

PROPOSAL FOR IMPROVED MANAGEMENT
OF THE MODEL CITIES PROGRAM

IMPROVING THE MANAGEMENT
OF THE MODEL CITIES PROGRAM

- I. Introduction
- II. Policy objectives for use of supplemental funds
- III. Use of "variable funding" as means of carrying out effective program management.
- IV. Criteria for determination of supplemental fund allocation
- V. Strategy for handling "weak" cities,
- VI. Conclusion and Recommendation

INTRODUCTION

Although the basic intent expressed in the Model Cities statute appears to focus primarily upon the fiscal plight of our cities and the need for additional financial assistance, experience in local government compels me to look beyond this oversimplified concept.

The haphazard use of the vast array of Federal categorical grant-in-aid programs has largely been ineffectual in solving major urban problems-- some of the cities most successful in the grantsmanship game have experienced some of the most serious civil disorders. Success in getting Federal dollars does not insure success in making effective use of such resources. An honest evaluation would have to conclude that the Federal Government has not generally imposed criteria which would make effective use of its resources and meaningful local commitment prerequisites to continued Federal assistance.

This policy has not greatly encouraged the development of local government's capacity or willingness to deal effectively with its own problems, and indeed, the Federal Government's eagerness to fund and deal directly with every conceivable kind of constituency in addition to local government, has been one of the major factors in reducing the cities' capacity to act. *yes!*

If this trend is to be altered and meaningful decentralization is to take place, the role of the Federal Government must be changed from that of attempting to deal directly with the problems of our cities, to that of building the capacity of State and local governments to deal effectively with those problems.

This is the primary objective we have established for the administration of the Model Cities program. The following comment and the resulting conclusions and recommendations are intended to assist in attaining that objective, and to improve our ability to effectively manage the program.

II.

USE OF SUPPLEMENTAL FUNDS

In enacting the Model Cities program, the Congress provided for a new source of funding, commonly known as Model Cities supplemental funds. These funds are to assist localities in carrying out the purposes of the program. The following policy objectives have been identified for the use of supplemental funds.

Policy Objectives

- are we
doing
these
things?*
1. To promote coordination and concentration of resources by attracting funds, staff, and other services from existing institutions and agencies, public and private, and by filling in the gaps in a coordinated approach with projects for which funds would otherwise be unavailable.
 2. To secure commitment of new resources and maintenance of effort on the part of the city, including changes in agency practices and service levels to make them more responsive to model neighborhood needs.
 3. To increase local acceptance of responsibility for the program, leading to greater care in the selection of projects and activities and in the conduct of and the monitoring of such projects.
 4. To encourage innovation, maximum coordination of Federal assistance, new and additional projects and activities not assisted under a Federal grant-in-aid program, and secondarily, to be used and credited as part or all of the required non-Federal contribution for Federally-assisted projects which are part of the comprehensive model cities plan, as the Act provides.
 5. To make available additional funds to ease "the financial plight" of our cities, as noted by President Nixon in his speech on revenue sharing.
 6. To experiment with the block grant or revenue sharing approach with a stress upon developing capabilities for local initiative and local decision-making in order to effectively utilize unstructured Federal funding.

III.

INCREASING EFFECTIVE PROGRAM MANAGEMENT
BY USE OF VARIABLE FUNDING APPROACH

As a means of improving program management at the Federal level, and encouraging useful programs at the local level, the Department of Housing and Urban Development proposes to utilize the concept of variable funding. By establishing a set of process and performance criteria, and utilizing them to judge the overall program effort by a city, supplemental funding levels can be varied among cities, those with the best potential for national demonstration purposes can be additionally assisted, and the cities showing no likelihood of ever mounting a viable program can be dropped from the program.

Here comes the axe!

By using process and performance criteria, HUD seeks to avoid substituting a Federal judgment for that of the locality in specific substantive areas or functional programs, thus preserving local initiative. This is in keeping with both the Demonstration Cities Act and the new Administration's concept of revenue sharing.

Each city will be on notice with respect to the criteria. The city will be told its allocation figure for the next planning year, and will be on notice that its actual obligation figure could well be lower depending upon performance against the stated criteria.

The city will also be informed that exceptional performance or evidence of potential for national demonstration purposes could earn it extra supplemental funding. Failure to perform, on the other hand, could result in a severe cutback in funding or elimination from the program.

The suggested criteria to be applied in each case, and the process for handling the weak cities are attached. It is anticipated that in making judgments, the relative improvement of performance within each individual city over the previous year will be considered, as well as the usefulness of its overall process and performance for national demonstration purposes.

1. City commitment: including support from the chief executive officer, allocation and re-allocation of city resources, changes in city agency policy, practice and service levels to make them more responsive to the model neighborhood and its residents.

2. Maximization of available resources, public and private: including the utilization (or attempted utilization) of appropriate Federal grant programs, state programs, the involvement of the private sector, and voluntary action.

3. Effective coordination of available resources: including the establishment of effective coordinating mechanisms, working agreement with other agencies, imaginative use of resources from a variety of sources in tandem to focus on priority problems and objectives.

4. Community involvement and citizen participation: including the achievement of broadbased community support, voluntary action, widespread citizen involvement in and maximum employment of model neighborhood residents planning, monitoring and evaluating the program as a whole and individual projects on an on-going basis, responsiveness of other cooperating agencies and institutions to the need for citizen participation, and maximum employment of model neighborhood residents.

5. Administrative competence and capacity of the CDA: including progress in achieving operating results and in meeting the planning schedule established by the city; access to the chief executive; and development of continued planning, evaluation and data gathering activities plus the analysis of the criteria listed above.

- 8.
6. Innovative nature of projects as judged against previous city efforts to deal with similar problems.
 7. Planning process; evidence of clear and reasonable relationships between (a) the neighborhood's problems; (b) the objectives, strategies and priorities of the local plan; and (c) the projects in the one-year action plan.

V.

PROPOSED STRATEGY FOR HANDLING WEAK CITIES

As we and the cities have developed experience with the Model Cities program, it has become increasingly clear that there are several key elements to local progress and success which are reflected in the above criteria. Some of our cities are doing well in all or a number of these areas; others are noticeably lacking in one or more of them. Repeated efforts have been made to correct these latter conditions and some successes have been recorded. But these efforts have been hampered by the absence of an overall policy of how and when to penalize lack of city effort and progress. Therefore we propose to communicate the above criteria to all cities and undertake a range of HUD responses to inadequate effort and performance.

HUD Response

The type of notice given by HUD when a city shows unsatisfactory progress in meeting the basic criteria will vary depending on (1) whether the city is in planning, review or execution; (2) whether previous warning of deficiencies have been given to the city, and (3) the degree and seriousness of the deficiencies. In all cases the response should indicate very clearly:

- which criteria the city is not measuring up to,
- what actions or corrections are needed,
- the city's deadline for making corrections, and,
 where appropriate,
- penalty action that will be taken if corrections are not made.

Following is a list of actions that would be appropriate if cities failed, after warnings are given and technical assistance is provided, to measure up to the basic criteria. It is anticipated that in most instances HUD will utilize a series of increasingly stronger responses to induce corrective measures.

(a) Cities in Planning

- place a hold on further planning funds requisitions (HUD-718's),
- notify the city that review of the comprehensive plan will be held up,
- notify the city that the amount of supplemental funds earmarked for the first action year will be reduced,
- drop the city from the program.

(b) Cities in Execution

- place a hold on further supplemental expenditures by suspending the Letter of Credit,
- make holds on supplemental funds nonreimbursable, thus reducing the amount of the current grant,
- reduce the amount of supplemental funds earmarked for the next action year-
- drop the city from the program.

2. Procedure for HUD Penalty Action

In most cases it is anticipated that a city's failure to satisfactorily meet the basic criteria will be identified by our Regional Staff or the Regional Interagency Coordinating Committee. In these cases the Assistant Regional Administrator for Model Cities will prepare a memorandum for the Assistant Secretary, through the Desk Officer and Director of Program Operations. This memorandum should note:

- where and how the city fails to satisfy one or more of the basic criteria,
- what previous action (i.e. Leadman talk with CDA Director or Mayor, previous warning letter to the city), if any, has been taken on this matter,
- what action is recommended, and
- who (ARA, Regional Administrator, Desk Officer, Director of Program Operations, Assistant Secretary or Secretary) should give notice to the city and what form (letter, phone call, meeting) it should take.

The Assistant Secretary will approve, reject or modify the recommendation, referring appropriate cases to the Secretary, and notify the Region of action to be taken.

In a few cases, a city's failure to satisfy basic criteria will be identified by Washington Staff. In these cases the Desk Officer should be informed and he should discuss the situation with the Assistant Regional Administrator. Any major differences in how a problem situation should be handled shall be raised to the Assistant Secretary.

Washington Staff, with REgional Office advice, will also be responsible for determining if and when the appropriate Congressional Representatives should be advised of the problem and the possible action.

The ARA will be responsible for notifying, and where appropriate, discussing with the RICC, the problems and the notice and penalty action proposed for the city.

3. Progress Report

The Assistant Regional Administrator will prepare a subsequent report to the Assistant Secretary, through the Desk Officer and Director of Program Operations, (1) noting whether the city has made the necessary corrections or (2) recommending additional action or penalties to be imposed. This report, which can be very brief if the city has responded satisfactorily, should come about the time of the deadline set for the city's making corrections. The ARA and Desk Officer should keep abreast of the city's progress and report any unusual developments (e.g. need to institute stronger measures, need to extend deadline, progress warranting earlier reinstatement of funding) to the Assistant Secretary.

4. Conclusion

It is very important that we do everything possible to help our weak cities improve. If they are unable to satisfy our basic criteria we should take appropriate, proportional steps to reduce, and in extreme cases end, our commitment to them.

The purpose of this "Weak Cities Strategy" then is to ensure that (1) HUD follows a consistent approach in dealing with problem cities and (2) that a solid record is established for any penalty action that may become necessary.

VI

CONCLUSIONS AND RECOMMENDATIONS

A. Conclusions:

1. The basic objective of the Model Cities program is to build the capacity of cities (and state government) to deal with their own urban problems.
2. Traditional Federal approaches have not contributed to this objective.
3. A different approach is needed in order to assure the necessary commitment of local government to the objectives of the program so that it is not viewed as "just another Federal grant."
4. Better management and stronger city commitment can be achieved if the cities' level of funding is dependent upon performance criteria and not upon a fixed formula.
5. Elimination of weak cities from the program after failure to respond to indicated deficiencies will increase the credibility of the program.

B. Recommendations:

1. That HUD adopt and communicate to the cities, a policy which would clearly indicate to cities that their level of funding each year would depend upon their performance in accordance with the clearly stated criteria.
2. That each city be given a "planning figure" in advance, but with a clear understanding that it is not "guaranteed" but dependent upon (1) above.
3. That exceptional cities be referred to the Assistant Secretaries Working Group for determination of priority support.
4. That "weak" cities be handled as suggested in paragraph V and be dropped from the program if their response is unsatisfactory.

Respectfully submitted,

Floyd H. Hyde
Assistant Secretary (MCGR)