

The Origin and Thrusts of the New Federalism

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Introduction

Any definition of the New Federalism must come from a close examination of what is happening now; what is being attempted. It is easy to forget that federalism is evolutionary. We try out new administrative mechanisms and if they don't work, if we decide they were a mistake (particularly if they were originated by someone else), we scrap them and move on to something new. Sometimes we don't even know their potential before we get rid of them. Institutions, however, do not change rapidly in a democratic society. The people may come and go, and the processes change, but the basic nature of democratic institutions evolve slowly.

Background of the Federal System

The first 150 years of American administrative history were of relatively limited domestic innovation or change. The postal service was extremely important, as was the land grant college movement. Around the turn of the century, we began to become concerned about big business and created regulatory agencies such as the Interstate Commerce Commission and the Federal Trade Commission. However, it wasn't until the Depression of the thirties that we faced the kind of national domestic crisis that dramatically changed the pattern of American federalism to one in which the federal government began dealing with individuals on a wide range of economic and social issues. Programs like crop subsidies, agricultural curtailment, social security, FHA, HFA, NRA, and a series of other agencies came into being. Some were disestablished by the Supreme Court, but most continued and provided a basis upon which later administrations built. The Truman, the Eisenhower, and the Kennedy Administrations all continued with the New Deal approach to intergovernmental relations.

Administratively, this meant that federal, state and local governments were operated more or less independently of one another within a structured set of program rules and regulations.

Creative Federalism

Then came the Great Society under President Johnson in which we experienced a literal explosion of programs, services, and projects dealing with people, families, communities, and cities. The Great Society administrative tendencies were toward centralization. One difference between the Great Society approach and that of past Administrations was a greater recognition that administrative centralization, or direct federal leverage, was required in order to reach major federal goals – civil rights in particular. Other factors, of course, were involved, but the fact remains that we did move forward with this highly accelerated series of special programs on a centralized basis in the hope of solving serious national problems.

By centralizing, we encountered all of the problems that one ascribes to an overly centralized administration. The goals of many programs were not well established; frequently, no one knew if the target groups were being reached; some programs couldn't accurately define the target groups, which made it more difficult to measure effectiveness; and sometimes the legislation was passed so rapidly that the goal was too global to provide a firm basis for targets. Not that this was all bad. For, in trying to reach a global target, one often has a great amount of freedom in implementation and execution. From a management standpoint, however, this period generated a tremendous load of red tape in the form of regulations, procedures, applications, reports, etc.

The heavy federal involvement that led to overcentralization also was based in part upon

views that state and local governments couldn't be relied upon to attain national social goals. They were regarded as much too susceptible to political pressures. At a remote federal office, such pressures could be balanced and neutralized. This philosophy carried beyond its use to attain basic goals and become a way of life in which extremely detailed and rapidly changing requirements, regulations, and processes of all types were developed in the hope of improving the life of individuals and families in the communities through narrow categorical grants. The federal level began making the local community judgments that in the past had been made at the state or local level.

Federal administrators simply didn't realize what was happening. Each wanted to wear the "white hat" as he insisted that the goals of an individual program could be met only through his particular brand of specific program requirements. Also assumed in the process was that Washington executives knew better than the people in the communities what was good for them. Another major fault of a centralized system was treating everyone alike within statistical or arbitrary groups. Everyone failed to recognize that, like people, each state is different; every community is different, and even neighborhoods differ from each other. There are differences in personalities, socio-economic mix, traditions, backgrounds, and, most important, their problems. Washington planners couldn't do any better with the complexities one finds in communities across the nation.

Another of the problems of this centralized system was a distrust of management. This wasn't universal. In the older agencies such as Social Security, managerial competence was high. But in the newer programs management was often downplayed. At the time Model Cities was established there was a strong feeling that it should be kept relatively free of management because management would dehumanize it, strip it of all its innovation. This came at a time when management personnel were taking tremendous pride in the highly advanced managerial techniques which had proved so successful in the space program. In HEW the budget group was kept away from the whole Model Cities planning process. And then everyone was surprised when it came time to move on Model Cities that HEW couldn't find any money to put into the process! Another example is the neighborhood center program which was launched without any notion of where

the funds were coming from or even who would administer them – the most basic fundamentals of good management. And yet, the Washington bureaucracy was trying to respond as a nation to social problems that had for too long been neglected and were beginning to rack an increasingly divided country.

As the decade passed, the defects of centralization began to outweigh the advantages. People felt that government was remote; that they couldn't communicate with the decision makers. Even governors, mayors, and county executives didn't know who was making the federal decisions. It was as though grant applications were being fed into a gigantic black box. Things were whirring and grinding, but you couldn't tell what was going on. When somebody asked about the status of an application, they were told it was "in the process." Sometimes the grants were given; sometimes they weren't. In the meantime, particularly at the local level, planning and program execution were held up. Priorities were distorted in the search for available federal funding. Execution could, and often did, reverse the basic policy. You can find this occurring in decentralized programs, but when you add it to all the other problems of centralization it is disastrous. In housing programs we were supporting one part of American society and ignoring another; in highway programs, which were managerially proficient, we were going full steam ahead with an interstate system that rode roughshod over communities and neighborhoods, displacing thousands of people who had no opportunity or capability for relocating because one part of the federal system didn't know or care about what was happening in another part.

Finally, this system increasingly undercut state and local leadership. This leadership was weak at best in some places, but where it was strong or where there was a will to strengthen and improve, it was severely handicapped because of the federal system. Planning is a good example. State and local planning, which has finally become respectable, was given a great boost by federal incentives. But planning for what? Often it was drowned in over-attention and an over-protective attitude which substituted federal for state and local planning. Of the hundreds of state plans that poured into the federal government in recent years, it is dismaying to realize that most were seen only by some third or fourth-echelon bureaucrat who rarely got out to the states; and how seldom these plans really reflected what the state wanted or what they felt they needed to do.

States submitted plans in too many programs because that was a requirement for getting the money, not because they represented plans on which state action was based.

Local governments were at the receiving end of another problem – over-commitment and under-funding. The desire of the Washington administrators to help tended to overwhelm the realities of what could be done. The impatience at trying to meet human needs tended to push into the background the hard necessity for finding money, for determining responsibility, and for designing the system with which to execute these local programs. Consequently, the credibility of the federal government was reduced; the confidence of people in government was undermined; and many of the low income groups which the Johnson Administration most desperately wanted to help bore the heaviest brunt of these over-optimistic failures.

Toward the end of the Johnson Administration there was an increasing awareness and concern about the problems that were developing within the categorical aid system. Creative Federalism was described as an effort to overcome the traditional arms-length relationships among federal, state, and local governments, by stressing the view that the social and economic problems of the nation had become so serious that it required the resources of all three levels to deal with them effectively. All must participate jointly in solving national problems and, thus, achieving national goals. More than anything, Creative Federalism began to reduce the tension, hostilities, and distrust among the three levels of government through initial federal coordination attempts. Although this coordination process didn't work very well, it was an important beginning, a necessary stepping stone without which the New Federalism could not have progressed as far as it has.

Enter – The New Federalism

The beginning of a new presidential term is an ideal time to start new initiatives, and the intergovernmental area is no exception. Access to the President is easier, especially for governors and mayors. A literal torrent of criticism of the federal system was coming from governors and mayors who felt that the federal bureaucrats were trying, but were inept. Programs were being drowned in tons of paperwork which threatened to kill the system. It was presidential awareness of this

criticism, and a desire to do something about it, that brought us to the New Federalism.

As was said at the beginning of this statement, in order to properly define New Federalism, we must examine patterns of action rather than seek comprehensive definitions. Basic to the New Federalism is a feeling that although a joint federal-state-local effort is important and essential, all three levels cannot expect to have a lead role in each action. One level should have the lead or initiative for one particular task. It should be in a position to take the necessary initiative that triggers the involvement of the other partners. For most of the tasks of the nation the burden of proof must be in the direction of the state or local governments as triggering devices. The closer to the citizen it can be handled, the better. If it must be done by the federal government, then move it out of Washington to the federal regional or area office level. The President's statements made perfectly clear his desire to return power to the people through state and local governments.

To be a meaningful redirecting of program initiative power, the processes and systems used in carrying out these programs must be reformed. By itself, exhortation is ineffective. Therefore, our emphasis has been on how to redesign and reform the grant-in-aid system, rather than simply criticize it. This, in turn, has resulted in three major programs – (1) the Federal Assistance Review (FAR) program which is aimed at reducing red tape without getting enabling legislation; (2) General and Special Revenue Sharing which provide general fiscal assistance and create six major new bloc-type grants; and (3) the President's Departmental Reorganization Plan which will group together those functions that clearly support a broad mission, thus increasing public accountability and enabling broadly based departments to undertake much of the coordination now done in the White House or attempted by interagency committees.

It is the Federal Assistance Review or FAR program which interests us most in this discussion. Basically, FAR is attempting to redesign the federal part of the system through the establishment of standard federal regions and regional councils, decentralization of programs, simplification of federal grant processes, standardization of administrative requirements, integrated grants administration, more reliance on state and local government, and the A-95 process.

Establishing ten standard federal regions does not do anything by itself; that is only redrawing a map. This regional standardization was created to permit coordinating federal programs in the field. This couldn't be done without some type of standardization of the federal agencies that administer the bulk of the grant-in-aid programs. Once this task is accomplished, the operational authority for the programs must be decentralized, with power given to agency regional directors to approve grants and coordinate programs. So far ninety-nine programs constituting \$14-\$15 billion of grant-in-aid funds have been decentralized. When the programs that already had been decentralized are added to this total, it means that the balance has been significantly shifted from predominantly centralized to a predominantly decentralized system.

Federal Regional Councils (FRC's) add the administrative strength necessary to coordinate program operations. Consisting of the regional directors of HEW, HUD, and DOL; the secretarial representative of DOT; and the directors of the regional offices of OEO, EPA, and LEAA, the managers of the decentralized system can work together to take the steps necessary for the coordination of related efforts. Without the standard regions and decentralization, FRC's could not function. At the present time no one knows for certain what the potential of the FRC is. The next four or five years will tell.

Although there is still plenty of red tape, administrative processes remain to be simplified, and examples of delay persist, the simplification of federal grant processes is no longer a chief item on the agendas of most state and local meetings or national conferences. Neither do the Washington bureaucrats nor the Congress receive the number of complaints about this subject they did four years ago. It is difficult to determine how much of this is due to the recognition that federal administrators are trying harder, and how much to system development having really accomplished something. There is probably a bit of both. There is some offsetting of progress by new red tape and procedural requirements as exemplified by the Environmental Impact Statement. This aspect of FAR is receiving serious attention and progress is being made.

Simplification is assisted through the standardization of diverse administrative requirements. This improvement, reflected by the issuance of new guidelines under the provisions of OMB Circular A-102, is the one that most people

regarded as impossible when FAR was initiated. However, the first milestone has been passed. There has been agreement reached by the agencies, working with state and local governments, on the standardized procedures and forms outlined in Circular A-102. Some of these procedures have gone into effect. Full implementation is expected by June 30, 1974. It appears that it will be a tremendous step forward. Of course, the proof of the pudding is how effectively it works.

The Integrated Grants Administration (IGA) program was designed to allow states and local governments to draw upon a number of federal programs through one application. In this application the states or local governments set their own priorities, maintain one set of accounts, develop a synchronized funding cycle, and are audited by only one agency. Presently there are twenty-seven pilot IGA projects, and these will show what problems there are with the process. Drawing upon this experience in standardization and the training of administrators to handle the process, we will be able to modify and redesign IGA to discover a way to manage a large number of projects which heretofore had to be slowly hammered out on an individual basis.

More reliance on state and local government is, of course, an important element in any decentralization. Revenue sharing is the major step taken in this respect. In addition to state and local concurrence in the redesigning of the assistance program mentioned above, attempts are being made to provide state and local review and comment on major proposed federal regulations, rules, standards, procedures and guidelines, major interagency agreements and organizational changes, that have a significant and nationwide effect on state and local government under OMB Circular A-85. Under the provisions of OMB Circular A-87, states and local governments are able to recover the normal administrative expenses associated with grants. Unfortunately, however, federal agency compliance with these provisions has been weak. In this part of the FAR program there has not been as much progress as there should be. Thus, there have been some major successes, some failures, and much in between. More effort is required.

Through another aspect of the FAR program – Part IV of OMB Circular A-95 – Councils of Government have moved out on problems which cross local jurisdictional lines, playing an entirely different role from what they did a few years ago. There are more of them; they have moved

positively on a number of issues. Yet, we as a nation haven't really decided where we want to go with subregional organizations. No one seems to be able to define a proper role for them. They are at the half-way point now, not sufficiently effective in their present state and without a definite focus. But, what they should be moving toward is something many people would disagree on and few would pretend to have the answer.

The FAR program has done a great deal in defining the New Federalism by eliminating some of the obstacles that the federal government has unwittingly placed in the paths of state and local governments and in providing cooperative mechanisms to allow all three levels to work together. But should it do more on the positive side with respect to providing incentives? Perhaps we should provide incentives to state governments to modernize legislation that affects local government and interlocal cooperation. We still need more decentralization at the federal level,

although we would be opposed to decentralization of all federal programs.

Most of all we would like the federal policy makers, and this is also probably true at the state and local level, to stimulate their program officials to approach the grant process from the standpoint of the people they serve. It makes a great deal of difference in not only how a program is administered, but how it is designed initially. One's sense of priorities can be dramatically different if a program is viewed from the vantage of the community it was designed to serve rather than from a post in the Washington bureaucracy, far removed from the people. Further, any administrator who seeks reform and change must view the totality of the system, otherwise he becomes a prisoner of minor refinement; he is foreclosed from real reform. To the extent that the New Federalism can achieve this total perspective it will become a successful step forward in the evolution of the American federal system of government.