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REPORT TO THE CONGRESS

Assessment Of Federal Regional Councils B-178319

Office of Management and Budget
and Other Federal Agencies

**BY THE COMPTROLLER GENERAL
OF THE UNITED STATES**

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JAN. 31, 1974



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-178319

To the President of the Senate and the
C Speaker of the House of Representatives

This is our report assessing Federal Regional Councils.

We made our review pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67).

We are sending copies of the report to the Director, Office of Management and Budget, and to the heads of the departments and agencies which are members of Federal Regional Councils.

James B. Stacks

Comptroller General
of the United States

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ABBREVIATIONS

CERC	Chief Executive Review and Comment
DOT	Department of Transportation
FAR	Federal Assistance Review
GAO	General Accounting Office
HEW	Department of Health, Education, and Welfare
HUD	Department of Housing and Urban Development
IGA	Integrated Grant Administration
OEO	Office of Economic Opportunity
OMB	Office of Management and Budget
USG	Under Secretaries Group for Regional Operations
USWG	Under Secretaries Working Group

D I G E S T

WHY THE REVIEW WAS MADE

Federal Regional Councils were established about 2 years ago to develop closer working relationships between large Federal grant-making agencies and State and local governments and to improve coordination of the categorical grant-in-aid system. (See p. 4.)

In response to increasing public and congressional concern with the Councils' role in administering Federal programs, GAO reviewed their organization and activities to determine what they have accomplished.

GAO did much of its work in the Atlanta, Boston, Chicago, and Seattle Federal regions. (See map, p. 37.)

FINDINGS AND CONCLUSIONS

Most officials of States and larger units of local government interviewed by GAO knew about the Councils and their purposes. However, the extent of their knowledge and experience with the Councils varied widely. (See p. 10.)

Representatives of smaller units of local government interviewed by GAO generally were unfamiliar with the Councils. (See p. 11.)

State and local governments need information on Federal grant-in-aid programs and on the opportunities for securing assistance from the Councils.

Factors contributing to this need, particularly as it applies to smaller units of government, are (1) limited staff resources available to Councils and (2) the Councils' relatively brief experience in operating intergovernmental programs.

Programs such as Integrated Grant Administration, flexible funding, and Planned Variations, as implemented by the Councils, helped State and local governments to coordinate the administration of Federal grant-in-aid programs. These programs, however, were experimental and reached only a limited number of potential recipients. (See p. 13.)

The Under Secretaries Group for Regional Operations, under the chairmanship of the Deputy Director, Office of Management and Budget (OMB), is responsible for the Councils' proper functioning.

Councils were impeded from being more effective by factors such as:

- Member agencies' lack of, or variations in, decentralized decisionmaking authority. (See p. 21.)
- Limits on the authority of Council chairmen. (See p. 25.)
- Division of time and effort by Council members, staffs, and task force members between Council and agency affairs. (See p. 29.)

--Insufficient participation by non-member Federal agencies in Councils' activities. (See p. 30.)

--Absence of formalized standards for planning work and reporting progress. (See p. 31.)

Although these factors impeded the Councils' effectiveness, GAO believes that, within their existing framework, Councils can more effectively accomplish their purposes with stronger management direction by the Under Secretaries Group.

RECOMMENDATIONS

Councils should increase their efforts in disseminating information and providing technical assistance by fully acquainting officials of State and local governments with the Councils' role and responsibilities and the means by which their assistance can be secured.

In view of the limited staff resources available to Councils and their relatively brief experience in operating intergovernmental programs, OMB should consider an experiment of transferring a limited number of OMB representatives from Washington to individual Council cities as additional resources to assist Council chairmen and the Councils in developing and operating intergovernmental programs.

The Under Secretaries Group should counteract factors impeding Councils' effectiveness by assuming a more assertive role and by providing direction and firm support to the Councils. (See p. 33.)

AGENCY ACTIONS AND UNRESOLVED ISSUES

OMB generally agreed with GAO's findings and conclusions and concurred in its recommendations. (See app. III.) Its comments

include the views of the Under Secretaries Group, Council chairmen, and other officials closely associated with Council operations.

OMB noted that:

--Councils are placing greater emphasis during fiscal year 1974 on intergovernmental relations programs and are attempting to overcome their resource limitations by using public interest groups to reach local officials. (See p. 18.)

--The Under Secretaries Group has instituted a management-by-objectives procedure to provide for stronger Under Secretaries participation and guidance and to strengthen the Councils' management and increase their effectiveness. (See p. 34.)

--Within the executive branch, OMB has the overall responsibility to monitor and oversee the decentralization effort. OMB stated that Council agencies are pursuing decentralization and that it looks for strong Under Secretary action to insure prompt and effective decentralization within the agencies. (See p. 34.)

OMB officials agreed to consider an experiment involving the transfer of a limited number of OMB representatives to individual Council cities to assist the Councils in establishing and maintaining relations with State and local officials.

MATTERS FOR CONSIDERATION BY THE CONGRESS

The activities of Federal Regional Councils should be of interest to the Congress in view of its concern with the purposes for which the Councils were established--simplifying and making more effective, the delivery of Federal aid to State and local governments.

CHAPTER 1

INTRODUCTION

Federal assistance is available to programs conducted by the 50 States, about 3,000 counties, and nearly 90,000 local government units. The assistance programs, sponsored by about 20 departments and agencies of the executive branch, number from approximately 500 to 1,300, depending upon program definition.

Federal assistance to State and local governments rose from about \$3 billion in 1955 to an estimated \$45 billion in 1974. This vast growth emphasized the importance of inter-governmental mechanisms established to aid cooperation and coordination in delivering Federal assistance. Federal Regional Councils were one such mechanism.

In April 1968 the then Bureau of the Budget began an experiment in Atlanta to achieve better field coordination among Federal agencies administering social and economic programs. As a result of this experiment, four pilot regional councils were established in Atlanta, New York, Chicago, and San Francisco in September 1968.

The regional council concept continued to develop and became a part of the Federal Assistance Review (FAR). FAR was a Government-wide effort, conducted from March 1969 to June 1973 by the Office of Management and Budget (OMB) and 14 major Government departments and agencies, to place greater reliance on State and local governments; move Federal decisionmaking out of Washington, D.C., and closer to the people; and cut redtape. To attain these goals, the following 10-point program was devised.

1. Common regional boundaries--Agencies concerned primarily with social and economic programs were to establish uniform regional boundaries and common locations for their regional offices.
2. Regional Councils--Regional Councils representing the major Federal grant-making agencies were to be established in the new regional centers to improve coordination among Federal programs.

3. Decentralization--Federal agencies were to move operational authority from Washington, D.C., to their field offices to insure that decisionmaking was closer to the delivery of services.
4. Greater reliance on State and local governments-- These levels were to have more responsibility in the detailed administration of Federal programs.
5. Reduction in processing time--The Federal assistance agencies were to reduce the time required for processing applications.
6. Reduction of redtape--Eliminating needless paperwork and administrative steps was to be given high priority.
7. Consistency in procedures--Standard requirements were to be developed for functions common to several programs.
8. Joint funding--Congressional legislation was to be requested to enable a better Federal response to State and local programs which drew upon several funding sources.
9. Grant consolidation--Congressional authority was to be requested to consolidate programs having similar purposes and recipients, to offset program fragmentation resulting from the increasing number of narrow-purpose grants.
10. Intergovernmental cooperation--Arrangements were to be developed for coordinating with States and communities on requests for Federal grants from their jurisdictions and for insuring that they were informed of grants which had been approved.

PURPOSE AND ORGANIZATION OF
FEDERAL REGIONAL COUNCILS

Executive Order 11647, dated February 10, 1972, formally established Federal Regional Councils in each of the 10 standard Federal regions (see app. I) to develop closer working relationships between major Federal grant-making agencies

and State and local governments and to improve coordination of the categorical grant-in-aid system.¹

As set forth in Executive Order 11647, each Federal Regional Council was to be a body within which participating agencies, under general policy formulated by the Under Secretaries Group for Regional Operations (USG), were to conduct their grant-making activities together by:

- Developing short-term regional interagency strategies and mechanisms for program delivery.
- Developing integrated program and funding plans with Governors and local chief executives.
- Encouraging joint and complementary grant applications for related programs.
- Expediting resolution of interagency conflicts and coordination problems.
- Evaluating programs in which two or more member agencies participate.
- Developing long-term regional interagency and inter-governmental strategies for resource allocations to better respond to the needs of States and local communities.
- Supervising regional interagency program coordination mechanisms.
- Developing administrative procedures to facilitate day-to-day interagency and intergovernmental cooperation.

¹Individual narrow-purpose grant-in-aid programs, each with its own set of special requirements, separate authorizations and appropriations, cost-sharing ratios, and financial procedures.

The following chart shows the management structure designed to support Federal Regional Councils.

Each Council is headed by a chairman designated by the President from among the regional heads of member agencies. A Council chairman may invite the regional head or other appropriate representative of a nonmember agency to participate in deliberations when the Council will consider matters significantly affecting the interests of that agency.

OMB representatives serve as liaisons between OMB and the Councils and participate in Council deliberations. They are primarily responsible for carrying out OMB's role as general overseer and monitor of interagency and intergovernmental coordination efforts within the executive branch. OMB representatives are also expected to support the Council system and help make it more effective by assisting the Council chairmen and Councils as necessary and appropriate and by generally helping to expedite and facilitate solutions to interagency and intergovernmental problems.

Federal Regional Council staffing

USG guidelines for implementing Executive Order 11647 provide that each member agency assign one full-time, senior-level staff member to each Regional Council to work on Council matters. In addition, each Council chairman's agency must assign one full-time, senior-level staff member to serve as Council staff director and three support staff members to serve for 1 year.

The Councils we visited also organized task forces to meet the more specific objectives within the eight functional areas assigned to the Councils. These task forces used regional staff of Federal agencies in addition to the full-time staff assigned to the Councils and, in some cases, also included representatives from State and local governments.

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Our review covered the activities of Councils in Federal regions I (Boston), IV (Atlanta), V (Chicago), and X (Seattle).

STRUCTURE

DOMESTIC COUNCIL

CHAIRMAN
PRESIDENT OF THE UNITED STATES

VICE PRESIDENT OF THE UNITED STATES
ATTORNEY GENERAL
SECRETARIES OF THE DEPARTMENTS OF:
AGRICULTURE
COMMERCE
HEALTH, EDUCATION, AND WELFARE
HOUSING AND URBAN DEVELOPMENT
INTERIOR
LABOR
TRANSPORTATION
TREASURY

CHAIRMAN, COUNCIL OF ECONOMIC ADVISORS
DIRECTOR AND DEPUTY DIRECTOR, OFFICE
OF MANAGEMENT AND BUDGET
COUNSELLORS (2)

**UNDER SECRETARIES GROUP FOR
REGIONAL OPERATIONS ¹**

CHAIRMAN
DEPUTY DIRECTOR, OFFICE OF
MANAGEMENT AND BUDGET

UNDER SECRETARIES OF THE DEPARTMENTS OF:
LABOR
HEALTH, EDUCATION, AND WELFARE
HOUSING AND URBAN DEVELOPMENT
TRANSPORTATION

ADMINISTRATOR, LAW ENFORCEMENT ASSISTANCE
ADMINISTRATION
DEPUTY DIRECTOR, OFFICE OF ECONOMIC
OPPORTUNITY
DEPUTY ADMINISTRATOR, ENVIRONMENTAL
PROTECTION AGENCY

UNDER SECRETARIES WORKING GROUP

CHAIRMAN
REPRESENTATIVE OF THE DEPUTY DIRECTOR,
OFFICE OF MANAGEMENT AND BUDGET

REPRESENTATIVE FROM EACH OF THE MEMBER
AGENCIES OF THE UNDER SECRETARIES
GROUP HAVING ACCESS TO POLICYMAKING
LEVELS OF HIS AGENCY.

FEDERAL REGIONAL COUNCILS ¹

CHAIRMEN
DESIGNATED FROM AMONG THE REGIONAL
HEADS OF MEMBER AGENCIES

REGIONAL HEADS OF THE DEPARTMENTS OF:
LABOR
HEALTH, EDUCATION, AND WELFARE
HOUSING AND URBAN DEVELOPMENT
TRANSPORTATION

REGIONAL HEADS OF THE:
OFFICE OF ECONOMIC OPPORTUNITY
ENVIRONMENTAL PROTECTION AGENCY
LAW ENFORCEMENT ASSISTANCE
ADMINISTRATION

DUTIES AND RESPONSIBILITIES

RECEIVE AND DEVELOP INFORMATION
NECESSARY TO ASSESS NATIONAL
DOMESTIC NEEDS AND DEFINE GOALS
AND TO DEVELOP ALTERNATIVE PRO-
POSALS TO REACH THOSE GOALS

GENERALLY RESPONSIBLE FOR THE
FEDERAL REGIONAL COUNCIL SYSTEM
INCLUDING ESTABLISHING POLICY ON
COUNCIL MATTERS, PROVIDING GUIDANCE
TO COUNCILS, RESPONDING TO THEIR IN-
ITIATIVES, AND RESOLVING POLICY
ISSUES REFERRED BY COUNCILS.

PROVIDE STAFF SUPPORT TO THE
UNDER SECRETARIES GROUP INCLUDING
SERVING AS A FOCAL POINT FOR THE
GROUP IN THEIR RESPECTIVE AGENCIES,
MONITORING AND EVALUATING FEDERAL
REGIONAL COUNCILS' ACTIVITIES, AND
PROVIDING LIAISON AND GUIDANCE TO
COUNCILS TO HELP IN SOLVING ISSUES.

DEVELOP CLOSER WORKING RELATION-
SHIPS BETWEEN MAJOR FEDERAL GRANT-
MAKING AGENCIES AND STATE AND LOCAL
GOVERNMENTS AND TO BETTER COORDINATE
THEIR CATEGORICAL GRANT SERVICES TO
STATE AND LOCAL GOVERNMENTS.

¹ REPRESENTATIVES OF THE DEPARTMENTS OF AGRICULTURE AND THE INTERIOR WERE ADDED TO FEDERAL REGIONAL COUNCIL MEMBERSHIP IN 1973.

After we completed our fieldwork, Executive Order 11731, dated July 23, 1973, amended Executive Order 11647 to broaden Council activities to include the coordination of direct Federal program assistance to State and local governments and to expand Council membership to include the Departments of Agriculture and the Interior.

CHAPTER 2

FEDERAL REGIONAL COUNCILS' ACTIVITIES

AND EFFECTIVENESS

The Councils we visited performed a variety of activities to develop closer working relationships between Federal grant-making agencies and State and local governments and to better coordinate categorical grant-in-aid services to State and local governments. Some of the Councils' activities and the views obtained from officials of State and local governments (the intended beneficiaries) follow.

CLOSER WORKING RELATIONSHIPS

Our review showed that Councils helped develop closer interagency relationships more than closer intergovernmental relationships.

Interagency relationships

The guidelines for implementing Executive Order 11647 provided for regular meetings of USG, the Under Secretaries Working Group (USWG), and Councils. USG and USWG were to meet during the second and fourth week of each month, respectively. Councils were to meet on the first and third Tuesdays of each month. Although these schedules were not always met and surrogate attendance was not uncommon, the Councils' work plans, meeting agendas, and minutes of the respective groups contained evidence of interagency consideration and resolution of issues.

To promote these improved interagency relationships:

- Personnel of Federal grant-making agencies held retreats.
- The 10 Councils exchanged information on minutes of meetings, annual work plans, and progress reports.
- Task forces were established to accomplish Councils' objectives.

Intergovernmental relationships

Councils have used various devices to establish, maintain, and facilitate relationships with State and local governments. For example, the Seattle Council has designated members of its staff to serve as liaisons with Governors and mayors in its four-State region. The Chicago Council maintains a telephone hotline that State and local government representatives can use to obtain information or assistance on Federal programs. The Governors of the six States in Federal region I have designated representatives to serve as liaisons with the Boston Council and to attend Council meetings. The Atlanta Council meets with State representatives when problems involving two or more Federal agencies are encountered.

Despite the various devices used, the Councils' attempts to develop intergovernmental relationships were limited primarily to States and larger units of local government. Important factors contributing to the Councils' limited outreach, particularly with the smaller units of local government, were the limited staff resources available to Councils and the Councils' relatively brief experience in operating intergovernmental programs.

Relations with States and larger units of local government

Most officials of States and larger units of local government that we interviewed knew about the Councils and their purposes, but the extent of their knowledge and experience with the Councils varied widely. For example, one director of Federal-State relations told us that, although representatives of his office had attended a budget briefing by the Boston Council in April 1973, he was not very familiar with the Council. The Federal aid coordinator for a State in Federal region X said that the Seattle Council had helped gain Federal agency conformance to the sub-State planning districts established by the Governor and had also helped in other Federal, State, and local government relations. However, the assistant treasurer of a large county told us that he had never heard of the Boston Council.

Officials of a large city in Federal region I told us that they were familiar with the Boston Council but that their experience with it was generally not good. They

believed that the Council system could work if categorical grant programs were revised and if uniform decisionmaking authority was given to Council members. This city usually dealt directly with the headquarters offices of Federal agencies and thereby bypassed regional representatives and the Council. City representatives said, in effect, that the Council did not deliver when asked.

The interagency program coordinator of a large city in Federal region IV told us that the city had not received any information from the Atlanta Council and that a budget briefing presented by the Council had been its only contact. A State planning and budget director in Federal region IV told us that the Council system was a good concept and that it was getting Federal agencies to talk to each other. He added, however, that, except for the budget briefing, he had had no direct contact with the Council. Officials of a large county in Federal region V also told us that their only direct contact with the Chicago Council was an April 1973 budget briefing presented by the Council.

Relations with smaller units of local government

Representatives of smaller units of local government that we interviewed were generally unfamiliar with the Councils. An assistant county treasurer in Federal region I and officials of a small county in Federal region V told us that they had not heard of the Councils. The county officials stated that they were mostly in the dark as to available financial assistance programs and that it would probably be a full-time job to find out what programs applied to their local needs and whether any funds were available. They also said that there should be some way to communicate the needs of local communities to the Federal Government.

Officials of another small city told us that they had heard the Chicago Council chairman speak and had read what they termed "a rather meaningless brochure" explaining the Council. The Federal funds coordinator of a town in Federal region I told us that contact with the Boston Council was minimal and that the town government did not know what the Council was supposed to do.

A Model Cities director in a small city told us that he had dealt with the Atlanta Council several times on such

problems as conflicting guidelines for the city's human resource center but that he did not know the Council's role. He said that he had not noticed any changes in the Federal grant-in-aid delivery system over the past 3 years and suggested that, to help local governments, Councils could:

- Identify their role.
- Identify the types of problems that should be addressed to them.
- Identify how local governments should bring problems to them.
- Make the Federal grant-in-aid delivery system more visible to the user.

The director of a nonfederally funded regional planning conference representing small cities in a metropolitan area of Federal region X told us that he knew of the Seattle Council and believed the Council could be of benefit as a grant coordination group. The senior planner of a county regional planning council in the same Federal region told us that technical assistance was the county's greatest need and that Federal agencies, through the Council, could provide valuable service by supplying this assistance.

Officials of a city in Federal region I said that Councils could provide worthwhile services if they were more responsive to grantees' needs--assisting smaller government units for example, in identifying available Federal grant-in-aid programs and funds. They said that the Boston Council had not given their city anything of substance and that, when they wanted something done, they usually went to their congressional delegation. They pointed out that cities like theirs had developed a level of sophistication in dealing with the Federal grant system far beyond that of the Council and that, in their opinion, the Boston Council was not performing any function useful to their city.

ATTEMPTS TO IMPROVE COORDINATION
OF GRANT PROGRAMS

When grants from two or more Federal agencies or organizational units within an agency are needed to achieve the objectives of a grantee's proposed project, coordination by the Federal grantors is important. Councils have achieved some success in facilitating interagency coordination of categorical grants through such experimental programs as (1) Integrated Grant Administration, (2) flexible funding, and (3) Planned Variations.

Integrated Grant Administration

OMB established the Integrated Grant Administration (IGA) program in January 1972 to help State and local chief executives manage and integrate Federal program services provided in their jurisdictions. The IGA program provides a means for two or more Federal agencies to work together in meeting several interrelated requirements of grantees' proposed projects; it also enables prospective grantees to apply for a number of Federal assistance grants with one application. As of June 1973, 20 integrated grants had been approved and 6 integrated grant applications were being processed.

Each Council is participating in at least two integrated grants. Council responsibilities include receiving and selecting integrated grant proposals, establishing task forces to process integrated grant applications, and designating lead Federal agencies to administer approved grants. Each lead agency serves as the agent of other participating Federal grant-making agencies. This results in single administration of matters concerning the receipt, delivery, review, and audit of funds; oversight of project progress and performance; approval of modifications in the work plan; and project termination.

We reviewed an integrated grant awarded to a State and an integrated grant being planned for a city in Federal region I. The grant to the State was for State-wide land use, facility development, and economic and environmental planning activities. At the time of our review, four Federal agencies and the State were providing \$450,000 in grant funds for fiscal year 1973. The proposed \$1,237,000 integrated grant for the city was to be jointly funded

by the State and city governments and five Federal agencies to promote human resource and manpower training capabilities.

Grantee representatives told us that the IGA program and assistance provided by Boston Council helped them delineate and agree on objectives and helped to insure program continuity while the application was being processed and while aid was being delivered for the State grant.

Representatives of grantees being assisted in the IGA program by the Atlanta, Chicago, and Seattle Councils told us that the IGA program and Councils benefited them by:

- Delineating and helping them to agree on objectives.
- Processing applications and delivering aid.
- Coordinating and simplifying evaluation and audit.

In addition, the program manager for an integrated grant awarded to a city's human services department in Federal region IV projected that, compared with what it would have cost to administer three separate grants, the city would save \$175,000 a year in administering the integrated grant.

Our discussions with grantees participating in the IGA program and our analysis of their comparative workload estimates showed that they required less time to apply for and administer integrated grants than they would have required for separate categorical grants. However, an OMB evaluation concluded that it was impossible to directly compare Federal agency expenditures for IGA with expenditures for categorical grant-in-aid programs administered separately and that attempts to relate the two yielded marginal results. As part of our continuing review, we plan to fully evaluate the IGA program and, to the extent possible, determine its advantages and disadvantages from the perspectives of Federal, State, and local governments.

Flexible funding

Because not all Council members have decisionmaking authority to commit grant funds (see p. 20), Councils found it difficult to undertake short-term, high-yield projects that would demonstrate Federal concern and responsiveness to local needs.

In June 1970, USG approved a flexible funding pilot test for the Boston, Atlanta, Chicago, Denver, and San Francisco Councils. The USG representatives from the Departments of Health, Education, and Welfare (HEW); Housing and Urban Development (HUD); Labor; Transportation (DOT); and the Office of Economic Opportunity (OEO) agreed to make \$50,000 available to their respective regional heads in the five Councils, to be used in pursuing high-priority joint objectives. Thus, each Council had \$250,000 available for the experiment.

The Councils undertook 21 projects on minority group problems, planning and coordinating systems, and education and business development. Grantees included private nonprofit institutions; State, county, and city governments; educational institutions; and a regional action planning commission.

Examples of flexible funding projects follow.

--Using funds provided by HEW, Labor, and OEO, the Boston Council granted \$36,000 to a league of neighborhood health centers to coordinate the services of about 35 centers throughout the State. A league representative told us that, through the flexible funding arrangement and the assistance provided by Council representatives, local health organizations not otherwise large or sophisticated enough were able to obtain Federal funds for their programs. The league representative also told us that Federal officials in the region understood local situations and needs better than did headquarters officials in Washington, D.C.

--Using funds provided by Labor, DOT, HEW, HUD, and OEO, the Chicago Council granted \$200,000 to a private nonprofit institution for migrant services. The grant funds were used for such things as employment and training, education, child care, health and welfare services, housing services, and highway safety programs. In this case, similar to the IGA program, the Council designated an independent team to evaluate the project and a single agency to audit it.

A May 1972 USWG evaluation of the flexible funding pilot test concluded, in part, that cooperation among Council agencies had resulted in some benefits and that the pilot test increased State and local officials' exposure to Councils

and showed their capacity to act as entities. USWG recommended continuing flexible funding projects.

After considering this evaluation, however, USG advised Council chairmen that, although USG strongly supported the Councils' concerted grant actions and agreed that all regional heads should have discretionary funding authority to facilitate such actions, flexible funding projects tended to distract Councils from concerted action with main-line grant funds. USG therefore recommended discontinuing the pilot test after the projects were completed.

Planned Variations

The Planned Variations program initiated by the President in July 1971, covering 20 cities having Model Cities programs, was designed to demonstrate what local governments could accomplish in solving urban problems when given greater freedom from Federal regulations. Although Planned Variations was basically a HUD program, USG required Councils to participate in it by coordinating the Federal response to cities' needs and by helping the cities to assess their progress in the program. Council involvement centered around two of the basic variations instituted under the program.

1. Chief Executive Review and Comment (CERC)

The local chief executive, representing local general-purpose government, was allowed to review and can comment on all applications for Federal assistance affecting his community.

2. Waivers

Federal agencies were to take steps to waive, or at least minimize, their administrative requirements imposed on grant-in-aid recipients.

Councils also encouraged negotiations between Planned Variations cities and Federal agencies to develop annual arrangements for funding strategies which would respond to locally established priorities.

Of the four Councils included in our review, three were participating in the program. Although the Councils

successfully implemented their CERC role in the Planned Variations cities, they were less than successful in implementing waivers and annual arrangements.

The three Councils actively promoted CERC in their Planned Variations cities and adopted uniform CERC procedures and forms in cooperation with the cities. As reasons for the limited implementation of the waiver provision, Council staff cited cities' reluctance to request waivers and Federal agencies' reluctance to grant them. Uncertainty about the Federal funds available was cited as the primary impediment to a dependable Federal commitment needed for the comprehensive planning envisioned under annual arrangements.

CONCLUSIONS

Councils' activities have helped improve interagency and intergovernmental relations and the delivery of Federal assistance to State and local governments, but these activities have reached only a limited number of potential recipients, thereby leaving a large potential for further improvement.

State and local governments need information on Federal grant-in-aid programs and on the opportunities for securing assistance from Councils. Unless governmental units had developed aggressive programs for seeking out and securing Federal assistance, they usually had little knowledge of or information on Federal grant-in-aid programs. Important factors contributing to the Councils' limited outreach, particularly with the smaller units of local governments, were the limited staff resources available and the Councils' relatively brief experience in operating intergovernmental programs.

Although we have not fully evaluated the IGA, flexible funding, and Planned Variations programs, we observed that they helped to improve the ability of State and local governments to coordinate the administration of Federal grant-in-aid programs. These programs, however, were experimental and reached only a limited number of potential recipients.

RECOMMENDATIONS

We recommend that the Councils increase their intergovernmental efforts in disseminating information and

providing technical assistance. The Councils should fully acquaint State and local government officials with the Councils' role and responsibilities and the means by which Councils' assistance can be secured.

In view of the limited staff resources available to the Councils and their relatively brief experience in operating intergovernmental programs, we further recommend that OMB consider an experiment involving the transfer of a limited number of OMB representatives from Washington to individual Council cities as additional staff resources to assist the Council chairmen and the Councils in developing and operating intergovernmental programs. Under such an experiment, the OMB representatives would not only continue to serve as liaison between OMB and the Councils but also would assist the Council chairmen and the Councils by serving as liaison between the Councils and State and local governments.

The Council chairmen and staffs in turn would be better able to devote more staff resources to establishing and maintaining relations with smaller units of local government.

AGENCY COMMENTS

OMB, by letter dated December 24, 1973 (see app. III), stated that the Councils have had increasingly strong intergovernmental relations programs during the current fiscal year and pointed out various methods initiated in the regions to establish and maintain relations with individual State and local officials. OMB noted, however, that it would take a long time before a substantive relationship existed between Councils and smaller units of local government.

Because Councils do not have the necessary staff and because they have been operating intergovernmental programs for only a short period, they have concentrated their intergovernmental outreach first at the State level and with organizations of local government. According to OMB, Councils are attempting to overcome their resource limitations by using public interest groups to reach individual local officials.

In later discussions, OMB officials agreed to consider an experiment involving the transfer of a limited number of OMB representatives from Washington to individual Council cities as additional staff resources to assist the Council chairmen and Councils in developing and operating intergovernmental programs.

CHAPTER 3

FACTORS PREVENTING THE COUNCILS FROM ACHIEVING THEIR POTENTIAL EFFECTIVENESS

The Councils' efforts to achieve greater effectiveness were impeded by both external and internal factors.

EXTERNAL FACTORS IMPEDING COORDINATION OF FEDERAL ASSISTANCE

The degree of decisionmaking authority delegated to the regional heads of the Federal agencies participating in the Councils varies considerably. For many Federal programs, regional heads have no authority to make final decisions on applications for Federal assistance because final grant approval authority either rests in Washington, D.C. or is delegated to agency regional officials other than the regional heads who serve on the Councils. In such situations, agencies do not authorize their Council members to commit grant funds when dealing with State and local officials.

At a USG meeting, the Chairman, in discussing the Councils' role in cooperative disaster assistance efforts, noted that the disparity in authority preventing the regional agency heads from making on-the-spot decisions was a critical deficiency.

The merits of decentralization were beyond the scope of our review and will be addressed in our future evaluations of the FAR effort. However, we did examine the impact of decentralization on the Councils' ability to coordinate programs of member agencies. We recognize that there may be programmatic reasons, apart from accomplishing the Councils' purposes, for an agency to fix decisionmaking authority at varying levels within the agency.

We reviewed 17 selected Federal grant programs (see app. II) administered by 6 of the 7 Council member agencies to determine to what extent decisionmaking authority was decentralized.¹ We did not review OEO programs because its fiscal year 1974 funding was uncertain.

¹At the time of this review, the Departments of Agriculture and the Interior had not been admitted to Council membership.

For 12 of the 17 programs, decisionmaking authority was decentralized. However, for 10 of the 12 programs (1) decisionmaking authority was vested in regional officials other than the regional heads serving on Councils or (2) grant award levels were set by a formula¹ which gave regional heads little or no discretion over funding allocations. Therefore, full decisionmaking authority, including approvals of program content, funding period, and funding level, was vested in the regional head who served on the Council for only 2 of the 17 programs.

Lack of decentralization
of decisionmaking authority

To streamline, simplify, and speed the flow of assistance, FAR urged Federal agencies to move operational authority from Washington to the field to insure that decisionmaking was closer to where the services were actually provided. As conceived under Executive Order 11647, Councils would then serve as mechanisms to help coordinate member agency grant programs.

While current data on the status of agencies' program decentralization efforts is not available from a single source, data gathered by OMB at our request showed that the number of grant programs for which decisionmaking authority was decentralized increased from 99 to 187 during the FAR effort. The following table compares the number of grant programs administered on a decentralized basis before and after the FAR effort to the total number of agency grant programs.

¹Under a formula grant, funds are allocated to all eligible State and local jurisdictions on the basis of a formula specified in the authorizing legislation.

Department or <u>agency</u>	Number of programs administered on decentralized basis		Total number of programs (note b)	
	Before	After	Before	After
	FAR (note a)	FAR (note a)	FAR	FAR
Agriculture	31	38	63	72
Commerce	5	6	30	45
Environmental Protection Agency	-	3	-	32
HEW	16	38	185	183
HUD	36	58	62	58
The Interior	2	5	26	93
Justice	-	7	18	32
Labor	-	13	42	39
OEO	4	5	12	(c)
Small Business Administration	4	6	8	17
DOT	1	4	11	26
Other	-	4	126	271
	<u>99</u>	<u>187</u>	<u>583</u>	<u>868</u>

^aThe FAR effort was initiated by the President in March 1969 and terminated in June 1973.

^bBased on the January 1969 and June 1973 Catalogs of Federal Domestic Assistance, respectively. Depending on one's definition of Federal assistance program, the total number of programs ranges approximately from 500 to 1300.

^cIn the 1973 Catalog of Federal Domestic Assistance, the Office of Economic Opportunity was not included.

According to a January 1973 FAR report, HEW, whose final decisionmaking authority remains centralized for a number of programs, gave its field offices a stronger role in financial and operational planning and program execution. In addition, on March 6, 1973, the Secretary of HEW outlined steps to unify, coordinate, and focus Federal resources in the areas of greatest need. He expressed the desire to decentralize HEW management and organization closer to where the services are actually provided.

The Secretary's policy statement directed all responsible managers to decentralize all programs susceptible to

regional administration unless they were granted a special exception on the basis of evidence that decentralization would be incompatible with the law or effective administration. Heads of agency components were directed to submit, by May 1, 1973, decentralization plans aimed toward complete decentralization of HEW by June 30, 1974. The Secretary believed effective collaboration with regional representatives of other departments and agencies depended on an ability to act definitively for one's own agency. To the extent that this degree of decentralization is possible, Councils should be aided in coordinating and facilitating the delivery of grant-in-aid funds.

The following examples illustrate the adverse impact on joint funding endeavors, such as IGA projects, caused by the lack of decentralized decisionmaking authority.

In Atlanta, an IGA proposal from a planning commission included requests for funding from three centralized HEW research programs. The IGA task force chairman told us that grant applications under these three programs had to be approved by advisory commissions in Washington, D.C., and that applications were sometimes delayed until the commissions' quarterly meetings. These three grant requests were finally deleted to avoid delays in processing and obtaining final approval for the remainder of the integrated grant. If the grants are ultimately approved, they will be awarded separately.

A State economic opportunity office was delayed in obtaining the funds requested in its IGA application for a child-care program. The Seattle Council task force member in charge of monitoring the IGA application told us the project was unduly delayed because approving grant awards, which were processed at the headquarters level of the participating agencies, involved considerable time.

As noted in chapter 2, several State and local officials we interviewed criticized the Councils' ability to respond to requests for assistance and generally believed that Council members had no decisionmaking authority and were not able to provide prompt assistance.

Variations in
decentralized decisionmaking authority

Decisionmaking authority for 7 of the 12 decentralized programs we reviewed was delegated by headquarters to regional officials other than the regional heads who served as Council members. Decisionmaking authority for all decentralized programs of Labor, DOT, and HEW was delegated to regional officials other than regional heads. For decentralized programs of the Environmental Protection Agency, the Law Enforcement Assistance Administration, and OEO, decisionmaking authority was delegated to the regional heads who served as Council members.

In contrast to the aforementioned agencies, HUD delegated decisionmaking authority to regional heads who in turn further delegated this authority to officials of area offices. The regional heads, however, retain the responsibility and authority which has been delegated and, in special circumstances, may exercise that authority or require specific actions to be taken at a lower level.

A HUD regional official told us HUD had occasionally experienced difficulty in carrying out its Council role because so much authority had been delegated to the area offices. This regional office was trying to act promptly on grant program matters by involving officials of area offices on Council task forces.

INTERNAL FACTORS IMPEDING
COORDINATION OF FEDERAL ASSISTANCE

Except for the staff directors and support staff assigned by the agencies of Council chairmen (see p. 6), Council chairmen, members, staff, task force representatives, and ad hoc participants divide their time between Council and agency duties. With this type of organization, a high degree of commitment and support at both the Washington and regional levels are vital to the Councils' success.

Our review showed that internal factors, such as the authority and responsibility given to those carrying out the Councils' activities, the leadership provided to Councils, and participating agencies' commitment impeded the Councils' activities.

Council chairman's authority
and responsibility

Executive Order 11647 provides that the President designate one member of each Council to serve as chairman. Each Council chairman is charged with effectively leading his Council in carrying out the purposes of the Executive order and in obtaining Council interaction and agreement to resolve interagency conflict and coordination problems. Under the organization of the executive branch, however, Council chairmen cannot have line authority over the other Council members.

In addition, each chairman continues to serve as agency regional head and divides his time between agency and Council duties. An OMB paper on ways to strengthen the Councils reported that Council chairmen estimated they spent 50 to 75 percent of their time on Council activities. Thus, effective leadership of the Councils is charged to part-time chairmen who have to rely on the authority implicit in their Presidential designations and such personal capabilities as management competence, persuasiveness, and communication skills to carry out their responsibilities.

A HUD official who had been involved in a disaster task force told us that the Council could not act promptly because the Council Chairman lacked authority over the other Federal agencies. Because of these problems, the President sent the USG Chairman to handle the Federal Government's

response to the disaster situation. The HUD official said the President's directive gave the USG Chairman more authority to control, to some degree, the Federal agencies involved.

USG recognized that the stature of Council chairmen needed to be strengthened. At a January 1972 meeting, USG provided for elevating chairmen over Council members by promoting them to GS-18 during their tenure as chairmen. The stature of chairmen was further enhanced when, at a May 1973 meeting, USG agreed on a policy which, in part, provided for

- experimenting with using full-time chairmen in two Councils,
- making chairmen in the other eight Councils primarily responsible for Council leadership and secondarily responsible for agency regional office activities, and
- reviewing at 6-month intervals the Councils' progress in carrying out their activities, particularly the two Councils with full-time chairmen.

Although USG could not increase Council chairmen's authority under the organization of the executive branch, it could increase the chairmen's stature and thus provide a potential for more effective Council management. In our opinion, USG must also assume an assertive role and provide firm direction and commitment to Councils to help compensate for the Council chairmen's lack of authority.

Permissive USG management

In a paper dated September 1971, a group of former Council chairmen noted that poor performance of Council committees and task forces could generally be traced to (1) lack of specific instructions, (2) lack of target dates, (3) loose reporting systems, or (4) poor commitment or sense of priority. To help correct these deficiencies, the chairmen recommended that each task force or committee undertaking a project be issued a written statement setting forth as specifically as possible objectives, responsibilities, target dates, and reporting methods.

Many of the observations of the former Council chairmen can also be related to USG's management of the Councils and

the Councils' performance. Projects which elicited substantive and purposeful responses from Councils were generally those projects for which USG defined objectives, provided some resources, and endorsed commitment by member agencies.

Concerted Council involvement

As shown below, Councils generally made a concerted effort on projects when USG provided management direction and assistance.

--USG, USWG, and OMB provided considerable guidance on and commitment to the IGA program. For instance, following a pilot test in two Councils, OMB promulgated policy and issued guidelines and procedures governing application processing and project administration. USG issued criteria for selecting IGA projects and USWG issued implementing instructions. Also, OMB held IGA workshops to familiarize Council principals, staff, and task force members with the IGA process. To determine the extent to which the project effectively delivered multi-Federal program assistance, OMB also made followup evaluations. All four Councils included in our review actively participated in this program.

--USG affirmed its commitment under the Planned Variations program by notifying the Councils of the coordinating actions it was taking to expedite implementation of CERC and by encouraging the Councils to continue participating in the project. USG also directed the Councils to adopt a common CERC form. All three Councils with Planned Variations cities actively promoted CERC and adopted uniform CERC procedures and forms in cooperation with the cities.

Poor Council involvement

Councils generally did not make a concerted effort on projects when USG did not provide sufficient management direction and assistance.

--Executive Order 11647 charges Councils with the responsibility for supervising regional interagency program coordination mechanisms such as the regional manpower coordinating committees. The committees were

designed to coordinate interagency planning and to carry out federally supported manpower training and supportive manpower service programs to insure a balance among programs and efficient use of resources.

The USG guidelines for implementing the Executive order directed that such coordinating mechanisms be brought under Council purview within 1 year. USG, however, did not provide the Councils with any such guidance; thus, the four Councils in our review devoted little effort to the committees' activities.

During the Councils' national staff conference in October 1972, a proposal was made to encourage USG to formulate guidelines for committee operations. USG recognized that the Councils felt constrained from assuming supervisory responsibility until it provided guidelines. During our review, a draft policy statement was being developed on the committees' role and relationship to the Council.

- In July 1970 the President directed the Secretary of the Interior to actively encourage economic growth and interagency cooperation in developing comprehensive plans for Indian reservations. As a result, the Department's Bureau of Indian Affairs initiated the Reservation Acceleration Program to implement comprehensive tribal reservation planning. On March 15, 1972, USG asked six Councils to assist in the program because Council agencies also contribute funds to reservation development.

The program initially had confusing and conflicting guidance on the respective roles and responsibilities of the Councils, the Bureau of Indian Affairs, and the tribes. A primary reason was that USG and the Councils were not involved in planning the program, including consulting with the tribes selected for participation. Although USG issued guidelines in March 1972, specific responsibilities were unclear. USG issued additional guidelines in June 1972 which clarified a number of the problems and further defined the Councils' role.

Officials of a Council that participated in the program said that, after USG issued its guidelines, very

little information or guidance was received from either USG or USWG. The Council noted in its December 1972 quarterly progress report that it was having difficulties implementing the program. In commenting on the activities of all Councils participating in the program, USG recognized that the Bureau of Indian Affairs had not assumed as active a lead role as originally anticipated and that the Councils' progress had been impeded. USG, however, took no action to help the Councils overcome their problems. The Council we reviewed stopped participating in the program in early 1973.

Inconsistent commitment by Federal agencies to the Councils

Several Council officials cited the need for, but lack of, commitment toward Councils' objectives at the regional level. According to one Council staff director, members must be convinced of the potential value of a particular project before they can completely commit themselves to it. Another Council staff director said that the Council could handle twice its normal workload with complete staff commitment. He added that such commitment had been no problem with USG-mandated projects.

Council chairmen pointed out that the more substantive and purposeful Council responses to mandated projects resulted from USG's better defining objectives, performing the necessary work to insure commitment by member agencies, and providing some resources for the projects. However, each Council visited stressed the need to allow time for Councils to initiate and carry out projects tailored to respond to local requirements.

Staff commitment

The USG guidelines implementing Executive Order 11647 direct that each agency assign one full-time staff member to each Council. However, Council representatives said that such Council staff members should have spent and were spending some time on agency matters to keep current with their agencies' programs.

One Council staff director said that the Council staff was concerned more with individual agency responsibilities

than with Council activities. The Chairman of the same Council summarized the degree of commitment of his Council's seven staff members by estimating that they spent about 47 percent of their time on Council activities. He added that a staff's commitment relates to its agency's commitment.

Staff members in the other three Councils estimated that they spent from 50 to 100 percent of their time on Council activities.

Ad hoc participation

Some Council representatives cited ad hoc participation by non-Council agencies as a problem. Representatives of the Atlanta and Seattle Councils said they had experienced problems with ad hoc participation generally and with certain task forces specifically. The Seattle Council staff director said that the Model Cities task force in particular could have used more ad hoc participation. The chairman of this task force said the Small Business Administration did not actively participate.

The Chairman of the Atlanta Council said that ACTION and the Economic Development Administration participated some when they wanted something and that the Department of Agriculture did not participate until the budget briefing tours were made. The staff director for this Council said the Spanish-speaking, migrant, and aging projects could have been improved had programs of the Departments of Agriculture and the Interior been included. In contrast, a representative of the Council's public safety task force stated that he had no problem with ad hoc participation but that getting Council agencies to provide sufficient staff time was a problem.

The Boston Council Chairman told us that ad hoc participation on task forces had not been bad but was not as good as member agency participation because inducement for such participation was lacking. The Chicago Council staff director said he was not aware of ad hoc participation difficulties.

Agency commitment to task forces

Besides providing full-time staff members, Council agencies provide staff for Council task forces. Two problems with the level of agency commitment to task forces were cited. First, smaller agencies have only limited staffs and thus

have difficulty finding persons to work on task forces. According to a Council staff director, limited staff participation also makes dispersing certain Council responsibilities difficult. The other problem is that the most capable task force representatives also face tremendous demands on their time from their agencies.

Officials of the Councils included in our review stated that the availability of staff for participation on task forces presented a continuing problem. For example, in one Council we found that:

- Two projects which the Council considered important were not included in the current work plan because staff could not be obtained.
- Three projects included in the current work plan were falling short of the objectives set by the Council because task force staff members were too busy with their regular duties to devote sufficient time to the projects.

Introspective projects

In 1971 an OMB paper on Council problems noted weaknesses in the work plans of certain Councils because internal matters rather than serious interagency problems were being addressed. This paper explained that:

"Though such things [projects related to internal Council matters] are good for interagency cooperation, it seems questionable that they merit the amount of regional director and staff time that they have tended to take up."

Representatives of all the Councils agreed that their 1973 work plans included certain introspective projects. The Chicago and Seattle Councils each had four such task forces, and the Atlanta Council had one. The Boston Council estimated that it spent only 5 percent of its time on such projects. Introspective projects involved such matters as equal employment opportunity, veterans affairs, joint personnel, and administration.

USG has not formalized standards for planning work or reporting progress. The lack of such standards, we believe,

makes it difficult for USG to identify and evaluate the relative merits of Council-initiated projects. Identifying introspective projects and differentiating them from regional projects that respond to differing regional circumstances would be easier if such standards were established and observed.

CONCLUSION

Although the Councils' effectiveness has been impeded by external and internal factors, we believe that, within their existing framework, Councils can accomplish their purposes more effectively.

Councils generally made a concerted effort to carry out activities for which USG provided management direction and assistance. The strong USG role evoked substantive, purposeful results from Councils, even though they operated under such impediments as

- lack of decentralized decisionmaking authority,
- variations in decentralized decisionmaking authority,
- limits on the authority of Council chairmen,
- division of time and effort by Council members, staffs, and task force members between Council and agency affairs,
- insufficient ad hoc participation in Councils' activities, and
- the lack of formalized standards for planning work and reporting progress.

RECOMMENDATIONS

We recommend that USG counteract the external and internal factors impeding the Councils' effectiveness by being more assertive and providing definitive direction and firm support to the Councils, including:

- Prescribing standards for planning work and reporting progress to facilitate monitoring of Councils' proposed efforts and actual accomplishments and to insure the most effective allocation of the Councils' resources, especially for Council-initiated projects designed to meet regional needs.

- Providing for Councils' participation in the planning stages of mandated projects, including preparing guidelines and statements specifying purposes, objectives, and ways to accomplish projects, to insure more effective Council involvement and commitment.

- Assuming responsibility for determining the appropriateness of uniformly decentralizing Federal agencies' grant programs, to enhance the Councils' abilities to provide prompt and coordinated assistance to State and local governments.

AGENCY COMMENTS

OMB endorsed our conclusions and recommendations, noting that our report generally presented an accurate and objective view of the accomplishments, deficiencies, and problems of Federal Regional Councils.

With regard to the need to prescribe standards for planning work and reporting progress and to provide for Councils' participation in the planning stages of mandated projects, OMB stated that the Federal agencies, Councils, and OMB have been, and continue to be, concerned with how to achieve USG participation and guidance while retaining Council flexibility and initiative to meet regional needs. OMB believes that a management-by-objectives procedure instituted during fiscal year 1974 will provide the necessary improvement in management. Under this procedure each Council is asked to identify the major objectives to be achieved in their respective regions and to propose work plans and time schedules for accomplishing such objectives. USG reviews and comments on the plans; the final approved plans are the result of an exchange of views between USG and the Council chairmen. Provisions have also been made for guiding and tracking progress.

We believe the actions outlined by OMB, if properly implemented, should strengthen the management and increase the effectiveness of Federal Regional Councils.

On our recommendation that USG assume responsibility for determining the appropriateness of uniformly decentralizing Federal agencies' grant programs, OMB stated that it

has overall responsibility within the executive branch to monitor and oversee the decentralization effort. The Under Secretaries within USG have the responsibility to insure that Council agencies decentralize to the maximum extent possible.

OMB advised us that Council agencies are pursuing decentralization programs and that OMB looks to strong action by the Under Secretaries to insure prompt and effective decentralization within the agencies. In this regard, OMB noted that, in addition to the decentralization of grant-making authority, support functions such as administrative and financial management, budget formulation, regulation and guideline development, and long-range planning are activities being considered for decentralization. OMB further stated that there may be good programmatic reasons, apart from achieving the Councils' objectives, for a regional official other than the agency regional head serving on a Council to have grant-making authority. If the agency regional head were to have authority over regional administration and budget formulation, his capacity to influence and coordinate grant-making decisions as a Council member would still be enhanced.

In our opinion, OMB's approach to decentralization, together with strong USG support of Councils' activities, should strengthen the Councils' ability to provide prompt and coordinated assistance to State and local governments.

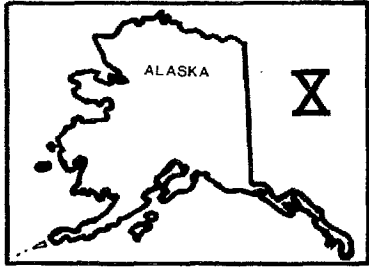
CHAPTER 4

SCOPE OF REVIEW

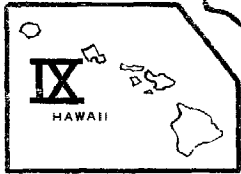
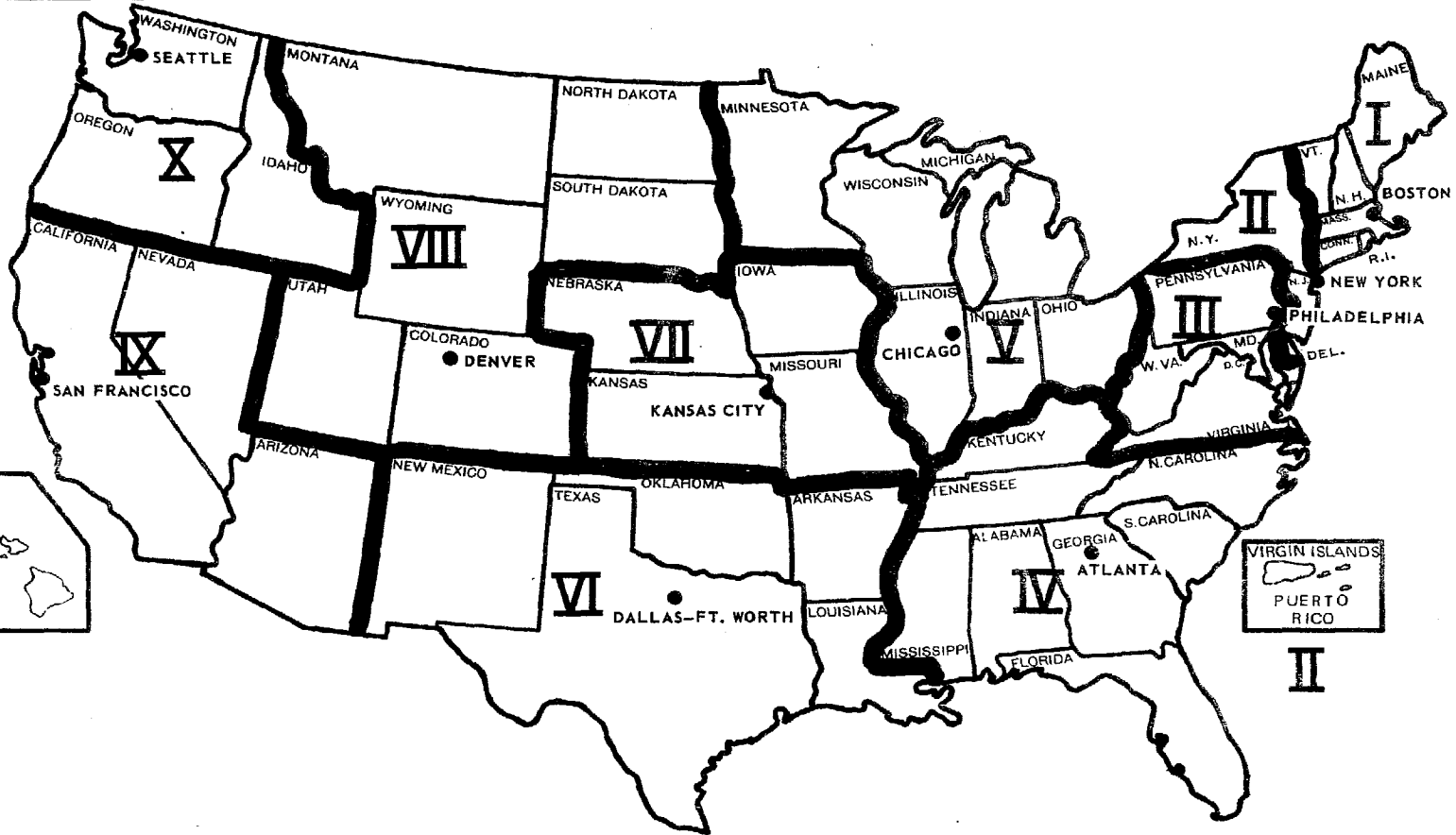
Our review, made primarily during the first half of calendar year 1973, included a review of Executive Order 11647 and OMB guidelines which authorized the Councils and directed their activities. We also reviewed the minutes of meetings and other records of proceedings and actions taken by USG and the Councils in the four Federal regions we visited and determined the extent of decentralization of decisionmaking authority for 17 selected Federal grant-in-aid programs. (See app. II.)

We did our fieldwork in the Washington, D.C. headquarters of the Council agencies and OMB and at the Councils in Federal regions I (Boston), IV (Atlanta), V (Chicago), and X (Seattle). Also, we made 70 contacts at the State and local levels of government in Alaska, Connecticut, Florida, Georgia, Idaho, Illinois, Massachusetts, Minnesota, Ohio, Oregon, Rhode Island, Tennessee, and Washington. We interviewed responsible representatives of these Councils and governments and obtained appropriate documents covering their activities.

After we completed our fieldwork, Executive Order 11731, dated July 23, 1973, amended Executive Order 11647 and broadened Council activities to include the coordination of direct Federal program assistance to State and local governments. It also expanded Council membership to include the Departments of Agriculture and the Interior.



STANDARD FEDERAL REGIONS



GRANT PROGRAMS REVIEWED

<u>OMB catalog number</u>	<u>Title</u>
Labor:	
17.212	Job Opportunities in the Business Sector
17.229	Public Employment Program
17.230	Migrant Workers
DOT:	
20.205	Highway Research, Planning, and Construction
20.500	Urban Mass Transportation Capital Improve- ment Grants
20.600	State and Community Highway Safety
EPA:	
66.001	Air Pollution Control Program Grants
66.400	Construction Grants for Wastewater Treatment Works
HEW:	
13.206	Comprehensive Health Planning--Areawide Grants
13.400	Adult Education--Grants to States
13.429	Educationally Deprived Children--Migrants
13.755	Vocational Rehabilitation--Construction Grants
13.764	Youth--Development and Delinquency Preven- tion
HUD:	
14.203	Comprehensive Planning Assistance
LEAA:	
16.500	Law Enforcement Assistance--Comprehensive Planning Grants
16.501	Law Enforcement Assistance--Discretionary Grants
16.502	Law Enforcement Assistance--Improving and Strengthening Law Enforcement

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

DEC 24 1973

Mr. Victor L. Lowe
Director
U. S. General Accounting Office
Washington, D. C. 20548

Dear Mr. Lowe:

This is in response to your draft report, "Assessment of the Accomplishments of Federal Regional Councils." The enclosed comments contain the solicited views of those Federal officials most closely associated with the operation of the Regional Councils including the FRC Chairmen and the Under Secretaries Group.

We generally endorse the conclusions and recommendations of your report. I look to further progress from the Council system through the successful implementation of your recommendations - strong Under Secretary participation, work planning and progress reporting standards, Council participation in the design of projects and the decentralization of agency grant making authority. There has been some progress along these lines since your assessment of the Regional Councils. For one, we have instituted Management by Objectives in the Councils. This procedure, as you may know, relies on each Council collectively setting and planning the accomplishment of major objectives designed for its particular region. Strong support, however, is also given at the Washington level. Bi-monthly meetings are held with the Council Chairmen and representatives of the Under Secretaries to review progress, resolve problems and obtain policy direction. Your identification of further agency decentralization is, of course, a key factor. We look, as you recommend, for strong Under Secretary action to ensure timely and effective decentralization within the agencies.

Further detailed explanation of the actions we are taking are described in the enclosed materials.

APPENDIX III

I am encouraged by your positive recommendations for improving the Federal Regional Councils in order to improve Federal services to the public, a goal that we are all interested in furthering.

Thanks for the opportunity to review this report.

Sincerely,

A handwritten signature in black ink, appearing to read 'Frank G. Zarb', with a long horizontal flourish extending to the right.

Frank G. Zarb
Assistant Director
for Management and Operations

Enclosure

Comments on the Draft GAO Report"Assessment of the Accomplishment of
Federal Regional Councils"

The proposed GAO report on Federal Regional Councils was reviewed by the Under Secretaries Group (USG), the Federal Regional Council Chairmen, the Under Secretaries Working Group (USWG) and OMB staff. It was the general consensus of the reviewers that the report generally presents an accurate and objective view of the accomplishments, deficiencies and problems of the Federal Regional Council (FRC) system. Some areas require additional explanation, however, to prevent misinterpretation. One is that the Council system is continuously undergoing change, and some of the problems identified at the time of the GAO review have, to varying degrees, been addressed. One example is the action that has been taken to improve the management of the Federal Regional Councils. Other problems the report raises are more fundamental in nature and significant changes will be achieved only in the medium or long term. The GAO recommendations on decentralization, for example, are sound and will serve as useful guides as improvements are made in the Regional Council system over-time.

A second is the obvious care that has to be exercised in drawing system-wide conclusions from a sample of cases. For example the report states that selected State and local officials were interviewed by GAO in four Council regions. In drawing conclusions from this limited sample there are two cautions - one, the extent to which the selected officials represent other governmental officials within the region and two, the extent to which the experiences in the four selected Council regions represent the experiences of the other six Council regions. Similarly, general conclusions are drawn by GAO on issues of Federal agency and Council program administration from 17 selected programs. As any sample, such a selection only partially represents the Federal program administration experiences.

Our comments on the GAO report are organized under the three major GAO recommendations. More specific comments are appended for possible revisions of the text.

1. GAO recommends the Under Secretaries Group provide definitive direction and firm support to the Councils by:

APPENDIX III

- a. prescribing standards for work planning and progress reporting to facilitate monitoring of Councils' proposed efforts and actual accomplishments and to ensure the most effective allocation of Councils' resources, especially for Council-initiated projects designed to meet regional needs
- b. providing for participation by Council in the planning stages of mandated projects including preparation of guidelines and statements specifying purposes, objectives, and how projects are to be accomplished to ensure more effective Council involvement and commitment.

There is considerable agreement with this recommendation and the agencies, the Federal Regional Councils and OMB have been and are concerned with how to achieve Under Secretaries participation and guidance while retaining FRC flexibility and initiative to meet regional needs. One of the most important changes responsive to this GAO recommendation has been the FRC management improvement brought about by the institution of Management by Objectives in FY74. Under this procedure each Council is asked to identify the major objectives to be achieved in their respective regions and to develop proposed work plans and time schedules for accomplishing the identified objectives. The plans are then reviewed and commented upon by the Under Secretaries. The final approved plans are derived from an exchange of views between the Under Secretaries and the Chairmen. Provisions have also been made for guiding and tracking progress. This is handled by the scheduling of bi-monthly meetings with the Chairmen and the Under Secretaries and key Washington officials to review progress, resolve problems and obtain policy guidance. Two weeks prior to the meeting, the Councils are asked to submit written MBO progress reports.

The FRC and the USG instituted this procedure during the current year and have held their bi-monthly meetings in June, August and October. It addresses some of the deficiencies raised by the GAO report. First, it provides the opportunity for the Under Secretaries to provide the recommended "definitive direction and firm support to the Councils." It also provides the Council the opportunity to participate in the planning of projects including "specifying purposes, objectives, and how projects are to be accomplished." Through the formalized bi-monthly meeting and reporting procedure it prescribes "standards for work planning and progress reporting." Perhaps most importantly it requires each Council to plan its resources relative to the needs of

the region. These needs are by no means homogenous across the country. Thus it promotes the opportunity for the "effective allocation of Council resources, especially for Council-initiated projects designed to meet regional needs."

It is believed that this procedure does accomplish the dual goal of providing stronger Under Secretary participation in setting work planning and reporting standards while maintaining FRC flexibility and initiative "to ensure more effective Council involvement and commitment." The Councils have operated successfully under broad Under Secretaries Group policies which foster Council initiative in designing implementation strategies appropriate to their respective regions. The distinction between Under Secretary policy guidance and Council derived implementation strategy could be more sharply drawn in the GAO report.

Further details on the MBO procedure and other aspects of the FRC management system are described in the attached FRC System Guidelines for FY 1974. Also attached is a description of the formal reporting requirements of the Regional Councils including those in addition to the MBO procedure.

2. GAO recommends that the Under Secretaries Group provide definitive direction and firm support to the Council by assuming responsibility for determining the appropriateness of uniform decentralization of Federal agencies grant programs to enhance the ability of Councils to provide timely and coordinated assistance to State and local governments.

One of the key, if not the most important factor identified by the GAO report, is that the Under Secretaries Group should assume responsibility for determining the appropriateness of uniform decentralization of Federal agencies grant programs. OMB has the overall responsibility within the Executive Branch to monitor and oversee the total decentralization effort. The Under Secretaries within the USG have the responsibility to assure the FRC agencies decentralize to the maximum extent possible.

An important point, as raised in several sections in the GAO report, is the effect an agencies action on decentralizing authority and functions and the delegating of that authority or function to a Regional Director has on the "ability of Councils to provide timely and coordinated assistance to State and local governments." It may

be worth underlining the distinction and supplying definitions for the terms decentralization and regionalization. Decentralization may be defined as the delegation of administrative or legislative program authority and other functional authority and resources from the official designated with primary responsibility to subordinate officials in field offices of the Federal system so that they can take final action to approve and fund application for domestic assistance programs. Regionalization may be defined as the development of organizational relationships in the Federal system based on the delegation of operational responsibilities to regional headquarters in the ten Standard Federal Regions in order to concentrate departmental resources within the region to meet approved objectives. In terms therefore of strengthening Regional Councils consideration has to be given to both decentralization and regionalization of authority and further to responsibilities other than direct program grant-making authority.

The GAO report tends to focus primarily on the decentralization and regionalization of program grant-making authority. Support functions such as administrative and financial management, budget formulation, regulation and guideline development, and long-range planning are also candidates for decentralization. While grant-making authority is, in a sense the ultimate authority, there may be good programmatic reasons apart from the Regional Council objectives to have someone other than a Regional Council member exercise that authority. This is no doubt what is meant by the GAO reference to the "appropriateness" of uniform decentralization. When reasons exist not to delegate and regionalize grant-making authority, a Council member's coordinative position may still be improved. If, for example, a Regional Council member were to possess authority over regional administration and budget formulation (and not direct grant-making authority) his capacity to influence and coordinate grant-making decisions is greatly enhanced. Another approach of strengthening the role of a Regional Director, short of direct grant-making authority, is sign-off authority analogous to the CERC authority of local government official. The HEW Directors have recently been accorded sign-off authority for a large number of the Department's grant-in-aid programs. A Department's Regional Director (or representative) may be viewed as potentially having several roles. He, at the least, is the representative of the department. He may also be the provider of administrative support, the general manager, the program coordinator and the

program director. It is this sorting of roles on a program by program and pragmatic and evolutionary basis that will yield effective management and coordination of program activity in the region. It may not necessarily yield uniform decentralization either within or between departments.

There is little doubt that the agencies and particularly the Under Secretaries will have to be the primary agents for bringing about this change. A good example of such action, as cited in the GAO report, is the decentralization program initiated by HEW. The Secretary established decentralization as the policy rule asking program managers to explain why a given program should remain centralized. The work is being carried on from within the Under Secretary's Office. The decentralization of support functions and changes in the role of the HEW Regional Director as Department-wide spokesman and coordinator of HEW programs is part of the review. Other agencies are pursuing similar decentralization objectives.

3. The GAO recommends that the Councils increase their intergovernmental efforts in the area of information dissemination and technical assistance. These efforts should be directed toward fully acquainting officials of State and local governments concerning the role and responsibility of Councils and the means by which Council's assistance can be secured.

The Councils across the board have had increasingly strong intergovernmental relations programs operating during the current fiscal year. It is included in the MBO's of most Councils. A variety of ways have been initiated within the regions to establish and maintain relations with individual State and local officials. An example is the intergovernmental relations program operating this fiscal year in Region VII (Missouri, Iowa, Kansas and Nebraska). First, personal contact has been established between an individual Council member and each Governor. The selection is based on the Council member's familiarity with the particular state. This facilitates the flow of specific information on issues and provides an opportunity for early warning on problems. Representatives of the four Governors in the region and Municipal League and County Association representatives attend the second Council meeting of each month. The short Federal presentations at these meetings are oriented to policy and program matters that most directly affect or require State

APPENDIX III

and local action. Therefore, issues and problems of most concern to State and local officials are discussed. A recent meeting covered the program areas of energy, rural development, disaster assistance and land use. The Council liaison members also periodically visit with State agency personnel to answer questions and obtain information on problems. The results of these meetings are reported to the other members of the Council. The Council liaison members attend the annual Municipal League and County Associations meetings. The Council also provides technical presentations for local officials (e.g., A-102, A-95) under the auspices of the Municipal Leagues. In addition, State and local contacts are established through other normal Council programs such as IGA's and through the support of special conferences and meetings, including budget briefings prepared for State and local officials. Other Councils have similar broad intergovernmental programs. As part of the San Francisco FRC program, for example, one regular Council meeting per year is held in each State. During each of these two-day visits the Council members meet with State executive agencies and the State legislature, local officials and public interest groups. The Denver FRC has, as part of its program, asked the states in the region to provide staff to work with the FRC staff and participate in FRC meetings. One State has responded to this opportunity at this time. The Boston FRC has representatives from the Governors in the region attend each regular FRC meeting. In the Seattle FRC a senior FRC staff member has been assigned to each State in the region. Usually he makes two trips per month into his State. One visit is to the capitol to visit with the Governor's executive assistant and other State officials and the other visit is to a particular community as necessitated by FRC business.

It should be pointed out, however, that it will take much longer as the GAO interviews indicate, before a substantive relationship exists between the Federal Regional Councils and the smaller units of local government. Since the Councils do not have the level of resources necessary nor have they been operating strong intergovernmental relations programs long enough, their intergovernmental outreach has been concentrated first at the State level and local government associations. A further fact to be noted is that the Councils are not a new funding source and are acutely aware of the danger of raising unrealistic expectations at the local level. Given these limitations, continued improvements in the establishment of substantive contact with State and local officials will be made.

We would also mention that the Regional Management Information System (RMIS) experiments presently being conducted in Region I (Boston) and VI (Dallas) were not covered in the GAO report. This system provides extensive grant-in-aid information for use by State and local officials. There are three principal components to the RMIS:

- a. a method of tracking information on grants from pre-application to award (RGIS)
- b. a method of informing States of their anticipated shares of formula grant funds (BIS)
- c. a series of experiments that provide Federal, State and local officials with socio-economic and demographic data (SEDS)

This system has recently been evaluated and the USG has decided to continue testing in the two regions until June 1974 when a decision on expansion to the other eight regions will be made by the USG. Such an expansion if it takes place would more adequately respond to the GAO recommendation of supplying information to State and local government officials on grant-in-aid programs.

Other Comments on GAO Report

It is perhaps outside the purview of the GAO Report but there are actions the Congress could take to improve the operations and effectiveness of the Regional Councils. First is a better understanding by the various Congressional committees on the nature of the FRCs and the magnitude of problems they are attempting to solve. Their role is to assist State and local government by the coordination of the Federal program grants and operations. It is not to introduce another layer of government. Second is to discourage the imposition of statutory restrictions on agency decentralization and intergovernmental coordination activity. Example of these are the field staffing restrictions placed on DOT and the prohibitions against prior State approval of grants placed on DOA. Also it is believed that the IGA concept will be advanced substantively through passage of joint funding legislation. Legislation on joint funding has been submitted by the Administration and is under review by the Congress. Highlighting the restrictions imposed by Congress would be helpful in determining whether the purposes served by such restrictions outweigh their adverse impact on present and future delivery of program services. The joint funding legislation has received bi-partisan support and enactment is anticipated in the not too distant future.

Some page specific comments are:

[7, third]

- (a) Page 7, first paragraph: The OMB representative is not the representative of the Under Secretaries Working Group. He serves as liaison between OMB and the Councils. Through OMB participation in the Under Secretaries Working Group he indirectly serves a liaison role for this group as well as the Under Secretaries Group. The OMB representative is primarily charged with carrying out OMB's role as general overseer and monitor of interagency and intergovernmental coordination efforts within the Executive Branch. He is expected to identify major opportunities for improvement in interagency and inter-governmental processes and to monitor the implementation of major Presidential programs and initiatives on behalf of the Director of OMB. He is also expected to support the FRC system and to help make it more effective by assisting the FRC Chairman and Council as necessary and appropriate and by generally helping to expedite and facilitate solutions to interagency and intergovernmental problems.

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