Economic Development.

What federal programs encourage private reinvestment in urban areas? What are the programmatic characteristics and evolution of these subsidies? How effective are the current tools in stimulating economic regeneration? What are the larger issues in implementing this policy?

Exhibit 1

A selected list of federal programs to encourage private reinvestment in urban areas

		MAJOR REINVESTMENT COVERAGE/OBJECTIVE						
Agency	Program	Planning/ Technical assistance	Public facilities/ services	Property acquisition	Loan financing/ guarantees	Tax incentives	Other	Comments
Department of Housing & Urban Development	Community Development Block Grants	X	X	X	X		Redevelopment of commercial/industrial facilities	Consolidated many categorical programs
	Urban Development Action Grants	X	X	X	X			Emphasizes leverage of private funds and innovative reinvestment strategies
	Urban Reinvestment Task Force	X			X			Encourages Neighborhood Housing Services and Neighborhood Preservation Program
	Section 312				X			Has been used almost exclusively for residential purposes
Department of Commerce—Economic Development Administration	Title I		X	X				Authorizes grants for improving public facilities
	Title II Section 201		X	X				Similar to Title I but offers loans instead of grants
	Title II Section 202				X			Offers loans/guarantees for economic development activities; can be used to finance both fixed and working capital costs
	Title III Sections 301-302	X						Targeted for areas with special economic dislocation or long term deterioration.
	Title IX	X	X	X	X		X	Designed to provide a capability for economic development planning
	Office of Minority Business Enterprise (OMBE)	X						Works closely with SBA to make financing available to minority business
Small Business Administration	Small Business Loans (Section 502, 7a)	X			X			Assistance is direct under the 7(a) program, under 502, the SBA provides financing to local development companies (LDC)
	Economic Opportunity Loans (Sec. 7(i))	X			X			Provides financing to people with low income and/or who have been denied conventional financing
	Neighborhood Business Realization	X			X			Assists targeted commercial and industrial areas
Treasury	Section 167(k)					X		Allows accelerated depreciation for the rehabilitation of low and moderate income housing
	Section 2124					X		Allows accelerated depreciation for the rehabilitation of historic buildings or buildings in historic districts
Department of Labor	Comprehensive Employment and Training Act Amendments of 1978						Job training, employment	Has been used as an anti-recessionary measure to reduce unemployment and provide job training

The material that follows details the *beginnings* of efforts to provide programmatic initiatives in this sphere. At this writing, the emphasis must be on their very tentative and modest level. Nevertheless, they are important in themselves; more significantly, they carry the essential seeds of future growth and ultimate success.

Federal strategies

If the definition is made broad enough to include programs that offer indirect as well as direct stimulus to private investment, then it can be said that the federal government offers an array of reinvestment programs. They range all the way from such explicit measures as loan guarantees to programs that can improve the *climate* for private investment, such as job training and the upgrading of public facilities. The smorgasbord includes: Community Development Block Grants (CDBG); Urban Development Action Grants (UDAG); Urban Reinvestment Task Force; Comprehensive Employment and Training Act (CETA) grants, Economic Development Administration (EDA) grants, loans and technical assistance; Small Business Administration (SBA) loans and guarantees; tax incentives such as the 167(k) and 2124 provisions administered by the Treasury Department; special efforts to encourage minority enterprise, ranging from the Minority Enterprise Small Business Investment Corporation (MESBIC) to the Small Business Administration's (SBA) Economic Opportunity Loans; and a host of "protective" programs, including Law Enforcement Assistance Administration grants, and crime and fire insurance efforts.

The CDBG program consolidates scores of categorical housing and community development subsidies. While not focusing on economic revitalization, it can be used for a multitude of reinvestment activities, including planning and technical assistance and the acquisition of real property for economic development purposes.

UDAG is a child of CDBG with an emphasis on economic redevelopment. It is applied in financially and socially "distressed" communities and attempts to leverage private commitments of capital and state and local assistance.

The Urban Reinvestment Task Force is a joint effort by HUD, the Federal Home Loan Bank Board (FHLBB) and other financial regulatory agencies to encourage greater private lending in "gray" (declining but not devastated) neighborhoods. Inspired by a pioneer initiative in Pittsburgh, the Reinvestment Task Force has been responsible for stimulating Neighborhood Housing Service (NHS) and Neighborhood Preservation Programs (NPP) throughout the country. It is structured to integrate government, business and neighborhood groups. As yet more a pilot than a production program, it may show the way.

CETA encourages job training, surely a factor considered by private investors. As amended in 1978, Title II subsidizes institutional skill training, job service assistance and on-the-job training. Title VI provides public service jobs in high unemployment areas. Other titles assist the Job Corps program and the training of special target groups. Title VII finances the Private Sector Initiative Program—an attempt to forge a federal-private business partnership to provide job training.

The Economic Development Administration offers an array of measures to encourage reinvestment:

□ Title I grants are designed to improve or expand public facilities.

□ Title II, Section 201 loans have a similar objective.

□ Title II, Section 202 loans and guarantees can be used to finance economic development in designated areas. Assistance is available for loans, rental payments and the like.

□ Title III, Sections 301 and 302 offer technical assistance for economic development.

□ Title IX makes grants available to specially impacted localities (for example, those affected by the closing of a major steel mill or a coal mine) or to communities experiencing "long term economic deterioration."

The Small Business Administration offers many financial and technical assistance programs:

□ General direct loan or loan guarantee measures, such as the Section 502 and 7(a) programs.

□ Special assistance for low-income or minority recipients, such as Economic Opportunity Loans, Section 7(i).

□ Selected geographically targeted assistance, including the Neighborhoods Revitalization Effort.

□ Management assistance for small businesses (e.g., Section 406 program).

Exhibit 1 summarizes many of these measures. Some of the more critical subsidies are described in detail in *An Inventory of Public Policy Initiatives to Reshape Urban Economics* (#335, 40¢). Of this array, UDAG and EDA's Title IX, discussed below, are the two most significant programs, not on the basis of the dollars involved but because they have been expressly designed to help regenerate the economic life of ailing cities.

Urban Development Action Grants

The 1977 Housing and Community Development Act not only expanded the use of CDBG funds for economic development but also authorized Urban Development Action Grants (UDAGs), currently *the* major urban reinvestment program, giving "distressed" cities and urban counties money, over and above the normal formula distribution from CDBG funds, for the special purpose of stimulating private investment.

UDAG has as an explicit purpose the forming of new partnerships between the private and public sectors in ways that will magnify the impact of federal dollars. HUD claims that the program has been responsible for attracting approximately $2.7 billion in private commitments, or about six dollars for every dollar of UDAG aid.

In defining physical and economic "distress," HUD considers:

□ Age of housing (Over a third of the applicant's year-round housing units were constructed before 1940);

□ Per-capita income (The net increase in per-capita income for the period 1969–1974 was $1,424 or less);

□ Population lag/decline (For the period 1960–1975, the percentage rate of population growth was 15.52 or less);

□ Unemployment (The average yearly rate of unemployment for 1976 was 7.69 percent or greater);

□ Job lag/decline (The rate of growth in retail and manufacturing employment for the period 1967–1972 was 7.08 percent or less); and

□ Poverty (11.24 percent of persons within the applicant's jurisdiction are at or below the poverty level).

How many and which criteria are used varies by size and type of public jurisdiction.

UDAG can fund all activities allowed under CDBG, but HUD considers special factors in evaluating the merits of UDAG applications. Local need (the degree of physical and economic distress of the applicant) and track record (the demonstrated performance in implementing housing and community development programs) are reviewed. Considerable attention is also paid to the proposal's ability to stimulate private reinvestment, its impact on revitalizing the local economic base or reclaiming neighborhoods with excessive abandonment, and its effect on low- and moderate-income minority families.

The UDAG program has $400 million to spend annually through 1980. As of October 1978, a total of some $450 million in UDAG grants had been committed. Some examples include: $2.5 million to Bridgeport, Connecticut to as-

sist the revitalization of its waterfront; $4.7 million to Los Angeles for the development of a manufacturing complex; $13.8 million to Oakland for the construction of a civic center, hotel and mall in the downtown area; and $4.2 million to Akron for housing construction.

EDA: Title IX assistance

Title IX was originally enacted in 1974 to help communities adjust to sudden major economic contractions, e.g., a defense plant closing. Its purview was expanded in 1976 to include areas with "long-term economic deterioration," in order to make the program more suitable for *urban* economic development. As a 1978 publication of the National League of Cities expressed it:

The major impetus behind this addition was the view of city officials, expressed through the National League of Cities and other organizations, that Title IX was uniquely suited to the urban situation where the multi-dimensional nature of local economies and their attendant problems require more flexibility than that afforded by EDA's traditional program tools (planning, technical assistance, public works, and business loans and guarantees).

EDA evaluates the extent of "long term economic deterioration" by looking at trends in per-capita employment, level of tax delinquency, number of vacant properties, extent of physical and public-service deterioration, level of new construction, change in real estate values and other factors.

Title IX grants can be used for both formulating economic adjustment plans and carrying out these strategies. The range of eligible activities is very broad—from improvement of public facilities and services to the payment of rent supplements and mortgages. For example, New York City got $3.5 million to help merchants reestablish their businesses and demolish severely damaged buildings after the July 1977 blackout.

Title IX funding for fiscal year 1979 is roughly $89 million. Of this amount, about half is for the economic dislocation component of the program and the remainder is for "long term economic deterioration" assistance.

Despite the fact that the proposal got the cold shoulder in the last session of Congress, the Administration has not given up on the concept of a national development bank aimed at spurring economic activity in lagging communities. One version that has been considered would expand UDAG and Title IX funds and funnel the monies for both these programs entirely through this bank.

Current federal programs: how well do they work?

Why do old firms in central cities wither or leave? Why do new firms shy away from locating in the heart of our urban areas? The reasons are many. The U.S. Conference of Mayors recently listed some of them: physical plant considerations (for example, inability to expand) . . . transportation difficulties . . . labor costs and problems . . . executive preference . . . regulatory requirements (such as EPA air standards for urban locations) . . . energy costs . . . industry patterns . . . fear of crime . . . a declining consumer market . . . capital shortages . . . insurance restrictions.

How does the federal armory of aid stack up against these formidable barriers that stand in the way of significant levels of reinvestment?

— Is there a match between the *scope* of the programs and the scope of the problems?

— Is there a match between the *scale* of the problems and the program dollars allocated?

— Is there a "fit" among the programs themselves?

Combining programs

While the federal reinvestment programs have been discussed individually, it is important to realize that local communities can "leverage" federal subsidies by combining programs. CDBG monies can fund the local share of Title I or 301-302 assistance. Title I and CETA funds can be combined to accomplish the dual goals of improving public services and providing job training. Cities can combine CDBG and UDAG monies to enhance economic development. CDBG can be added to EDA assistance to help finance industrial parks. CDBG funds can help supply CETA-paid service workers. Further combinations are bound only by the imagination of skilled grantsmanship.

Program scope

The most important general observation to be made about the scope of federal programs is that they are only now beginning to offer *direct* incentives and aid to businesses to encourage them to move into a city or expand existing operations. Most programs are still geared to kinds of help that, though valuable, have only indirect impact on such decisions.

HUD's programs provide examples. CDBG assists redevelopment and associated activities, improves water, sewer and other public infrastructure, pays for open space and neighborhood facilities, and subsidizes rehabilitation. The Urban Reinvestment Task Force encourages urban mortgage lending. HUD's Section 312 program, while it can be used for nonresidential financing, is predominantly a residential rehabilitation loan program.

Much of EDA's assistance has similar general environmental improvement characteristics. Title I; Title II, Section 201; and Title III, Sections 301 and 302 emphasize general upgrading of public service and technical assistance and planning. Title II, Section 202 is a more potent business reinvestment measure, but urban governments have in the past sometimes encountered problems in taking advantage of this program and other EDA assistance. The designation process that precedes some EDA funding has sometimes been a problem for central cities. These difficulties are being resolved and EDA is becoming a much more urban-oriented agency, but the fact remains that EDA still offers only a limited range of direct, potent business revitalization programs.

Federal tax policy isn't of very much help, either. Section 167(k) of the Federal Revenue Code, which allows accelerated depreciation for the rehabilitation of low- and moderate-income housing, and Section 2124 of the Tax Reform Act of 1976, which does the same for historic properties, are applied mainly in cities, but their accent is on residential renovation. There are no distinct federal tax incentives for *nonresidential* urban investment. In fact, existing policy actually favors business growth in suburbs and exurbia by allowing faster depreciation on construction of new factories as opposed to the renovation of existing facilities.

SBA loans and guarantees are potent investment incentives, but until recently SBA programs (see, for example, Section 502 in Exhibit 1) have benefited primarily small towns. Today SBA has a more potent urban impact but, as will be discussed, the fact that most of its loans/guarantees are also available to suburbs diminishes any unique incentive offered by SBA to urban investment.

To some extent, the gaps in the federal reinvestment arsenal are plugged by state and local urban development programs. The Pennsylvania Industrial Development Authority and the Massachusetts Government Land Bank offer long-term capital financing, for example. California's Regional Job Creation Corporation provides loan guarantees. Several states and local governments offer tax abatement/deduction provisions. (See Exhibit 2 for more on state and local reinvestment programs.)

While the current crop of federal reinvestment incentive programs have a limited purview, one must take into account that the federal government has only recently seriously turned to urban economic redevelopment. And the limitations of existing programs are not immutable. Changes in Title IX since it was authorized in 1974 are revealing. Its urban potential was broadened in 1976, and proposed and adopted guidelines would make Title IX not only more flexible (assistance could be used to fund revolving loan funds, employee stock ownership trusts, equity funding, corporations, etc.) but more spatially sensitive (i.e., assistance could flow to "pockets of deterioration").

Resource limitations

Resources for the federal reinvestment effort are limited in three senses: dollars, focus and local priority.

In absolute dollars, the programs have limited funding, especially in light of the need. UDAG's $400 million a year and Title IX's $89 million a year don't amount to much when they are spread among the eligible cities. And these amounts are really small when compared to the multibillion-dollar allocations for CDBG and CETA. EDA assistance to urban areas, for instance, has so far been peanuts. In 1976, Chicago got $312,000 from EDA, $43 million in CDBG assistance and $80 million in CETA funding. UDAG alone doles out more dollars than all of the EDA urban programs.

Federal reinvestment strategies generally lack an exclusively urban focus. When federal reinvestment benefits, whether loan, credit guarantee or technical assistance, are equally available to urban and nonurban areas, the chances of their benefiting cities are sharply diminished, since the overall investment climate is usually more favorable outside the city. SBA financial assistance is one such example. This agency surely offers attractive financing to small businesses, but with few exceptions there is no sole or primarily urban focus; the same credit is available outside of cities.

Compounding these shortcomings is the low priority many cities have themselves given to using federal grant monies for reinvestment purposes. Despite the fact that CDBG has considerable potential for encouraging economic regeneration, only about 10 percent of the block grants have been used for economic development activities. CETA can fund job training, essential for keeping or attracting new businesses. But in reality CETA has been largely used by localities as a means to retain existing public service workers. In a sense, we are asking drowning municipalities to consider long-run investment to bootstrap their business environment, when fiscal survival is the all-too-immediate challenge.

Conflicting or multiple goals

One of the lessons of the housing programs of the late 1960s was the danger of attempting to achieve multiple goals. For instance, housing rehabilitation was deemed an excellent vehicle not only to provide shelter but also to train inner-city residents in construction skills. The reality was different. Attempting to renovate while using nonskilled workers sometimes turned out to be a disservice both to the rehabilitation goals and to the trainees. The cost overruns of the Boston Urban Renewal Program and other large-scale rehabilitation programs that involved extensive training components attest to the difficulties of combining goals.

In spite of this experience of the recent past, some urban reinvestment programs have been weighted with multiple and sometimes conflicting goals. For example, UDAG emphasizes both financial leverage and benefit to low- and moderate-income residents. Are the two always compatible? Private lenders may be willing to extend credit on projects that benefit middle- and upper-income urban families but not on those aimed at the poor.

Exhibit 2

State and local programs to stimulate private reinvestment in urban areas

Strategy	Description	Jurisdictions offering program
Tax increment financing	Revenue for redevelopment is raised by offering bonds backed by the increased tax revenue generated by the rising property assessments in the redevelopment area.	First allowed in California in 1952, tax increment financing is used in about a dozen states.
Tax incentives	Residential and nonresidential developers are given tax abatements or other tax benefits.	Missouri, New York and other states.
Long-term capital financing	Long-term loans/mortgages are offered to encourage economic redevelopment.	Pennsylvania, Illinois, West Virginia, New York, Massachusetts, and other states.
Short-medium term financing	Loan guarantees, secondary marketing of loans, and other strategies are used to expand credit availability.	California, Pennsylvania, Illinois, and other states.
Industrial revenue bonds	Bonds are issued to provide below market cost credit.	Most states.
Other strategies	Land banking, speculative building, job-training programs, leaseback programs, land write-downs, creation of business development corporations. State expansion of local development authority.	

Another economic reality that government must come to terms with is the question of what really constitutes a financial benefit. UDAG and other programs nominally require investment proposals that will improve a city's fiscal condition. In order to be competitive however, localities often mortgage their tax-revenue future by abating or refunding taxes to woo investors. In short, the gain to the community is often the forestalling of a loss (e.g., a plant closing) rather than the realizing of an actual absolute benefit in terms of tax revenues or employment growth.

Commitment or placebo?

One positive residue of the urban riots of the sixties was a surge of development of manufacturing facilities to produce inner-city jobs. But the indignation and concern that spurred this economic activity abated, and the momentum was lost. Since then, the federal government's initiatives to promote private reinvestment in central cities have been limited in scale. Certainly, the new proposed tax benefits for reuse of older commercial/industrial facilities can help reweight the scales. But the most that can be said for the federal government's present array of public-private investment strategies is that it provides a foundation upon which to build. True economic stabilization and regeneration of our urban centers awaits a national consensus about the future of the American city.

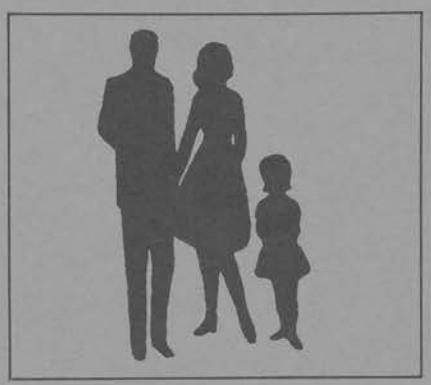
Are we really committed—either to the central city as place or to the people who require greater economic opportunities within them? Or are we still at the placebo stage, providing distractions while the main business of society and the economy take place elsewhere?

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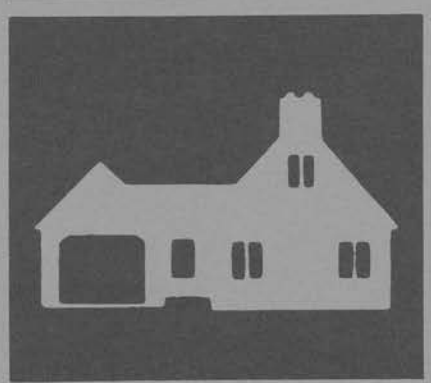
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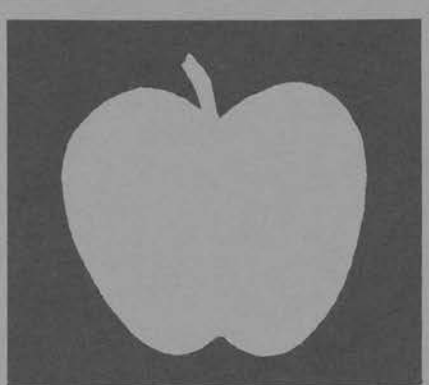
Minneapolis
City in Transition



Population



Housing



Education



Property Tax

Prepared by
League of Women Voters of Minneapolis

POPULATION

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March 1979

General Introduction

The League of Women Voters of Minneapolis is proud to present to its members and the broader community its study for 1978-79, **Minneapolis City in Transition.**

Minneapolis: City in Transition looks at four areas of challenge which loom large as the city prepares to move into the '80's: population, housing, the property tax, and education. The first report in the series deals with the people who live in Minneapolis, their age, their income level, their jobs. It also describes their communities and details demographic policies affecting their decision on where to live. The second part of the study talks about the housing available to Minneapolis residents. It takes a detailed look at current housing policies and examines how well they are meeting the needs of the population. Following the report on housing is a report on a broad range of issues confronting the city's schools, from declining enrollment and school closings, to competency testing and classroom discipline. The report looks at alternative styles of education available to Minneapolis students as well as the services offered in the public schools.

Culminating the study is an examination of the property tax. It answers such questions as: Who pays property tax in Minneapolis — and who does not? What services do residents receive? How does Minneapolis compare with other communities in the matter of property tax?

The ways in which both citizens and government meet these challenges will have a profound effect upon Minneapolis in the next decade and beyond. The members of the League of Women Voters confidently expect that this study, combining as it does so many factors making up the texture of life in the city, will enable the League to take positions giving it a strong voice in the myriad decisions various agencies of government will make in determining the city's future.

Population

Introduction

Who lives in Minneapolis? How is the makeup of the population changing? Is there reason for residents to be concerned for the future — or heartened? Can and should the nature of the changes be influenced? These are basic issues confronting both local and metropolitan levels of government.

Part I of **Minneapolis: City in Transition** deals with the people of Minneapolis — their numbers, age, family size, income, and employment. It attempts to describe the public school population and to profile the city's eleven communities (Figure 7, page 12). To show demographic trends the study uses past census data, current statistics, and estimates for the future. It also includes some comparative suburban and metropolitan figures to highlight the Minneapolis picture.

Concerned Minneapolis residents, reflecting upon the conditions necessary to assure the vitality of their city, may consider several key points:

* The major factors influencing people to live in Minneapolis.
* Current and proposed policies affecting the population base;
* The persons — singly or collectively — who make policies that determine the demographics of the city.

The LWV Mpls addresses these issues. The study includes a listing of some of the public and private agencies whose decisions affect Minneapolis as a place to live. It also includes a brief description of the effect of the Metropolitan Council's Development Guides and Development Framework on local decisions, the process the city is using to develop a new comprehensive plan, and local policies on the future of the city as Mayor Hofstede expressed them in his 1979 budget message.

WHO LIVES IN THE CITY?

Minneapolis Population Trends and Forecasts

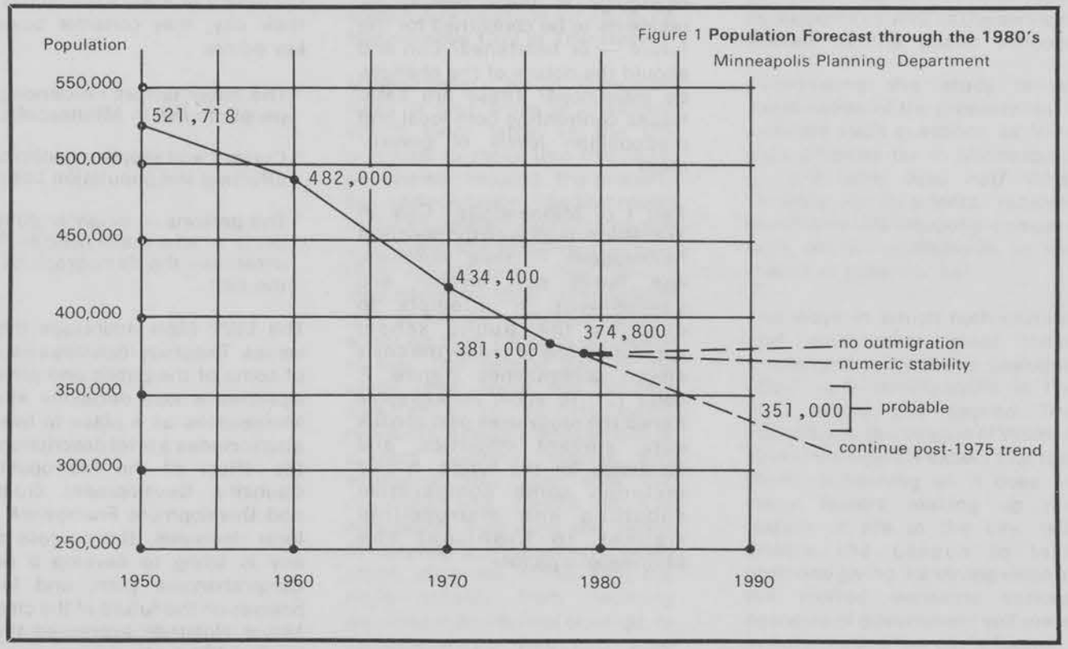


Figure 1 **Population Forecast through the 1980's**
Minneapolis Planning Department

Numbers

Minneapolis shares the problem of declining population with many core cities across the nation. In estimating the 1978 population at 374,800, the City Planning Department points out that Minneapolis has lost more than 150,000 residents since 1950, a drop of over 25%. The Metropolitan Council's estimated figure for 1978 is even lower — 370,210. The last official census in 1970 showed a population of 434,000.

In the early part of the decade the city lost approximately 10,000 persons per year, although since 1975 the rate has decreased to from 2,000 to 3,000 annually. Figure 1, page 4, illustrates that situation and three possibilities for the future.

Why the decline? There are many reasons. Some have to do with governmental decisions made long ago. For example, in an effort to solve the post-World War II housing shortage, the federal government, through the FHA, made it easy for people to obtain low interest mortgages on newly constructed houses which were, of course, built in vast numbers on open land outside the cities. The federal highway program, undertaken some years later, not only made it easy for this growth to expand in ever wider circles but it cut huge swaths through existing residential areas within the cities.

Some reasons have to do with the general state of the nation, such as a decreasing birth rate and an increasing divorce rate, which combine to produce smaller households.

Some have to do with the nature of the city itself. It is a magnet for young adults from smaller communities throughout the Upper Midwest. However, many of these young people seek greener pastures elsewhere when they marry and raise their families.

Where are the people going? The population of the seven county metropolitan area (Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington Counties) has increased by 6.2% since 1970. However, Hennepin and Ramsey Counties, which contain the core cities and the older suburbs, have experienced a decline of 2.2%. This indicates a general trend toward the outlying counties, which anticipate dramatic population growth in the rest of the century.

Because the exodus from the core cities has been moving increasingly farther out, the need is arising to redefine the metro area. For federal Census Bureau purposes, it now consists of ten counties, including Wright and Chisago plus St. Croix County in Wisconsin.

What is the result? Various government agencies view these population statistics with alarm; therefore, a major goal of the city has become to stabilize the population. If past trends continue, the city could expect a disproportionate number of young adult, single, elderly, and/or low-income residents, all struggling to meet the needs of a more dependent population.

Further, the city relies increasingly on federal and state aids rather than on local property taxes to finance necessary services. Many of these aids are distributed on a per capita basis.

Is there a solution? If outmigration of young adults in their family raising years can be curbed, the city population could approach stability. City and Metropolitan Council estimates range from 351,000 to 375,000 residents in 1990, depending upon whether or not this can indeed be accomplished.

	1970		1980		1990	
Pre-School (0-4)	32,294	7.4%	23,610	6.4%	25,067	7.1%
School age (5-19)	103,567	23.8%	74,921	20.1%	61,437	17.4%
Young Adult (20-29)	87,134	20.1%	87,298	23.5%	73,626	20.9%
Adult (30-49)	78,082	18.0%	75,187	20.2%	89,838	25.6%
Middle age (50-64)	68,062	15.7%	51,884	14.0%	42,161	12.0%
Senior (65-)	65,261	15.0%	58,638	15.9%	59,409	16.9%
Totals	434,400		371,538		351,538	

Figure 2. Same source as Figure 1.

Minneapolis Age Group Forecasts

Age Ranges

Of special interest is the change in the composition of the Minneapolis population. The age groupings continue to fluctuate due to many variables including birth rate, migration patterns and the general aging of the populace. Predictions indicate a significant drop in numbers of school age children and an increase in the adult age groups. (See Figure 2.)

In 1970, the metro area as a whole had a greater percentage of persons in all age categories under 30 years. Although the entire area is experiencing the declining birth rate and resultant aging of the population, this relationship of more younger persons in the suburbs is expected to continue into 1990.

Racial Composition

Dramatic increases have occurred in the numbers of minority residents in Minneapolis. The non-white population tripled between 1950-70 when the census reported 27,986 persons. According to the Minneapolis Planning Department, the 1978 minority population is estimated at 40,000 persons, representing 10.7% of the population, a 43% increase from 1970. While figures are not available, the increases are considered to be due both to births and net inmigration.

Household Size

Although the years 1950-1977 saw a steady reduction in the number of residents, the number of housing units increased slightly. Average household size decreased from 3.15 persons to 2.27 in that same period of time. This, again, is due partly to the migration of families from the city, the influx of young adults, an increase in the percentages of senior citizens and "empty nest" couples, and the nationwide trend to smaller families.

Some of these factors, especially declining birth rate, carry over to the entire metro area, where the household size has decreased from 3.5 to 2.88 persons between 1950-1976.

Income

Inflation has increased incomes in Minneapolis over the past 20 years, but the city's relative ranking with the area as a whole has declined. In 1960 the median family income was 94% of the metro area average, but by 1970 the rate was 85%, where it remained as of 1976.

Those parts of the city where incomes were high in 1960 generally remain above the city median today, whereas areas with the lowest incomes in the past are in an even worse position now. As extreme examples, between 1960 and 1975 the Southwest Community more than doubled its median family income from $8,000 to $16,800. However, the Central Community income in 1975 was only $8,400, a few hundred dollars more than the Southwest income for 1960. This represented only 61% of the median income of $13,800 for the entire city.

The percentage of people owning homes can be an indicator of income stability. Percentages have not changed a great deal since 1960 when 52% of the city's residents owned their own homes. The rate dropped to 47% in 1970 and is showing an upward trend to 49% in 1978.

Public Assistance

In 1976 Minneapolis reported 23,965 public assistance cases or 62% of the entire Hennepin County caseload. This includes General Assistance, Medical Assistance, Minnesota Supplemental Aid and Aid to Families with Dependent Children (AFDC). The caseload had remained steady for three years in spite of the declining population, indicating that the dependent population experienced disproportional growth. This increase was due to a number of factors: the outmigration of middle and upper income families; an increase in divorces, which reduces household income; and an increase in the number of other households having lower income potential.

In 1977, however, the number of public assistance cases was 20,840, reflecting a 13% decline from 1976. The Minneapolis proportion of the Hennepin County caseload dropped to 59%. The Welfare Department considers this to be due partly to a movement of some recipients to the suburbs.

WHO ATTENDS MINNEAPOLIS SCHOOLS?

Enrollment

Changes taking place in the schools reflect the transformation in the general population. Minneapolis Public Schools K-12 enrollment for 1978-79 is 43,923, a 34.5% decrease since 1970. School officials predict a further loss of 18.6% by 1982-83. Two primary factors determine these statistics:

1) a lower birth rate since the peak year of 1958, which produced a high total enrollment of 72,087 in 1963. The elementary school decline thus began in 1964. This trend continued with an even sharper decline in the number of births from 1971-73, after which the birth rate stabilized. The kindergartens should experience the full effects of the low birth rate by 1979. Since students born in the peak year of 1958 graduated from high school in 1976, a corresponding decline in high school enrollment should occur until 1992.

2) the migration of families with school age children to the developing and outlying areas.

Minneapolis shares the problem of declining enrollment with older suburbs such as Edina and Fridley and with the non-public schools. Figure 3 points out the severity of the situation.

Racial Composition

Minority student population has increased significantly in this decade. Total numbers increased 39% from 1971-78. When combined with the decrease in non-minority students, the proportion has doubled from 13.2 to 26.1% of the student body. Using Edina and Fridley for comparison, data show increased minority school population in those districts also, but to the insignificant level of approximately two percent of the current student population.

Income

The number of students receiving AFDC is one indicator of the income level of pupil families. In 1977, 27.4% of all Minneapolis Public School students were from AFDC families, including 32.7% of the elementary school children. This percentage has increased slightly each year.

Numerical comparisons with previous years and with suburban districts are not possible because of the lack of uniformity in computing statistics.

Twenty-eight percent of pupils in Minneapolis Public Schools live in female-headed households, a greater proportion than the state or national average. Single parent families traditionally have lower incomes than two parent households.

K-12 ENROLLMENT TRENDS

	Minneapolis[1] Public	Minneapolis[1] Nonpublic	Edina[2] Public	Fridley[2] Public
1963-64	72,087	23,608	*	*
1970-71	67,054	14,641	11,072	5,618
1978-79	43,923	9,744	8,249	4,212
1982-83	35,741	*	6,500	3,290

[1] includes nonresident pupils

[2] district boundaries smaller than municipality

* figures not available

Figure 3. Compiled by the LWV Mpls., using data from the school systems cited.

WHAT ARE THE EMPLOYMENT TRENDS?

Some economic factors that accompanied the decline in Minneapolis population in the last 25 years merit attention. With the growth of the metro area, the city has experienced changes in its economic base, losing businesses, jobs, and taxes to the surrounding communities.

Jobs-Work Force

The "work force" consists of the number of people employed in the city and is based on the location of the jobs, not on the place of residence of the job-holders. The total work force in Minneapolis rose until 1970 and since has been declining; however, the city's share of metro area employees dropped from 55% in 1955 to 38% in 1970 to less than 30% in 1977. This indicates that the number of Minneapolis jobs continued to increase until 1970, but at a slower rate than in the outlying areas. (See Figure 4.)

The number of jobs in the "white collar" classifications has steadily increased, althugh the city's percentage of all metropolitan jobs has decreased in every category.

MINNEAPOLIS WORK FORCE

	1960	% of 9 county metro area	1970	% of 9 county metro area	1977	% of 9 county metro area
Population	482,000	*	434,400	22.5	370,210	18.1
Total Employment	274,500	*	298,400	36.9	276,724	29.8
Manufacturing	68,000	*	59,800	28.1	52,461	23.8
Construction	12,700	*	10,800	27.0	6,827	18.7
Transportation, Utilities and Communication	24,000	*	23,200	41.0	14,665	28.6
Trade	74,700	*	77,800	39.7	69,766	28.9
Finance, Insurance and Real Estate	21,900	*	28,100	58.4	28,692	47.2
Services and Misc.	44,500	*	59,000	41.5	64,197	35.1
Government	28,800	*	39,600	35.0	40,114	29.6

*not available

Figure 4: Data from the **Economic Profile** Minneapolis Planning Department, July, 1978
Covered Employment by Industry, 1977 Average,
Minnesota Department of Economic Security

Business Migration

Outmigration of business and industry reached its peak in 1967. Industrial relocation totaled 248 firms in the 1960's, 79% of which remained in Hennepin County. Half of the businesses were in manufacturing. Firms moving to the suburbs cited some of the advantages: room for expansion, lower cost of land and building, ease of commuting, and better civic-industrial climate.

Although Minneapolis continues to have a net loss in employment opportunities, new jobs are being created in the city by new and expanding industry. Between 1972 and 1975, 1,617 new positions became available in manufacturing, warehousing, and research and development. This accounts for 15.6% of the metropolitan area total of new jobs in these categories, as compared to 29.8% as the city's share of the area's total employment.

While there is reason for concern about loss of jobs, the city cannot be compared with other major cities whose economic situations are bleak. Minneapolis has a low rate of unemployment and a strong, growing central business district.

Further, Minneapolis and the greater metropolitan area serve as the regional economic center for the entire Upper Midwest. In 1976, 31 of the largest corporations in the Ninth Federal Reserve District were located within the city. (The Ninth District comprises Minnesota, the Dakotas, and parts of Montana, Wisconsin and Michigan.)

Workers-Labor Force

The "labor force" means the number of workers living in the city no matter where their jobs are located. This number has remained quite stable from 1970-77, although the total population has declined. This suggests that a greater percentage of residents are now in the labor force, including more single persons and women. In 1970, 73% of employed Minneapolis residents worked in the city, with approximately half the jobs in the city being held by local residents.

Since the 1970 census, the data show an increase in the proportion of jobs held by professional-technical workers, a decrease in the percentage of operatives, and relative stability in the other categories. (See Figure 5.)

1975 OCCUPATIONAL DISTRIBUTION OF EMPLOYED MINNEAPOLIS RESIDENTS

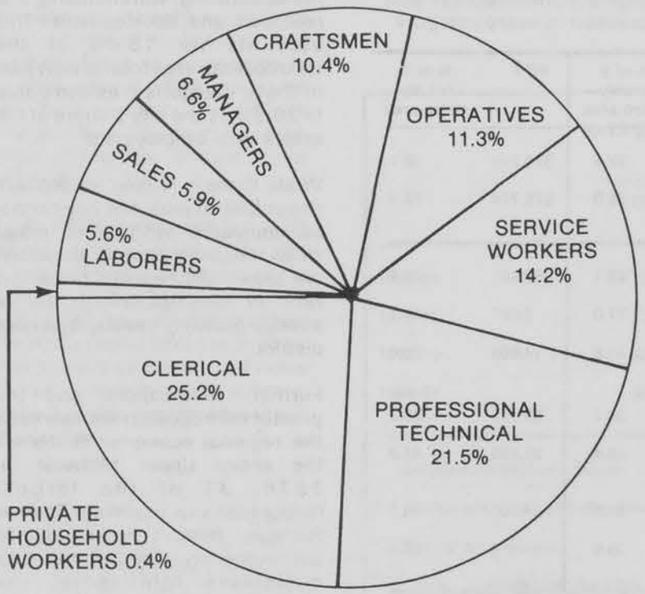


Figure 5. Minneapolis Planning Department

State of the City - 1977, Volume I Minneapolis Planning Department, July, 1977

Unemployment

Not all of the Minneapolis labor force is employed. The peak unemployment rate of this decade occurred in the first quarter of 1976. The city's rate of unemployment is generally higher than the metropolitan rate, but lower than that of the nation. The last available unemployment figures posted by the Minnesota Department of Employment Services are:

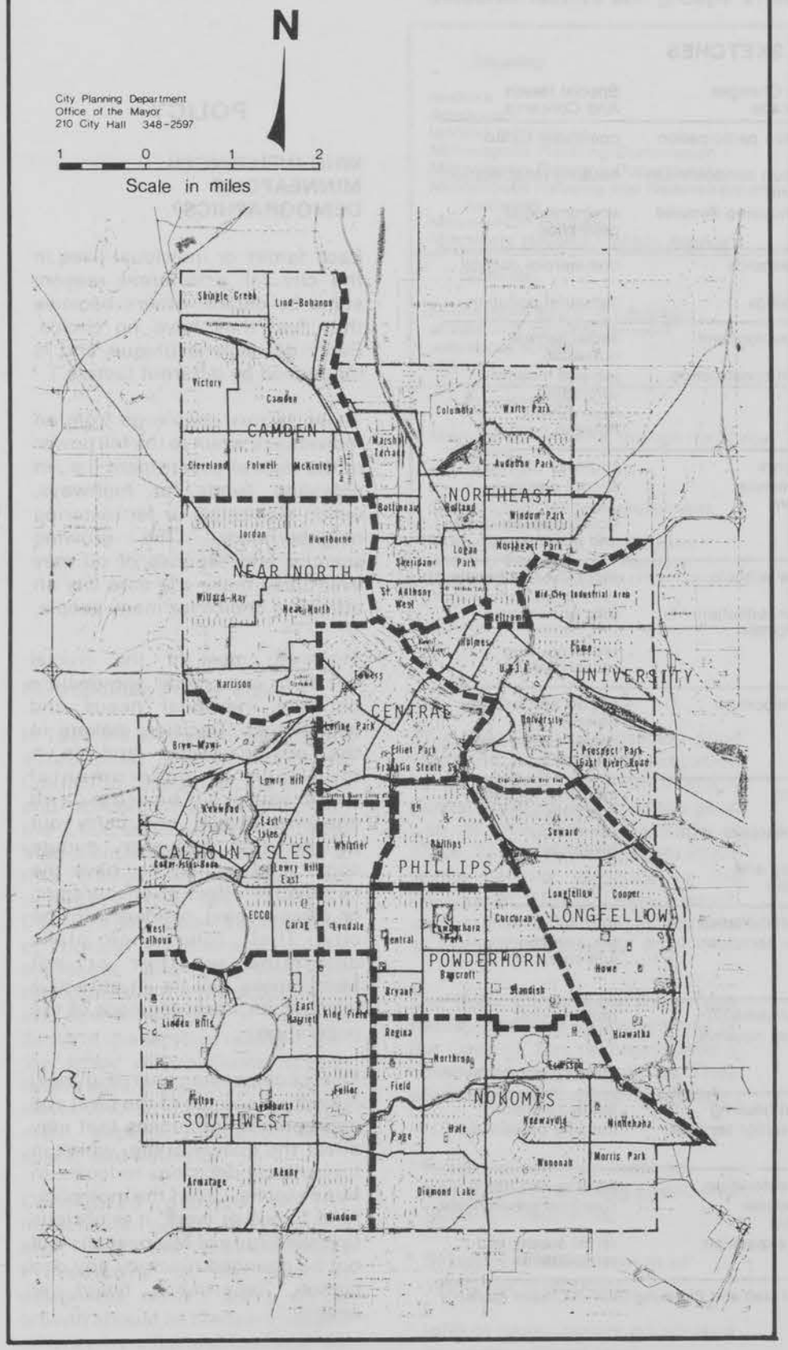
October, 1978	
Minneapolis	**3.4%**
Hennepin County	**2.8%**
9 County Metro Area	**2.6%**
U.S.	**5.4%**

Even though the Twin Cities area unemployment rate is low, there is still hard-core structural unemployment. According to the Minneapolis **Star** of October 31, 1978, this occurs when "the number of job vacancies exceeds the number of unemployed. It suggests poor job distribution, failure of job training efforts and, perhaps, discrimination."

A disproportionately high rate of unemployment affects younger workers (to age 24) and minorities, relative to their proportions in the population.

Minneapolis Communities (Planning Districts) and Neighborhoods

Figure 6



PROFILES

HOW IS EACH AREA UNIQUE?

No study of Minneapolis' population would be complete without a description of the city's communities. In 1958, the Planning Commission delineated ten communities (or Planning Districts), which later served as the basis for the Planning District Citizen Advisory Committees formed to advise the City Council on the distribution of federal block grant funds. The Phillips Community, formerly a neighborhood within the Powderhorn Community, was added in 1978.

Information on these communities comes from Planning District Citizen Advisory Committee documents and Planning Department staff and reports. The chart accompanying this section describes briefly the strengths of each community, the changes each has experienced, and its current needs.

As the chart illustrates, (Fig. 7, p. 12); a recurrent theme expressed is housing, the subject of the next report in the series, Rehabilitation, costs, and availability of housing concern residents throughout the city. The focus of that concern changes from one community to the next, ranging from family retention to displacement of low income residents by renewal and rehabilitation; from senior citizen alternatives to tightening zoning and density ordinances. Each Community is unique yet shares these common concerns.

While these sketches show contrasts and similarities throughout the city, they are by no means all-inclusive.

COMMUNITY SKETCHES

Community	Features	Significant Changes In Past Decade	Special Needs And Concerns
Calhoun-Isles	highest housing values	strong citizen participation	commuter traffic
	three major lakes	Lake Calhoun condominium development	housing rehabilitation
	high education level	increased housing demand	environmental protection
Camden	highest % living in families	freeway clearance	commercial decline
	low vacancy rate	school closings	industrial pollution
Central	downtown amenities	Loring redevelopment	social service outreach
	largest population of single people	major office construction	job and income upgrading
	diversified lifestyles		high density housing need
Longfellow	urban renewal	industrial park	Highway 55 design
	Mississippi River	large commercial development	school closings
	Minnehaha Falls		housing rehabilitation and maintenance
Near North	integrated population	several new schools	more low cost housing
	family rental units	housing rehabilitation and construction	jobs and income
	largest family size		rental housing rehabilitation
Nokomis	single family homes	park redevelopment	airport and freeway noise
	lowest turnover rate of population		senior citizen housing options
Northeast	family and neighborhood ties	new industry	industrial location and pollution
	large industrial and utility land use	highway clearance	commercial revitalization
		new housing and rehabilitation	
Phillips	central location	housing rehabilitation	jobs and training
	Native American concentration	community participation	housing condition and cost
	many social services		
Powderhorn	large family homes	housing rehabilitation	housing cost
	neighborhood identity	new resident housing demand	jobs
			housing rehabilitation
Southwest	highest income	more rental housing	family retention
	large, sound houses	increased senior services	housing preservation
	lake and creek		
University	Mississippi River	riverfront restoration	parking and traffic
	hospitals and colleges	Cedar-Riverside development	riverfront preservation
	large numbers not living in families	University expansion	rental supply and rehabilitation

Figure 8 Data from the Planning Department staff and Planning District Citizen Advisory Committee documents.

POLICY

WHO INFLUENCES MINNEAPOLIS DEMOGRAPHICS?

Each family or individual lives in the city for a different reason; some by choice, others because they feel they have no choice. Every decision is unique and is influenced by different factors.

These factors can range from an individual's whim to the full power of the federal government (i.e., in providing funds for highways, which dislocates, or for restoring neighborhoods). The growing scarcity and expense of oil may eventually make the core city an attractive choice for many people.

However, most of the crucial decisions are made somewhere between individual needs and preferences. Decision makers in the private sector and in a multitude of governmental departments, boards, and agencies design and carry out policies that, however minute some if them may be, have the cumulative effect of encouraging or discouraging residency in the city. Their long-range plans determine whether or not Minneapolis will be an attractive location for each segment of the population.

The accompanying chart (Figure 7) provides a sample of the local and metropolitan influences that may affect the quality of life, which in turn affects decisions to locate in Minneapolis. Given the multiplicity of forces at work, it is obvious that the future of Minneapolis will not be changed much by any one person, department, board, or agency.

Selected factors and groups affecting Minneapolis demographics

Housing

realtors
developers
lending institutions
Minneapolis Planning Commission
Minneapolis Planning Department
Minneapolis Housing and Redevelopment Authority
Metropolitan Council
Minnesota Housing Finance Agency

Schools

Minneapolis Board of Education
private and parochial schools
vocational schools
colleges

Property Tax

Mayor of Minneapolis, through his Budget Office
City Council
City Coordinator
Capital Long-Range Improvements Committee
Minneapolis Board of Education
Board of Estimate and Taxation
Hennepin County Board of Commissioners
Minnesota Legislature

Services-public

Minneapolis Public Works Department
Minneapolis Police Department
Minneapolis Fire Department
Minneapolis Health Department
Minneapolis Park Board
Minneapolis Library Board
Hennepin County Court Services
Hennepin County Social Services
Metropolitan Transit Commission

Service-private

United Way agencies
religious groups
child care facilities
neighborhood associations
health care providers
youth organizations
senior citizen organizations
entertainment and cultural groups
businesses
employment

Figure 7

Metropolitan Policy Making

In 1967 the Minnesota Legislature established the Metropolitan Council to help guide the orderly and economical development of the 3,000 square mile Twin Cities Metropolitan area. In response to this charge, the Council has prepared the Metropolitan Development Guide, a compilation of policy statements, goals, standards, and programs that encompasses the physical, social, and economic needs of the area. Some of the services falling within the scope of the Guide include health care, transportation, waste water and solid waste management, airports, recreation, open space, and housing.

Controlled growth in the metropolitan area is the Council's aim, and the **Development Framework** is the key. It designates certain areas where growth should be discouraged and others where it should be fostered.

The idea is to preserve good farmland, to prevent the extension of sewer lines and other costly public facilities, and to make good use of the facilities already in place. To this end, the Guide offers some policies directed to the Developed Urban Area, which consists of 14 suburbs in addition to Minneapolis and St. Paul.

The **Fully Developed Area Task Force,** a special subcommittee of the Council, has recommended a number of specific policies. They are listed in **A New Urban Policy:**

* Preservation, maintenance and reuse of existing public and private investment;
* Selective redevelopment of worn-out structures;
* Infill of development on unused or under-utilized land;
* Controlled expansion of the Metropolitan Urban Service Area;
* Equitable sharing of responsibility for public costs of preservation, maintenance, reuse, and redevelopment
* Continuous utilization and improvement of existing construction, supplemented by new construction.

In response to these recommendations, the Council has asked the Minnesota Legislature to create a Metropolitan Reinvestment Fund to attract private investment in and redevelopment of the region's older areas. In addition, it is Council policy to attract middle-income persons into these areas and to foster a balanced population throughout the metropolitan area.

Comprehensive Planning in Minneapolis

The 1976 State Legislature passed the Metropolitan Land Planning Act, which requires all municipalities in the metro area to prepare and adopt comprehensive plans, consistent with regional plans, developed by the Metropolitan Council. The Act also expands the Council's review responsibilities to include approval of those aspects of local plans that relate to metropolitan systems. The intent is to reduce duplication of services and coordinate growth.

Since 1977 the City of Minneapolis has been in the process of developing a new Comprehensive City Plan. The Minneapolis Planning Department staff and the Planning District Citizen Advisory Committees have been discussing issues and forming plans for the future of the city and its individual communities. Throughout the past year, there have been public meetings in each community to seek resident comments on all components of the new plan. Its sections deal with population, housing, public facilities, transportation, fiscal and economic matters, the environment, parks and open space, water and waste management, and land use.

When the Planning Department has completed drafts of the new plan, the Planning Commission will hold public hearings before it adopts the plan in the summer of 1979. Then the plan will be exchanged with other municipalities and units of government within the metro area and will be submitted to the Metropolitan Council for review and coordination. When those steps are completed, it will be the responsibility of the City Council to adopt the plan for the city.

Local Policy

In his Budget Message for 1979, Mayor Albert Hofstede stated his concerns and proposals for the city. "My budget directly confronts the major problems facing our city today: declining population, a tax base that is growing more slowly than the cost of city services, property tax disparities, and the special needs of our city's diverse population."

In addressing these problems, the Mayor's priorities are:

1) Reducing the cost of Minneapolis government

2) Making affordable housing available

3) Promoting economic development

4) Maintaining basic municipal services

One of the Mayor's goals is to maintain the city's current population level. He and the Planning Department believe this can best be accomplished by making the city an attractive place in which large numbers of young adult residents will remain as they form families. He says, "We can do it if we offer the incentives of housing, neighborhood, and educational quality desired by families. This is our primary challenge of the 80's."

City planners emphasize that it is crucial for the economic and social stability of the city that this group of young adults continues to live in the city. After 1980, the national pool of people in this age range will drop sharply because of the low birth rate following the baby boom of the 50's. If the predictions and aspirations are fulfilled, Minneapolis could see an increase in families.

Issues

Although certain goals and policies have been proposed to stabilize population in Minneapolis, some fundamental questions must be addressed:

1) What are the implications either of a greater loss of families or an influx of families? Are the Mayor's goals and priorities reasonable?

2) Should population balance be an objective? If so, should it be on a neighborhood, city, or metropolitan scale? Does this include age, income, race, family size, and marital status?

All levels of government are making key decisions that will determine the future size and makeup of the city's population. These decisions and the government bodies that make them merit the continued intense and sustained attention of Minneapolis citizens.

REFERENCES
PERSONAL COMMUNICATION

Adams, John - Director, Hubert H. Humphrey Institute of Public Affairs, University of Minnesota

Anderson, Neil - Community Planner, Mpls. Planning Dept.

Arntsen, Gary - Staffperson, Phillips Neighborhood Improvement Association

Beck, Bernard - President, Phillips Neighborhood Improvement Association

Boland, John - Chairman, Metropolitan Council

Byrum, Oliver - Planning Director, City of Minneapolis

Carter, William - Public Information Officer, Mpls. Planning Dept.

Chapman, James - Administrative Assistant, Edina Public Schools

Educational Data System, Minnesota Dept. of Education

Graham, Blake - Research Planning Dept.

Hayden, Wesley - Community Planner, Mpls. Plannning Dept.

Hively, Janet - Deputy Planning Director, City of Minneapolis

Hofstede, Albert - Mayor, City of Minneapolis

Johnson, Harriet - Secretary to Superintendent, Fridley Public Schools

Kari, John - Policy Planner, Metropolitan Council

Kratz, Robert - Research and Statistics Supervisor, Hennepin Co. Dept. of Economic Services

Louder, Lorrie - Community Planner, Mpls. Planning Dept.

Miller, Michael - Community Planner, Mpls. Planning Dept.

Molitor, Mark - Research Analyst, Minnesota Dept. of Economic Security

Neet, Fred - Community Planner, Mpls. Planning Dept.

Orange, James - Community Planner, Mpls. Planning Dept.

Prior, Dr. Donald - Assistant Superintendent, Edina Public Schools

Randall, Francis T. Acting Assistant Director of Statistics, Mpls. Public Schools

Sabie, David - Administrative Analyst, Mpls. Planning Dept.

Sandhofer, Richard - Administrative Analyst, Mpls. Public Schools

Steuernagel, Bruce - Supervisor, Twin Cities Labor Information Center, Minnesota Dept. of Economic Security

Turner, Evelyn - Community Planning Intern, Mpls. Planning Dept.

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MAR 19 1979

League of Women Voters of the United States 1730 M Street, N.W., Washington, D. C. 20036 Tel. (202) 296-1770

memorandum

March 9, 1979

TO: STATE LEAGUE PRESIDENTS

FROM: FLORENCE R. RUBIN, Urban Crisis Chair

The LWVUS has agreed to be a co-sponsor of a national conference: "City Care: Toward a Coalition for the Urban Environment" in Detroit on April 8-11. Prime sponsors are the National Urban League, Sierra Club and the Urban Environmental Conference Foundation.

The purpose of the conference is to provide a forum for diverse constituent groups to address problems of urban environmental decay and the need for joint action. A number of planned workshops will cover a variety of topics on the LWV agenda.

A list of state League presidents was sent to the conference coordinator who may contact you.

The registration fee for the conference is $60. Anyone interested in participating may contact:

Ms. Vivien Li, Conference Coordinator
City Care Conference
500 East 62 Street
New York, N.Y. 10021

APR 9 1979

League of Women Voters of Brooklyn Center

7000 Ewing No.
BROOKLYN CENTER, MINNESOTA 55429

April 5, 1979

Pres. Ruth J. Hinerfeld
League of Women Voters of U. S.
1730 M St. N. W.
Wa shington D. C. 20036

Dear President:

The League of Women Voters of Brooklyn Center wishes to voice a serious concern about the most recent attempt at consensus on Urban Crisis. The complexity of the inter relationships of federal programs and the varied needs of urban areas is hardly reflected by the support/oppose options in the consensus questions nor do these questions address the sociatal needs or fiscal responsibilities. We question the validity of dealing with any real meaning without more in depth information especially the potential effects of increasing or decreasing monetary support of particular programs as related to the immediate results as well as the ripple effects.

Our League has a concern that the questions and limited information were designed to produce "right answers" that could offer support for LWVUS lobbying which may not really reflect member support. There seemed to be an underlying assumption that League members agreed that monies to meet the urban problems must necessarily come from the federal government; this did not reflect the attitude of many of our members.

It was difficult to initiate either interest or enthusiasm in this topic. Members mentioned reading the Facts and Issues and coming away wondering what they had read. During a crucial period in League membership, Urban Crisis did not contribute to gaining the interest of current or potential members.

Is the Urban Crisis study, extremely broad, all encompassing and complex, really the kind of study with which Leagues can effectively be involved?

Sincerely,

Dolores Hastings

Dolores Hastings
Urban Crisis Chair
Brooklyn Center League

Eileen S. Osluhd

Eileen Osluhd
President
Brooklyn Center League

aaa

cc-Helene Borg, Pres.
LWV - Minnesota
cc-U.S. Urban Consensus Chair

MAY 14 1979 Minnesota pres.

League of Women Voters Education Fund 1730 M Street, N.W., Washington, D.C. 20036 (202) 659-2685

May 8, 1979

Ms. Rosemary Booth, President
League of Women Voters of Minneapolis
730 Hennepin Avenue, Suite 608
Minneapolis, Minnesota 55403

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STAFF DIRECTOR
Martha T. Mills

Dear Ms. Booth:

Thank you for your expression of interest in the League of Women Voters citizen education project funded by the National Endowment for the Humanities: "Cities: Yesterday, Today and Tomorrow." This letter is an invitation to your League to participate--by attending the training conference in June and competing for a grant for a community-based project.

Let me reiterate the purpose of the project and give a little more detail about what is involved so that you can give us an early reply. The goal is to develop public understanding of the role of cities in our society, the problems cities face today and the strategies citizens can pursue to improve the urban condition. This project allows wide flexibility in a League's choice of a specific theme.

The official kickoff will be an expense-paid leadership training conference in Washington, D.C. on June 20-22 for two representatives from each of 35 Leagues. With the assistance of an advisory committee we are developing an exciting agenda, including speakers to shed light on urban issues and workshops to give practical help on project development and management.

Using the information and assistance provided by the conference and their own first-hand knowledge of their communities, each League team will develop a citizen education project and draw up a brief proposal by early September. Awards of $1,000 to $4,000 will be granted by November 1 to those Leagues whose projects are deemed to have the greatest potential. We estimate that 20 to 25 Leagues will receive grants. They will have until June 1980 to complete the projects. The LWVEF project staff, members of the Urban Crisis committee and I will be available to provide assistance both in developing the proposals and implementing the projects.

The criteria for evaluating proposals will include such factors as the League's ability to come up with an effective technique for educating and motivating citizens, its capacity to involve the suburbs and city, plans to involve a variety of groups (including minorities) and interests within the city, and the use of academic humanists in a substantial way. The advisory committee has urged emphasis on innovative techniques in citizen education. That means that a conference is fine if your area is ripe for this technique, but remember that many communities are "conferenced to death" and might respond better to another strategy.

Contributions to the Fund are deductible for income-tax purposes.

We will ask each team to bring to the conference a one-page concept paper about an activity that the League might want to develop. This concept--subject to change, of course--will serve as a starting point for planning the project.

Please notify Susan Worthman, project manager, whether or not your League wishes to participate. If so, send her the names, addresses and phone numbers of the two persons who will attend the conference so that we can send more information and materials. This project can make a unique contribution to the future of your city. We look forward to the challenge and hope you will be part of it.

Sincerely,

Florence R. Rubin
Urban Crisis Chair

P.S. If for any reason you cannot participate, please let us know at once so that we can transfer the invitation to another League.

State

MAY 22 1979

memorandum

The League of Women Voters of the United States

May 17, 1979

TO: LWVs of Cincinnati, Columbus, Dayton, Indianapolis, Louisville, Milwaukee, Pittsburgh, and St. Louis

FROM: Ann Viner, National Organization Chair

RE: Advance notice of Big City Seminar II
July 24 - 25, 1979

Realizing that many of you are already involved in planning the year's League activities, I'm sending this advance invitation to the upcoming LWVUS sponsored Big City Seminar II.

A Few Details

1. The Seminar agenda will deal with the concerns of Big City Leagues--i.e. how being in a big city affects the ways a League operates. In other words how Big City Leagues can best get and keep members, raise money, be politically effective, gain visibility, assist voters, and manage day-to-day operations. The session will begin at 1:00 p.m. on July 24 and will adjourn by 3:00 p.m. the following day.

2. We're requesting three participants from each League. At the last Big Cities Seminar included in the L.L. delegations were League presidents, vice-presidents and public relations, membership and budget chairs.

3. With regard to expenses, the LWVUS proposes to reimburse participants for the cost of her/his "coach" class air or train fare or car mileage at the rate of 17¢ per mile (up to a maximum equivalent of the costs of coach air or train rates). We shall also pay for the costs of one night's lodging and dinner on the evening of July 24. The hotel will likely be the Netherland Hilton, which did a good job as one of the host hotels for the 1978 Convention. The participants will be asked to pick up the cost of bus, taxis, and/or any other forms of ground transportation between transportation depots and the hotel; lunch on the 24th; breakfast and lunch on the 25th and any other personal expenses.

As I mentioned above, this is a brief outline of our plans to assist you in making yours. We shall be back in touch within the next two weeks with other details and to request the names of your League's three participants to the Seminar. We are looking forward to working with you!