Defining basic concepts re: the New Federalism Acts, this monograph presents the following: (1) survey results of a study of 21 small cities in the California Sacramento Valley designed to determine why local administrative and elected officials had or had not taken advantage of the Housing and Community Development Act (H/CD) of 1974; (2) survey analysis (cities under 5,000 lacked the governmental structure for H/CD participation; availability and use of external technical assistance via cooperative arrangements improved a community's ability to initiate an H/CD application; and governmental capacity was a stronger determining factor than community need); (3) suggestions for change with an emphasis upon internal administrative capacity and comprehensive planning (consideration of the county cooperative, the confederation of communities, and the regional agency models as alternatives for change; development of a small community research and service institute; utilization of the University of California's Cooperative Extension Service; development of a rural policy makers' development program, a community problem-solving program, and a small town technical assistance team); (4) a summary of New Federalism programs (General Revenue Sharing, H/CD, Comprehensive Employment and Training Act, Social Services Amendments, Rural Development Act); (5) additional information sources re: the New Federalism Acts. (JC)
GETTING INTO THE ACT: THE NEW FEDERALISM

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Martin Zone
Paul Terrell

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Community Development Research Series
Department of Applied Behavioral Sciences
University of California, Davis
Preface

The purpose of this series is to provide small community officials with information on the latest community related research findings of University of California, Davis, researchers. The Community Development Research Series is funded by a special grant from the Regents of the University of California.

The series does not attempt to provide answers to every community's problems, rather, the attempt is to provide information leading to another view of the problems uniquely faced by small communities.

Acknowledgement

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INTRODUCTION

The "New Federalism" is not only a new approach to federal funding of local communities but a fundamental redirection of the process of government.

The cornerstone of the New Federalism system is decentralizing of the process of identifying and solving problems to the local level, with federal involvement limited to what is termed "local capacity building". The concept of decentralization as used here does not refer to the citizen activism or community control strategies of the earlier "War on Poverty" era. It means the transfer of governmental authority from Washington to regional federal offices, and ultimately to local government.

The core of the New Federalism program is the Housing and Community Development Act of 1974 (H/CD). Under the Act's guidelines, cities are required to submit plans to improve the quality of life in the community, based on self-assessment of needs and resources. Federal funds are awarded as block grants with few strings attached.

The program assumes that cities possess a relatively high degree of internal governmental capacity to assess needs, acquire information and cope with requirements of the federal bureaucracy. Small cities, however, may lack that capacity and, therefore, may miss out on the benefits of the New Federalism, even though they may be most in need.

In addition, H/CD legislation stresses the comprehensive planning approach as the basic instrument for community development. The assumption, furthermore,
is that the ability to plan carries with it ability to implement social and physical development. Again, small cities may lack the necessary capacities.

To analyze these problems, field studies were initiated in 21 small cities in the Sacramento Valley. Local administrative and elected officials were interviewed to determine why they did or did not take advantage of the new H/CD Act. In addition, public documents, newspapers and other records were examined to obtain a picture of the process, as well as the underlying budgetary and staff limitations or advantages.

SURVEY RESULTS

The research findings suggest that there is a direct relationship among administrative structure, ability to acquire external resources, and community development capacity. The largest and most administratively diverse communities in the sample were those most able to develop the type of application required by the Department of Housing and Urban Development (HUD) for H/CD funding.

The cities (see table) were divided into three groups: those that made multi-city applications (Group I); those that applied alone (Group II); and, those that did not apply (Group III).

Group I: Multi-city applications. In all cases, multi-city applications turned out to be made in conjunction with counties, with county government initiating and coordinating the effort. Officials of Group I cities said candidly that they felt (1) county government was a convenient "cover" to attract federal money, and (2) in general, their cities did not have problems of the scale that would attract H/CD funding. Although cities in Group I are administratively diverse, each had either a planning staff or planning consultants.

Group II: Single applications. All but two of the cities that developed solo applications are in the top eight according to population, with populations over 5,000. They possess fairly sizable and specialized public administrations. Group II cities were able to tap the resources of the regional Council of Governments for statistical information and other technical assistance. Each of the largest cities in Group II also was capable of setting up a team (1) to organize a community development strategy for their jurisdiction, and (2) to begin the planning process to direct both internal funding and state and federal resources toward community development objectives.

The two other cities in Group II (under 5,000) were heavily dependent on the regional Council of Governments to develop their plans.

Group III: No applications. All cities that did not apply for H/CD grants were under 5,000 in population and lacked the administrative structure to develop sophisticated plans. Furthermore, most of them were not supported by a regional Council of Governments. In several of the Group III cities, local officials were unaware of the H/CD Act, and were only vaguely aware of other New Federalism programs other than revenue-sharing.

However, in terms of overall need as specified in the Act's guidelines—poverty conditions, poor housing, overcrowding and related factors—it appeared
TABLE

<table>
<thead>
<tr>
<th>RANK ORDER</th>
<th>CITY</th>
<th>COUNTY</th>
<th>GROUP POP.</th>
<th>TOTAL REGIONAL AGENCY</th>
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<td>1</td>
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<td>Yolo</td>
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<td>182 SRAPC</td>
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<td>227 SRAPC</td>
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<td>74.5</td>
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<td>III 4000</td>
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<td>Tehama</td>
<td>III 3780</td>
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<td>Butte</td>
<td>I 3690</td>
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<tr>
<td>12</td>
<td>Rocklin</td>
<td>Placer</td>
<td>III 3610</td>
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<td>Placer</td>
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<td>Tehama</td>
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</table>

2. The COG (Council of Governments) presently serving the region of the sample is SRAPC - the Sacramento Regional Area Planning Commission.
3. Until June 30, 1975 these cities were official members of SRAPC. At the time they joined the Sierra Planning Organization (SPO).
that Group III cities were in greater need than the other two groups.

SURVEY ANALYSIS

Analysis of the data suggests that:

1. There is a population threshold (about 5,000) for cities that are capable of participating in the H/CD program.

2. Availability and use of external technical assistance of cooperative arrangements with other cities or county government can improve a community's ability to initiate an H/CD application. (But this may not translate into implementation capacity.)

3. Governmental capacity is a stronger factor than community need in determining which cities can and do respond to the new H/CD Act.

What's apparently happening within the sample of cities is that those in the top half according to population are developing, while the smaller ones are experiencing greater lack of resources. At the same time, external resources such as federal aid and technical assistance are being focused on the Group I and II cities, while many of the Group III cities are receiving little outside aid.

SUGGESTIONS FOR CHANGE

Policy-making and administrative structures in small cities are relatively simple, and represent the basic framework of government. Besides council, mayor, and clerk, many small cities have only part-time personnel (except for police). In addition, many departments with full-time staff have only one or two persons.

As a result, all of the "bases are covered" but none is covered fully. Some cities attempt to compensate for this by hiring outside consultants or resource persons as the need arises. This approach has two serious handicaps—the consultant must be educated to the city's problems at city expense, and when the consultant leaves so does the expertise.

The most serious liabilities suffered by small cities without adequate staff are the restrictions on (1) effective planning for the future, and (2) responding to the multitude of new requirements from federal and state government. This study suggests that a city's ability to respond to the apparent direction of state and federal policy—and, eventually, its survival—depends on a minimum level of internal administrative capacity.

A crucial need is a more adequate approach to comprehensive planning. The elements of a good plan should include:

1. an indepth community profile—analyzing the city's environmental, economic and social status;
2. a community goal statement and plan—specifying the city's goals in each of the above areas;
3. a community information system—with social indicators monitoring and reporting on the goals;
4. a citizen participation program—for continuous citizen involvement in the community's goals.
The research survey indicates that most small cities are in no position to reach this level of performance without external assistance. Several possibilities appear to be within the current resource limitations of small cities.

1. County Cooperative Model - This method provides for some or all cities in a county to enter into a joint powers agreement with the county government for planning services. Several approaches are possible:
   (A) Integrated Services Approach - This would be a single planning department for the entire county with a specialist or set of specialists for certain cities. These specialists might be funded in part, and, if warranted, stationed in small cities to insure quality service.
   (B) Purchase of Services Approach - This would be an arrangement whereby a small city would purchase county planning services on an "as needed" basis.

2. Confederation of Communities Model - This system places several nearby cities in a joint agreement to share planning expertise. This would allow small cities to aggregate their resources and purchase more professional services.

3. Regional Agency Model - This model incorporates specialists for specific groups of small cities into existing regional planning agencies (CoG's). These specialists, using regional resources and stationed in the city served or convenient to several cities, would provide planning and development expertise.

A Basic Need: Internal Capacity

However, no amount of outside expertise will compensate for a lack in internal capacity to analyze problems, make long-range decisions, and communicate with outside agencies.

It appears that a crucial first step, particularly for smaller cities, is development of a systematic and integrated approach to external resources.

How might this be accomplished? Small cities cannot afford the staff time or money to acquaint resource people with their unique problems. The difficulty is compounded by other factors: (1) the average outside expert's inability to understand and operate within the constraints of non-metropolitan cities; (2) lack of technical sophistication which results in poor communication between the city staff and the technical advisor; and (3) a dearth of resources for assisting non-metropolitan areas.

These constraints point to the need for programs and/or agencies designed specifically as an interface between small cities and outside sources of funds and expertise. Some possibilities are:

The Small Community Institute - This would be an organized research and service unit to serve non-metropolitan communities. Such an organization would not supplant regional agencies or county planning but it could play a valuable role in developing data on non-metropolitan areas for long-term planning purposes.
U.C. Cooperative Extension. A staff person or persons within Cooperative Extension of the University of California could assist small communities identify local problems and locate state or university expertise to solve them. The basic mechanism for this approach is currently available.

Non-Metropolitan Policy Makers' Development Program. As part of, or in conjunction with, existing resources (i.e. University, Regional Planning Agencies, League of California Cities, state colleges and state offices) a systematic program could be launched to acquaint both elected officials and staff personnel in small communities with the latest information and techniques for community problem solving. A program of this type could be designed at a minimum of cost.

Small Town Technical Assistance Team. This would be a team of persons sponsored by an existing state organization, the University, or a state college.

CONCLUSION

The federal governance system is moving rapidly toward placing greater responsibility for comprehensive planning and development at the local level. This strategy comes at a time when few small cities have the administrative structure to take advantage of the opportunities provided by the new delivery system.

The underlying issue is how small cities can strengthen or multiply their own infra-structures for community development. The county is the most likely source of immediate assistance; but, every city must also possess sufficient internal administrative capacity if it is to have a reasonable chance to take advantage of the H/CD Act and other elements of the New Federalism.

Developing internal capacity is only the first step toward a more rational comprehensive planning and development process. External resources also are required; and the system for acquiring these resources is extremely important. Ad hoc or randomly delivered expertise may be worse than none at all.
NEW FEDERALISM PROGRAMS: A SUMMARY

Funding for community development under the New Federalism approach is available through at least five federal programs. Brief summaries of these programs follow.

General Revenue Sharing (GRS).

Consistent with New Federalism's basic principles, GRS does not place many restrictions on states, counties, or cities. GRS must be used by local governments within the following eight categories:

- environmental protection
- financial administration
- health
- libraries
- public safety
- public transportation
- recreation
- social services for the poor and the aged

Any capital project is possible under GRS. Ineligible activities are general administration, cash welfare, and education. Also, cities and states are prohibited from using GRS funds in a discriminatory way or to find additional grant aid (pyramiding). Governments receiving GRS funds must publish both planned use and actual use reports in local newspapers.

Housing and Community Development Act of 1974.

The H & CD Act went into effect January 1, 1975. One of its major effects is
authorization of basic community development block grants. These consolidate all HUD's categorical programs: urban renewal (including code enforcement, rehabilitation, and neighborhood development), model cities, neighborhood facilities, open space, water and sewer, and public facility loans. Block grant funding is formula based, although there is need for local application and federal review.

The distribution formula has three elements: population, overcrowded housing, and poverty—which is double weighted to benefit the most needy communities. Eighty percent of community development allocations are distributed to metropolitan cities of over 50,000 and "urban counties". The remainder is a "discretionary fund" to be distributed by the Secretary of HUD, on the basis of application merit, to cities under 50,000 population.

The HCD Act is largely oriented to "hardware" and physical development. Local community development expenditures are restricted to broadly stated activities, including:

--The acquisition of property for clearance, rehabilitation, or preservation; or for resale for public purposes at a reduced price.

--The construction or improvement of water and sewer lines, streets, parks, recreation facilities, neighborhood and senior citizens' facilities, historic landmarks, parking lots, and the like.

--Code enforcement and related public improvements.

--Housing rehabilitation and refinancing programs.

--Relocation costs related to the above.

--Preparation of local community development plans and the implementation of the CD programs.

--Public services, like those funded under Model Cities.

Expenditures for the following are specifically prohibited:

--General operating and maintenance expenditures.

--Construction of public buildings or facilities (except as above).

--Subsidies for new housing.

--Housing allowances.

Comprehensive Employment and Training Act, 1973 (CETA)

- CETA Title I consolidates over a dozen specific manpower programs into one broad functional grant authorizing provision of "comprehensive manpower services". Governments receiving CETA funds are identified as "prime sponsors". They have considerable flexibility in setting priorities and establishing the best combination of program efforts. Program efforts might be on-the-job training, remedial education, work experience, classroom training or others.

Prime sponsors can be either, 1) individual states, 2) cities or counties representing over 100,000 people, or 3) consortiums of cities and counties containing at least one jurisdiction with 100,000 population. They can only be composed of general government units. The prime sponsors have the ultimate responsibility for planning, managing, and evaluating program efforts, although Advisory Planning Councils must be created to assist in these tasks.
About 20% of the total CETA authorization is for direct national programs, either as grants for special populations, the Job Corps, or research and demonstration. In addition, the federal level retains the authority to approve or disapprove state and local plans.

Public service employment efforts operated by prime sponsors also have been funded under CETA titles II & VI. However, local flexibility is extremely limited under this program due to federal requirements stating that those hired:

-- earn less than $10,000/year
-- perform unskilled work, exempt from civil service regulations
-- complete their job project within a year
-- work on projects that provide "tangible and lasting benefit".

In general, CETA restricts job training and employment services under all titles to economically disadvantaged, unemployed and under-employed persons...

Social Services Amendments of 1974 (Title XX)

The Title XX block grant enactment replaces two elements of the Social Security Act: Title IV-A (Services for Children) and Title VI (Adult Services).

Title XX establishes five policy goals for state programs which are implemented through local governments (chiefly counties):

-- to achieve or maintain individual economic self-support to minimize dependency;
-- to achieve or maintain individual self-sufficiency;
-- to prevent or remedy the neglect or abuse of children or adults who are unable to protect themselves, and to strengthen family structures;
-- to reduce institutionalization by supporting community and home-based care; and
-- to support institutional services, when such are necessary.

While states are given almost full authority to operationalize these objectives in whatever program form they wish, at least one service toward each must be provided as part of the state plan. Also, several specific program efforts are federally mandated.

Eligible populations for service include the poor and those of moderate means. All persons with income below 80 percent of the median state income qualify for free services; while individuals and families with incomes up to 115 percent of the median figure qualify for services at fees which are determined by the state. The Act requires states to direct at least half of their services toward actual or eligible AFDC, SSI and Medicare recipients.

Rural Development Act of 1972.

This legislative program is aimed at solving some of the basic problems in maintaining the viability of rural areas. It does this by authorizing basic changes in some of the Farmers Home Administration programs and by providing funding for several programs aimed directly at rural areas.
Basically, the Act has a 4-prong approach: (1) employment development - business & industrial loans; (2) improved facilities (water, sewer, community buildings, etc.); (3) improved education through research and Extension; and, (4) coordination of federal programs at the federal level to implement improvements in rural areas.

The Rural Development Act functions under six titles, as follows:

**TITLE I - FARMERS HOME ADMINISTRATION PROGRAMS** -- This section broadens the ongoing programs of the Farmers' Home Administration in the following manner:

- provides for business loans to small business enterprises;
- provides for making or guaranteeing rural industrialization loans -- the limits of the guarantee on a loan originated by another lender for rural development purposes is 90% of the risk;
- eligible areas are towns of less than 50,000 with regard to business loans and grants and to towns of 10,000 or less with regard to community facility loans and grants;
- authorizes $75 million annually for 50 percent pollution abatement and control grants;
- authorizes loans to rural youths to operate enterprises in connection with their participation in 4-H clubs or similar organizations;
- increases the operating loan limit for $35,000 to $50,000;
- increases authorization for water and waste disposal grants.

**TITLE II AND III** -- Titles II and III strengthen the ongoing Watershed and RC&D Programs of the Soil Conservation Service and give new emphasis to a Land Inventory and Monitoring Program.

Title II broadens watershed project authority to provide technical and financial assistance to public bodies in authorized watershed project areas for:

- storing water for regulatory release during critical, low stream flows;
- construction of lagoons, holding ponds, etc., and installing irrigation recycling systems to return liquid animal wastes, agriculture processing plant by-products, runoff chemicals and pesticides, and other pollutants to the land surface;
- locating and constructing sanitary landfills and other disposal and utilization systems in rural areas;
- storage of water in impoundments to meet present needs of communities;
- storage of water in impoundments or recharge devices along natural water courses by diversion and other water spreading techniques;
- ten-year technical and financial agreements with individuals in authorized watershed projects for land treatment and conservation measures similar to the Great Plains Conservation Program;
- permits the use of available Federal funds (other than Federal watershed funds) for the land right acquisition.

Title III (RC&D and Land Inventory and Monitoring) broadens RC&D project authorities to provide technical and financial assistance to public bodies in authorized RC&D project areas for water quality management, control of agriculture related pollution, disposal of solid wastes, rural community water supply, and authorize a nationwide program of land inventory and monitoring, and storing water in reservoirs for rural communities in need of water for fire protection.
TITLE IV - RURAL COMMUNITY FIRE PROTECTION -- This bill authorizes a fire protection program for rural areas to protect these areas from losses due to wild fires.

TITLE V - RURAL DEVELOPMENT AND SMALL FARM RESEARCH AND EXTENSION -- This bill authorizes a pilot program of rural development research and extension to be administered by the Land Grant Colleges.

TITLE VI - MISCELLANEOUS -- Directs the heads of all Federal departments and agencies to give first priority to locating new offices and other facilities in rural areas. It also:

-- requires the Secretary of Agriculture to acquire, preserve and disseminate useful information on rural development;
-- directs the Secretary to utilize all USDA field offices to enhance rural development throughout the Nation;
-- provides for the creation of an additional Assistant Secretary of Agriculture for Rural Development;
-- authorizes ten-year contracts under the Rural Environmental Assistance Program and cost sharing under the REAP program for agriculture-related pollution prevention or abatement practices unrelated to soil or water conservation.
Sources of Help

The following organizations have additional information on one or more of the New Federalism Acts.

Office of Revenue Sharing
Treasury Department
2401 E Street, N.W.
Washington, D.C. 20226

Center for Community Change
1000 Wisconsin Avenue, N.W.
Washington, D.C. 20007

National Association of Counties
1735 New York Avenue, N.W.
Washington, D.C. 20001

National Council on Aging
1828 L Street, N.W.
Washington, D.C. 20036

The Council on Municipal Performance
84 5th Avenue
New York, New York 10011

Center for National Policy Review
The Law School
The Catholic University of America
620 Michigan Avenue, N.E.
Washington, D.C. 20017

National Urban Coalition
1201 Connecticut Avenue, N.W.
Washington, D.C. 20001

National Association of Regional Councils
1700 K Street N.W.
Washington, D.C.

Joint Center for Political Studies
1426 H Street, N.W.
Washington, D.C. 20005

The Brookings Institute
1775 Massachusetts Avenue, N.W.
Washington, D.C. 20036
The Community Service Society  
105 East 22nd Street  
New York, New York 10010

Center for Law and Social Policy  
1751 N. Street, N.W.  
Washington, D.C. 20036

League of Cities  
1620 I Street, N.W.  
Washington, D.C. 20006

U.S. Department of Health, Education, & Welfare  
300 Independence Avenue, S.W.  
Washington, D.C.

U.S. Department of Agriculture  
Rural Development Service  
Washington, D.C. 20250

Bureau of National Affairs  
1231 25th Street, N.W.  
Washington, D.C. 20037

League of New Community Developers  
910 17th Street, N.W.  
Washington, D.C. 20006

U.S. Department of Housing and Urban Development  
451 7th Street, S.W.  
Washington, D.C. 20024

California Sources

League of California Cities  
1108 "O" Street  
Sacramento, California 95814  
(916) 444-5790

U.S. Department of Labor  
(Regional Office)  
450 Golden Gate Avenue  
San Francisco, California 94102  
(415) 556-1186

Association of Bay Area Governments  
Claremont Hotel  
Berkeley, California 94705  
(415) 814-9730

Sacramento Regional Area Planning Commission  
1225 8th Street, Suite 400  
Sacramento, California 95814  
(916) 447-9171

Central Sierra Planning Council  
520 North Main Street, Room 18  
P.O. Box 816  
Altaville, California 95221  
(209) 736-4425

County Supervisors Association of California  
Suite 201, 11th and L Building  
Sacramento, California 95814  
(916) 441-4011

State of California  
Department of Housing and Community Development  
1807 13th Street  
Sacramento, California 95814  
(916) 445-4775

Southern California Association of Governments  
600 S. Commonwealth Avenue Suite 1000  
Los Angeles, California 90005  
(213) 385-7800

Cooperative Extension  
Assistant Director of Rural & Community Resource Development  
Edward J. Blakely  
228 Mrak Hall  
University of California  
Davis, California 95616  
(916) 752-6360

Kern County Council of Governments  
1106 28th Street  
Bakersfield, California 93301  
(805) 821-2191