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ABSTRACT

DECLINE, REGION, AND PARTY IN THE COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM

By

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This dissertation postulates that federal urban development policy has been shaped by three influences or processes: a decline process, in which a coalition of interest groups has attempted to steer urban development funds toward declining cities; a regional process, in which members of the Congress have attempted to direct federal urban development aid toward the regions that they represent; and a partisan process, in which federal aid for urban development has been used to strengthen the electoral coalitions of the two major political parties. The research investigates the Community Development Block Grant program for indications of the existence of these processes.

A quantitative analysis investigates interurban block grant entitlement patterns along the three dimensions of decline, region, and party. The grant spending favored declining versus growing cities, Frostbelt versus Sunbelt cities, and Democratic versus Republican cities.

On the basis of these findings, a legislative history of the block grant program is constructed. It focuses on identifying those moments in the legislative evolution of the CDBG program where policy-making was influenced by the decline, regional, and partisan processes.

The research concludes that regionalism and partisanship have

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CHAPTER ONE

THE COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) PROGRAM AND SOME PROCESSES OF URBAN DEVELOPMENT POLICYMAKING

Introduction: The CDBG Program

In 1974 the federal government fundamentally altered the way that it provided urban development funds to cities and other localities. Previously, grants had been awarded on a case-by-case basis depending on the acceptability of applications sent to the Department of Housing and Urban Development. This was known as the categorical system; it included Urban Renewal, Model Cities, and a number of smaller programs. This procedure was replaced by one in which funds would be automatically distributed on the basis of a Congressionally established formula. The new process was called the Block Grant program.

Through making this change, federal policymakers were brought face to face with the question of how funds should be distributed among cities as a matter of general policy. The categorical system had involved individual "yes or no" decisions on each application that HUD reviewed. It had not been necessary to decide what the distribution of funds across the nation as a whole should be like. But in devising a formula, policymakers would have to make decisions about what kind of a distribution would be equitable, would be responsive to needs, and would be politically realistic. To federal officials, the advent of the CDBG program meant that they would have to develop answers to these questions.

To the analyst of urban affairs, the advent of the CDBG program presents an opportunity. It is the opportunity to draw out some of the implications which are imbedded in current thinking about how urban policy is made and to assess the validity of those ideas. To be more specific, the existing urban studies literature implies the existence of three processes which affect the way that urban policy is made. These can be briefly identified as the decline process[1] -- a process by which organized interest groups press for programs to ameliorate property value decline; the regional process -- the process by which legislators[2] steer federal funds toward the region that they represent; and the partisan process -- the process by which federal policy is used to strengthen partisan political coalitions.

Each of these processes would be expected to have an impact on the way that federal funds are distributed among cities. That is to say that each process would tend to promote a characteristic answer to the question "How should the spending be distributed?" This, of course, is the same question that federal policymakers were forced to grapple with as they devised a CDBG formula. It is this connection which makes an examination of the CDBG program uniquely suitable as a basis for reflecting on the adequacy of the implications that have been advanced.

The problem to be pursued by this study, then, is to determine whether decline, region, and party have helped to shape CDBG spending patterns. If any of these three processes was, in fact, an influential factor in the making of CDBG policy, then this should have been reflected by corresponding shifts in block grant spending patterns. Hence, the first order of business will be to analyze CDBG spending patterns along the three dimensions of decline, region, and party. Then, it needs to be demonstrated that the spending shifts that did occur can be traced to the influence of one of these processes rather than to some other cause. This requires an examination of the legislative history of the CDBG program, an analysis that explains how the decisions to distribute CDBG funds were made. In this way, a discussion of each process and of the role that it played in the formation of CDBG policy is built up.

The method of investigation will be twofold. A quantitative examination will analyze CDBG spending patterns as they compare with measures of decline, region, and party. A qualitative investigation will construct a legislative history of the block grant program.

The product of the investigation will be valuable in three senses. First, it will add to the confidence that can be placed in some implications that are imbedded in existing work. Second, it will add to the existing literature of CDBG evaluation studies by analyzing spending patterns along some previously unexamined dimensions and by linking spending effects to the political currents that were at work in the formulation of the program. This will become more clear in the course of the literature review contained in Chapter Three. Third, it will contribute to the general knowledge about how urban development policy is made.

The way to begin this task is to describe the three processes that have just been introduced.

The Decline Process

The implication that a decline process may be a factor in the shaping of federal urban policy is imbedded chiefly in the work of John Mollenkopf, with supplementary ideas coming from the work of Harvey Molotch [117 and 118].

The primary contribution of John Mollenkopf's article "The Postwar Politics of Urban Development" was its identification of local political configurations which the author labeled "pro-growth coalitions" [117]. The rise of these coalitions was seen as a typical feature of urban politics during the 1950's and 1960's.

A typical pro-growth coalition was "an alliance of central city politicians, a new breed of bureaucrats, large corporations, central business district real estate and merchant interests, and the construction trades" [117, p. 256]. The stakes that each of these groups had in local development are not hard to identify. The politicians that Mollenkopf described were those who based their political careers on local growth projects, putting into practice Mike Royko's chestnut that "the fastest way to show people that something is happening is to build things" [164, p. 97]. The bureaucrats were management-oriented urban planning technocrats who headed up powerful and semi-autonomous redevelopment bureaucracies. Corporate sponsorship of local renewal programs was intended to preserve downtown districts as hospitable environments for office headquarters activity. Real estate, merchant, and construction interests would all have more business to do if central city growth prospects were bright. Mollenkopf collected an impressive array of case-by-case documentation on how these interests came together into coalitions that captured the political machinery of a number of cities.

The immediate issue around which these interests coalesced was the crisis of falling property values, which dogged most big cities in the postwar era. This crisis and its attendant fiscal instability were rooted in underlying urban trends that included "the national shift from an industrial to a service sector--office activity economy; strong metropolitan dispersion trends . . .; an associated internal migration; and the contradictory role of local government and its general fragmentation and weakness" [117, pp. 262-263].

In order to resolve the problem of property value decline, the ascendant pro-growth coalitions made extensive use of federal urban renewal and highway construction programs. Barriers were thrown up around the edges of spreading blight and downtown commercial districts were reinvigorated. In time, the financial and social costs of these programs began to be felt, and a protest against these costs led, in Mollenkopf's opinion, to the instability of urban politics during the 1960's.

To recapitulate, Mollenkopf conceived of what may be called a decline process at the local level. Here, the term "process" is intended to signify a collection of institutionalized participants who act on their interests to promote a common policy program. The decline process at work in Mollenkopf's work is one in which specific types of local participants came together because of a common concern about property value decline and promulgated political programs that relied on particular federal programs.

Mollenkopf clearly recognized capital accumulation as an abiding purpose of local government,[3] but the particular problem that he was investigating -- the instability of urban politics during the 1960's -- led him to emphasize the rise of the pro-growth phenomenon during a specific time period. The work of Harvey Molotch [118] is a useful supplement to Mollenkopf's because it concentrates on the permanent primacy of growth to local politics.

Since Molotch states his thesis with unusual clarity and force, he is worth quoting at length:

> I speculate that the political and economic essence of virtually any given locality, in the present American system is growth. I further argue that the desire for growth provides the key operative motivation toward consensus for members of politically mobilized local elites, however split they may be on other issues, and that a common interest in growth is the overriding commonality among important people in a given locale -- at least insofar as they have any local goals at all. Further, this growth imperative is the most important constraint upon available options for local initiative in social and economic reform. It is thus that I argue that the very essence of a locality is its operation as a growth machine. [118, pp. 309-310][4]

Taking Molotch's thesis as a correction of Mollenkopf's views, one would conclude that the pro-growth phenomenon that the latter emphasized was a particular expression of the growth politics that has always characterized local government.

The implementation of Mollenkopf's work is that there may well have been a national-level counterpart to the various local pro-growth coalitions. After all, the principal tools of local pro-growthers were federal programs -- urban renewal and the national highway program. One must assume that they would have had a strong interest in the vitality of those programs. It would therefore be at least plausible to posit the existence of such a parallel coalition at the national level.

This work will posit such a counterpart and label it the "urban growth coalition," a term chosen to indicate the debt to Mollenkopf's ideas. It will be assumed that this urban growth coalition is composed of roughly the same mayoral, bureaucratic, corporate, and builder interests that figured in the local coalitions. Also, the same general objective, the halting of property value decline, will be imputed to be the group's primary goal. This would mean that the national-level urban growth coalition would seek to target funds on cities where the problem of decline is most severe.[5] The pursuit of such an objective by such a group constitutes what will be called the decline process, one of the three processes under investigation in this study.

Two general questions about the decline process suggest themselves at this point: (1) Is there indeed evidence to substantiate the idea that such an urban growth coalition exists at the national level? (2) Has this urban growth coalition, in fact, acted to steer federal funds toward declining cities? These questions are pursued in this investigation.

The Regional Process

It is well known that the pattern of regional development over the past two decades has been an uneven pattern. Sunbelt growth has coexisted with stagnation and even decline in the Frostbelt. Both the existence of this disparity and the causes behind it have been the subject of much work in recent years [6; 54, 123; 152; 166; 175].

It has also become clear that spending by the federal government has done much to underwrite regional economic growth. Perry and Watkins have argued that postwar federal policies that were designed to lift aggregate demand happened to coincide neatly with the development needs of the Sunbelt. By financing the industrial infrastructure that the South had always lacked and by stimulating the growth of the defense industry, the government provided the basis for long-term Southern growth [151]. Sale has described the federal treasury as the cement underneath the "six pillars" of the Sunbelt's economy. He notes that federal spending has underpinned postwar growth in agribusiness, defense, high technology, oil, and real estate -- all industries on which Sunbelt growth has depended [166, ch. 2].

Because economic growth has been regionally uneven and because federal spending has been a crucial stimulus for growth, it might be inferred that federal spending has disproportionately favored the Sunbelt at the expense of the Frostbelt. This appears to have been the case [49]. But this finding serves to raise an additional question: Why have federal spending patterns become uneven?

There are many explanations that can be given for this disparity, and the truth doubtless lies in some complex interaction between a number of factors. But among these factors is the notion that entrenched Sunbelt legislators have acted in the spirit of porkbarrel politics to steer federal funding toward their region. Seeing to it that a goodly supply of federal dollars flow into one's state or district has been a time-honored way for a legislator to stay in office [42, ch. 8]. It has been argued that since Southern legislators have shown a greater ability to rise to the positions from which spending is controlled, Southern constituents have found themselves first in line when federal benefits are being handed out. As Heil says:

> The Southern Bloc, through its dominance of the most important Congressional committees has channeled massive amounts of Federal spending southward. [54, p. 92]

Particular cases of the exercise of this kind of politics and its effects on urban fortunes can easily be found. Houston, Texas has become the home of NASA's Manned Spacecraft Center, a research site and space-flight control center built for the Apollo program. This facility launched the city onto the high frontiers of advanced technology and brought some $262 million dollars worth of NASA contracts into the area in 1972 alone [3, p. 125]. The story of how Houston captured this glittering prize has much to do with political influence.

The city had a number of advantages that made it attractive to NASA planners, but according to Angel [3], its decisive advantage was the political team of Albert Thomas and Lyndon Baines Johnson. In 1961 when the Houston site was chosen, Johnson was Vice-President and also served as chairman of the National Aeronautics and Space Council. He reportedly "did plenty with a capital P" to bring the MSC to Houston [3, p. 123 quoting the Houston Post, September 24, 1961]. Fall, Houston's representative in the House, was chairman of the House Independent Offices Appropriations Subcommittee, the one responsible for approving NASA funds. From that position, Fall was able to reward NASA for choosing a Houston location by easing the way for big increases in the space budget.

Charleston, South Carolina might well be called the town that Mendel Rivers built. During the first half of this century it had been an economic backwater, a stagnant Atlantic port for Southern agricultural products. During a thirty year House career which was capped by his chairmanship of the House Armed Services Committee, Mendel Rivers changed all that by "filling his South Carolina district with more military installations than comfortably fit" [42, p. 75]. The list includes a major naval shipyard, with accompanying naval hospital, supply depot, and weapons station; three air bases (two for the Air Force and one for the Marine Corps); an army depot; the Atlantic Coast Polaris Missile Facility; and the Marine Corps training camp on Paris Island. In 1970 the armed forces employed some 21% of the district's labor force, accounting for 35% of its payroll [96, p. 2]. Seldom has history afforded such a clear example of how a city's economic fortunes can be boosted by its political connections.

These examples have been limited to defense spending and its stepchild the space program, but the process also operates in other policy areas. Federally constructed water projects have been crucial for the economic development of the arid Western states, which is why seats on the House and Senate Interior committees are so treasured by Western Legislators. At the same time, a measure of control over agricultural subsidy programs has been prized by Legislators from farm states. Given this, it would be reasonable to expect that programs for urban development are also subject to the same sort of politics.

It is unclear at this juncture whether such a politics would favor the Sunbelt or the Frostbelt. Given Heil's comment above, one might expect that Sunbelters have been the more influential in urban policy, since they have been so in other areas. Or it may be the case that Frostbelters have been more attentive to urban development programs, given the more pressing development needs of Frostbelt cities. Perhaps at the outset it would be best to anticipate that both sides have been active and that the eventual resolution of urban policy issues has depended on the balance of regional political power at the moment.

Whatever the case, the regional process will be defined as one by which Legislators advocate policies which would benefit the cities of their region. Sunbelt Legislators would be expected to help steer federal urban development funds toward Sunbelt cities, while Frostbelt Legislators would be expected to pursue the opposite course. The cleavage between the two groups is expected to be a regional one because the development needs of cities generally vary by region. This is to say that the pursuit of district interests is expected to aggregate into the formation of coalitions that are regionally defined.

It remains to be shown whether porkbarrel politics has reached into urban policymaking or whether the pursuit of local interests has produced a regional approach to urban policy issues, but both may well be the case. Therefore, the question to be addressed in this study is: Has the CDBG program been shaped, in part, by a regional process? This overall question contains many smaller ones: Did different versions of the block grant program have differing regional consequences? Did regional cleavages develop as the policy was formulated? Was the pattern of support for alternative block grant policies consistent with regional interests? And finally, how important were regional factors in the overall evolution of the CDBG program? These are the questions which will be investigated in this study.

The Partisan Process

The idea that Democrats and Republicans have taken particular positions on urban policy issues because they sought, in doing so, to strengthen the electoral coalitions of their respective parties has been persuasively articulated by Frances Fox Piven and Richard A. Cloward [157 and 158]. A central thesis of Regulating the Poor was that increases in social needs do not provide a sufficient explanation for the explosion of urban social services spending that occurred during the 1960's. Instead of viewing increased spending as a response to increased needs, they argue that the spending explosion grew out of the political needs of the Democratic Party.

In particular, the Democratic party needed to shore up its support among Northern urban blacks. For decades, the Democrats had sacrificed the civil-rights aspirations of blacks to the segregationist imperatives of the one-party South. The South, combined with the ethnic machine politics of the urban North, had provided the core of the party's support since the New Deal.

During the 1960's, the Northern portion of this electoral base became unglued. Old-style Democratic urban politicians were unwilling to satisfy the demands of the growing urban black population. This meant considerable estrangement, if not outright hostility, between urban blacks and the Democratic Party. Yet Democrats continued to depend on large, big-city pluralities to carry elections in Northern states. Something had to be done.

The response was the creation of federal urban programs that would reach out directly to black constituents, bypassing and often subverting city hall. These programs were to serve a political function akin to that of the patronage system of an earlier era, binding the urban poor into an electoral alliance with the Democratic Party. This, as Piven and Cloward view the matter, was the thematic emphasis of the War on Poverty.

> Our main point, then is that to reach, placate, and integrate a turbulent black constituency, the national Democratic administration of the 1960's acted to help blacks get more from local government. To accomplish this goal, it reached past state and local governments -- including Democratic ones -- to stimulate black demands for services, and in that process it directed rising black volatility into service protests against local government. In this way, the relatively limited funds expended through the Great Society programs acted as a lever in redirecting (and increasing) the monies that flowed through local agencies. By turning some of the benefits of these services to blacks, the apparatus of local government was put to work for the national Democratic party. [158, pp. 281-282]

The schematic elements of a partisan process are all at work in this interpretation. The institutional participant was the national

Democratic Party. Its leadership shaped an urban policy which conferred material benefits on a certain constituency, urban blacks. In return, the black constituency was expected to remain a loyal part of the total electoral coalition of the Democratic Party. The electoral process provides a final connection which completes a loop; the Democratic electorate helps keep the Democratic Pavty in power, this being the essential interest which the Democratic Party had been acting on from the start. All of this can be represented in the following simple diagram:

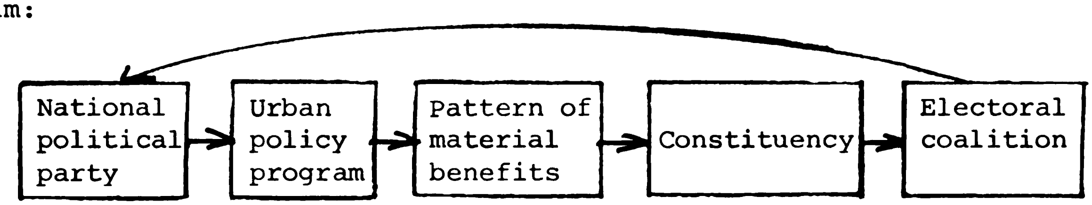


Figure 1. Elements of the Partisan Process.

Only a few minor changes would be needed to apply this same model to the CDBG program. One would want to examine both political parties, rather than just the Democrats. The material benefits conferred would be physical development projects rather than the social services which Piven and Cloward emphasized. And finally, the constituency would be those with a stake in local development rather than the urban poor. As the Mollenkopf-Molotch view indicates, however, these would be locally powerful political actors and therefore either party would want to attract them into its political coalition. Therefore, it would be reasonable to expect that the partisan process might have had something to do with the way that the CDBG program was established.

There is nothing particularly new or astonishing about the idea of a partisan process. Most observers of national affairs would probably accept the notion that partisanship has helped to shape a number of policies, urban and otherwise. But how widespread has this influence been? How large is the domain of cases to which an analysis like Piven and Cloward's can apply?

Political leaders are not likely to be candid about how partisanship has influenced their actions. One would hardly expect a HUD undersecretary to announce that a particular new program had been designed to keep some strategic bloc of voters loyal to the Democratic (or the Republican) Party. To know where the boundaries of the applicability of this process lie, it is necessary to conduct specific research on each policy program where such influence is suspected.

Critics of the Nixon administration were quick to point out what they saw as partisan purposes in the block grant program [8; 9; 55]. They noted that it would be easier for better-off suburbs to obtain grants and that requirements for citizen participation would be greatly reduced. Yet their conclusions were not based on a careful analysis of block grant spending patterns. Therefore, the questions which they have raised about the possible partisan influence at work in the CDBG program have yet to receive an adequate treatment.

If the partisan process had been at work in the block grant program, one would expect to find that Republican policymakers advocated CDBG funding schemes which, on examination, can be shown to have been more beneficial to cities with relatively larger Republican electorates, while Democratic policymakers pursued the opposite course. Has this, in fact, been the case? Did the partisan process play a role in the legislative history of the program, and what kind of a role was it? These are the questions which will be investigated in this study.

The Task of Investigating These Processes

The three processes which have been described above all appear to be plausible explanations of some of the forces that shape urban development legislation. But have they in fact played a part in the making of policy in recent years? In this study, both quantitative and qualitative verifications that this has been the case will be sought.

Each of the three processes tends to promote an outcome which can be empirically observed as a change in CDBG spending patterns. If an urban growth coalition is successful, spending will be shifted toward declining cities. If Sunbelt Legislators are successful, spending will be shifted toward Sunbelt cities. If Frostbelt Legislators are successful, spending will be shifted toward Frostbelt cities. If Democrats are successful, spending will be shifted toward relatively Democratic cities. If Republicans are successful, spending will be shifted toward relatively Republican cities. These connections between process and empirical result suggest that the best place to begin the analysis is an examination of block grant spending patterns.

There were two versions of the block grant program. The first version, established in 1974, replaced the earlier categorical system with an automatic distribution of funds as directed by an algebraic formula which will be called Formula A.[6] The second version, established in 1977, added a second formula, which will be called Formula B. In order to observe the shifts that occurred, the inter-city distribution of funds under the categorical system will be compared against the Formula A distribution, which, in turn, will be compared against the Formula B distribution.

For each distribution, statistical relationships along three dimensions will have to be studied: growing versus declining cities, Sunbelt versus Frostbelt cities, and Democratic versus Republican cities. In other words, per capita amounts that were received by cities will have to be correlated[7] with measures of decline, region, and party. In the movement from one distribution to the next, changes in the relationship along any of these three dimensions can be taken as a possible indicator that the corresponding process was at work.

Results of this kind beg for further inquiry. If Formula A shifted funds toward the Sunbelt does this really mean that Sunbelt Legislators were able to manipulate the program to suit their regional purposes, and if so how was this done? To pursue issues of this kind a qualitative strategy is employed. A legislative case history of the CDBG program is built up through the examination of public documents and journalistic accounts.

The quantitative results also "lead into" the task of creating a legislative history by providing a basis for interpreting some of the proposals that were under consideration. If a suggested proposal can be determined to have been beneficial to Sunbelt cities, then this knowledge is a help in understanding the possible regional intent that might lie behind the pattern of support that the proposal gained. Thus, besides raising the questions to be pursued, the quantitative results also supply some of the tools which will be used to answer them.

The legislative history will contain a detailed description of the evolution of both versions of the block grant program. The first part of that history begins in 1971 when the original block grant proposal was made and stretches until 1974 when the program was enacted.

The second part covers the years 1976 and 1977 when the existing program was revised by the addition of a second formula.

As the events are reviewed, particular attention will be paid to the following: (1) the various alternative CDBG distribution schemes that were proposed and the distributive consequences of each scheme; (2) the positions taken on block grant issues by the urban growth coalition; (3) the emergence of party positions on the alternatives under consideration; and (4) the creation of regional cleavages over distributive issues.

The conclusions that can be drawn from these observations can give more substantive verification of the existence of the three processes and a more complete description of their role in urban policymaking than can be gleaned from the quantitative results alone.

A final word about the decision to concentrate on the public documents surrounding the legislative portion of the total policymaking process is in order here. That choice was made because the documentation of the Congressional process is both more complete and more easily available to the public. These are relevant criteria when the business at hand calls for the creation of the first extended history of the block grant program.

The choice should not be construed as an assertion that the legislative branch is the only significant arena of urban policymaking. As shall be seen, the formulation of legislative initiatives within the executive branch is also of great significance. This aspect of policymaking will be explored as far as the available documentation allows, but the ability to do so is limited. This limitation will impose an unfortunate uncertainty about some aspects of the workings of the three processes under investigation.

The Plan of the Work

This study is divided into nine chapters, the first of which is now drawing to a close.

Chapter Two will explain how the formula distribution system of the block grant program worked. Some of the technical details that are described in this chapter will be frequently encountered in the remainder of the study.

Chapter Three reviews the existing body of literature which has evaluated the CDBG program. The emphasis there is on evaluation studies which have analyzed inter-city distribution patterns of block grant funds. It will be shown that the existing literature has not attempted to substantiate the existence of the processes that are of interest here. In fact, the existing studies have given little attention to describing how and why the CDBG program came into being. Nor do the extensive quantitative findings in existing work analyze spending distributions along the decline or party dimensions. As such they provide little basis for pursuing the questions raised here.

Chapter Four initiates the quantitative analysis by operationalizing the variables. Measures of decline and party are created so that they can be compared against CDBG entitlements.

Chapter Five gives the results of the quantitative analysis. One hundred and sixty cities with populations of over 100,000 are studied.

Chapter Six sets the stage for the qualitative analysis. It contains a preliminary discussion of the Congressional process relative to urban legislation and identifies some of the key participants in that process.

Chapter Seven relates the legislative history of the original version of the block grant program. It covers the years 1971 through 1974, which corresponded with the 92nd and the 93rd Congresses. It is divided into an "Events" section, which describes what occurred, and an "Analysis" section, which interprets those events.

Chapter Eight continues the legislative history of the program. It describes the events leading up to the reauthorization of the block grant program in 1977 (during the 95th Congress). During this round of policymaking, the second block grant formula was established. Chapter Eight is also divided into an "Events" and an "Analysis" section.

In the course of Chapters Five, Seven, and Eight, conclusions are reached regarding the three processes of decline, region, and party. Chapter Nine recapitulates these findings in a summary form.

CHAPTER TWO

THE BLOCK GRANT PROGRAM AND HOW ITS ALLOCATION PROCEDURE WORKED[1]

The Block Grant Program

The Housing and Community Development Act of 1974 replaced the existing system of federal grants for urban development with the Community Development Block Grant Program. Three aspects of the new program characterized its contents. First, it replaced seven existing programs by consolidating them into a single general-purpose grant. The seven categorical programs that were, in block grant parlance, "folded into" the new program were:

1. Urban renewal (and the neighborhood development programs) under Title I of the Housing Act of 1949;
2. Model cities under Title I of the Demonstration Cities and Metropolitan Development Act of 1966;
3. Water and sewer facilities grants under Section 702 of the Housing and Development Act of 1965;
4. Neighborhood facilities grants under Section 703 of the Housing and Development Act of 1965;
5. Public facilities loans under Title II of the Housing Amendments of 1955;
6. Open space land grants under Title VI of the Housing Act of 1961; and

7. Rehabilitation loans under Section 312 of the Housing Act of 1964.

[List taken from Nathan et al., 133, pp. 52-53.]

In dollar terms, urban renewal and model cities accounted for 90% of the folded in spending and were, therefore, the most important of the consolidated programs.

Second, the block grant program established an algebraic formula to distribute funds among recipients. Grants for the categorical system had previously been made on a case-by-case basis depending on the acceptability of applications that had been sent to HUD for review. Under the 1974 legislation, cities and other recipients would be automatically entitled to a sum specified by what is now called Formula A. In 1977, a second formula, Formula B, was established, and cities could pick the sum produced by either formula, whichever was greater.

Third, the block grant program greatly minimized the amount of federal review over the local uses of these funds. Whereas recipients of categorical grants had been required to meet a number of federal stipulations on uses of the moneys, the guiding philosophy of the block grant program was that units of local government should be allowed to define and pursue their own urban development priorities, free, insofar as possible, from federal interference.

This chapter explains the second of these three aspects, the mechanism for distributing block grant funds among recipients. Knowing how the CDBG funding process worked requires an understanding of three things: (1) who was eligible to receive funds, (2) how the total program budget was divided among different uses, and (3) how much each recipient was eligible to receive. Accordingly, this chapter is divided into three sections. The first describes how a recipient was defined as eligible to receive funds and what the different categories of eligibility were. The second describes how the total CDBG budget was divided among different programmatic purposes. The third describes how the sub-amount available for formula distribution was allocated among individual recipients.

Eligibility

Cities, counties, townships, and other units of local government could become eligible to receive funds in three ways. They could qualify as recipients of formula entitlements, as recipients of hold harmless entitlements, or as recipients of discretionary grants.

Formula entitlements were sums earmarked for a particular recipient on the basis of a block grant formula (either Formula A or Formula B). A locality was automatically qualified to receive formula entitlements if it met one of three criteria: (1) Cities defined by the census as central cities qualified as entitlement recipients regardless of their size. (2) Cities that were within Standard Metropolitan Statistical Areas (SMSA's) and that had 50,000 residents according to the latest census also qualified as entitlement recipients. (3) Counties that were part of SMSA's and that had populations of at least 200,000 exclusive of the central cities and other cities with populations of over 50,000 that were within their boundaries also qualified as entitlement recipients. These latter were defined as urban counties.

Ignoring the fact that some of these jurisdictions were counties rather than cities, all three types of entitlement recipients will be called entitlement cities in this work. The analysis offered in this research concerns itself only with funding distributions among entitlement recipients, in fact it only concerns itself with those entitlement recipients that were cities and that had populations of over 100,000.

In order to protect those jurisdictions that had previously been receiving categorical funding from abrupt funding reductions, a "hold harmless" clause was attached to the 1974 legislation. It provided a hold harmless entitlement for participants in existing programs.

A city's hold harmless entitlement was to be roughly equal to the annual amount that had been received under the folded-in programs. Of the five years preceding fiscal 1975, the three years in which a city had received its highest funding under these programs were counted, and the average annual amount received during those three years was defined as the hold harmless entitlement.[2] Where hold harmless entitlements exceeded formula entitlements, it is useful to think of the former as consisting of two parts, the first being equal to the formula entitlement and the second being the increment of extra entitlement that the hold harmless clause provided. For three years, cities were entitled to receive this full increment. Then, beginning in fiscal 1978, the increment was phased out such that in fiscal 1978 two thirds of it would be available, in fiscal 1979 one third of it would be available, and in fiscal 1980 no increment would remain. In the last year, then, hold harmless protection would have disappeared and all entitlements would rest solely on the formula. In the years before this happened, cities were allowed to pick between their formula entitlement and their hold harmless entitlement, whichever was the larger.

Nearly all large cities were eligible for both formula entitlements and hold harmless entitlements. They could pick among the two.

Smaller communities that were not eligible to become recipients of formula entitlements (those with populations of under 50,000) could continue to claim an entitlement based on their hold harmless eligibility, if they had participated in the categorical programs.

The block grant program also allowed for the awarding of discretionary grants. These were to be sums granted on a case-by-case basis depending on the acceptability of applications submitted to HUD. (In other words, the same application and review process that had existed in the past.) Communities with populations of under 50,000 and that were not census-defined central cities (i.e., jurisdictions that did not qualify as entitlement cities) were invited to compete for these discretionary grants. The divisions of the overall CDBG budget created separate discretionary "pots" for communities within SMSA's and for communities outside of SMSA's (the metropolitan discretionary fund and the non-metropolitan discretionary fund respectively). Neither type of discretionary funding will be analyzed in this study.

CDBG Budget Categories

The total amount available for distribution through the CDBG program was broken down into a number of budgetary categories. These are best explained with the aid of Figures 2 and 3 (both of which are modeled on figures appearing in Nathan et al. [133, pp. 84,88]). Figure 2 presents the budgetary breakdwon for the fiscal years 1975 through 1979 when hold harmless entitlements were still operative. Figure 3 presents the breakdown for fiscal year 1980, by which time the hold harmless entitlements had been completely phased out and funding rested solely on the formula process.

In stage one, a small percentage of the total allocation budget

Figure 2. CDBG Budget Categories before Hold Harmless was Phased Out.

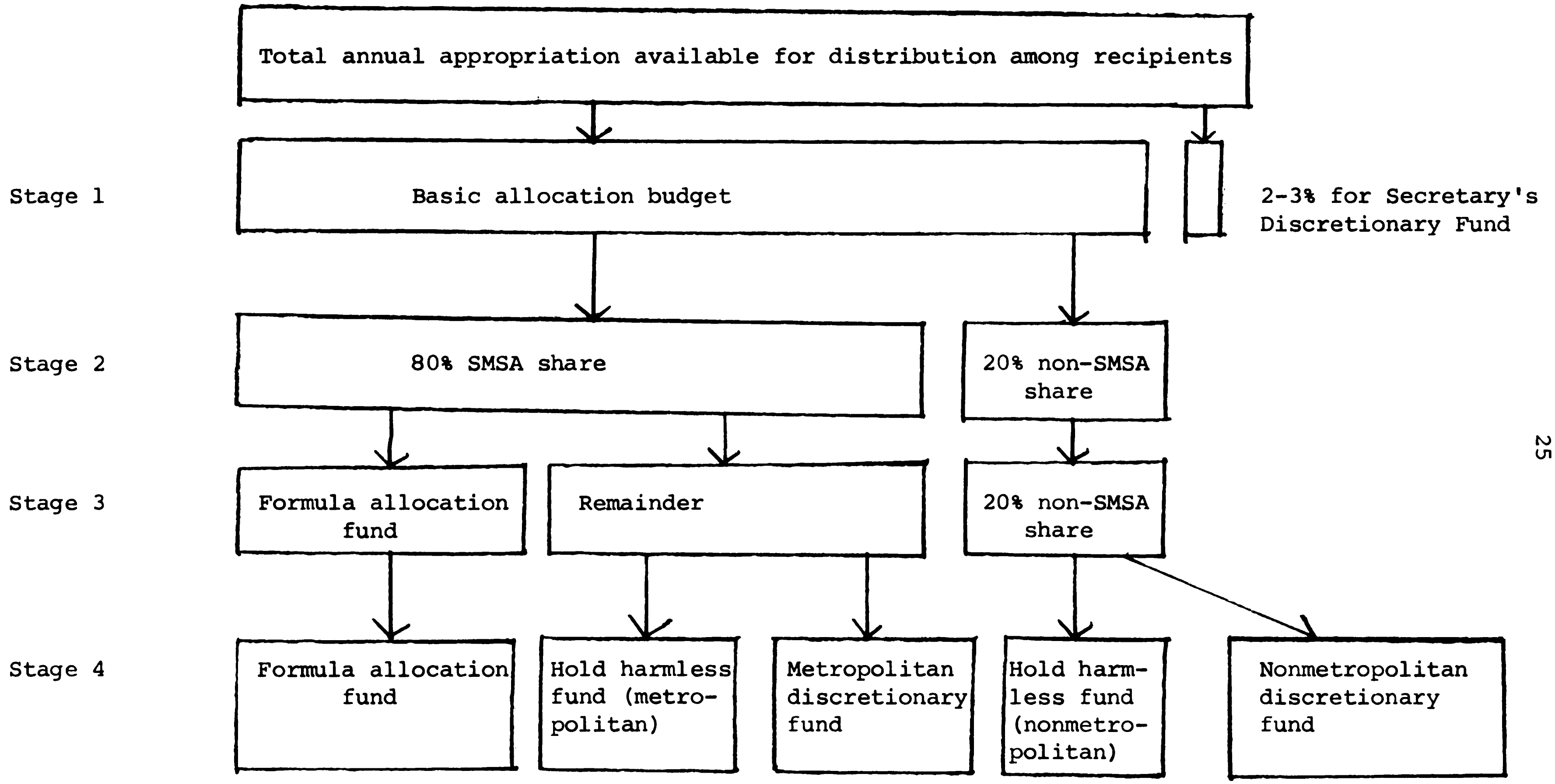
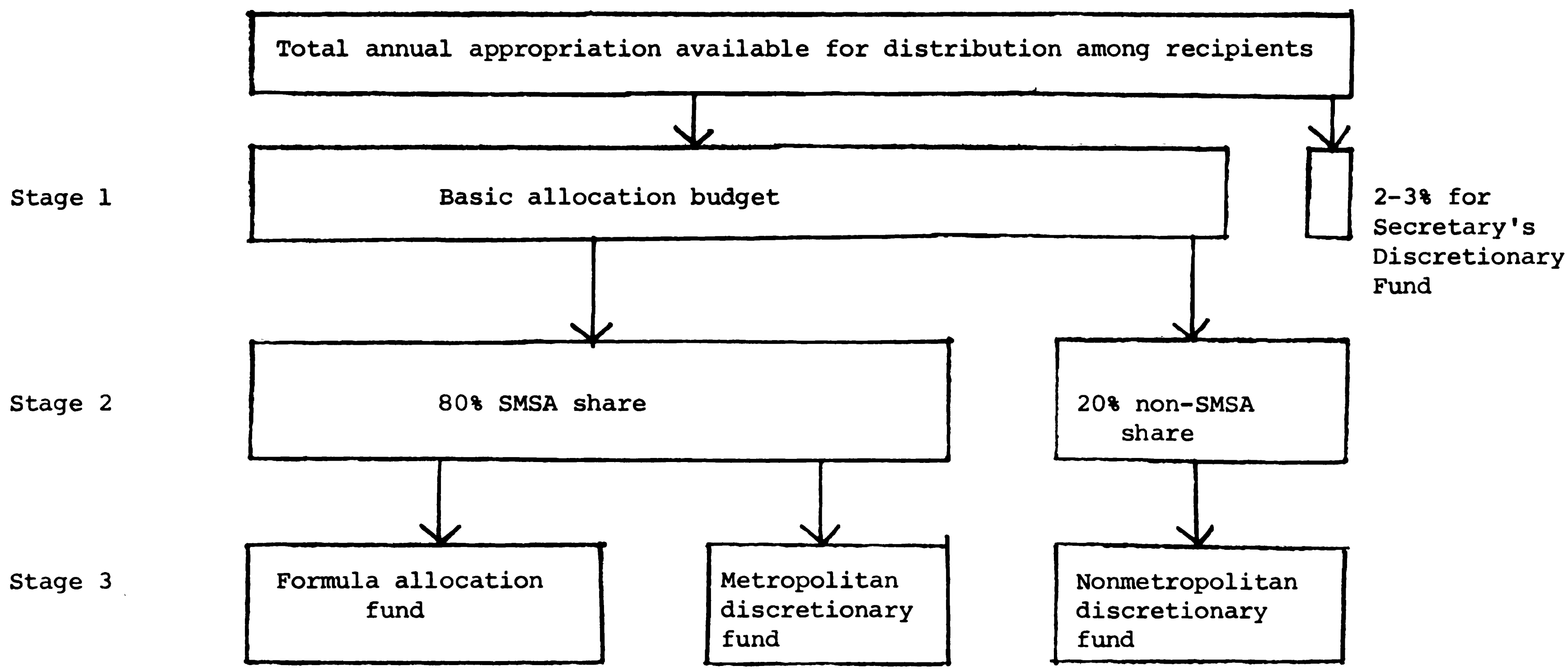


Figure 3. CDBG Budget Categories after Hold Harmless was Phased Out.



was set aside into a Secretary's Discretionary Fund. In fiscal years 1975, 1976, and 1977, two percent was set aside; in fiscal years 1978, 1979, and 1980, three percent was set aside. This fund was to be used for special projects and emergency needs at the sole discretion of the Secretary of HUD. It plays no part in the analysis to follow.

In stage two, the remaining part of the original budget, the "basic allocation budget," was split into two shares, an 80% share and a 20% share. The larger share was designated for distribution among recipients that were located within SMSA's (this includes urban counties). The smaller share was to be distributed among recipients that were located outside of SMSA's.

In stages one and two the distribution process was the same both before and after the hold harmless mechanism was phased out. It was also unaffected by the addition of a second formula.

In stage three, the amount to be distributed through formula allocations (the formula allocation fund) was determined. The process by which this amount was determined is somewhat complicated and depended on the nature of the formulas themselves. Therefore, it can be more profitably discussed in the Formula Allocation section below than it can at this point.

Subtracting the formula allocation fund away from the SMSA share left what will be called a remainder. What became of this remainder depended on whether the hold harmless protection was operative (Figure 2) or not (Figure 3).

While the hold harmless protection was still in effect (Figure 2), a part of the remainder was allocated to cover the costs of hold harmless protection among recipients that were located within SMSA's.

Entitlement cities which were to receive more through their hold harmless entitlements than through their formula entitlements received that difference (the increment) from this hold harmless fund. Also, smaller non-entitlement communities that could claim a hold harmless entitlement but could not claim a formula entitlement received all of their moneys from this fund.

The other part of the remainder was the metropolitan discretionary fund. It was used to finance discretionary grants that were awarded on a competitive bases to smaller, non-entitlement communities located within metropolitan areas.

Similarly, the 20% non-SMSA share was also divided between an amount to be distributed to those who had a claim to hold harmless entitlements and the remaining balance, which was available for distribution on a discretionary basis.

After hold harmless was phased out (Figure 3), all of what had appeared as a "remainder" in Figure 2 became the metropolitan discretionary fund. Similarly, all of the 20% non-SMSA share became available for discretionary distribution among non-metropolitan applicants.

Formula Allocation

The CDBG formulas govern two things, the size of the formula allocation fund and the amounts to be distributed to individual recipients as formula entitlements.

There were two block grant formulas. Formula A was established in the original 1974 legislation. Formula B was added as a supplement to Formula A in the 1977 legislation so that a dual formula process was established.

Algebraically, Formula A was:

$$\text{Formula A share for city X} = (.25)\frac{\text{population in city X}}{\text{total population of all entitlement cities}} + (.25)\frac{\text{overcrowding in city X}}{\text{total overcrowding in all entitlement cities}} + (.50)\frac{\text{poverty in city X}}{\text{total poverty in all entitlement cities}}$$

Formula B was:

$$\text{Formula B share for city X} = (.50)\frac{\text{age of housing stock in city X}}{\text{total age of housing stock in all entitlement cities}} + (.30)\frac{\text{poverty in city X}}{\text{total poverty in all entitlement cities}} + (.20)\frac{\text{growth lag in city X}}{\text{total growth lag in all entitlement cities}}$$

(Bear in mind that "entitlement cities" as used here and below also includes urban counties.)

Five variables appear in these two formulas: population, overcrowding, poverty, age of housing stock, and growth lag. In this study, these will be called the formula elements.

The first three of these formula elements were defined in the 1974 CDBG legislation. Population was defined as the population of a city according to the most recent figures published by the Census Bureau. HUD's *Community Development Block Grant Program; Directory of Allocations for Fiscal Years 1975-1980* lists the Census counts and estimates that were actually used [217, p. iv]. For example, in fiscal 1975 the 1970 Census count was used, and in fiscal 1980 the July 1977 Census estimates were used. Overcrowding was defined as the number of housing units with 1.01 or more persons per room. For the six years between fiscal 1975 and fiscal 1980, data for this figure were taken from the 1970 Census count. Poverty was defined as the number of persons whose income fell below the poverty line as established by the Office of Management and Budget. Again, for the six fiscal years 1975 through 1980, the 1970 Census figures were used. (For definitions and the sources of data used by HUD see [217, p. iv]).

The new formula elements established in 1977 were age of housing stock and growth lag. Age of housing stock was defined as the number of existing year-round housing units constructed in or before 1939. All data for this measure were taken from the 1970 Census. Growth lag is a complicated concept that measured the extent to which a city's population growth failed to keep up with the average rate of population growth in urban areas. It was defined as:

> . . . the number of persons who would have been residents in a metropolitan city, or an urban county, in excess of the current population, if its population growth rate, between 1960 (Census count) and the data of the current population used (most recent available from the Census) was equal to the population growth rate for all metropolitan cities during the same period. The population growth rate for all metropolitan cities derived for the FY80 allocation cycle [based on July 1977 Census estimates] was 1.1215609. [217, p. v]

With these definitions in hand, we can now return to the question of how the size of the formula allocation fund was determined.

This determination made use of the same formula elements, and weights, that appeared in Formula A. The process was not changed by the addition of a second formula in 1977.

First, a formula allocation ratio was calculated. This was done by the following formula:

$$\text{Formula allocation ratio} = (.25)\,\frac{\text{total population of all entitlement cities}}{\text{total population of all SMSA's}} + (.25)\,\frac{\text{total overcrowding in all entitlement cities}}{\text{total overcrowding in all SMSA's}} + (.50)\,\frac{\text{total poverty in all entitlement cities}}{\text{total poverty in all SMSA's}}$$

This ratio represented a weighted measure of the incidence of the three variables as they occurred in the entitlement cities relative to their occurrence in SMSA's as a whole.

To derive the formula allocation fund, this formula allocation ratio was simply multiplied by the amount in the 80% SMSA share.

Using the example given by Nathan et al. [133, p. 96], this calculation worked out as follows for fiscal year 1975:

total population of all entitlement cities	=	104,748,000 persons
total population of all SMSA's	=	149,590,609 persons
total overcrowding in all entitlement cities	=	2,691,671 housing units
total overcrowding in all SMSA's	=	3,708,479 housing units
total poverty in all entitlement cities	=	12,686,877 persons
total poverty in all SMSA's	=	17,233,319 persons

Therefore:

$$\begin{array}{l}\text{Formula} \\ \text{allocation} \\ \text{ratio}\end{array} = (.25)\ \frac{104,748,000}{149,590,609} + (.25)\ \frac{2,691,671}{3,708,479} + (.50)\ \frac{12,686,877}{17,233,319}$$

Or,

$$\begin{array}{l}\text{Formula} \\ \text{allocation} \\ \text{ratio}\end{array} = .7250022$$

In fiscal 1975, the total appropriation available for CDBG distribution was $2,450 million. Subtracting off the 2% Secretary's Discretionary Fund and multiplying by .80 left $1,918 million[3] in the 80% SMSA share. Therefore, the formula allocation fund for fiscal 1975 was: ($1,918 million) x (.7250022) or $1,390,554,000.

Dividing this fund up among individual recipients brings Formula A, as defined above, into play. Taking the urban county of Lancaster County, Pennsylvania as the "entitlement city" in question, Nathan et al. continued the example as follows [133, p. 100]:

population of Lancaster County	=	226,616 persons
total population of all entitlement cities	=	104,748,000 persons
overcrowding in Lancaster County	=	2,931 housing units
total overcrowding in all entitlement cities	=	2,691,671 housing units
poverty in Lancaster County	=	17,358 persons
total poverty in all entitlement cities	=	12,686,877 persons

Therefore:

$$\text{Formula A share for Lancaster County} = (.25)\ \frac{226,616}{104,748,000} + (.25)\ \frac{2,931}{2,691,671} + (.50)\ \frac{17,358}{12,686,877}$$

$$= .0014973$$

Multiplying this formula share by the amount that was available in the formula allocation fund yielded the formula entitlement that Lancaster County was scheduled to receive:

$$(\$1,390,554,000) \times (.0014973) = \$2,082,000$$

Unfortunately for Lancaster County, a further technicality in the distribution process prevented it from receiving its full entitlement in fiscal 1975. Just as excesses in hold harmless entitlements over formula entitlements were gradually phased out, so were excesses of formula entitlements over hold harmless entitlements gradually phased in. Again, the phasing was done by thirds so that wherever a recipient's hold harmless entitlement exceeded its formula entitlement, the amount actually allocated did not exceed one third of the formula entitlement in the first year or the hold harmless entitlement (whichever was greater), two thirds in the second year, and the full formula entitlement in the third year (fiscal 1977).

Since Lancaster County had not participated in any of the categorical programs, its hold harmless entitlement was zero. Thus it only got one third of its full formula entitlement, or $694,000, in fiscal 1975 and had to wait until fiscal 1977 before receiving its full formula entitlement.

The entitlement amounts yielded by Formula B were calculated in exactly the same way as those yielded by Formula A. A Formula B entitlement share was computed according to the Formula as given above and this was multiplied by the formula allocation fund to produce an entitlement for each city.

Recipients could thus choose either their Formula A entitlement or their Formula B entitlement or their hold harmless entitlement (which, by the time Formula B went into effect, had begun to be phased out by thirds).

Since all recipients were choosing, at that point, their maximum entitlement between the two formulas, the sum of the entitlement amounts chosen by all recipients would have considerably exceeded the amount available in the formula allocation fund. In order to pay for everything, the 1977 legislation stipulated that the difference should be made up from funds taken out of the metropolitan discretionary fund and that allowances be made for all formula entitlements before any discretionary grants were awarded. Thus, the amount actually available for discretionary funding was less than what is indicated in Figure 3 while the amount given out in formula entitlements was greater than the formula allocation fund as depicted.

CHAPTER THREE

A REVIEW OF THE LITERATURE WHICH HAS EVALUATED THE CDBG PROGRAM

Introduction to the CDBG Evaluation Literature

Of the several studies that have evaluated the block grant program, the most important have been Block Grants for Community Development by Richard P. Nathan, Paul R. Dommel, Sarah F. Leibschutz, Milton D. Morris, and other associates of the Brookings Institute [133 and referred here to as the Nathan study], Decentralizing Community Development by Paul R. Dommel, Richard P. Nathan, Sarah F. Leibschutz, Margaret Wrightson, and other Brookings associates [27 and referred to here as the Dommel study], An Evaluation of the Community Development Block Grant Formula by HUD's Office of Policy Development and Evaluation, under the direction of Harold Bunce [222 and referred to here as the Bunce study], and two papers by Richard DeLeon and Richard LeGates, "Community Development Block Grants; Redistribution Effects and Equity Issues" [24] and "Beyond Cybernetic Federalism in Community Development" [25].

These five studies can be classified as the most important evaluations of the CDBG program because they are the only ones that contain extended analyses of the inter-city distribution of CDBG funds. There have also been a number of lesser studies.[1] Many of these focused on intra-city aspects of the program, such as whether funding has been targeted on low income neighborhoods, whether citizen participation has been adequate, and whether local governments have used CDBG funds for purposes that were consistent with the spirit of the legislation. Others have limited their analysis to spending distributions within a particular region or have depended on the principal studies for their information about nationwide distribution patterns.

All five of the principal studies can be described as exercises in policy evaluation. Their aim was to evaluate how well the new program met its stated objectives; they put forward new policy proposals, generally in the form of alternative block grant formulas; and their findings were meant to be inputs into the policymaking process. This study departs from that shared approach by attempting to describe how the CDBG program came into being. The distinction is one between research which is intended to be incorporated into the policymaking process and research about how the policymaking process itself works.

All five studies were similar in the way that they constructed the comparisons of spending distributions. Each used hold harmless entitlements as the measure of how cities had fared under the categorical system.[2] Depending on when it was produced, each study compared this hold harmless distribution against either the Formula A distribution alone or against both the Formula A distribution and the Formula B distribution. "Full formula effects" were analyzed. In other words, the Formula A and Formula B distributions that were used to make comparisons were those that were to take place in fiscal 1980, after hold harmless protection had been completely phased out. This was done to draw out the full contrast between formula-based spending patterns and the spending patterns of the categorical system. The same approach to constructing comparisons will also be used in this study.

In the subsection immediately below, each of the principal evaluation studies will be briefly introduced. Following that, subsections on Region, Party, and Decline will discuss, at length, what these studies have found out about the distribution of spending along each of these three relevant dimensions.

The Principal Evaluation Studies

The Nathan study is, in many ways, the most comprehensive of all the block grant evaluations. Produced in 1977 by the Brookings Institute (at HUD's request) this study reported on the nation's first year of experience with the block grant program. It compared the Formula A distribution against the distribution of hold harmless entitlements and made policy suggestions which were later incorporated into Formula B.

Although the Nathan report contained lengthy sections on the fiscal, social, and political effects[3] of the block grant program, its chapters on the distributive effects of CDBG spending are the ones most relevant to the purposes at hand. The core of the analysis of these distributive effects consisted of several crosstabulations of the hold harmless and Formula A entitlements with three variables: region, city size, and recipient type (central city, suburb, non-metropolitan community, etc.).

In addition to region, city size, and recipient type, two other relevant variables appeared in the analysis: age of housing stock and an "index of central city hardship." Age of housing stock was included as an element in proposed alternative formulas; consequently, the regional distribution of this variable was discussed. The index of central city hardship was used as an indicator of the extent of urban needs. This index had been previously developed in work by Richard Nathan and Charles Adams [132].

The Nathan study reported the following conclusions about the impending changeover from the categorical system to full formula, block grant funding:

1. Funds would generally shift away from the Northeast and toward the South and West. (These regional findings will be discussed in more detail in the Region subsection below.)
2. Central cities would lose funds while smaller communities (both suburban and rural) would stand to gain the most.
3. Jurisdictions that would lose funds tended to have higher central city hardship scores (more hardship) than did fund gainers.
4. The inclusion of an age of housing stock factor in an alternative formula would reverse the regional shift noted in conclusion #1 above and would target funds more successfully on cities with higher amounts of hardship [133, pp. 113-114, 179-182].

The Bunce study was an internal review of the first block grant formula conducted by the Department of Housing and Urban Development. Like the Nathan study, it compared the hold harmless distribution to the first formula distribution and made policy suggestions for the 1977 legislation. Leaving out urban counties and smaller communities, the Bunce study included only entitlement cities in its analysis.[4]

The core of the Bunce study was a factor analysis of thirteen indicators of community development need. In choosing indicators for input into the factor analysis procedure, the researchers would have ideally liked to have had direct measures of blight and deterioration (the conditions which the program was meant to alleviate), but they concluded that there was only one such direct measure available to them, the Census measure of substandard housing, and that this measure was deficient since it failed to reflect many aspects of housing inadequacy [222, p. 47]. Therefore, they opted to select available socioeconomic measures which had been associated with urban blight in the housing abandonment literature.[5] (See [222, Appendix D] for their choices and rationale.)

The factor analysis produced a five factor solution, the five factors being assigned the following labels: poverty, age of housing stock, density, crime and unemployment, and lack of economic opportunity (i.e., low education). It was therefore argued that community development need was multidimensional, and the hold harmless and Formula A distributions were evaluated on the basis of how well they responded to these various dimensions of need. This evaluation was accomplished by correlating the hold harmless and the Formula A distributions with each of the five factors, or dimensions of need.

In addition to this multidimensional evaluation, the hold harmless and the Formula A distributions were also evaluated, by correlation, against a single, overall index of community development need. This overall need index was created by assigning weights to the five factors and summing them together.[6]

Both the set of five factors and the overall need index were used to evaluate various formulas that were proposed as alternatives for Formula A. These alternative formulas were created by adding age of housing stock to the existing formula elements (population, poverty, and overcrowding) in various weighted combinations.

On the basis of these procedures, the Bunce report concluded that:

> (1) the hold harmless distribution shows a weak relationship with community development need,
>
> (2) the existing formula is highly responsive to the poverty dimension but is not responsive to the non-poverty dimensions of CD [Community Development] need, and
>
> (3) a formula alternative that includes pre-1939 housing as [a] formula factor should be considered as a replacement for the existing CDBG formula. [222, p. 1]

The first of the two DeLeon and LeGates articles, "Community Development Block Grants; Redistribution Effects and Equity Issues," also compared the hold harmless distribution with the Formula A distribution [24]. DeLeon and LeGates analyzed distributive effects among three sets of cities: a nationwide group of 528 cities that had populations of over 25,000, a smaller group of 55 of the nation's largest 60 central cities (these were the same 55 cities that had been included in the Nathan and Adams study [132]), and a group of 79 California cities that had populations of over 25,000.

The core of this research was a comparison of the spending distributions with a battery of indicators that were grouped under four headings: race, economic and housing deprivation, (population) growth, and fiscal capacity/effort. The paper also compared spending patterns by region and against the Nathan-Adams Index of central city hardship. The authors also compared funding levels to the "political disposition" of the electorate among the subset of California cities.

From the nationwide parts of their analysis, the authors offered the following conclusions:

1. Formula A had corrected the regional imbalance that had existed under the categorical program. This correction occurred largely at the expense of cities in the Northeast.
2. The Formula A distribution proved better than the hold harmless distribution at matching federal allocations to concentrations of low income persons and blacks.
3. The categorical system was better than Formula A at matching allocations with concentrations of old housing and with fiscal effort.
4. Cities which would lose money during the changeover from hold harmless to Formula A scored consistently higher on a number of measures of urban need. [24, pp. 389-390, 392-393, 396, 398].

The Dommel study was produced by the Brookings Institute as a follow-up to the Nathan study. It is of value because it was produced after the 1977 block grant legislation and was, therefore able to analyze the effects of the dual formula. Unfortunately, however, the Dommel study analyzed the workings of the dual formula as such rather than looking at the effects which would have been produced by Formula B acting alone. Thus, the distinction between jurisdictions which stood to gain and those which stood to lose by the establishment of a second formula was not as clear as it could have been. Also, the Dommel report's tabulations of distributive effects were less comprehensive and less fine-grained than those appearing in the Nathan report. This reflects the fact that in the Dommel report, distributive effects received less emphasis than did such issues as intergovernmental relations and the nature of the decisionmaking process at the local level.

Following the example set by the Nathan study, the Dommel study compared spending distributions along the three dimensions of region, city size, and recipient type. Again, these three dimensions formed the core of the distributive analysis. The study also included an "urban conditions index," which sought to reflect the extent of urban distress. This index was composed of poverty, age of housing stock, and population change.

The Dommel report's findings on distributive effects included the following:

1. Regionally, the changeover to the dual formula would produce the greatest gains in the Northeast, but allocations for that region would not become as large as they had been under the categorical system.
2. Cities which benefitted the most from the establishment of a dual formula tended to have higher scores on the urban conditions index (more severe distress).
3. The dual formula would cut into the metropolitan discretionary fund thereby redirecting funds away from the smaller suburban communities and toward the central cities [27, pp. 41-45].

The second DeLeon and LeGates article, "Beyond Cybernetic Federalism in Community Development" also appeared late enough to analyze the effects of Formula B [25]. It analyzed the effects of Formula B acting alone, so that clear distinctions between hold harmless, Formula A, and Formula B could be made. This paper used, as a data base, the same 433 entitlement cities that had appeared in the Bunce report. For these cities, the authors compared the block grant distributions with region and with six selected need indicators: percent of low income individuals, percent black, age of housing stock, overcrowding, local taxes per capita, and the "HUD need index" (the Bunce study's overall need index).

The findings indicated that:

1. Formula B, acting alone would have increased funding to all regions of the Northeast Quadrant while decreasing funding to every region in the South and West.
2. Formula B responded better than Formula A to age of housing stock and local tax effort, while Formula A was more highly correlated with low income, overcrowding, and percent black. Thus, one could say that Formula A provided a better match with social needs while Formula B provided a better match with physical needs. [25, pp. 31-33]

Having reviewed the general contents of each of these five principal evaluation studies, it is now appropriate to discuss the findings that they contain about region, party, and decline.

Region

The regional impact of CDBG spending patterns has been given extensive consideration in the existing literature. It was discussed in all of the principal evaluation studies.

The Nathan study conducted the most detailed analysis of the regional effects of Formula A. Some of its findings about the regional effects among census-defined central cities will be repeated here. [See 133, p. 152 for a table displaying these findings in full.]

Nathan et al. found that the overall amount of funding going to the nation's central cities was to be cut by 21%. However, cities in different regions experienced this cut differently.

New England cities suffered more dramatic losses than did the cities of any other region, posting a 67% funding loss. Having been the most active participants in the categorical programs, New England cities dropped to last place in per capita funding under Formula A. The cities of the Mid-Atlantic region experienced a cut only barely larger than the national average (losing 22%), but Nathan et al. reported that this was mostly due to major gains made by New York City [133, p. 153]. Otherwise, cuts for the region would have been larger. As relatively inactive participants in the categorical programs, cities of the East North Central region suffered cuts smaller than 21% (their losses were only 16%), but their relative share of funding under Formula A remained below the national average on a per capita basis. Losses for the West North Central cities were much greater than the national average (losing 40%) and second only to New England's dramatic losses.

In the Sunbelt, the South Atlantic was the only region whose losses exceeded the national average; it lost 30% compared to the 21% average cut. Despite these losses, however, the region still received higher than average per capita entitlements under Formula A. The East South Central and the West South Central regions were the only regions whose cities actually gained funds under the formula (8% and 25% gains respectively). Neither had been active participants in the categorical programs and both were favored by the formula. Cities in both the Mountain and Pacific regions lost funds, but not in amounts as large as the national average cut (losses were 9% and 12% respectively).

On the whole, the changeover from the categorical system to the CDBG program was more benign to the cities of the Sunbelt than it was to the cities of the Frostbelt. Under the categorical system, three out of four Frostbelt areas had received higher than average per capita funds, while under Formula A, per capita spending was higher than average in three out of five Sunbelt regions (specifically the three regions in the South).

This conclusion that the CDBG program favored the Sunbelt was echoed by both Bunce [222, p. 75] and DeLeon and LeGates [133, p. 139].

The later evaluation studies, those which were able to analyze the effects of the second block grant formula, showed a reversal of this trend toward Sunbelt favoritism. The dual formula mechanism prevented cities from losing funds as a result of the establishment of Formula B. Yet, the Dommel study showed that much more substantial gains were made by cities in the Northeast Quadrant (which generally took advantage of the new second formula) than by cities in the South and West (which generally continued to rely on the first formula) [27, p. 51]. While the Dommel results were based on the dual formula process, in which Formula A and Formula B interacted to produce a dual formula distribution, the second DeLeon and LeGates study separated out the effects of Formula B by analyzing what would have happened if Formula A had been wholly replaced by Formula B. Under such conditions, the cities in all four Frostbelt regions would have gained funds (in amounts of between 61% and 86% of Formula A entitlements) while the cities in all five Sunbelt regions would have lost funds (in amounts of between 5% and 33% of Formula A entitlements) [25, p. 31]. Formula B clearly favored Frostbelt cities, which had been disadvantaged by Formula A.

In sum, the findings of the existing studies provide an ample basis for investigating the possible influence of the regional process on the CDBG program. The further analysis of regional CDBG spending effects that will be conducted here adds to existing knowledge only by describing the effects among large cities, thereby bringing the data into conformity with the data to be collected for the analysis of partisan effects and the decline process.

From what is already known, it seems likely that Sunbelt Legislators were able to express their regional preferences through Formula A and that Frostbelt Legislators were able to reverse this preference in the shaping of Formula B. But such conclusions are, at this point, only speculative. Despite its close attention to regional spending patterns, the existing literature has not attempted to describe any possible regional influences that might have been at work during the evolution of CDBG policy.

There are two exceptions to the statement that has just been made. One is found in a small section of the Dommel report and the other is found in one of the minor evaluation studies, Brouder and Caplan's Shutting the Door on the Poor; A Critical Examination of the Housing and Community Development Act of 1974 [8].

The section of the Dommel work describes several regional controversies which arose over attempts to amend the 1977 block grant legislation [27, pp. 23-32]. These were debates which occurred on the House and Senate floor as the CDBG moved toward its eventual passage. As such, they form only a small part of the complex legislative evolution of both versions of the program. Regionalism has been perceived, but only a small part of its story has been recorded.

The Brouder and Caplan discussion is broader in scope, but it is not well substantiated. The authors argued that President Nixon pursued a Southern strategy in hopes of wooing Southern conservatives away from the Democratic Party and that this strategy became manifest in his community development proposals [8, p. 17]. As it turns out, this insight is correct. However, the authors wrote this before the regional effects of CDBG spending had become known through the research described above, and they did not attempt any such regional assessment in their own work (which concentrated on the weakening of citizen participation requirements among Massachusetts cities). Nor does their work contain a discussion of how CDBG policy evolved. This study hopes to establish a similar conclusion on somewhat firmer footing.

What remains to be done, then is to show how the regional spending effects that are described in existing work came about. The workings of the regional process need to be investigated and discussed in the course of constructing a legislative history of the CDBG program.

Party

Partisan preference has been generally ignored as a phenomenon which might be related to CDBG spending patterns. None of the existing studies have looked for a statistical relationship, at the national level, between the party preferences of urban electorates and the sizes of the block grant entitlements that their cities received.

There has, however, been an examination of this relationship at the state level. DeLeon and LeGates investigated this relationship among the California cities that they studied in their first paper [24].

Although DeLeon and LeGates did not conceptualize partisanship as a factor in determining how CDBG entitlements came to be distributed, they were interested in investigating the "political dispositions" of recipient cities. If the political disposition proved to be more conservative among cities which had gained funds as a result of Formula A, then one could expect that the nation's urban development funds would be spent for generally more conservative purposes under the CDBG program than they had under the categorical programs.

The authors divided their group of 79 California entitlement cities into three categories: "new money cities," or those that had not received any funds under the categorical system but which would receive block grant entitlements; "other phase in cities," or cities whose Formula A entitlements were larger than the amounts that they had received under the categoricals; and "phase down cities," or those cities whose Formula A entitlements would be smaller than their funding under the categoricals. They then assessed the "political dispositions" of these cities by measuring: the percentage of voters registered as Republicans, the percentage of the vote that went to Ronald Reagan in the 1970 gubernatorial race, and the percentages of vote in support of three ballot proposals that were felt to be strong indicators of either conservative or liberal political leanings.

A crosstabulation between entitlement status and political disposition revealed that new money cities were more conservative than other phase in cities, which were, in turn, more conservative than phase down cities. The relationship was consistent across all five measures of political disposition [24, p. 402]. Among California cities, then, Formula A clearly benefitted more conservative cities.

There is no indication that these results can be generalized to the nation as a whole. Nor have the partisan effects of Formula B been studied. Since the other evaluation studies have been silent on these points, there is no adequate quantitative basis for exploring the influence of partisanship on the CDBG program.

Although this review of the DeLeon and LeGates findings exhausts the topic of direct evidence about partisan effects and CDBG spending in the existing literature, there have been some related findings that bear a discussion at this point. These are findings about the distribution of CDBG funds among recipient types (central cities, suburbs, small communities and so forth). They are generally consistent with the supposition that partisan politics has shaped the CDBG program.

The Nathan study found that the biggest gainers under the original version of the block grant program were the smaller communities -- both suburban and rural -- while the principal disadvantages of Formula A fell on central cities [133, p. 150]. Central cities had received 72% of all categorical funding but would only get 42% of all block grant outlays in fiscal 1980.[7] On the other hand, large gains would be made by urban counties, smaller metropolitan communities, and smaller non-metropolitan communities. The share going to these smaller communities[8] would increase from 24% of all categorical funding to 53% of all block grant funding. The conclusion was that:

> If the formula is fully implemented in 1980, this will produce a situation in which central city losses become small community gains. [133, p. 181]

The Bunce study reached a similar conclusion [222, p. 89].

Formula B distributed funds among recipient types in the opposite direction. The Dommel study reported that the dual formula mechanism would reduce the metropolitan discretionary fund, thereby producing central city gains at the expense of the smaller suburban communities. These gains, however, would have fallen short of restoring the 72% share that central cities had received during the categorical era [27, pp. 43, 48, 29].

If one assumes that smaller communities are, in general, more politically conservative than larger ones, then the implications of these findings are: (1) Formula A rewarded more conservative locales at the expense of more liberal ones; and (2) Formula B rewarded more liberal locales at the expense of more conservative ones. Since Formula A was developed under the auspices of the Nixon administration and Formula B was established during the Carter administration, these implications are consistent with the view that partisan purposes have shaped CDBG policy.

Although the findings were pregnant with such implications, neither the Nathan, Bunce, nor Dommel studies advanced a partisan interpretation of CDBG spending patterns. Thus, the principal evaluation studies did not address the question of whether a partisan process had been at work in the making of CDBG policy.

As noted in Chapter One, some of the minor evaluation studies did impute partisan motivations to the CDBG program on the basis of the central city-suburban spending differentials that were reported by Nathan and Bunce [8; 9; 5]. But none of these were based on an analysis of whether party preferences were associated with CDBG entitlement patterns. These studies posited the existence of a partisan process, but they did not adequately substantiate that claim.

In sum, three points about the information contained in the existing literature can be made: (1) The literature does not provide an adequate basis for pursuing the investigation of the partisan process since it has not attempted to statistically relate party preference to CDBG entitlements on a nationwide basis. (2) The California results of DeLeon and LeGates are the only findings that have touched upon the issue of partisanship in CDBG. (3) Related evidence on spending distributions by recipient type does appear to be consistent with a partisan explanation.

Decline

From the point of view developed by John Mollenkopf and Harvey Molotch, the abatement of property value decline is seen as the central purpose of any urban development program. Even those who do not share this view would probably recognize that property value decline is one measure of a city's need for physical development assistance -- the kind of assistance that the CDBG program was designed to provide. Yet the existing literature has given only scant attention to property value decline as a criterion for measuring the performance of the CDBG program. Again, none of the principal evaluation studies consciously attempted to measure property value decline on a nationwide basis.

The only study in which something like a measure of decline appeared was the first DeLeon and LeGates article [24]. Operating under the theory that federal grants should have been given to cities that were doing the most to help themselves, DeLeon and LeGates crosstabulated entitlement amounts with various measures of "fiscal capacity and tax effot." Among these measures was a measure of the locally assessed property valuation.

Unfortunately this measure of property valuation was only taken at one point in time. Therefore, it didn't capture the dynamic aspect of decline as a change in property values over time. Nonetheless, this was as close as the existing literature ever came to assessing the phenomenon of property value decline.

DeLeon and LeGates's analysis of property valuation was done only for their group of California cities, and their results were ambiguous. On the one hand, they found a slight but positive correlation between assessed value of property per capita and dollars per capita gained in the transition from hold harmless to Formula A (r=.13) [24, p. 397]. This indicated a very slight tendency for higher-value cities to have gained funds as a result of the advent of block grants. On the other hand, Correlations between per capita valuations and per capita entitlements were slightly more negative for Formula A entitlements (r=-.27) than for hold harmless entitlements (r=-.13), indicating that Formula A was slightly more efficient at targeting its funds on low-value cities [24, p. 399].

As was the case with the findings on "political disposition," there has been no indication that these California results can be generalized to the nation as a whole. Nor has property valuation been correlated with Formula B entitlements.

In the place of decline, the existing studies have focused on an age variable, the percentage of housing units built before 1939. In fact, age of housing stock was included in every principal evaluation study. In some studies, this age variable was used as a yardstick by which the block grant program's ability to meet community development needs was measured [24; 25; 222]; in other studies, age of housing stock was analyzed because it had been incorporated into proposed formula alternatives [27; 133].

The findings were best summarized in the second DeLeon and LeGates paper [25, p. 32]. The authors correlated the percentage of pre-1939 housing with the per capita entitlements under hold harmless, Formula A, and Formula B. The correlation between age of housing stock and hold harmless entitlement per capita was modest (r=.33). The effect of Formula A was to reduce this correlation to r=.15. Formula B was strongly correlated with age (r=.84). This, of course, was not surprising since age of housing stock was one of the elements of that second formula. Overall then, the establishment of Formula A tended to weaken the matchup between funds and age, while the establishment of Formula B strengthened that matchup significantly.

It remains to be seen whether age of housing stock is related to property value decline. Older houses can be more or less valuable depending on the quality of the original construction, the value of the improvements that have subsequently been made, the location, and the level of housing demand. On the whole, however, one would expect housing units to become less valuable as they get older. Depending on how strong the correlation between the two is, age of housing stock could be a proxy indicator of property value decline. Until this connection has been made, however, the findings of existing work on age of housing stock can not be used to draw inferences about the relationships between CDBG entitlement patterns and levels of property value decline. This connection was not made, either statistically or conceptually, by any of the principal evaluation studies.

The conceptual connection between age of housing stock and property value decline was not made because property value decline was not conceptualized as a relevant criterion for evaluating CDBG entitlement patterns. The Mollenkopf-Molotch view was quite foreign to the principal evaluation studies, all of which took more traditional approaches to the issues. Because of this, the idea that the CDBG program might have been shaped as a response to the problem of property value decline (i.e., the idea that a decline process existed) was not investigated by the existing literature.

In sum, the existing evaluation literature has not provided an adequate basis for investigating the role of the decline process in CDBG policymaking. A measure based on property values has appeared in only one study, and that measure was inadequate as a measure of decline as a dynamic process. Measures of age of housing stock have appeared in all of the principal evaluation studies, but these were not conceptualized as possible indicators of property value decline. Any investigation that hopes to substantiate the effects of the decline process on CDBG policymaking would have to begin by determining the relationship between levels of decline and patterns of CDBG entitlements.

CHAPTER FOUR

OPERATIONALIZATIONS AND DATA COLLECTION TECHNIQUES

This chapter describes how the concepts of decline, region, and party were operationalized and how the data were gathered. The first subsection below describes the set of cities for which the data were collected. Following that come two subsections that describe the operationalization of region and the collection of data about party preference. Operationalizing decline presented difficult problems. The next several subsections describe how this was done. A final subsection describes the sources for entitlement data and for the other remaining data that were used in this study.

The Data Base, Large Cities

The set of cities for which the data were collected consisted of American cities which had populations of at least 100,000 in 1975. This means that the analysis given here will be limited to CDBG entitlement patterns among large cities. There were some 162 cities which met this population criterion.[1]

The choice of placing the cut-off line at 100,000 was arbitrary and should be recognized as such. However, there were some practical considerations that shaped this choice. These can be appreciated by noting what would have happened if the cut-off line had been slightly relaxed to 75,000.

This small relaxation would have significantly enlarged the data base from 162 to 248 cities. Under these conditions, the findings of the study might have been weighted to show relationships among cities with populations of between 75,000 and 100,000 at the expense of showing relationships among major cities.

Also the exigencies of the data collection process favored the higher criterion. Figures for election returns and property values proved to be quite difficult to gather, and that difficulty increased with declining city size. The 100,000 criterion provided a data base for which the collection of the necessary figures was a manageable task.

It was also decided to limit the data base to cities in the continental United States. The practical effect of this decision was to exclude Anchorage, Alaska and Honolulu, Hawaii from the study. These cities were excluded because their regional classification is ambiguous. It is not immediately clear that they should be categorized as Sunbelt cities.

Thus, the final data set consisted of 160 cities.

Region

Region was simply defined according to the Census Bureau's regional classification scheme. That scheme combines states into regions according to the following list:

Region	States
New England	Maine, New Hampshire, Vermont, Massachusetts, Connecticut, Rhode Island
Middle Atlantic	New York, New Jersey, Pennsylvania
East North Central	Ohio, Michigan, Indiana, Illinois, Wisconsin

West North Central	Minnesota, Iowa, Missoui, North Dakota, South Dakota, Nebraska, Kansas
South Atlantic	Delaware, Maryland, District of Columbia, West Virginia, Virginia, North Carolina, South Carolina, Georgia, Florida
East South Central	Kentucky, Tennessee, Alabama, Mississippi
West South Central	Arkansas, Louisiana, Oklahoma, Texas
Mountain	Utah, Nevada, Arizona, Montana, Wyoming, New Mexico, Colorado, Idaho
Pacific	California, Oregon, Washington, Alaska, Hawaii

The New England, Middle Atlantic, East North Central, and West North Central regions, taken together, were labeled the Frostbelt. The South Atlantic, East South Central, West South Central, Mountain, and Pacific regions were labeled the Sunbelt. In the course of separating the South from the non-South during discussions of party preference, the South was defined as consisting of the South Atlantic, East South Central, and West South Central regions. The non-South was defined as including all other regions.

Party Preference, the Presidential Vote

Short of conducting a nationwide survey, there would appear to be two methods of determining party preference -- analyzing voter registration records and analyzing election return data. The former would indicate the number of voters who have officially identified themselves as members of political parties, while the latter would indicate the number of votes that a party was able to collect in a given election.

The analysis of voter registration records is fraught with a number of problems.[2] These include: that some states do not record any party preference in their voter registration procedures (indeed there are some states which do not require voters to register at all) and that some states and counties have highly unreliable systems of maintaining and updating their files -- some are especially lax at removing from the roles those people who die or move out of the area.

Because of these problems, this study relies on data on election returns rather than on voter registration records. It is felt that measuring party strength in terms of the ability of a party to collect votes is consistent with the concept of electoral coalition building as it was discussed in Chapter One.

In order to measure party preference, election returns from the 1976 contest between Jimmy Carter and Gerald Ford were analyzed. That presidential contest offered a choice between Democratic and Republican candidates who were both regarded as moderates within their respective parties. Neither candidate was regarded as extreme to the extent that normally Democratic voters would feel constrained to vote Republican, or vice versa. Therefore, it was felt that the choices that voters made in 1976 represented the relative strengths of the two major parties.

Unfortunately, city-by-city election returns are not collected by any agency of the federal government, nor by most states, nor by the political science community. This is because the responsibility for counting the votes rests (in most cases) with the county level of government. Thus, the only breakdowns uniformly available are at a county-by-county level.

In this study, it was necessary to write to various county and parish clerks offices throughout the country and request city voting returns. Since the level of response from these requests was inadequate, these replies were supplemented by some sources of published data. The following paragraphs will discuss each of these data collecting techniques in the order that they were employed.

The America Votes series is the most authoritative compilation of election returns available from the political science community [168]. Every other year, this series publishes election returns on a county-by-county basis. In many cases, cities perform the vote counting functions normally held by counties. This occurs in New England, Virginia, and wherever cities and counties have been consolidated. In these cases, the availability of the data contained in America Votes obviated the need to request information from county clerks offices.

Another publication which obviated the need to write for information was the Supplement to the Statement of Vote, General Election, November 2, 1976, a publication of the California Secretary of State. This source contained city-by-city voting figures for the 21 California cities in the data base [30, p. 22ff].

The bulk of the cities in the data base were not included in either of these published sources. In each of these cases, it was necessary to contact the appropriate office of the county clerk (or clerks in the cases where a city spread into more than one county). Before sending out written requests, a sample of 12 clerks offices were contacted by telephone. This was done in order to gauge the willingness of clerks to release election return data. Some clerks offices were able to give the vote totals over the phone. In these cases, the telephone responses supplied the necessary data.

In all, some 105 letters requesting information about 97 cities were sent out. Replies to these requests together with the replies to the telephone requests yielded data for 71 cities. Typically, the mailed-in responses would include a photostatic copy of the relevant parts of the official county statement of the vote.

These mailed-in responses came in one of three types, depending on the kind of records kept by the county in question. Responses of the first type already contained subtotals for the city in question. These, of course, were the easiest to process. Unfortunately, it was more often the case that such subtotals were not available, and the responses contained only a list of precinct-by-precinct results. Precinct-by-precinct results constituted the other two types of responses. These were differentiated on the basis of whether the voting precincts were or were not coterminous with the municipal boundaries.

In coterminous cases, votes for the appropriate precincts were simply added together into city-wide totals. The information request letter had asked for a listing of which precincts were located within the city boundaries as of 1976.

Where precinct and city boundaries were not coterminous, the data collection technique produced an unavoidable error due to geographical overlapping. It was decided to include in the city totals the data for any precinct which was located at least partly within the city boundary. This decision was necessary because the telephone conversations with county clerks had indicated that they would be unwilling to make any judgments about whether a precinct was "mostly in" or "mostly out" of the city or to send the researcher enough information to make this choice. The error that this problem produces is small, however, extending geographically less than the width of a voting precinct.

Votes cast by absentee ballot also presented a problem. In some cases, the geographical identification of the absentee ballots as either inside or outside of the city was possible, but in other cases it was not. Only in those cases where the response enabled such an identification was the absentee vote included in the city total.

Counties were quite uneven in their reporting of votes for minor party and write-in candidates. Therefore, only votes for the Democrat, Jimmy Carter, and the Republican, Gerald Ford, were tallied.

The party preference variable used in this study was the percentage Democratic of the major party vote cast in the 1976 presidential contest. It was computed by dividing the number of votes cast for Carter by the total number for both Carter and Ford. Thus, the variable measures the electoral strength of the two major parties relative to each other.

Several counties did not respond to the written requests. It was, however, possible to supplement the results for two states in which the response levels were particularly low. For the state of Texas, results could be taken from a publication called TexaStats '74 and '76 [45]. It contained precinct-level returns for the entire state of Texas in 1974 and 1976. The researcher was also able to enlist the help of a fellow graduate student, Carol Wharton, who went to the office of the Secretary of State in Lansing, Michigan and photocopied the state's record of the vote count for several Michigan cities [116]. I wish to extend my appreciation for her help on my behalf.

Taken together, these various sources yielded data for 137 of the 160 cities in the data set.

The percentage Democratic of major party vote ranged from a high of 83.2% to a low of 31.6%. The mean was 54.8%. The five "most Democratic" cities in the study were Washington, D.C. (83.2%), Berkeley, California (76.1%), Detroit, Michigan (75.4%), Newark, New Jersey (73.8%), and Cambridge, Massachusetts (73.6%). The five "least Democratic" cities were Glendale, California (31.6%), Livonia, Michigan (35.9%), Grand Rapids, Michigan (36.0%), Huntington Beach, California (36.4%), and Tulsa, Oklahoma (36.8%).

Measuring Property Value Growth and Decline[4]

There is a good reason for the neglect that existing studies have given to the crucial decline variable. It is extremely difficult to construct a measure of property value growth and decline.

It should have been possible to construct such a measure by using tabulations that are regularly published by the Census. However, problems with the existing data prevented this technique from being useful for the task at hand.

The best figures relating to property values have been collected by the Census Bureau. Volume Two of the quinquennial *Census of Governments* series contains data on the taxable property values for states, SMSA's, counties, and the larger cities [212, Table 11; 214, Table 19]. One of the relevant measures contained in this publication is the "gross assessed value, before partial exemptions, of all locally assessed real property." In the pages to follow this figure will be called simply the *gross assessed value*. Data for this figure were based on replies by state and local assessing offices to census inquiries about the value of real estate as officially recorded for tax purposes.

In order to be enumerated in the gross assessed value figure, a parcel of property must meet several criteria.[3] First of all, it must be real rather than personal property. Real property is defined as land and improvements while personal property includes any non-real property either tangible, such as business inventories, or intangible such as bank accounts. Second, the property must be subject to the general property tax rather than to special forms of property taxation. Taxes of the latter sort are ordinarily levied on such things as transportation equipment, motor vehicles, and various kinds of intangible personal property. Third, the property must be assessed at the local rather than the state level. While most real property is assessed at the local level, the property of railroads and public utilities is usually assessed by the states. Finally, the property must be taxable rather than tax exempt. Thus, the gross assessed value figure does not include church or government property or the properties of industrial developments which have been granted temporary tax exemptions. Some states provide partial exemptions against the real property tax (usually for homesteads or to veterans), but the gross assessed value figure records the value before these partial exemptions have been deducted. In 1976, property that was included in the gross assessed value figure accounted for 80.8% of all taxable property [214, p. 4].

These gross assessed value figures reflect <u>assessments</u> of property values rather than actual property values. The assessments of two properties that have the same market value can differ either because they are subject to different assessment rates or because there are differences in the assessing techniques that have been employed.

In order to make meaningful comparisons of gross assessed value between cities, one must employ another statistic published in the Census of Governments series, the "aggregate assessment-sales price ratio," which will be called simply the ratio here. The Census collects these ratios by monitoring a sample of the actual market prices for properties that change hands during a six month period. For each sample of actual sales, the Census Bureau calculates the ratio by dividing the total assessed value of the properties that changed hands by the total sales prices of those properties.[4]

One can compute an "estimated market value" figure by dividing the gross assessed value figure by the ratio. Since this figure compensates for variations in both assessment rates and assessment techniques, it can be used to compare property values between cities. Estimated market values that are calculated in this way will serve as the basis of the property value growth computations that are made in this study.

On occasion, the Census Bureau itself computes and publishes an "approximate market value" of the total real property for each city. It did so in its 1977 publication but not in its 1972 one. The Census does not, however, use the method described above. Instead it employs a "size weighting" process to adjust the aggregate assessment-sales price ratio to the mix of properties falling in various value-size categories for each city.

This more refined procedure does not yield results that are noticeably different from what could be achieved by the "estimated market value" technique described above. Comparisons between the Census supplied approximate market value figures and computations of the estimated market value figures made in the manner described above did not reveal discrepancies of greater than one half of one percent for any of the 86 cities in the data base for which the 1977 Census contained enough information to make such a comparison.[5] Therefore, the technique of computing an estimated market value appears to produce an acceptably accurate measure of property value.

Once market value figures can be obtained for two points in time, one can calculate a measure of property value growth. In this research, the growth figure that was calculated will be called the rate of real property growth. It was derived from the following formula, which models growth as an exponential process with a constant rate:

$$v_t = v_o e^{rt}$$

where: v_o is the property value at time 0, or 1971;

v_t is the property value at time t, or 1976;

t is the time interval, 5 years;

e is the basis of natural logarithms;

and r is the rate of real property growth.

Since t = 5, the above was solved for r as:

$$r = (1/5)(\ln v_t - \ln v_o).$$

Rates of real property growth were calculated by using the Census's approximate market value figures for v_t in 1976, when such figures were available, and by computing estimated market value figures for v_o in 1971, when the Census did not supply its own estimates. Thus, they reflect growth over a five year period.

This technique of calculating rates of real property growth is offered here as a satisfactory way of measuring growth and decline in urban property values. It is based on the most accurate property value data that are available. Ideally, the task of evaluating how well the CDBG program responded to inter-urban patterns of growth and decline would have involved comparisons of CDBG entitlement patterns against this criterion.

Unfortunately, property value data for a large number of cities were missing from the tables of the 1977 Census of Governments.[6] These omissions were so widespread that growth rates could only be calculated for 79 of the 160 cities in the data base. This crippled the hope that rates of real property growth could be used as an evaluative criterion for CDBG entitlement patterns.

Additional reductions in the number of growth rates that were calculated were made in order to filter out the effects of municipal annexations. When annexation has occurred, one can not be sure if a measured amount of growth was due to the addition of newly annexed properties or to property value growth that took place within the original city boundaries. Hence, the growth rates for cities that annexed significant amounts of property were excluded from the analysis. This further reduced the total to 71 cities for which adequate computations could be made. These 71 cities will be called growth measurable cities.

Annexations usually occurred in one of two forms, consolidations -- mergers of two or more incorporated municipalities into one city -- and boundary changes -- the extensions of municipal boundaries into previously unincorporated territory.

Two of the 79 cities mentioned above experienced consolidation during the 1971 to 1976 period and were excluded on this basis.[7] Both cases consisted of city-county consolidations: Columbus, Georgia consolidated with Muscogee County and Lexington, Kentucky consolidated with Fayette County.

Boundary changes were a far more frequent phenomenon. Between 1970 and 1975 roughly one third of all large cities annexed some amounts of previously unincorporated territory -- usually quite small amounts. Excluding all of these cities would have virtually destroyed the data base. Instead, it was decided to exclude only those cities that had made extensive use of boundary changes -- cities that might be called "fast growers" in terms of land area. The criterion for fast growth was that between 1970 and 1975 a city had to annex enough unincorporated territory such that the net increase would amount to at least 15% of the land area as of the end of 1975.[8] Twenty seven cities with populations of over 100,000 were classified as fast growers on this basis. Due to a regional coincidence between fast growth and the absence of data in the Census of Governments (both were concentrated in the Sunbelt), excluding fast growers caused the exclusion of only six additional cities -- Denver, Roanoke, Fresno, Baton Rouge, Topeka, and Stockton.

The data for the remaining 71 growth measurable cities could not be relied upon to reflect national trends because this group over-represented Frostbelt cities at the expense of Sunbelt cities. An analysis based on these 71 cities might have emphasized CDBG spending effects that were peculiar to the Northeast at the expense of national trends. Since several of the existing studies have found that the CDBG program affected different regions in very different ways, this became a fatal problem for the use of the rate of real property growth measure. Instead, proxy indicators of property value growth had to be developed.

This study pursues a strategy of locating such proxy indicators and validating them by correlating them with the rate of real property growth. It is assumed that if other indicators are correlated with the rate of real property value growth among the 71 growth measurable cities, then those indicators can be used as measures of property value growth among the larger set of 160 cities. Four such proxies are proposed: the rate of taxable property growth, the value of new housing construction per capita, the age of the housing stock, and the rate of population growth.

The Rate of Taxable Property Growth

Taxable property includes both real property and personal property -- insofar as the latter is subject to local taxation. Real property constitutes the largest part of taxable property. In 1976, real property accounted for 87% of all locally assessed taxable property [214, p. 4]. Hence, growth in real property should be reflected by growth in taxable property.

There are, of course, sources of error which would prevent a complete correspondence between the two figures. A growth in taxable property could be caused by a growth in various forms of non-real property. Or, it could be caused by a decision to include as taxable (or to increase the assessment rates for) certain types of non-real property. In either case, taxable property value would grow even though no growth has occurred in real property. In short, a general but not a precise correspondence between the growth rates for real property and for taxable property can be expected.

Figures for the growth of taxable property can be computed from data appearing in various editions of Moody's Municipal and Governments Manual [119]. Successive volumes of the Moody's series were consulted so that data for each of the six years fiscal 1972 through fiscal 1977 could be recorded. The Moody's data were based on figures supplied on request by local government units. Unfortunately, Moody's did not present its data in a uniform format. Instead it presented them in whatever formats the local sources had used.

This lack of uniform format made the process of collecting the data quite difficult. The data always included a figure which was identified as the "total property value." Since total property value meant the same thing, in this context, as taxable property value, this was the figure which was of interest.[9] But sometimes notations indicated that exemptions had been made before computing this figure. In these cases the data were inspected to ensure that the same exemptions were deducted from each year's figure. (Notations to the figures generally indicated when a new type of property was included or exempted from the tax base.)

Another complicating factor was Moody's use of four different systems for numbering the date. For example, data that were collected for fiscal year 1972 appeared variously as "1971-1972," "fiscal 1972," "1971," and "1971 for 1972."[10] For those cities which shifted among these labeling systems during the five year interval between fiscal 1972 and fiscal 1977, care had to be taken to make sure that a five year interval was, in fact, being measured.

Finally, in some cases, different volumes of Moody's would report a slightly different total value figure for the same year. (Data for three or four years are presented in each volume so that there is an overlap in reportage.) In these cases, it was assumed that the figure in the later volume was an updated figure of an earlier estimate. The later figure was used as the more accurate datum.

It should be clear that the Moody's data contained many undesirable features from the standpoint of cross-city comparability. The value of all locally taxable property was measured in each case, but cities differed as to the kinds of personal property that they considered taxable. A five year interval was measured in each case, but sometimes the interval was measured in calender years and sometimes it was measured in fiscal years. These problems should all be borne in mind when interpreting the results.

The data collection process resulted in a series of six numbers. These specified the property values for fiscal 1972 through fiscal 1977.

In most cases, the results indicated one of three continuous patterns: (1) Usually, the data revealed a steady and continuous increase in property values. (2) Sometimes such an increase would stall and turn into a decline. (3) Occasionally, values fluctuated about a mean, registering both rises and declines of small magnitude and thereby giving the impression of a tax base which held a roughly stable value throughout the period.

In continuous cases of all three types, the total value figures for the first (fiscal 1972) and last (fiscal 1977) years were inserted into the formula:

$$r = (1/5)(\ln v_t - v_o)$$

which, as described above, yields a rate of growth (r) -- in this case the rate of taxable property growth.

In many cases, the six collected numbers departed radically from the above mentioned continuous patterns and indicated a discontinuity. Most typically, a steady increase was interrupted by either a sharp decline or an increase which was markedly out of character with the preceding increase rate. Here, for example, are the figures for Grand Rapids, Michigan:

Year	Taxable property value (in $thousands)
FY1972	798,057
FY1973	816,098
FY1974	844,370
FY1975	885,989
FY1976	927,123
FY1977	823,205

A steady increase occurred up until fiscal 1977. At that point, the property value plunged to a level lower than that had existed fiscal 1974.

A radical discontinuity of this type probably does not represent a sudden change in the tax base itself. In fact, the low fiscal 1977 figure was produced by the effects of Michigan's new single business tax, as notations in the Moody's format indicate. Other Michigan cities showed similar effects.

It was felt that discontinuities of this kind reflected one of two things: changes in the assessment rates or annexations of new territory. Neither of these would indicate any genuine change in property value growth trends. It was therefore desirable to eliminate the effects of such discontinuities. The determination that any particular series of numbers reflected a discontinuity depended on subjective judgments made by the researcher. This clearly weakens the reliability of the data and should be kept in mind when the results are analyzed.

In cases where a discontinuity was judged to exist, its effects were filtered out by a process which computed the rate of growth (r) from the four data intervals that were not affected by the discontinuity. (Again, the formula $r = (1/t)(\ln v_t - \ln v_o)$ was used.) In essence, this meant that either the rate was calculated for an unbroken four year interval (this being the case where the discontinuity occurred either at the beginning or at the end of four years of continuous data) or that two rates were calculated for the two periods that were interrupted by the discontinuity and these were combined into a weighted average (the weights being the lengths of each period.)[11] Either process would have produced a figure equivalent to the average of the growth rates computed for each of the four, unaffected one-year intervals. Corrections for discontinuity were made for 49 cities inasmuch as discontinuities in the data were quite frequent.

Although this correction process should have removed the grosser effects of assessment rate changes and annexations, it should be noted that such effects were not always eliminated. Small changes in assessment procedures or the annexations of small amounts of property would have gone undetected by this process. Also, counteracting effects may not have been picked up. A lower assessment rate that occurred in the same year as an annexation might have produced only a small net change, and this would have gone unnoticed. Again, these problems must be borne in mind when interpreting the results.

There was a remainder of 27 cases for which these corrections could not be made. These included cases where missing data prevented the calculation of an estimate and cases where there might have been more than one discontinuity. (Since the second suspected discontinuity was generally much smaller than the first, an interpretation of these cases is highly ambiguous.) In total, the procedure yielded measurements for 133 cities.

The rate of taxable property growth ranged from a high of .233 to a low of -.021. The mean was .0623. According to this measure, the fastest growing cities were Virginia Beach, Virginia (.233), Aurora, Colorado (.212), Irving, Texas (.165), Garland, Texas (.134), and San Jose, California (.131). The most rapidly declining cities were St. Louis, Missouri (-.021), Chicago, Illinois (-.009), Newark, New Jersey (-.006), Trenton, New Jersey (-.005), and Paterson, New Jersey (-.004).

Of the 71 growth measurable cities, rates of taxable property growth were available for 65 cases. Among these 65 cases the correlation between the rate of real property growth and the rate of taxable property growth was $r = .766$. It is claimed on the strength of this correlation that the rate of taxable property growth can be used as a proxy for the rate of real property growth.

The Value of New Housing Construction Per Capita

The value of new housing construction represents an investment in the built environment and hence constitutes growth as conceptualized in this research. However, the value of new housing construction indexes only the housing component of the built environment. It does not reflect investment in commercial or industrial properties. Even within the housing sector, this measure does not reflect the extent of decay and the consequent loss of value that occurs in aging housing units. The proposed indicator, then, is one which should logically be related to property value growth, but one which can not be expected to correspond precisely with the rate of real property growth.

Data on new housing construction is collected by the Census Bureau in a yearly series entitled Construction Reports, Housing Authorized by Building Permits and Public Contracts.[12] This publication reports the estimated value of all newly constructed residential dwellings and of all residential building improvements as such values appear in building permits. Data for each city in the data base were gathered for five years, 1971 through 1975, and summed together. The sum was then divided by the city's 1975 population (as recorded in [215, Table A-4] to obtain a new construction per capita figure. This was the figure used to measure new housing construction.

One advantage of the new housing construction measure is that it does not require corrections for the effects of annexation. When new territory is annexed, the housing already existing in that territory does not appear as new construction. New housing which is built in the annexed territory after an annexation is, however, counted since it was built within the new city coundaries.

As with the other indicators, data were not available for all of the cities within the data base. The Construction Reports series only collected data for cities which were Census-defined central cities, meaning that data for non-central cities with populations of over 100,000 were not available. Data were available for 138 of the 160 cities in the data base.

The value of new housing per capita ranged from a high of $2,525 to a low of $40. The mean was $578. According to this measure, the fastest growing cities were Virginia Beach, Virginia ($2,525), Fort Lauderdale, Florida ($2,065), Colorado Springs, Colorado ($1,767), Austin, Texas ($1,710), and Albuquerque, New Mexico ($1,633). The slowest growing cities were Trenton, New Jersey ($40), Buffalo, New York ($57), Dayton, Ohio ($83), St. Louis, Missouri ($83), and Pittsburg, Pennsylvania ($84).

Age of Housing Stock

The third variable to be offered as a proxy indicator of property value growth is age of housing stock (percentage of housing units built before 1939). This variable was suggested by the principal evaluation studies reviewed in Chapter Three, all of which used age of housing stock in one way or another.

The purpose of using this variable again in this study is to demonstrate the statistical relationship between age and property value decline. Since existing studies have not established this connection, at either the empirical or the conceptual level, the known relationships between age of housing stock and CDBG entitlement patterns have not been used to interpret the CDBG program in relation to decline.

The data for age of housing stock, percentage of housing units built before 1939 as of 1970, were taken from Appendix G of the Bunce study [222]. Bunce, in turn, reported that they were taken from the 1970 Census of Housing.

The percentage of housing stock built before 1939 ranged from a high of 85.7% to a low of 2.2%. The mean was 39.4%. According to this measure, the newest cities were Garden Grove, California (2.2%), Hialeah, Florida (3.6%), Sunnyvale, California (3.6%), Huntington Beach, California (3.7%), and Las Vegas, Nevada (3.8%). The oldest cities were Buffalo, New York (85.7%), Fall River, Massachusetts (83.4%), Trenton, New Jersey (81.0%), New Bedford, Massachusetts (80.8%), and Providence, Rhode Island (80.7%).

Among the 71 growth measurable cities, the correlation between the age of housing stock and the rate of real property growth was $r = -.730$. This indicated an inverse relationship -- cities with larger amounts of old housing tended to have lower rates of property value growth. Again, confidence that age of housing stock can be used as a proxy indicator for the rate of real property growth was based on the strength of this correlation.

The Rate of Population Growth

The fourth variable offered as a proxy indicator of the rate of property value growth is the rate of population growth. The theoretical connection between population growth and property value growth is not apparent. Higher residential property values may occur in areas of rapid population growth due to the effects of supply and demand in housing markets. Also, one might expect that areas of vibrant economic development (which would be reflected in the growing values of their built environments) would attract immigrants as job seekers. However, this relationship would be impaired to the extent that the geographic mobility of labor is less than perfect. Also, it must be remembered that the income distribution among the population can obscure the relationship. An economically declining city may lose upper-income residents but have a net population increase due to large numbers of low-income immigrants. In short, theoretical reflections lead one to expect a relationship but, again, not a precise one. As in the case above, this research will attempt to demonstrate a statistical relationship between population growth and property growth even though the theoretical connections between the two are less than perfectly clear.

The chief reason for including population growth in this research was that it had been so frequently used to distinguish between growing and declining cities. (See [123] for a prominent example.) It was felt that the inclusion of a population growth variable would serve as a bridge which would help to link this research to the wider body of urban studies literature.

Data for the populations of cities in 1970 and 1975 were taken from Table A-4 of the County and City Data Book 1977 [215]. In this case, no attempt to correct for boundary changes was made. Consolidations, however, were handled by collecting county rather than city population figures for Columbus, Georgia and Lexington, Kentucky.

The collected figures were inserted into the following formula (which is analogous to the one used to calculate the rate of real property growth) to achieve a rate of population growth (r):

$$r = (1/5)(\ln p_t - p_o)$$

where: p_t is the population at time t, or 1975;

and p_o is the population at time 0, or 1970.

For this indicator, figures were available for all 160 cities in the data base. The population growth rates ranged from a high of .0868 to a low of -.0343. The mean was .0089. According to this measure, the fastest growing cities were Aurora, Colorado (.0868), Garland, Texas (.0625), Lakewood, Colorado (.0521), Huntington Beach, California (.0511), and Colorado Springs, Colorado (.0491). The most rapidly declining cities were Dayton, Ohio (-.0343), St. Louis, Missouri (-.0340), Cleveland, Ohio (-.0323), Minneapolis, Minnesota (-.0278), and Hartford, Connecticut (-.0269).

Among the 71 growth measurable cities, the correlation between the rate of population growth and the rate of real property growth was r = .702. Again, population growth is used as a proxy for the rate of real growth on the basis of this correlation.

Summary Regarding the Proxy Indicators

Four variables have been suggested as proxy indicators of the rate of real property growth. These are: the rate of taxable property growth, the value of new housing stock per capita, the age of housing stock, and the rate of population growth. Table 1 summarizes the correlations between these proxy indicators and the rate of real property growth. On the strength of these correlations, these four indicators are felt to be acceptable proxy indicators.

Since omissions in the available Census data do not make it possible to use the rate of real property growth as a criterion for evaluating CDBG entitlement patterns, the best course available is to evaluate the program by comparing CDBG entitlements against these four proxy indicators.

Entitlement Amounts, Formula Elements, and Additional Population Data

The remaining data needed to conduct the analysis were figures for entitlement amounts, formula elements, and population. Entitlement data for each city under Hold Harmless, Formula A, and Formula B were needed. City population figures for 1970 and 1977 were needed to express these entitlement amounts on a per capita basis.

Except for the 1970 population figures and the hold harmless entitlements, all of these needed data came from a document entitled Community Development Block Grant Program Final Allocations -- Fiscal Year 1980 [218). Also known as the Entitlement Master List, this unpublished document was made available, on request, by HUD's Office of Community Planning and Development. The list is HUD's basic record of the techniques and calculations used in fiscal year 1980 to distribute

Table 1. Intercorrelations between Growth Indicators

	(1)	(2)	(3)	(4)	(5)
(1) Rate of real property growth	1.0	.766 (N 65)	.720 (N 58)	-.730 (N 71)	.702 (N 71)
(2) Rate of taxable property growth		1.0	.663 (N 115)	-.783 (N 130)	.705 (N 133)
(3) New housing construction per capita			1.0	-.694 (N 136)	.820 (N 138)
(4) Age of housing stock				1.0	-.676 (N 157)
(5) Rate of population growth					1.0

entitlements. As such, it contains all of the values actually used by HUD for each formula element. It also contains the entitlement allocations that were due to each recipient under both Formula A and Formula B.

The demographic figures which appeared in the Entitlement Master List came from the most recently updated files available to HUD from the Bureau of the Census (as of November 1979). The figures for poverty, overcrowding, and age of housing stock came from the 1970 Census count, but these were upgraded to account for boundary changes and for errors noticed in previous counts. The 1977 population data (from which the growth lag figure was computed) came from the July 1977 population estimate conducted by the Census.

The 1970 population figures used in this study came from the 1977 County and City Data Book [215]. Again, these were 1970 counts which had been upgraded (in 1977) to reflect boundary changes and previous counting errors.

The data for the Hold Harmless entitlements were taken from a different HUD document, the Community Development Block Grant Program; Directory of Allocations for Fiscal Years 1975-1980 [217]. The Entitlement Master List contained Hold Harmless figures, but those are not the same as the Hold Harmless determinations which were in force during fiscal year 1975. Hold Harmless entitlements in fiscal 1975 were based on a full contribution of model cities funding to the Hold Harmless amount. In later years, such as that reported by the Entitlement Master List, this model cities contribution was phased down, as was explained in Chapter Two. This study used the fiscal 1975 figures found in the

Directory because these were felt to be a more complete measure of what a city's previous categorical experience had been.

In order to present the data on a per capita basis, Formula A and Formula B entitlements were divided by the 1977 population. Population data for this computation were taken from the Entitlement Master List. Hold Harmless entitlements per capita were computed using the 1970 population data taken from the 1977 County and City Data Book. An earlier figure was used for these because they represent previous experience under the categorical system.

Some of the data for spending allocations per capita appear in Table 2. The table lists the five highest and the five lowest per capita entitlements under each of the three distribution schemes: Hold Harmless, Formula A, and Formula B. The mean per capita Hold Harmless entitlement was \$23.01 but the standard deviation of this figure was a rather large \$19.75. The Formula A distribution had a greatly reduced standard deviation of \$5.31 around a slightly smaller mean of \$19.55. Formula B widened the standard deviation again, this time to \$15.75; it also increased the mean to \$23.31.

Per capita entitlements such as those appearing in Table 2 were used to analyze CDBG spending patterns. In order to analyze regional effects, entitlements were crosstabulated by region. In order to analyze partisan effects, per capita entitlements were correlated with the party preference variable. In order to analyze the relationship between decline and CDBG entitlements, per capita entitlements were correlated with all four proxy indicators of property value growth. The results appear in the next chapter.

Table 2. Highest and Lowest Entitlement Recipients under the Three Distribution Schemes

(in dollars per capita)

Five Highest Recipients		Five Lowest Recipients	
Hold Harmless			
New Haven, CT	$131.89	Glendale, CA	$0.00
New Bedford, MA	99.61	Virginia Beach, VA	0.00
Hartford, CT	64.97	Lakewood, CO	0.05
Savannah, GA	61.39	Irving, TX	0.07
St. Paul, MN	60.78	Garden Grove, CA	0.16
Formula A			
New Orleans, LA	$ 35.15	Aurora, CO	$8.43
Newark, NJ	34.91	Lakewood, CO	8.51
Miami, FL	33.01	Garland, TX	9.47
St. Louis, MO	32.70	Huntington Beach, CA	9.12
Birmingham, AL	31.26	Arlington, TX	9.00
Formula B			
St. Louis, MO	$ 68.38	Garland, TX	$1.67
Cleveland, OH	64.89	Aurora, CO	2.03
Buffalo, NY	62.55	Livonia, MI	2.27
Pittsburgh, PA	59.26	Huntington Beach, CA	2.37
Providence, RI	57.47	Arlington, TX	2.45

CHAPTER FIVE

THE QUANTITATIVE RESULTS

It should be recognized that the entitlement distributions that are analyzed in this chapter are abstractions that were constructed for analytical purposes rather than spending patterns that actually existed. The distributions analyzed here are those which would have been produced by Formula A and Formula B acting alone in fiscal 1980. In reality, these strictly formula-based patterns were mediated by the practice of choosing between both formulas as allowed by the dual formula option. Thus, the contrasts between spending distributions as they are presented here tend to be sharper than those that were actually experienced. This was done for the purpose of highlighting the effects of the changes in the legislation.

Region

The regional effects of block grant spending patterns are displayed on Table 3. The "aggregate per capita" figures listed in columns 7, 8, and 9 are regional aggregates rather than the means of the per capita spending figures for the cities in each region. They were computed by dividing the total amount of aid that went to a region's cities by the total population of those cities.

The per capita index figures in columns 10, 11, and 12 were created by dividing the aggregate per capita figure for each region by the aggregate per capita figure for the nation as a whole and multiplying this quotient

Table 3. Regional Entitlement Distributions.

Region	(1) Number of cities	(2) Hold Harmless entitlements (in $ millions)	(3) Formula A entitlements (In $ millions)	(4) Formula B entitlements (in $ millions)	(5) Change to Formula A: % gain or loss	(6) Change to Formula B: % gain or loss
U.S.	160	1,232	1,179	1,529	- 4%	+30%
Frostbelt	67	711	598	1,028	-16%	+72%
Sunbelt	93	521	581	501	+12%	-14%
New England	12	116	41	81	-64%	+95%
Mid-Atlantic	15	268	274	463	+ 2%	+69%
Mid-Atlantic except New York City	14	166	98	202	-41%	+105%
New York City	1	102	175	262	+71%	+49%
East North Central	27	228	219	375	- 4%	+71%
West North Central	13	98	64	109	-35%	+71%
South Atlantic	28	189	151	143	-20%	- 5%
East South Central	11	52	72	60	+28%	-17%
West South Central	19	92	156	99	+69%	-36%
Mountain	10	40	44	34	+11%	-24%
Pacific	25	148	159	165	+ 7%	+ 3%

Table 3 (cont'd.).

Region	(7) Aggregate Hold Harmless per capita ($ per capita)	(8) Aggregate Formula A per capita ($ per capita)	(9) Aggregate Formula B per capita ($ per capita)	(10) Hold Harmless per capita index	(11) Formula A per capita index	(12) Formula B per capita index
U.S.	21.60	21.22	27.51	100	100	100
Frostbelt	23.69	21.81	37.51	110	103	136
Sunbelt	19.29	20.64	17.77	89	97	65
New England	54.60	20.64	40.16	253	97	146
Nid-Atlantic	20.82	23.24	39.36	96	110	143
Mid-Atlantic except New York City	33.28	21.97	45.09	154	104	164
New York City	12.95	24.03	35.84	60	113	130
East North Central	19.86	21.05	36.07	92	99	131
West North Central	28.00	19.76	33.78	130	93	123
South Atlantic	28.78	23.23	22.12	133	109	80
East South Central	17.76	24.19	20.11	82	114	73
West South Central	14.40	21.64	13.79	65	102	50
Mountain	17.13	16.77	12.77	79	79	46
Pacific	17.10	17.91	18.53	79	84	67

by 100. For example, the Hold Harmless per capita index for New England was computed as follows:

$$\frac{\text{New England aggregate per capita}}{\text{U. S. aggregate per capita}} \text{ X } 100 = \frac{\$54.60}{\$21.60} \text{ X } 100 = 253$$

The index was created in order to depict the relative deviations of regional spending amounts from the national average.

Because Nathan suggested that the entitlements for New York City were so large that they distorted the findings about the Middle Atlantic region as a whole [133, p. 153], separate breakdowns are presented for the complete Middle Atlantic region, the Middle Atlantic region excluding New York City, and New York City alone.

The regional distribution of the Hold Harmless funds generally favored the cities of the Frostbelt. Whether this Frostbelt favoritism of the categorical system was due to grantsmanship, local interest in federal programs, or genuine need can not be determined here, but the regional distribution that resulted can be seen in column 10. If New York City is temporarily excluded from the analysis, one sees that three of the four Frostbelt regions had index scores that indicated Hold Harmless entitlements well above the national average (the extreme case being New England with an index of 253). Only one Sunbelt region, the South Atlantic, also scored high on this index (index score 133).

The case of New York City is an interesting deviation from this pattern. Even though it received roughly 102 million dollars per year (some 8% of the total of the entitlements going to all 160 cities), New York City was seriously underfunded relative to the national average.

The most marked effect of shifting from the categorical system to the block grant program was an evening out of these regional disparities.[1] Looking down columns 10 and 11, one sees that regions with high Hold Harmless index scores consistently had their scores reduced while low Hold Harmless indexes tended to be raised (the only exception being the Mountain region whose index of 70 remained the same). Also, regional variation from the national average of 100 was much smaller under Formula A than it had been under Hold Harmless. The per capita entitlements under Formula A were closer to the national average entitlement than were the per capita entitlements under Hold Harmless for all but two regions, the Mountain region, where the index didn't change, and the Middle Atlantic region, where the results were confused by the divergence between New York City's experience and the experiences of other cities in the region.

Given the existing Frostbelt favoritism of the earlier categorical program, the evening out effects of the first block grant formula meant that the block grant program tended to favor the Sunbelt. Column 5 reveals the patterns of loss and gain. All four Frostbelt regions lost money during the transition to the first block grant formula (again excluding New York City from the analysis) while four of the five Sunbelt regions were money gainers. The South Atlantic region's 20% loss was an exception to this pattern, but despite its losses, the region was funded favorably by Formula A relative to the nation as a whole. Thus, the evening out which occurred reflected, in effect, the Sunbelt's catching up with the Frostbelt in the scramble of federal funds.

Although regional disparities had been greatly reduced by the first block grant formula, they were not completely eliminated, and the remaining disparities are of interest. Looking at column 11, one finds that three of the four regions which received above average levels of funds under Formula A were Sunbelt regions; in particular, they were the three Southern regions. Thus, when considered alone, Formula A had a slight but particularly Southern bias included within the broader Sunbelt favoritism which can be inferred by contrasting it against the Hold Harmless distribution.

The changeover from Formula A to Formula B caused a different but sharper change in spending patterns. Dramatic percentage gains in dollars per capita were scored by every Frostbelt region (see column 6). Per capita index scores also increased for every case and were raised to levels far above the average level of 100 (see column 12). On the other hand, four out of the five Sunbelt regions lost money. The only Sunbelt money gainer was the Pacific region, which registered a 3% gain. In relative terms, all five Sunbelt regions experienced a substantial deterioration of position. Under Formula B, the per capita indexes for every Sunbelt region were far below the average level of 100, ranging from a high of 80 for the South Atlantic to a low of 46 for the Mountain.

These figures show that Formula B clearly favored the Frostbelt. In fact, the pattern of Frostbelt favoritism became more consistent than it had been under Hold Harmless. The pattern of Frostbelt favoritism under Formula B was stronger than the Sunbelt favoritism of Formula A, and it rested on increasing rather than decreasing divergences between the regions.

This analysis of the regional effects can be deepened by examining the information in Table 4. Here, the regional distributions of four of the formula elements are displayed. (The population element, which appeared in both formulas, is not presented here since it would not show

Table 4. Regional Distribution of the Formula Elements.

Region	Poverty per capita index	Overcrowding per capita index	Age of housing stock per capita index	Growth lag per capital index
U.S.	100	100	100	100
Frostbelt	91	99	133	147
Sunbelt	110	101	63	47
New England	92	85	156	157
Mid-Atlantic	97	110	145	145
Mid-Atlantic except New York City	97	82	153	189
New York City	97	128	140	118
East North Central	86	93	120	151
West North Central	82	85	120	136
South Atlantic	110	107	68	73
East South Central	123	106	63	51
West South Central	157	117	48	30
Mountain	81	87	50	35
Pacific	79	86	75	43

any variation if expressed in per capita terms.) The per capita index scores in the table were computed from regionally-aggregated, per capita figures in the same way that the per capita indexes appearing in Table 3 were constructed. (1970 population figures were used in the computation of aggregate per capita figures which were later translated into index scores.)

Table 4 shows that both the poverty and the overcrowding elements were concentrated in the three Southern regions. Thus, the three Southern regions were slightly favored by Formula A because of the way that poverty and overcrowding were distributed throughout the country. The concentration of the poverty element was the more distinct of the two, and it was also the element which was given the greatest weighting by the formula.

The elements of Formula B, age of housing stock and growth lag, were concentrated in Frostbelt cities. The pattern of concentration was sharper with these formula elements, which accounts for the more dramatic regional targeting effects of the second formula.

Table 5 presents the correlation coefficients between the four proxy indicators of property value decline and both per capita entitlements and per capita gain or loss experienced by each city. Per capita gain or loss was computed by subtracting each city's per capita Hold Harmless entitlement from its per capita Formula A entitlement. Zero order correlation coefficients are presented.

In the first three columns, correlations are usually negative, indicating that higher spending is matched to slower growth (i.e., spending is successfully targeted on decline). For age of housing stock, a positive coefficient represents this same match.

Both the Hold Harmless and the Formula A spending distributions

Table 5. Correlation Coefficients between Per Capita Entitlements and the Decline Indicators.

Indicator	(1) Hold harmless entitlement per capita	(2) Formula A entitlement per capita	(3) Formula B entitlement per capita	(4) Change to Formula A gain or loss per capita	(5) Change to Formula B gain or loss per capita
Rate of taxable property growth	-.46	-.40	-.72	.39	-.69
Value of new housing per capita	-.36	-.36	-.69	.29	-.64
Age of housing stock	.55	.37	.89	-.48	.88
Rate of population growth	-.43	-.51	-.75	.32	-.67

were moderately related to property value decline. For both entitlement distributions, correlations with the four proxy indicators had absolute values falling in a range from .36 to .55. In each case, larger amounts of spending corresponded with more severe decline.

Neither of these distributions was unambiguously more successful at targeting federal funds on declining cities (compare columns 1 and 2). According to two measures of decline, rate of taxable property growth and age of housing stock, Hold Harmless was slightly more successful than Formula A at targeting aid on declining cities. The results for rate of population growth point to the opposite conclusion. Meanwhile, the fourth indicator, value of new housing construction per capita, shows no difference either way.

Although the advent of Formula A brought no clear improvement in targeting, it did tend to redistribute funds from declining cities to growing ones. Looking at column 4, one sees a pattern of small but consistent correlations. In each case, funding gains were correlated with urban growth. Growing cities tended to gain more funds while declining cities tended to lose funds. These correlations ranged from .29 to .48 in absolute value.

It is important to realize that the targeting effects of a block grant distribution and its redistributive effects can be two quite different things. In the movement from one distribution to another, the targeting effects are the improvements (or deteriorations) in the relationship between spending and some variable of interest (in this case decline). When targeting improves, the correlation increases and, on a scattergram, the points are more tightly bunched around a regression line. From the point of view of a policymaker in Washington, this means that the system has become more efficient; spending has come to depend more on need alone and not on other variables. On the other hand, redistribution effects are the correlations between a variable of interest and the gain or loss experienced by each city. If the correlation is large, funds are being effectively redistributed from one type of city (here, declining cities) to another. Redistribution effects represent the experience as seen from the perspective of a particular city. The attractiveness of a program, and hence one's willingness to support that program, depends on the gains and losses that are to be had at the margin.

Targeting effects and redistributive effects need not be consistent with each other at first glance. Take for example the relationship between the rate of population growth and the two spending distributions. Population growth was slightly more strongly correlated with Formula A ($r=-.51$) than it was with Hold Harmless ($r=-.43$), which is to say that Formula A targeted funds on population decline slightly better than its predecessor had. Yet this improved targeting was not achieved by taking funds away from population-growing cities and giving them to population-declining cities, but by the opposite process. The correlation of .32 between the rate of population growth and per capita gain (column 4) indicates that funds flowed toward cities with gaining populations. Under Formula A, per capita entitlements at both extremes were pushed in toward the mean so that the slope of the regression line between entitlements per capita (as the dependent variable) and the rate of population growth was flattened out from $b = -443$ to $b = -139$. Data points clustered slightly more tightly around the second line, resulting in the higher correlation figure for Formula A.

Having considered both kinds of effects, it should be concluded that: although Formula A did not cause any unambiguous change in targeting funds on decline, it did redistribute funds from declining cities to growing cities.

The effects of establishing a second block grant formula were much more dramatic. Formula B was strongly correlated to all four decline indicators; coefficients range from .69 to .89 in absolute value. The high correlations with age of housing stock and rate of population growth were to be expected since age of housing stock had become an element of the second block grant formula and rate of population growth was quite similar to the growth lag element. But correlations to the other two decline indicators were also strong, indicating that the relationship is something more than a case of statistical circularity. A more adequate interpretation of the results would be that Formula B was markedly more effective in targeting funds on declining cities because valid indicators of decline had, by then, been included in the formula.

The redistributive effects of Formula B exhibited the opposite tendency. A pattern of fairly large correlations (which range in absolute value from .64 to .88) indicate that declining cities gained funds relative to growing ones. Thus, the redistributive effects of Formula A were reversed by Formula B; the first had slightly favored growing cities while the second had markedly favored declining cities.

Table 6 shows the relationships between the formula elements and the decline indicators. Each formula element was normalized by dividing each city's formula element score by the city's population (i.e., per capita figures were created). For poverty, overcrowding, and age of housing stock, 1970 population figures were used; for growth lag, 1977

Table 6. Coefficients of Correlation between the Formula Elements and the Decline Indicators.

Indicator	(1) Poverty per capita	(2) Overcrowding per capita	(3) Age of housing stock per capita	(4) Growth lag per capita
Rate of taxable property growth	-.09	-.08	-.76	-.59
Value of new housing per capita	-.05	-.07	-.65	-.57
Age of housing stock	.04	-.05	.98	.69
Rate of population growth	-.19	-.08	-.66	-.62

population figures were used.[2] These per capita figures were then correlated with the decline indicators.

Both poverty and overcrowding were almost completely unrelated to decline; only one of the eight coefficients in columns 1 and 2 is greater than .10 in absolute value. Age of housing stock was, of course, almost perfectly related to itself. (The relationship was not perfect because in one case the variable was normalized in percentage terms while in the other case it was normalized in per capita terms.) The rather lower correlation between the rate of population growth and growth lag per capita reflected the way in which the two were measured more than any substantive conclusion. The important relationships were those which linked the rate of taxable property growth and the value of new housing construction per capita to the elements of Formula B. These findings underscore the conclusion that the second formula was successful in targeting aid on declining cities because valid meausres of decline had been included in the formula.

Table 7 presents the correlation coefficients for the relationships between the percentage Democratic of the major party vote and both the per capita entitlements under each of the three distribution schemes and the per capita gains and losses incurred in changing among schemes. Also presented is a regional breakdown showing these calculations separately for the South and the non-South.

The results indicate that for the nation as a whole, a moderate relationship existed between Hold Harmless entitlements and Democratic electoral strength (r=.45). This relationship was strengthened somewhat under Formula A (r=.57), and strengthened again under Formula B (r=.62). In terms of targeting effects, then, spending tended to be increasingly

Table 7. Coefficients of Correlation between Per Capita Entitlements and Percentage Democratic of Major Party Vote.

	(1) Hold Harmless entitlement per capita	(2) Formula A entitlement per capita	(3) Formula B entitlement per capita	(4) Change to Formula A: gain or loss per capita	(5) Change to Formula B: gain or loss per capita
U.S.	.45	.57	.62	-.33	.50
Non-South	.44	.66	.67	-.33	.61
South	.46	.53	.55	-.30	.35

related to the party preferences of urban electorates, with larger amounts of spending being associated with greater Democratic strength.

Again, however, the redistributive effects departed from the targeting effects. The first formula tended to redistribute funds away from the more Democratic cities and toward the more Republican ones. This tendency was rather small, however, as indicated by the size of the coefficient (r=-.33). The opposite redistribution pattern occurred when Formula B was established. The coefficient of r = .50 indicates a moderately strong pattern of redistributing away from Republican cities and toward Democratic ones. There was, then, a shifting pattern of redistribution, first favoring one party and then the other.

It had been expected that the historic division of the Democratic Party into Southern and Northern wings might have complicated the process of electoral coalition building so as to obscure the results. For example, Formula A might have represented the policy of a coalition of Republicans and Southern Democrats, a coalition whose aim would have been to channel more aid to the traditionally Democratic cities of the South while moving funds away from Democratic strongholds of the North and West. If this had been the case, one would expect to find diverging patterns of effects when the data are broken down by region. The data generally failed to support these expectations. The pattern of continuously increasing targeting was found in both the South and the non-South when the two were analyzed separately. The shifting pattern of redistributive effects was also found in both areas of the country. Here, however, one small difference emerged; the redistributive effects of Formula B were quite a bit stronger outside of the South (r=.61) than they were within the South (r=.35).

In this connection another finding should be mentioned. The cities of the South were not more Democratic than the cities of the nation as a whole; in fact, they were less so. Nationwide, the percentage Democratic of the major party vote had a mean of 54.8%. In the South the mean was 54.0%, while in the non-South the mean was 55.2%. Clearly, the concept of a "solid South" does not appear to be relevant to urban American today.

Table 8 shows the correlation coefficients between partisan preference and the four formula elements. Again, the formula elements were normalized to a per capita basis before the correlations were computed. The results indicate that the elements of the first formula were only weakly related to party preference (r=.18 for poverty and r=.27 for overcrowding). The elements of the second formula were moderately correlated with party preference (r=.55 for age of housing stock and r=.56 for growth lag).

Summary of Findings and Discussion

The replacement of the categorical system for urban development aid by a block grant system caused a redistribution of funds along three dimensions. Money was redistributed toward the Sunbelt (by a formula which favored the South in particular) as the Frostbelt favoritism of the earlier programs was evened out. Redistribution also favored growing cities, a rather surprising effect if one assumes that the program's purpose was to arrest the physical decay of American cities. Also, funding was redistributed in favor of cities which had larger bases of Republican Party support (at least insofar as this is measured by the single indicator of party support used here). In all three cases, the redistributive effects were relatively small in magnitude.

The replacement of the first block grant formula by a second formula

Table 8. Coefficients of Correlation between Formula Elements and Percentage Democratic of Major Party Vote.

Poverty per capita	.18
Overcrowding per capita	.27
Age of housing stock per capita	.55
Growth lag per capita	.56

reversed the redistributive patterns along all three dimensions. The redistributive effects caused by Formula B favored Frostbelt cities, declining cities, and cities with more Democratic electorates. These second-formula redistributive effects were all much stronger than those of the first formula.

What do these quantitative findings reveal about the possible influence of the regional, decline, and partisan processes on urban policy-making?

To begin with, they indicate the types of cities that had received the most favorable treatment during the categorical era, which is the background from which the CDBG program emerged. It would be consistent with the evidence to assume that a regional process which favored the Northeast (and particularly New England), a decline process which favored declining cities, and a partisan process which favored Democratic cities had helped to shape the categorical system.[3]

The establishment of Formula A reduced the wide spending differentials between cities that had existed under the categorical program. As it did so, it somewhat disrupted the existing pattern of redistributing funds along all three dimensions. This could signify that a regional process with roots in the Sunbelt had been active in the shaping of Formula A. Or, it could indicate that the Republican Party had acted through the partisan process to redistribute urban development funds. Or, perhaps both were at work.

The suggestion that there is a process which seeks to distribute funds toward growing cities was not advanced in the theoretical reflections of Chapter One. If it had, however, one would be justified, at this point, in thinking that such a process might also have been at work.

The establishment of Formula B reversed these effects along all three dimensions. This could signify that a regional process based in the Frostbelt had reasserted its influence over urban policymaking. It could signify that the Democratic Party had been successful in asserting its version of the partisan process. It could signify that the decline process, which had either been dormant or overruled when Formula A was established, had become influential in urban policymaking. It could also signify some combination of these processes.

These conclusions are only tentative. They suggest what might have been the case, but they do not prove that these processes were, in fact, influential in shaping CDBG policy. An examination of the history of the CDBG program is needed to provide better substantiation for the existence of these processes. Such a history will also help to flesh out the general picture of the role that each process has played in recent urban policymaking.

CHAPTER SIX

BACKGROUND FOR A LEGISLATIVE HISTORY

This chapter contains background information which is useful for understanding CDBG history. Two kinds of background information are provided: a description of the way that urban policy is normally made and an identification of some of the key participants in that process.

The description of how urban policy is typically made will concentrate on the set of procedures that the Congress uses when it deliberates on urban legislation. These may be thought of as the legislative environment from which the CDBG program emerged. They are discussed in the first subsection below.

The key participants that will be identified are those related to the processes that are under investigation. As the study pivots from a quantitative investigation to a qualitative one, it shifts its focus from an examination of spending outcomes to an examination of the actions of certain key participants. In order to substantiate the existence of each of the three processes, one must ask: Have the key participants related to each process acted in ways that are consistent with the supposition that each process was influential in shaping the CDBG program? In order to pursue this question, the key participants at work in the decline, regional, and partisan processes must first be identified.

The Legislative Environment for Making Urban Policy

Congressional jurisdiction over housing and urban development legislation has been assigned to the Senate Committee on Banking, Housing, and Urban Affairs and the House Committee on Banking and Currency. The Banking Committees were originally granted this responsibility because the nation's initial steps in federal housing intervention centered around mortgage guarantee programs that were originally established in the 1940's.

Each of these full Committees has created a subcommittee to deal with urban legislation: the Subcommittee on Housing and Urban Affairs of the Senate Banking Committee and the Subcommittee on Housing of the House Banking Committee.[1] These subcommittees bear the bulk of the responsibility for shaping urban legislation as it passes through the Congress.

In this study the term Subcommittee, when capitalized, will refer to one of these subcommittees while the term Committee, when capitalized, will refer to one of the two full Banking Committees.

Traditionally, housing and urban development legislation has taken the form of huge omnibus bills. Taking an especially long example, the Housing and Urban Development Act of 1972[2] emerged from the House Housing Subcommittee as a 269-page bill that contained 10 titles. The Act covered a very wide range of activities, as the headings to each of its titles indicate:

Title I.	Mortgage Credit Assistance
Title II.	Preservation and Revitalization of Declining Neighborhoods
Title III.	Public Housing Assistance Program
Title IV.	Community Development Block Grant Program [the program investigated here]

Title V. State Development Agencies

Title VI. Planning and Management

Title VII. New Community Development
[the building of "new towns"]

Title IX. Regulation of Closing Costs and Settlement Procedures in Federally-Related Mortgage Transactions

Title X. Miscellaneous Provisions [from Broadening of Housing Goals to Flood Insurance Premium Equalization Payments]

The reader should understand at the outset that the passage of a housing bill is a Congressional attempt to digest a very wide range of complex issues and that the CDBG program (let alone the particular formula for distributing the funds) forms only a small part of the overall package.

The huge size of omnibus urban bills has conditioned the way that the Congress has been able to handle them. One critic has characterized the process with the following analogy:

> In making housing and urban development policy, in fact, the Banking committees and their Housing subcommittees have operated very much like dry goods distributers. Each legislative season they receive several truckloads of legislative proposals from various manufacturers -- HUD, the special interests, and assorted colleagues -- which they unpack, examine briefly, and then systematically repackage in bundles containing just enough of each manufacturer's product line to guarantee that manufacturer's assistance in the ultimate promotion and sale of the product on the floor of Congress. [165, p. 190]

This omnibus form of housing legislation has had several consequences, and some of these are important for this investigation. One of them is that any particular issue (such as the distributive effects of the CDBG formula) might have received very little discussion in the Congress, no matter how significant that issue may appear to be to the researcher. Also, in the history of a series of bills stretched out over time, any particular issue might change from being relatively unimportant at one time to being a major focus of concern at another. Furthermore, there are tradeoffs between issues, so that the fate of any one issue might have depended on the resolution of related issues. More will be said about this shortly.

Another consequence of the omnibus form is that the Subcommittees have not always been able to give every part of a bill the scrutiny that it may have deserved. They have had to depend on outside sources of expert opinion to help them digest much of the material before them.

This has enhanced the role of such outside expertise. The Department of Housing and Urban Development has been one such source of expertise:

> HUD controls a reservoir of technical talent and program information that far exceeds the meager resources available to the House and Senate Banking Committees. The committees can occasionally raise searching questions, but they usually have little way to verify the responses and are easily overwhelmed by HUD technical objections to legislative proposals. [165, p. 223]

Owing largely to HUD's expertise, it has become normal procedure for the executive branch to take the initiative in developing housing and urban development proposals, and those initiatives have tended to have considerable momentum.

Aside from HUD, considerable expertise has also been found among those lobbying organizations that have been habitually interested in urban legislation. These are the groups which, when taken together, can be labeled the urban growth coalition. They will be discussed shortly. Again, their expertise has been an important factor in their ability to influence urban legislation.[3]

A final consequence of the omnibus form of housing legislation is that members of Congress as a whole have usually deferred to the opinions of their colleagues on the House and Senate Housing Subcommittees. It has been difficult for the average Legislator to keep abreast of the obscure byways of housing legislation. Involved in a mass of decisions that run the gamut from strategic weapons systems to price supports for sugar, Legislators have typically deferred to the opinion, leadership, and expertise of their party's members on the Housing Subcommittees when it comes to urban legislation. As a consequence, whenever housing bills have emerged from either Subcommittee with a general consensus of support among the Subcommittee members (which these bills usually achieve) their passage through the full Banking Committees and on the House or Senate floor has usually been a pro-forma exercise involving little real debate.

Once an urban bill is discharged from the Subcommittees, it passes through a number of stages which the reader may wish to take note of at this time. These are: consideration by the full Committee of the House or Senate, which may lead to the issuing of a report recommending the passage of the bill, the scheduling of a date for floor consideration by the House or Senate Rules Committee, consideration on the House or Senate floor, the ironing out of differences in a joint House and Senate conference committee, final approval by the House and Senate floor, and approval by the President.[4]

The flow of the legislative decisionmaking process for urban policy can be represented by the following simple diagram:

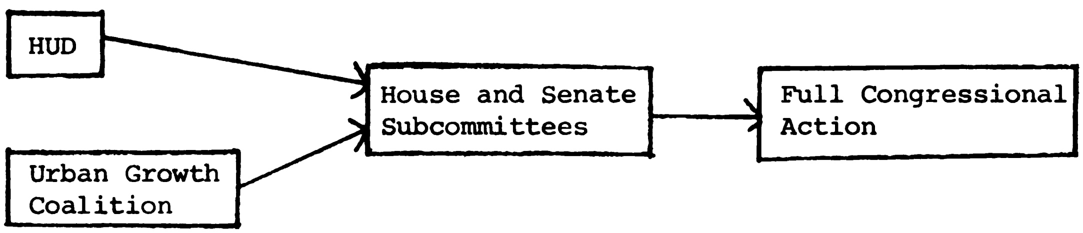


Figure 4. The Decisionmaking Process for Urban Development

When they have deliberated on urban policy, the House and Senate Subcommittees have reacted largely to inputs from HUD and the interest groups in the urban growth coalition. The Subcommittees have also added their own responses and counterproposals insofar as they have been able to do so. Subcommittee deliberations have been the most crucial of the Congressional steps in the policymaking process; the later stages of full Congressional action have normally produced only minor substantive changes.

As the CDBG program wound its way through this legislative process, the issue of how CDBG funds should be distributed became intertwined with an issue that can be called the application and review issue. Because there were tradeoffs made between these two issues, the task of explaining the block grant program requires the understanding of a nested problem.

The analogy of an onion with its inner and outer layers is called to mind. Actually, the analogy is more complex than what is required since there were only two layers to the block grant onion. Each layer was spun around a characteristic issue. The issue of the outer layer was whether the existing system of categorical grants should be replaced by an automatic distribution process. The issue of the inner layer was the question of what the distribution formula should be.

From a purely logical standpoint it is apparent that the outer layer issue would have to be settled before a discussion of the inner layer one becomes relevant. In a two-layered onion, the outer layer must be peeled away before the inner layer can be viewed. Similarly, an analysis of the block grant program must first come to some sort of understanding of how the issues in the outer layer were resolved before the formula itself can adequately be explained. An explanation of the inner, formula issue standing by itself would not be entirely intelligible.

This onion analogy is also faithful to the way in which the participants at the time approached the block grant issue. Initially, effort and attention were directed largely at the outer layer issue of whether federal grants should flow automatically to cities or whether they should instead be contingent on satisfactory plans to use those funds for federally approved purposes. In concrete terms, the issue was fought out over the specifics of how much application and review the legislation should require. And it was largely through positions taken on this issue that the distributive preferences of the participants were voiced. Those who favored a redistribution away from past patterns sought a minimum of application an review. Those who were satisfied with the existing pattern advocated the maintenance of strong federal oversight. Only after some resolution of this outer layer issue came within reach did careful scrutiny turn to the mechanics of the formula itself.

The Urban Growth Coalition

In 1972, a study panel of the House Subcommittee saw fit to notice that during the preceding decade:

> Congressional hearings on these and other proposals [in the housing and urban development area] generally produced witnesses for the same organizations year after year, organizations which, quite properly, presented often familiar institutional viewpoints. [188, p. 1]

Academic analyses of federal urban politics have pointed to the same conclusion. Suzanne Farkas also noted the regular appearance of these same institutional voices in a statement that also stressed their interconnections with each other:

> The hearings on housing and urban development legislation since 1937 reveal the same core interest groups as *dramatis personnae* again and again in performances in which they read lines which differ only slightly.

> Significantly, the similarity of testimony is no accident. The groups reach a consensus among themselves before a bill reaches Congress. [32, p. 83]

Later on, she mentioned them again in the following passage:

> Major discussions affecting federal-urban policy are made by the interaction of distinguishable hard-core particp-pants which are deeply and continuously involved, and identifiable linkages and communications patterns exist among them. These inter-connections form further bases for shared attitudes, and the actors address themselves to the same policy agenda; they are conscious of one another as colleagues in a continuing dialog. [32, pp. 97-98]

Lester Salamon, another analyst of federal urban politics, has offered another concurring statement:

> In short, even for members of Congress eager to promote housing for the poor, not to mention those eager mainly to be re-elected, the path of prudence in the housing sphere was as clearly marked in the 1960's as in the 1930's: Frame housing policy to please at least the major organized private interests and strategically placed bureaucrats, since it will rarely engage the attention, let alone the support, of anyone else. In the process, however, even those most hostile to special-interest dominance in other spheres of policy willingly accept it in the housing sphere. In practice, this gives immense influence in the politics of housing to four key sets of actors: the bankers, the builders, the real estate brokers, and the bureaucrats in HUD and the local agencies it funds. [165, pp. 198-199]

All of these statements seem to be referring to the same thing -- a coalition of institutionalized interest groups that has regularly attempted to shape housing and urban development policy by lobbying the Congress. In this research, this composite group will be called the urban growth coalition.

Although they seem to have held consistent ideas about what this coalition is, those who have drawn upon the concept of an urban growth coalition have not specified any means of defining the group, of deciding which groups can be counted as members of the coalition and which groups can not. Perhaps such an explicit definition was not necessary. There has not been, in reality, a sharp dividing line between those who are in and those who are out of the coalition. The coalition has been an informal confluence of institutionalized interests. Also, it should be expected that specific organizations would have drifted into and out of the general coalition depending on what type of policy issue was immediately at hand (public housing, water and sewer grants, mortgage loan guarantees, and so forth). Nor have the purposes of the previous analysts (in the case of Farkas to describe a particular lobby and in the case of Salamon to describe the workings of the House and Senate Banking Committees) required them to find any such explicit definition.

This study, however, calls for a method of defining the urban growth coalition. Since the substantiation of the decline process turns on the question of whether key participants have acted as expected, those participants must be identified before a judgment can be made on this question. This makes some sort of working definition of the urban growth coalition necessary.

While recognizing that the boundaries of the urban growth coalition are, in reality, flexible relative to the policy issues under debate at any given time, one can construct a definition of the coalition that is suitable to the task at hand. This definition is based on the assumption that those lobbies that have been the most influential in the urban policy-making process are also the ones that have been regularly invited to give testimony at hearings on urban legislation. It should be possible to operationally define those organizations that testified frequently as members of the urban growth coalition.

Between 1971 and 1977, there were three principal sets of

Subcommittee hearings on the CDBG program: one hearing each in the House and Senate during 1971, one each during 1973, and one each during 1977 [189; 192; 195; 201; 203; 208]. The witnesses that appeared and the organizations for which they spoke are clearly identified in the hearing transcripts. By establishing the arbitrary criterion that an organization had to appear before at least four of these six hearings, one can arrive at a list of ten organizations that can be defined as members of the urban growth coalition.[5] These organizations appear on Table 9.

The abbreviations given in the table should be noted because they will be encountered frequently in the next two chapters.

Since most readers will be unfamiliar with these organizations, the next subsection provides a brief introduction to each.

Member Groups of the Urban Growth Coalition

1. The American Institute of Architects (AIA)[6]

The American Institute of Architects is a professional society that represented some 26,000 architects in 1975 [34]. Like other professional societies, it has traditionally sought to foster professionalism within its ranks and to promote the profession in the society at large.

In the early 1970's, the primary legislative goal of the AIA was to convince the federal government to adopt an AIA-developed urban growth strategy that centered on what were called "Growth Units."[7] Essentially, the Growth Unit approach would have meant changing the scale of urban development projects. Instead of the individual building scale typical of traditional projects, the architects recommended that urban development be carried out on a neighborhood scale in Growth Units consisting of between 500 and 3,000 residential units.

Table 9. Members of the Urban Growth Coalition.

Organization	Abbreviation	Number of Appearances
The American Institute of Architects	AIA	5
The American Institute of Planners	AIP	4
The Mortgage Bankers Association of America	MBA	5
The National Association of Building Manufacturers	NABM	4
The National Association of Home Builders	NAHB	5
The National Association of Housing and Redevelopment Officials	NAHRO	5
The National Governors Conference	NGC	4
The National Association of Real Estate Boards/National Association of Realtors	NAREB/NAR	5
The National Housing Conference	NHC	4
The U.S. Conference of Mayors -- National League of Cities	USCM-NLC	5

These Growth Unit projects were to be concentrated in the nation's 60 largest metropolitan areas, and first priority was placed on executing the new projects on vacant land, presumably in the suburban fringe. As supports to this approach, the AIA also recommended a sweeping enlargement of governmental powers in such areas as the aggregation of land for project sites, the guaranteeing of "front end" financial commitments, the providing of tax incentives, and the suppression of restrictive building and zoning codes.

2. The American Institute of Planners (AIP)[8]

The American Institute of Planners is a professional organization that represented some 7,000 to 8,000 planners during the 1970's. The planning community includes planners working for government (usually local government), academics who train planners, and planners who work as private consultants.

The traditional purpose of planning has been the rational allocation of urban space among competing uses so that a more hospitable environment is provided for the public at large. This has ordinarily been pursued through the laying out of road networks, the creation of parks and other public amenities, and the establishment of zoning restrictions.

This traditional view of planning was severely shaken during the urban protests of the 1960's by critics both within and without the planning community. Insurgent planners established a competing view of planning called advocacy planning. Advocacy planning rested on the critique that what had often been assumed to be the "community good" was, in fact, a biased perception that represented the values of community elites. To counteract this, it was argued that the planning process should accommodate viewpoints that had traditionally been ignored. This accommodation was to be pursued through increasing the scope of citizen participation and by having planners advocate those goals that they felt were held by community residents.

During the 1970's, the planning profession was divided between the assumptions offered by the traditional view and the advocacy concept. The resulting flux of opinion can be seen in the two rather different approaches taken by one AIP representative in the 1971 hearings and by another in the 1973 hearings.

In 1971 the AIP's testimony had an advocacy tinge and took an activist stand on social issues. Having officially identified the elimination of discrimination and racial concentration as its "prime social responsibility" of the year, the AIP proposed a strategy of "opening up" suburban areas to low-income housing projects.[9]

In the 1973 hearings, the AIP's testimony concentrated much more on issues related to the bureaucratic interests of the planning community rather than on social activism. The testimony included support for federal aid toward enhancing local planning capacities, support for funding distributions which would steer money toward localities where planning activities were already in place, and limitations on the amounts that could be spent for such competing purposes as water and sewer construction.

3. The Mortgage Bankers Association (MBA)[10]

The Mortgage Bankers Association represents the segment of the banking community that lends money for mortgages and that buys and sells mortgages in the secondary mortgage market. MBA member banks originate the bulk of federally-insured mortgages.

In Washington, the MBA maintains one of the most influential lobbies to be found among urban growth coalition members. The MBA's lobbying budget was reported to be $2.5 million in 1975 [165, p. 207]. Its lobbying staff was correspondingly large, and MBA's legislative council, Lee Holmes, has boasted that the MBA usually has one or two people "on their feet inside the HUD building every day" [165, p. 208].

MBA's lobbying effort has been reinforced by its financial generosity. The MBA has made heavy use of honoraria (well-paid invitations to speak before organization gatherings) as a means of contributing money to Legislators who can influence housing policy.

A 1971 statement of basic policy goals by Miles Colean, the MBA's consulting economist, described the contradictory position that the MBA has taken with regard to the federal government. On the one hand, the organization espoused a free-market ideology:

> It [the MBA] has held fast to the conviction that subject to appropriate regulation an untrammeled private credit system is the best available instrument for meeting the financial needs of the various real estate markets. [18, p. 16]

Nevertheless the policy statement goes on to assert the need for government intervention:

> It [MBA] has endorsed the principle of mortgage insurance, particularly as embodied in the Federal Housing Administration, an an important and, indeed, an essential instrument for encouraging and facilitating a nationwide flow of funds for housing markets. [18, p. 18]

In short, mortgage bankers have wanted to compete freely and with a minimum of government regulation in a market whose vitality is insured by "essential" government supports.

In practice, the mortgage banking lobby has been chiefly preoccupied with two tasks, getting support for federal mortgage insurance programs and getting support for federal programs that enhance the secondary mortgage market. Programs of the first type -- lodged in the Federal Housing Administration (the FHA) and the Veterans Administration (the VA) -- insure the mortgages of moderate income homebuyers. This relieves the mortgage banking community of the risk of default. Programs of the second type -- the Federal National Mortgage Association (FMNA), the Government National Mortgage Association (the GNMA), and the Federal Home Loan Bank Board (FHLMC) -- have been set up by the federal government to operate in the secondary mortgage market. The essential purpose of these programs has been to make the secondary mortgage market more attractive to investment capital.

4. The National Association of Building Manufacturers (NABM)[11]

The National Association of Building Manufacturers is one of the smallest members of the urban growth coalition. It represents the 300-odd firms which are engaged in producing prefabricated housing -- or as NABM representatives prefer to call it, industrialized housing. These firms also produce various semi-completed building products, which they supply to more conventional builders.

The NABM has confined its activities to the rather narrow range of issues that directly affect the production of housing by assembly-line tehcniques. These have included the following: support for the Section 235 and Section 236 housing subsidy programs in order to maintain the level of demand for new construction; support for various technical changes in the FHA approval procedures, making them more amenable to prefabricated building; and support for the creation of a National Institute of Building Sciences, which would facilitate the introduction of new building products and techniques as well as assist in the development of uniform building codes. (Prefab makers have been hindered by the myriad of local variations in building codes.)

5. The National Association of Home Builders (NAHB)[12]

The National Association of Home Builders represented some 51,000 of the nation's house and apartment builders. Most of these members were small builders (seventy five percent of them building less than twenty five units per year) but large-scale builders were also NAHB members, and the association has promoted an industry-wide point of view rather than a small business perspective.

By 1970, NAHB had emerged as one of the largest lobbying organizations in Washington. Operating out of its eight-story headquarters, the National Housing Center, it consumed an annual budget of $4.5 million in 1971 [105, p. 434; 165, p. 213]. That budget allowed NAHB to pay top dollar for its executive staff, who were widely recognized for their expertise. These well-paid staffers have also circulated freely between government appointments and NAHB employment. This pattern of linkages has prompted one critic to conclude that:

> So enmeshed is the NAHB with the public decision-making apparatus dealing with housing, in fact, that the distinction between public and private is all but obliterated. [165, p. 215]

These linkages to the federal government have been matched by a system of linkages to other groups within the urban growth coalition. The National Journal reported that in the early 1970's, the NAHB's headquarters was the scene of two sets of regular meetings of coalition members. The first of these was a monthly gathering of a "housing information group" consisting of the NAHB, the U. S. Conference of Mayors-

National League of Cities, the National Association of Counties, the Council of State Governments, the National Association of Real Estate Boards, the American Bankers Association, the U. S. Savings and Loan League, and the National Forest Products Association. The second set of meetings was a bimonthly gathering of "the 'big five' lobbies interested in mortgage and credit legislation" [105, p. 438) -- namely the NAHB, the National Association of Real Estate Boards, the U. S. Savings and Loan League, the Mortgage Bankers Asoociation, and the National Association of Mutual Savings Banks. NAHB would thus appear to have been a key node of contact between Washington lobbies interested in housing issues.

The NAHB's central purpose has been to build more housing. Although it began as a conservative lobby that opposed government intervention in the housing market, it later (in the words of Representative Thomas Ashley) "got religion" about the virtues of government subsidies for mortgages and construction [105, p. 431]. Ever since, the NAHB has taken a deep interest in nearly all aspects of federal housing policy. It has been a strong supporter of plans to establish national housing goals, to subsidize construction and homeownership, and to stimulate mortgage markets.

6. The National Association of Housing and Redevelopment Officials (NAHRO)[13]

The National Association of Housing and Redevelopment Officials represented some 9,000 professionals engaged in urban redevelopment, public housing, neighborhood preservation, and code enforcement. For the most part these were local government officials although membership also included state and federal level officials as well as private consultants in the housing and urban development field.

NAHRO has been highly regarded for its expertise in urban affairs. Its membership combines both academic training in public administration and social science with a "hands on" knowledge of the working details of existing federal programs. NAHRO's Washington staff has been able to draw on this membership expertise to provide solid research analyses of ongoing federal programs. For example, NAHRO was the only lobbying organization that was able to produce a year-to-year analysis of the block grant program.[14] Because of this expertise, NAHRO has been, in the words of one commentator:

> . . . the research arm of the urban liberal representative in Congress, providing the detailed staff work that the lack of time and paucity of committee staff make it impossible to do within Congress. [165, p. 228]

NAHRO has also been a key organization for creating linkages among urban growth coalition members. In 1973, NAHRO took the lead in forming a National Ad Hoc Housing Coalition for the purpose of challenging the Nixon Administration's suspension of federal housing programs. Members of the Ad Hoc Coalition included the NAACP, the AFL-CIO, NABM, NAHB, and the MBA [92].

The debate over block grants revealed some of the institutionalized stakes that NAHRO members had in the urban development process. The block grant program signified a shifting of power in which local renewal bureaucrats were to be stripped of some of their autonomy while greater authority was to be placed in the hands of mayors and city councils. This change threatened to undercut the interests of NAHRO members by eliminating the federal application process, which had kept many members employed, by allowing local governments to shift their priorities away from programs where NAHRO members were entrenched, and by geographically rerouting funds away from cities where redevelopment efforts, and hence membership employment, had been greatest.

With so many interests at stake, NAHRO was intimately involved with the politics of block grants. It stood beside the U. S. Conference of Mayors - National League of Cities as one of the two most prominent lobbying voices that were heard during the CDBG debates.

7. The National Association of Real Estate Boards/National Association of Realtors (NAREB/NAR)[15]

The organization that represents the nation's real estate brokers was originally known as the National Association of Real Estate Boards, but it changed it name in 1973 to the National Association of Realtors. Here, the compound abbreviation NAREB/NAR will be used to signify this organization.

The first thing one notices on examining NAREB/NAR is the enormous size of the campaign contributions that it has doled out through the Realtors' Political Action Committee. In 1976, the National Journal reported that it ranked second among trade associations -- second only to the American Medical Association. Its campaign contributions far exceeded the amount spent by an single corporation and were topped only by three labor union PAC's -- those of the AFL-CIO, the UAW, and the Teamsters [17]. By 1980 it had outstripped even these powerful rivals to become the single, largest campaign financing organization in American politics [41].

In addition to its campaign-financing clout, NAREB/NAR has also been adept at exercising other lobbying strategies. It has maintained a large lobbying organization in Washington on a budget of $1.5 million per year, has established a grassroots network that connects with some 1,600 local real estate boards, and has recently taken to giving "report card" grades of Legislators' performances on real estate issues [41; 165].

NAREB/NAR has concentrated on those policy issues that affect the profitability of the real estate business. These have included: tax policies that encourage homeownership, fiscal policies that reduce interest rates, programs designed to attract capital into mortgage markets, opposition to government regulation of the real estate business, and housing rehabilitation as an alternative to subsidies for low-cost housing production.[16] Overall, NAREB/NAR has been characterized by a conservative, free-market ideology, and this has placed it on the right side of the spectrum of political views to be found within the urban growth coalition.

8. The National Governors Conference (NGC)[17]

The National Governors Conference has been, as an organization, the weakest of all the groups studied here. Composed of 54 governors of the various American states and overseas possessions, the NGC has always been invited to testify on legislation affecting intergovernmental relations. The conference did not establish a Washington office until 1967 and was, hence, a newcomer on the Washington scene during the mid-1970's. At that time, its staff was less than half of the size of the staffs of comparable organizations representing mayors or county officials [172].

Several reasons can be given for the persistent weakness of the governors' organization. First of all, governors have found it difficult to agree among themselves. One observer has called the governors "fifty prima donnas" pulled apart by the centrifugal forces of personal ambition, party rivalry, and ideological cleavage [43, p. 240]. Also, the NGC has been weak because some fifteen states have had their own Washington offices. Governors have found it more effective to act through these state offices than through the NGC. Finally, it must be remembered that governors themselves are politically important figures. They have tended to call their Congressional representatives directly instead of speaking through an organization such as the NGC.

In Washington, the NGC has regularly argued for more money from the federal government and for more power to fashion policy at the state level. Pursuant to the first goal, for example, the NGC was an early and a vigorous supporter of general revenue sharing. With regard to the CDBG program, the NGC asked for some state role in the passing of funds between the federal government and the smaller (non-entitlement) communities, but it did not assert any influence on the issue of how funds should be distributed between the larger (entitlement) cities.

9. The National Housing Conference (NHC)[18]

The National Housing Conference has been a relatively small lobby that has historically taken the promotion of public housing as its primary goal. As such, it has generally regarded itself, and has been regarded by others, as a "progressive" lobby that acts in the public interest.

The NHC claims to draw its membership from a wide spectrum of social groups. According to the NHC's self-description published in the Encyclopedia of Associations, 1980 its members include:

> Local housing officials, bankers, unions, builders, consumers, government officials, senior citizens, church groups, and minorities. [2, p. 715]

However, such a description is too broad to reveal much about the institutionalized interests that may have drawn NHC members together. Instead, the statement identifies, without clarification, groups whose interests would normally be expected to conflict with each other: builders and bankers on one hand versus consumers, senior citizens, and minorities on the other. In order to sort out this tangle, it is useful to refer to a list of the NHC's board of directors that was published in 1969.[19] The 111 directors listed there can be divided into the following categories:

Government
- 22 state and local housing and redevelopment officials
- 6 other federal, state, and local officials
- 3 former federal Legislators

Business
- 10 builders and developers
- 10 bankers and realtors
- 11 private architects, planners, and consultants

Other
- 12 officials of labor unions
- 17 lobbyist, Washington lawyers, and executive officers of other housing-related organizations
- 5 religious leaders
- 5 academics
- 4 officials of minority and civil rights organizations
- 6 other and unable to classify

What one sees in this list is a mixture of the various groups that exist within the larger urban growth coalition -- the redevelopment bureaucrats, the bankers, the developers, and so forth. Added to these are labor, religious, and minority groups. It would appear, then, that the NHC is an umbrella group that is quite similar to the larger urban growth coalition in which it is nested but a group that is drawn together around the specific issue of public housing in contrast to the wider range of concerns extant in the larger coalition.

10. The U. S. Conference of Mayors - National League of Cities (USCM-NLC)[20]

Between 1970 and 1974, the U. S. Conference of Mayors and the National League of Cities were merged into a single organization. The merger seemed necessary during the Great Society years, when the two groups found themselves doing complementary and overlapping work in Washington, but it lasted only a few years. Since the positions of both organizations on block grant issues remained substantially the same, it will be useful here to treat them as a single organization -- the USCM-NLC.

Historically, the USCM has represented the larger cities while the NLC has represented the greater number of smaller ones. This has created slightly different characters for the two organizations. The USCM has had a stronger affinity to the Democratic Party, has paid somewhat more attention to politics at the federal level, and has exhibited both more intergroup cohesion and more flexibility to focus quickly on new developments because of its smaller size. The NLC, on the other hand, has always contained some abiding strains of small town conservatism, has been more interested in influencing state legislatures, and has found that its larger size has made it more difficult for its lobbying staff to react quickly to new developments, although the staff has been better able to sustain its focus on particular issues over time.

The lobbying voice of the USCM-NLC has been quite effective because of a number of factors. First of all, the mayors themselves often have a great deal of personal political clout. (Mayors Daley of Chicago and Lindsay of New York spring to mind as examples.) Second, the lobby has been well-financed and has had a large staff. In 1976, for example, the USCM had a budget of $708,000 and employed four professional lobbyists while the NLC had a budget of $1.8 million and employed six professional lobbyists [172, p. 1135]. The quality of the research that these staffs have produced has been generally regarded as excellent and it has thereby been influential. Finally, the mayors organizations have been regarded as expressing the public's view, or at least the views of those elected by the public, and this has been helpful in getting the mayors' points across.

The basic message of the mayors to Washington in the 1970's was twofold. One constant refrain in their pleading was a call for higher budgets for a range of federal programs -- general revenue sharing, urban renewal, public housing, crime control, job training, and so on. This theme prompted Salt Lake City mayor J. Bracken Lee to refer to the USCM-NLC as "the gimmie boys," a not entirely inappropriate appellation [32, p. 117]. At the same time, the mayors sought to increase the powers of city hall. This meant both reducing the federal restrictions that usually accompanied federal funds and establishing greater mayoral control over semi-autonomous bodies, such as urban redevelopment agencies, that seemed beyond effective electoral or political control.

It is not, therefore, surprising that the mayors took a profound interest in the CDBG program. In particular, they were intimately interested in how the block grant funds would be distributed since any budget cuts caused by the new system would mean either that the mayors would have to find ways to pick up the difference from local revenues or that they would bear the heat for terminating ongoing programs. Thus, the USCM-NLC (along with NAHRO) played a primary role in the political evolution of the CDBG program.

Some Reflections on the Urban Growth Coalition Taken as a Whole

One outcome of the operational procedure employed here is that it has identified a group roughly similar to the coalitions of institutionalized voices that were discussed, but not operationally defined, by other analysts of federal urban politics. Lester Salamon described the key groups influencing urban legislation as being "the bankers, the builders, the real estate brokers, and the bureaucrats," all of which are represented in the urban growth coalition as defined here (see quotation page 110 above). Suzanne Farkas considered the interest groups within the urban policy "subsystem" to be divided into two factions -- a liberal faction consisting of the USCM-NLC, the NHC, Urban America, the Urban Coalition, the NAHB, and NAHRO, and a conservative faction consisting of the Council of State Governments, the NGC, the MBA, the United States Savings and Loan League, the National Association of Mutual Savings Banks, the National Association of Manufacturers, the United States Chamber of Commerce, and NAREB-NAR [32, p. 77]. As described by Farkas, this subsystem roughly overlaps with the urban growth coalition defined here. Because of these basic similarities, it can be claimed that the urban growth coalition as defined here includes basically the same set of institutionalized voices that these other analysts emphasized in their work.

The other outcome of using this operational definition is that it has produced a group that can legitimately be regarded as the national-level counterpart of the local pro-growth coalitions which appeared in Mollenkopf's work. Central within the urban growth coalition is the USCM-NLC, which, if Molotch's observations about growth as the glue that holds local politics together can be accepted, could be regarded explicitly as an institutionalized coalition of local growth units.[21] Woven around the USCM-NLC are other organizations that stand as national counterparts to some of the other basic components of local pro-growth coalitions -- NAHRO representing the bureaucrats, MBA representing mortgage finance, NAREB/NAR representing the real estate community, NAHB representing the builders, and so forth.

Noticeably missing, however, is a group representing the interests of corporate capital such as the Business Roundtable or the National Association of Manufacturers. Mollenkopf claimed that locally-headquartered corporations have played an active role in local growth politics, but the evidence here does not point to an obvious parallel involvement in federal policymaking.

Other component groups of local pro-growth coalitions are also missing. Central business district merchants, for example, were not represented. The construction trades are represented in Washington by the AFL-CIO, but it did not participate frequently in CDBG policymaking (perhaps because there were no moves afoot to weaken the Davis-Bacon provisions in CDBG legislation). It would appear that in the case of the former, influence would have to be projected to the national level through the USCM-NLC. In the case of the latter, the AFL-CIO would be capable of contributing to the hearings (thus essentially becoming a member of the urban growth coalition) whenever the need arises.

Although the urban growth coalition does not contain counterparts to all of the groups that Mollenkopf has identified as typical members of local pro-growth coalitions, it does contain national level counterparts of many of them. And like the members of local coalitions, the groups that are included have direct stakes in urban development.

The result of this is that the urban growth coalition, as defined here, should be characterized by the same desire to halt urban decline that characterizes local pro-growth coalitions. To the extent that any definable coalition can be seen as speaking nationally for the same interests that local pro-growthers have advocated, the urban growth coalition has done so. In other words, the urban growth coalition, as defined here, is considered to be the key participant that was assumed by the decline process -- the participant that is expected to have urged that federal aid be concentrated on declining cities.

Senior Legislators as the Key Participants in the Regional Process

According to the regional process, influential Legislators can use their powers to steer federal aid to the areas that they represent. The quantitative results have indicated that regional motivations that favored the Sunbelt might have been responsible for Formula A and that Frostbelt favoring motivations might have been responsible for Formula B. In order to pursue this issue further, the key participants in the regional process, the influential Legislators from each region, must first be identified.

In this study, Legislators that meet two criteria are counted as influential over urban policy. First, they must be members of the Subcommittees, which places them in the appropriate position to wield such influence. Second, they must be relatively more senior members of the Congress, since seniority normally translates into power within the Congress.

It is recognized that less senior members of the Subcommittees and more senior Legislators who do not have seats on the Subcommittees can wield some influence over urban legislation. The former can extract a price for their cooperation with the Subcommittee leadership. The latter can trade favors on legislation falling within their particular bailiwicks for clauses that they would like to see inserted into urban bills. However, if there were a broad Congressional movement to shape urban policy to produce regional benefits, it would ultimately have to work through regional Subcommittee leadership. Hence, if a regional process was at work, it should be discernable in the action of senior Subcommittee members.

Deciding which Legislators are from the Sunbelt or the Frostbelt and which sit on the appropriate Subcommittees is a cut and dried matter, but discriminating between those with more seniority and those with less seniority calls for an inevitably arbitrary distinction. While recognizing any distinction as arbitrary, this research employs the criterion of ten years of service in the Congress as the dividing line between relatively more senior and relatively more junior Legislators.

This ten year criterion was chosen because it divides each House of the Congress nearly in half. In the 93rd Congress (1973-1974), for example, 41 out of 100 Senators would be regarded as senior by this method whereas 186 out of 433 Representatives of the House would be considered senior [see 199 for rankings of seniority]. By this definition, seniority can be interpreted as seniority relative to a little over half of the members of Congress. By counting roughly half of all Legislators as senior, this criterion should be broad enough so that no one of great influence is overlooked.

Applying these criteria (seniority, Subcommittee membership, and regional identification) to different Congresses will produce different lists of influential Legislators. This is because Subcommittee membership changes somewhat from Congress to Congress and because seniority accumulates over time. In this study, three Congresses will be of interest: the 92nd Congress, which sat in 1971 and 1972; the 93rd Congress, which sat in 1973 and 1974; and the 95th Congress, which sat in 1977 and 1978.

Rosters of Subcommittee membership are printed in every hearing transcript that the Subcommittees produce [see 189; 192; 195; 201; 203; 208 for the rosters used here].[22] Tables of terms of service are listed in appropriate editions of the Congressional Directory [198; 199; 200]. Only consecutive service will be counted as contributing to seniority.

Applying these criteria to the first session of the 92nd Congress yields the results that appear on Table 10. In that table, the names of Legislators are segregated by party and arranged in seniority order (with the exception that chairmen and ranking minority members are always listed first). The horizontal lines divide those with more than ten years of continuous service from those with less. The initials "F" and "S" indicate Frostbelt and Sunbelt.

In this case there were three senior Sunbelt Senators, two senior Frostbelt Senators, one senior Sunbelt Representative, and eight senior Frostbelt Representatives.

Applying the criteria to the first session of the 93rd Congress produces the list that appears in Table 11.

Applying the criteria to the first session of the 95th Congress produces the list that appears in Table 12.

These three lists identify the key participants in the regional process, the senior Sunbelt Legislators and the senior Frostbelt Legislators who were in a position to influence urban legislation. During the legislative history that follows, their actions will be examined for signs that the regional process influenced CDBG legislation.

Table 10. Composition of the Subcommittees in the 92nd Congress.

Name	Region	State	Beginning of consecutive service
SENATE			
Democrats			
*John J. Sparkman	S**	AL	November 6, 1946
William Proxmire	F***	WI	August 28, 1957
Harrison A. Williams	F	NJ	January 3, 1959
Thomas J. McIntyre	F	NH	November 7, 1962
Walter F. Mondale	F	MN	December 30, 1964
Alan Cranston	S	CA	January 3, 1969
Adlai E. Stevenson III	F	IL	November 17, 1970
David H. Gambrell	S	GA	February 2, 1971
Republicans			
John G. Tower	S	TX	June 15, 1961
Wallace F. Bennett	S	UT	June 3, 1951
Edward W. Brooke	F	MA	January 3, 1967
Bob Packwood	S	OR	January 3, 1969
William V. Roth, Jr.	F	DL	January 1, 1971
Bill Brock	S	TN	January 3, 1971
Robert Taft, Jr.	F	OH	January 3, 1971

*Senior legislators appear above the line.

**"S" denotes Sunbelt.

***"F" denotes Frostbelt.

Table 10 (cont'd.).

Name	Region	State	Beginning of consecutive service
HOUSE			
Democrats			
*William A. Barrett	F**	PA	January 3, 1949
Lenore K. Sullivan	F	MO	January 3, 1953
Thomas L. Ashley	F	OH	January 3, 1955
Henry S. Reuss	F	WI	January 3, 1955
William S. Moorhead	F	PA	January 3, 1959
Robert G. Stephens, Jr.	S***	GA	January 3, 1961
Fernand J. St. Germain	F	RI	January 3, 1961
Henry B. Gonzales	S	TX	November 4, 1961
Joseph G. Minish	F	NJ	January 3, 1963
Republicans			
William B. Widnall	F	NJ	February 6, 1950
Florence P. Dwyer	F	NJ	January 3, 1957
J. William Stanton	F	OH	November 8, 1966
Garry Brown	F	MI	January 3, 1967
Benjamin B. Blackburn	S	GA	January 3, 1967
Margaret M. Heckler	F	MA	January 3, 1967

*Senior legislators appear above the line.

**"F" denotes Frostbelt.

***"S" denotes Sunbelt.

Table 11. Composition of the Subcommittees in the 93rd Congress.

Name	Region	State	Beginning of consecutive service
SENATE			
Democrats			
*John J. Sparkman	S**	AL	November 6, 1946
William Proxmire	F***	WI	August 28, 1957
Harrison A. Williams	F	NJ	January 3, 1969
Alan Cranston	S	CA	January 3, 1969
Adlai E. Stevenson III	F	IL	November 7, 1970
Republicans			
John G. Tower	S	TX	June 15, 1961
Edward W. Brooke	F	MA	January 3, 1967
Bob Packwood	S	OR	January 3, 1969
Robert Taft, Jr.	F	OH	January 3, 1971

*Senior legislators appear above the line.

**"S" denotes Sunbelt.

***"F" denotes Frostbelt.

Table 11 (cont'd.).

Name	Region	State	Beginning of consecutive service
HOUSE			
Democrats			
*William A. Barrett	F**	PA	January 3, 1949
Lenore K. Sullivan	F	MO	January 3, 1953
Thomas L. Ashley	F	OH	January 3, 1955
Henry S. Reuss	F	WI	January 3, 1955
William S. Moorhead	F	PA	January 3, 1959
Robert G. Stephens, Jr.	S***	GA	January 3, 1961
Fernand J. St. Germain	F	RI	January 3, 1961
Henry B. Gonzalez	S	TX	November 4, 1961
Richard T. Hanna	S	CA	January 3, 1963
Republicans			
William B. Widnall	F	NJ	February 6, 1950
J. William Stanton	F	OH	November 8, 1966
Garry Brown	F	MI	January 3, 1967
Benjamin B. Blackburn	S	GA	January 3, 1967
Margaret M. Heckler	S	MA	January 3, 1967
John H. Rousselot	S	CA	June 30, 1970

*Senior legislators appear above the line.

**"F" denotes Frostbelt.

***"S" denotes Sunbelt.

Table 12. Composition of the Subcommittees in the 95th Congress.

Name	Region	State	Beginning of consecutive service
SENATE			
Democrats			
*William Proxmire	F**	WI	August 28, 1957
John J. Sparkman	S***	AL	November 6, 1946
Harrison A. Williams	F	NJ	January 3, 1959
Thomas J. McIntyre	F	NH	November 7, 1962
Alan Cranston	S	CA	January 3, 1969
Adlai E. Stevenson III	F	IL	November 17, 1970
Robert Morgan	S	NC	January 3, 1975
Donald Riegle	F	MI	December 10, 1976
Paul Sarbanes	S	MD	January 3, 1977
Republicans			
Edward W. Brooke	F	MA	January 3, 1967
John G. Tower	S	TX	June 15, 1961
Jake Garn	S	UT	December 21, 1974
H. John Heinz III	F	PA	January 3, 1977
Richard G. Lugar	F	IN	January 3, 1977
Harrison Schmidt	S	NM	January 3, 1977

*Senior legislators appear above line.

**"F" denotes Frostbelt.

***"S" denotes Sunbelt.

Table 12 (cont'd.).

Name	Region	State	Beginning of consecutive service
HOUSE			
Democrats			
*Thomas L. Ashley	F**	OH	January 3, 1955
William S. Moorhead	F	PA	January 3, 1959
Fernand J. St. Germain	F	RI	January 3, 1961
Henry B. Gonzalez	S***	TX	November 4, 1961
James M. Hanley	F	NY	January 3, 1965
Parren J. Mitchell	S	MD	January 3, 1971
Walter E. Fauntroy	S	DC	March 23, 1971
Jerry M. Patterson	S	CA	January 3, 1975
John J. LaFalce	F	NY	January 3, 1975
Les AuCoin	S	OR	January 3, 1975
Gladys Noon Spellman	S	MD	January 3, 1975
Carroll Hubbard, Jr.	S	KY	January 3, 1975
Paul E. Tsongas	F	MA	January 3, 1975
David Evans	F	IN	January 3, 1975
Stanley N. Lundine	F	NY	March 2, 1976
Republicans			
Garry Brown	F	MI	January 3, 1967
J. William Stanton	F	OH	November 8, 1966
Chalmers P. Wylie	F	OH	January 3, 1967
John H. Rousselot	S	CA	June 30, 1970
Stewart B. McKinney	F	CT	January 3, 1971
Richard Kelly	S	FL	January 3, 1975
Charles E. Grassley	F	IA	January 3, 1975
Thomas B. Evans, Jr.	S	DL	January 3, 1977

*Senior legislators appear above the line

**"F" denotes Frostbelt

***"S" denotes Sunbelt.

CHAPTER SEVEN

THE NEW FEDERALISM AND THE ESTABLISHMENT OF FORMULA A (1971-1974)

PART ONE: EVENTS

President Nixon and the New Federalism

President Richard M. Nixon unveiled what is now called the block grant concept in his State of the Union Address of January 22, 1971 [224]. In that address, the President called for a general revenue sharing plan as well as special revenue sharing plans in each of six areas of federal activity: urban development, rural development, transportation, manpower, law enforcement, and education. The proposal for special revenue sharing in urban development eventually reached fruition in the Community Development Block Grant Program. This fruition came three and a half years later, however, since the 92nd Congress failed to enact the legislation that was proposed by the President in 1971.

The underlying philosophy in the President's initiatives was dubbed the New Federalism. It was to be Richard Nixon's seminal contribution to the practice of American government. Essentially, the New Federalism meant returning power from Washington back to lower levels of government, back to units of government that were said to be closer to the people.[1]

The New Federalism was founded on the basic Republican critique of the Great Society legislation enacted by the Johnson Administration. It stated that the ineffective, inefficient, and overly-bureaucratic federal programs that had been established to resolve the nation's urban ills had usurped some functions that could be better and more properly undertaken by local levels of government. Whereas liberals had considered local government to be unresponsive to social needs, conservatives held that local governments were both more informed about and more ready to act on local needs than Washington could be. Accordingly, they sought to free these governments from what they regarded as unnecessary bureaucratic interference at the federal level. These same ideas continue to be the central tenants of conservative domestic policy under the Reagan administration, which has revived the catch-phrase "New Federalism" as well as its programmatic content.

The Nixon proposals came at a time of widespread dissatisfaction with the nation's urban development programs [102]. Both conservative critics and liberal supporters of the goals of the Great Society had come to regard the existing system of categorical programs as involving too much red tape, as fostering a system of competitive grantsmanship, as containing regulations that were irrelevant or repellent to some localities, as distorting local fiscal priorities through the availability of certain types of aid, and as creating semi-autonomous redevelopment agencies that were beyond the control of either local officials or the citizens themselves.

Appreciative of these problems, the House Subcommittee had been moving ahead on its own since late 1970 to overhaul the categorical system [103]. At the time that Nixon made his address, three ad hoc study panels of the Subcommittee were groping toward a block grant approach after a series of hearings on a wide range of urban problems. It was an idea whose time had come.

The initiative for the House's action came largely from a group of liberal Democrats who were generally regarded as the House's leading authorities on housing and urban development policy: Thomas "Lud" Ashley (D-OH, the group's leader and widely acknowledged to be the House's leading expert on housing and urban development), Lenore K. Sullivan (D-MO), William S. Moorhead (D-PA), and Henry Reuss (D-WI). But the House's work also had the support of William Widnall (R-NJ), the Subcommittee's ranking minority member, and thus represented something of a bipartisan effort.

For the House to have taken the leadership in initiating an urban policy package would have been a rather marked departure from the traditional process of urban policymaking. For years, urban proposals had germinated in the White House and at HUD. They were sent to the Congress only after the executive branch had molded them into shape. The House's efforts, then, promised to be something of a coup. If successful, the House, and especially the Democratic Party that controlled it, could take the credit for charting bold new approaches to the nation's nagging urban ills [103].

Doubtless, considerations such as these weighed heavily on the heads of political strategists at the White House. A quick move was needed to head off the House's initiative and to step out in front of the sentiment for urban policy reform. Only a few weeks before the scheduled State of the Union address, the administration decided to propose a series of special revenue sharing packages that would accompany the general revenue sharing plan that it was about to propose [22]. Each of the six special revenue sharing packages was to be a consolidation of a set of existing, narrow-purpose categorical programs that dealt with a common problem. The special revenue sharing program for urban development would contain the sort of streamlining that urban policy critics had been calling for. If the time was indeed ripe for reorganizing the nation's urban policy in ways that would expand the responsibilities of local governments, the administration's strategists felt that the President ought to get the credit for such an essentially Republican idea.

The responsibility for developing the fast-moving administration proposal fell to a small group within the White House staff and the Office of Management and Budget. John Ehrlichman was reported to be the prime mover behind the project. He was assisted by Richard Nathan (who had just left OMB for the Brookings Institution, where he would later produce evaluation studies of the CDBG program), Edwin L. Harper (a presidential assistant), and Donald B. Rice (an OMB official) [22]. While this White House-OMB team set out the basic outline of the new urban policy (and of the other five special revenue sharing programs as well), they delegated to HUD officials the responsibility for working out the program's details and for drafting the plan into a Congressional bill.

The first details of the new urban proposal came out in a February 27th meeting between HUD officials and a delegation of mayors [53]. By that time, the decision to use a four element formula and some sort of hold harmless provision had been made, but other decisions, such as the percentage of the total program budget that would be divided among entitlement cities, were described as being still "very fluid." By late March, these remaining details had hardened. At a three day conference of the USCM-NLC, Secretary Romney was able to release the full details of how the new distribution system would work along with some preliminary projections of how much money each city would receive [50; 51; 52]. The completed bill was finished by April 14, when it was sent to the Senate. The Senate version was introduced on April 22 and the House version on June 2 [182, pp. 1421, 11401, 17540].

The Provisions of the Administration's Bill as Compared with House and Senate Counterproposals

Subcommittee hearings on the administration's revenue sharing proposals were held in the Senate between August 2 and September 22, 1971 [201]. House Subcommittee hearings were held between August 3 and September 17 [189]. Besides the administration's plan, these hearing also considered two Congressional counterproposals that had surfaced in the wake of the President's initiatives. One was drafted by John Sparkman, chairman of the Senate Housing Subcommittee. The other was drafted by the House Subcommittee panels that were mentioned above. Although several additional housing-related bills were also reviewed at this time, the bulk of the attention focused on these three proposals and the administration's accompanying proposal for simplifying existing housing programs.

The administration's urban development bill was known as S1618 in the Senate and HR8853 in the House.[2] Its CDBG title contained a distribution formula composed of four elements: population, poverty, overcrowding, and "housing deficiency" (number of housing units lacking indoor plumbing facilities as counted by the Census). Each element was weighted equally, there was also to be a hold harmless protection, based on a five year average of spending for the folded-in programs. This hold harmless protection was to be extended indefinitely.[3] As Senator Sparkman pointed out, however, the hold harmless guarantee rested on the administration's assurances of what HUD's administrative policy would be in the future. No explicit protections were included in the bill itself [201, p. 87; 182, p. 11421].

Consistent with the thematic emphasis of the New Federalism, the administration's bill contained a minimum of what was called application and review, the set of provisions that governed the process by which a prospective recipient could apply for CDBG entitlements and the process by which HUD would oversee the use of those entitlements through accepting and rejecting applications. Cities were to send annual statements of their community development objectives and their projected use of the funds, but HUD would not have to approve of these plans before granting a city its allotment. Instead, HUD was to conduct an annual post-audit after the funds had been spent to see that all the funds could be properly accounted for. A broad tolerance for any locally determined spending program and an absolute minimum of oversight by HUD were the hallmarks of the bill.

The administration's original formula proposal contained a fourth element, housing deficiency. In order to assess the impact of this fourth element, the legislative history will be interrupted at this point by a brief excursion into some additional quantitative analysis. Housing deficiency will be compared to the poverty and overcrowding elements of Formula A.

Data for housing deficiency -- the number of housing units lacking some or all plumbing facilities -- can be found in the 1970 Census of Housing [210, Table 15]. Using these data to construct per capita index scores that would be comparable to those appearing in Table 4 yields the regional results that appear in column one of Table 13. Columns two and

Table 13. Regional Distribution of Housing Deficiency as Compared with Poverty and Overcrowding.

Region	(1) Housing deficiency per capita index	(2) Poverty per capita index	(3) Overcrowding per capita index
U.S.	100	100	100
Frostbelt	112	91	99
Sunbelt	87	110	101
New England	141	92	85
Mid-Atlantic	103	97	110
East North Central	107	86	92
West North Central	143	82	85
South Atlantic	84	110	107
East South Central	91	123	106
West South Central	85	157	117
Mountain	71	81	87
Pacific	93	79	86

three repeat some of the information found in Table 4 for comparative purposes.

In contrast to the Southern concentration of the poverty and overcrowding elements, housing deficiency was concentrated in the Frostbelt. Thus, the inclusion of a fourth element constituted a departure from the Southern favoritism of the other elements of Formula A.

The relationship between housing deficiency and the four proxy indicators of decline is displayed in column one of Table 14. Data were normalized to a per capita basis by using the 1970 population figures found in [215]. Columns two and three repeat information found in Table 6.

As measured by each indicator, greater amounts of inadequate housing were associated with lower growth rates. Housing deficiency was sensitive to decline. This, again, was a departure from the relationships found among the other formula elements. Poverty and overcrowding were virtually unrelated to decline, whereas housing deficiency was.

Housing deficiency per capita was also more strongly associated with the percentage Democratic of the major party vote. Here, the correlation was $r = .40$ in contrast to $r = .18$ for poverty and $r = .27$ for overcrowding (see Table 8). Along the partisan dimension, the departure was not as strong as the other two, but it was a departure nonetheless.

The housing deficiency element, then, constituted a departure from the other formula elements along all three dimensions. However, it is difficult to know how much the inclusion of this additional element would have changed the overall redistributive effects (as studied in Chapter Five) if the administration's original formula had been established instead of Formula A. The awareness that targeting effects and redistributive

Table 14. Coefficients of Correlation between Housing Deficiency, Poverty, Overcrowding, and the Decline Indicators.

Indicator	(1) Housing deficiency per capita	(2) Poverty per capita	(3) Overcrowding per capita
Rate of taxable property growth	-.44	-.09	-.08
Value of new housing per capita	-.32	-.05	-.07
Age of housing stock	.58	.04	-.05
Rate of population growth	-.38	-.19	-.08

effects can differ further complicates the problem of drawing inferences from the data presented here. As a result, the inferences offered here should be accepted with caution.

It is felt that the overall redistributive impact of the administration's original formula would have been substantially similar to that of Formula A. This is because both formulas shared three elements in common and because either formula would have reduced the wide variations that existed in hold harmless entitlements. Given that the directions of the departures mentioned above were, in each case, the opposite of the directions of the redistributive impact of Formula A, the most likely expectation is that any differences in this substantial similarity would be in the direction of tempering the redistributive effects of Formula A.

Having reached these quantitative conclusions, the discussion can now return to the narration of CDBG history.

The Senate's counterproposal to the administration's bill carried the number S2333 and was generally referred to as the Sparkman bill after its author.[4] It would have set a maximum entitlement for each city. This maximum was to be based on the three highest of the past five years of experience under the folded-in categorical programs. In the first year, cities could apply for any amount up to this maximum. In succeeding years, the maximum entitlement figure could be raised by 15% per year to cover the costs of increased needs. Such increases were to be made at the discretion of HUD, based on the applications that were submitted. Since entitlements were expected to reflect past experience (given that an acceptable application was submitted) there was no need to include a hold harmless clause in the Senate bill.

The application and review provisions of the Sparkman bill retained considerable HUD oversight of local plans to use the funds. Annual applications by prospective recipients were required. These had to include: a statement of the community development objectives that were to be met during the coming three years, a schedule of projected program budgets for the coming two years, and an annual statement assessing the performance of a city in meeting its stated objectives. HUD was to review all these statements before releasing the funds, but it was given only 90 days to act on each application, a provision intended to reduce undue delays.

The Senate bill, then, stood in sharp contrast to the administration plan by maintaining a strong role for the federal government in directing local development efforts. Yet, at the same time, it could be rightly said that the bill's application and review procedures went far to simplify the cumbersome red tape that had grown up around the categorical programs.

Although the possible behavior of HUD in regard to the 15% increases allowed by the Senate bill is necessarily impossible to predict, the system of basing future grant levels on past experience would have produced a distribution of funds roughly similar to that which already existed. Perhaps more important, deviations from the past distribution that could have occurred would have been based on the same grantsmanship process that the administration was seeking to do away with. Of the three proposals before the Congress in 1971, the Senate bill should be interpreted as the least redistributive.

The House counterproposal carried the number HR9688.[5] It contained the three element formula (population, poverty weighted twice, and overcrowding) that would eventually be enacted as Formula A. However, in the

House version figures for the important poverty element were to be adjusted for regional living costs. This was to be done by increasing or decreasing the poverty threshold by an amount commensurate with regional variations in the cost of living and then counting the number of poor persons who fell below these adjusted levels when making formula calculations. In the South, for example, where the cost of living is generally lower than the national average, this process would have lowered the poverty threshold and therefore reduced the numbers of persons counted as poor.

Like the administration proposal, the House bill contained an indefinite hold harmless protection, but in this case the protection was written expressly into the bill.

The House counterproposal also contained a strong application and review process similar to that of the Senate bill. At the outset of the new program, each applicant was to submit a three-year statement of community development needs, goals, and scheduled activities to be undertaken toward meeting those goals, including a comprehensive housing and development plan. HUD was to make an annual review of the applicant's progress in meeting the goals that had been identified. In the first year, funds would only be released pending the approval of the initial three-year statement. In succeeding years, they would be released pending a successful HUD review of annual progress. This was called a "front end" review as distinguished from the administration's "post-audit" process. With such provisions, the House counterproposal stood in strong contrast to the minimization of oversight that was embodied in the administration's proposal.

Although the formula elements of the House counterproposal were exactly the same as those of Formula A, it is not possible to know with precision what the redistributive impact of the House formula would have been. This is because of ambiguities in the process for making regional adjustments of poverty levels. These adjustments are particularly important since the poverty element was to be doubly-weighted. The statutory language which stated how these adjustments were to be made was very unclear. Also, the thinking that led to proposing this process appears to have been based on incorrect assumptions about the availability of crucial data.

The language of the House counterproposal stated that:

> Poverty levels shall be determined by the Secretary [of HUD] pursuant to criteria provided by the Office of Management and Budget, taking into account and making appropriate adjustments for regional variations in income and cost of living, and shall be based on data referable to the same point or period in time. [189, p. 151]

From this it was not clear whether HUD was to use cost of living data or median income data or some combination of both in computing the regional adjustments. Nor was there any clear statement of what calculations HUD was to use in making its determinations.

In many cases, ambiguous statutory language can be clarified by supporting documents that describe the Congressional intent. In the case at hand, such a strategy would lead to an examination of <u>Housing and the Urban Environment</u> [188], the report of the three study panels that developed the House counterproposal. That report stated that:

> An adjustment can be made for the cost of living differences by adjusting the national poverty income level in each of the four major regions [Northeast, North Central, South, and West]. The adjustments can be made on the basis of differences in the most recent standard of living budgets in metropolitan areas in each of the four regions. Such budgets, based on area surveys, are compiled by the Bureau of Labor Statistics every two years. [188, p. 48]

Unfortunately, those who drew up these words were mistaken since there is no Bureau of Labor Statistics publication that estimates such standard of living budgets for metropolitan areas on a regional basis. The passage apparently refers to the Urban Family Budgets and Comparative Indexes for Selected Urban Areas series [233], but the figures appearing in that series are budgets for the nonmetropolitan areas of each region and are thus inapplicable as a basis for adjusting poverty levels in urban areas.

In the absence of any sufficiently clear statement about how HUD would have computed regional adjustments of poverty levels, there is no point in suggesting how such a procedure might have been constructed and making an assessment of redistributive impact on that basis. All that can be said is that the redistributive impact of the House counterproposal can not be known now nor could it have been foreseen on the basis of the proposal when it was made.

House and Senate Subcommittee Deliberations

During the 1971 Congressional hearings, the inner layer issue of the mechanics of CDBG distribution was given much less careful consideration than it seems to have merited in hindsight. From the vantage point of computer-generated analyses of what the consequences of the various formula proposals would have been, one might expect that similar computer projections would have provided the salient basis for arguments made for or against the proposals that were offered. However, the hearing transcripts contain no such direct analyses of projected distributive outcomes. The expected debate over the nitty-gritty technics of formula construction simply didn't occur.

Instead, the inner layer issue was overshadowed by the outer layer issue of how strong the federal application requirements and review procedures should be. This issue was captured in the semantics of the debate. Supporters of the President's proposal described it as "special revenue sharing," a term meant to emphasize the automatic process of distributing funds and the minimization of federal oversight. Supporters of both Congressional counterproposals described their plans as "block grant" programs, a term meant to emphasize that the monies were to be grants that would be contingent on an application that satisfied certain national urban goals. Although these semantic differences no longer seem important today (the two terms are used more or less interchangeably in this study), at the time they indicated fundamental differences between the administration's plan and the Congressional counterproposals.

Having gathered testimony during the hearings in the fall of 1971, the Senate Subcommittee did not hold markup sessions to hammer out a compromise to take to the Senate floor until February 3 through February 17 of 1972. During these sessions a general compromise was reached between the administration's proposal and the Senate counterproposal embodied in the Sparkman bill. In that compromise, the Senate Subcommittee agreed to a formula substantially similar to the one offered by the administration in return for keeping significant application and review provisions in the community development bill.[6]

The formula agreed on had four elements. They were population, poverty (weighted double but not regionally adjusted), overcrowding, and past program experience. The administration's deficient housing element was dropped because there were well-known problems with relying on the presence of plumbing facilities as an index of overall housing soundness.

The Senate's new formula element, past experience, was to be based on the amount of funds that had been received over the past five years under the folded-in programs. It thus effected a compromise by injecting the Sparkman bill's past experience criterion into the formula approach offered by the President. The resulting distribution would therefore have been somewhere between that of Formula A and the hold harmless distribution but leaning closer toward the former than the latter. Having seen that the House was prepared to accept a formula of some kind, Senate supporters of the Sparkman bill apparently felt that it would be unrealistic to hold out for a distribution scheme based on past experience alone.

In return for meeting the President more than halfway on the formula issue, the Senate Subcommittee retained the application and review provisions that had originally been proposed in the Sparkman bill: the annual applications involving three-year statements of goals, the two-year schedules of planned activities, the annual statements of performance, and the "front end" review process. (It also retained the Sparkman bill's original language guaranteeing indefinite hold harmless protection.) The will of the Subcommittee was that HUD should retain a considerable degree of oversight of local community development activities.

In sum, the Senate accepted what appeared to be the inevitable by accepting a formula scheme and traded this against the retention of considerable federal supervision through the application and review process, the latter being a prime priority among opponents of the administration's New Federalism.

The House Subcommittee held its markup sessions between March 7 and May 9, 1972.[7] It was influenced by the basic contours of the Senate compromise. It too would keep a strong application and review process. Prospective recipients would have to submit an "application which demonstrates that the applicant's activities will be part of a meaningful development program, and in accordance with accepted Federal objectives" prior to receiving any funds and arrange for yearly HUD evaluations of their progress [191, p. 59]. The House Subcommittee also agreed to an indefinite hold harmless guarantee.

On the formula issue, the House accepted the same compromise that had been worked out in the Senate, adding past experience to their original three element formula proposal. However, the two compromises differed insofar as poverty was to be regionally adjusted in the House version.

Both the double weighting of this regionally adjusted poverty element and the inclusion of past experience were seen at the time as minimizing the redistributive impact of the formula. This was a conscious choice by the Democratic leadership on the House Subcommittee. As Lud Ashley explained to the <u>National Journal</u>, the new House formula was consciously designed to steer aid toward the larger cities.[8]

> With the formula that we have agreed on now, really substantial dollars go the big cities. But to get that to happen, we had to play around with all sorts of formulae.
>
> Finally, we insisted on double weighting poverty and including previous experience. That really changed the distribution. [108, p. 894]

Having already committed themselves to a formula approach of some sort, the House Democrats refined the available formula suggestions with an eye toward appealing to the traditional big-city constituency of the Democratic Party.

Meanwhile, over in the Senate, the Senate Subcommittee's compromise moved uneventfully onto the Senate floor. There, it was debated for one day (March 2, 1972), during which strong bipartisan guidance by Senators Sparkman and Tower prevented anything more than a whisper of debate and a few inconsequential amendments from altering the bill's basic form.[9] The bill cleared the Senate floor by a vote of 80 to 1 without having suffered any alterations in its community development title.

The Pattman Stall and the Demise of the CDBG Bill

In the House, on the other hand, a rather curious fate befell the Subcommittee's compromise bill. It was held hostage and eventually killed during the normally pro forma full committee consideration stage by the obstructionist tactics of Wright Pattman (D-TX), chairman of the full House Banking Committee.[10] The Pattman Stall, as these dilatory tactics deserve to be called, proved to be the undoing of two years of effort by the House Subcommittee.

Rather than pass along the Subcommittee's work without comment, Pattman took the unusual step of holding full Committee hearings on the bill in June.[11] Then, in July, Pattman delayed the markup sessions by considering the 279-page bill on a line-by-line basis, inviting amendments as he went. Later, in August, Pattman opened these hearings to the public, a move which ensured that the snail's-pace of ostensibly careful consideration would continue. By August 18, with the House in recess for the Republican national convention, only four out of the bill's ten titles had been completed; Pattman's obstructionist purposes had been fulfilled. Deftly avoiding the responsibility for killing the bill outright, Pattman discharged it to the House Rules Committee on September 21.

By this time all parties concerned realized that the fate of the omnibus housing package was hopeless. Consensus had been shattered as was indicated by the House Report on the bill, which contained dissenting or supplementary views from no less than 22 members of the committee [191]. It was far too late in an election year for the House to be able to digest an omnibus urban package with so many reservations outstanding. Accordingly, the Rules Committee buried the bill by failing to report it to the floor before the close of the 92nd Congress.

As Richard Nixon routed George McGovern in the elections of 1972, the future of federal urban development policy remained unresolved. The 92nd Congress had failed to act even though a compromise acceptable to all appeared to have been within reach. The 93rd Congress would convene and begin the task anew, placing the unfinished business of the last Congress on the agenda of the coming one.

President Nixon Resubmits his CDBG Proposals to the 93rd Congress

President Nixon resubmitted his community development plan to the 93rd Congress on April 19, 1973 [184, p. 13328ff]. He gave this proposal the title "The Better Communities Act" (BCA). Instead of resubmitting the compromise bill that had emerged from the previous two years of effort, the President returned, in the BCA, to something much like the original administration position of 1971, hoping that a repeated round of Congressional negotiations would eventually produce a bill more to his liking.

The provisions of the Better Communities Act restated the idea that there should be a minimum of HUD oversight through application and review.[12] Prospective recipients would have to submit an annual statement of community development objectives and projected uses of the funds, but these would not have to be approved by HUD before funds were disbursed. As in the 1971 initiative, HUD's only oversight role was to be exercised through reviewing the annual post-audit reports that were to account for how the funds were spent.

The distribution process also contained departures from the previous year's compromise. Past experience was dropped as a formula element and the poverty variable was not to be regionally adjusted. The formula was to be population, poverty (weighted double), and overcrowding. Hold harmless protection was written explicitly into the bill, but it was limited to five years of protection rather than extended indefinitely. Also, a new class of entitlement recipients was created: urban counties (as defined in Chapter Two).

All of these changes enhanced the redistributive impact of the bill. The gradual phasing out of hold harmless protection made it possible for existing recipients to lose funds in absolute terms. The elimination of past experience as a formula element shifted funds away from past users. The creation of urban counties as a new class of recipients would mean that less of the total budget would be available to spread among other entitlement recipients. In sum, the Better Communities Act was distinctly more redistributive than the compromise plan reached during the previous year.

The administration hoped to pressure Congress into accepting these changes by terminating the government's existing community development and housing commitments. On January 8, 1973, HUD Secretary Romney boldly announced a federal housing moratorium in a speech before the annual NAHB convention in Houston [93; 124; 120]. Beginning immediately, the government was to cease new funding commitments for public housing, Section 235 and Section 236 housing subsidies, water and sewer programs, open space programs, and public facilities programs. As of July 1, new commitments for urban renewal and Model Cities were to stop also. The Secretary announced that existing programs had been a failure[13] and that during the moratorium the whole range of federal housing programs would be reviewed. Sometime in the fall, when the review was to be completed, the administration expected to announce a new set of programs to replace them.

Reaction to this executive impoundment was immediate and bitter. Representative Pattman called it a "wrecking crew tactic" [125, p. 2], Senator Sparkman said, "We cannot let stand this arbitrary exercise in executive power taken in violation of the intent of Congress and in complete disregard of the housing needs of the poor and ill-housed of our nation" [127, p. 2], the outgoing NAHB president called it "catastrophic" [124, p. 2], and the NAHB's board of directors passed a resolution expressing "a sense of outrage" against this "massive economic and social blunder" [126, p. 3]. Within two days, NAHRO organized a meeting of thirty six Washington lobbies (including all urban growth coalition members except the AIA) to plan a strategy to fight the freeze [128].

The moratorium effectively threw the federal urban effort into a hiatus. Unless the Better Communities Act was passed before the beginning of the coming fiscal year, checks to fund the suspended community development programs would not begin to flow again until late 1974 [120]. Meanwhile, mayors, local bureaucrats, and builders would be left in the lurch. The administration's intent was to pressure urban growth coalition members into pressing for early enaction of the BCA.

Congressional Responses and Counterproposals

Congressional liberals were unwilling to enact the bill quickly, however, because that would have severed some carefully worked-out linkages between community development assistance and housing assistance. During the 92nd Congress, the administration had sent the Congress separate bills for housing and for community development. Following their own counter-proposals, the Congress had knit the two together into an omnibus package. In order to receive community development funds, a city would also have to plan for and apply for subsidized housing programs. Since most cities wanted community development aid, this would force the acceptance of subsidized housing in locales where it had previously been unwelcome. Congressional liberals regarded this linkup as one of their principal accomplishments during the 92nd Congress. But if the 93rd Congress were to act quickly on the Better Communities Act in the absence of a companion housing bill, this important linkage would have to be severed.

Thus, the timing of the hearings on urban legislation became an important issue between administration conservatives and Congressional liberals. The Congressional-liberal strategy was to wait until the forthcoming housing proposal was available and then to tie the two together. Given the mounting pressure caused by the housing moratorium, the administration's forces hoped for early hearings on the BCA alone.

As it turned out, the Congress delayed. The Senate Subcommittee held hearings between July 16 and July 31 of 1973 but put off making any final decisions until later in the year. The House Subcommittee waited until the President's new housing proposals became available (which occurred on October 1) and held hearings between October 9 and November 1, 1973.[14] In the meantime, the President's housing moratorium was challenged in the courts. Following a Supreme Court action that upheld the impoundment, Congress moved to restore the status quo by extending the terminated programs for an additional year [177, p. 9].

In addition to the administration's Better Communities Act, the

Senate Subcommittee hearings also considered a Senate initiated counterproposal. Known as S1744, the Senate counterproposal was submitted to the Senate on the same day as the BCA [184, p. 14665]. Its sponsors were Senators Sparkman and Tower (the latter acting on a "by request" basis). Except for date changes, the bill was identical to the community development sections of the urban bill that had passed the Senate in the previous year.[15] As such, it contained the same provisions that were discussed above: a four element formula -- population, poverty (weighted twice), overcrowding, and past experience; indefinite hold harmless protection; and an annual application and review process. Its reintroduction signaled an acceptance of the previously-reached compromises.

The House Subcommittee also considered a counterproposal which repeated the work of the previous two years. Known as HR10036, it was submitted on September 5 by Representatives Barrett and Ashley [184, p. 28464]. In the area of community development, the Barrett-Ashley bill, as this counterproposal was known, was substantially similar to the bill that had emerged from the Subcommittee in the previous Congress.[16] Its provisions, as discussed above, included: a four element formula -- population, poverty (regionally adjusted and weighted twice), overcrowding, and past experience; indefinite hold harmless protection; and a yearly application and review process. As in the Senate, the resubmission of this plan signaled an acceptance of the compromises that had been reached earlier.

With respect to CDBG, the basic issue at stake during the 1977 hearings was whether to repeat the compromise position of the 92nd Congress or whether to move beyond it. Supporters of the administration's position called for something closer to the original revenue sharing concept with its minimal federal oversight and advocated changes in the formula and in the hold harmless mechanism that would have further enhanced the redistributive potential of the program. House and Senate liberals fought to keep the federal oversight and the distributive mechanisms agreed to in the previous Congress. As the year ended, these conflicting positions hardened into a legislative deadlock.

CDBG Bills Emerge from the Subcommittees

Meeting between October of 1973 and February of 1974, the Senate Subcommittee hammered out a final position within this atmosphere of deadlock. The difficulty that the Senators had in completing their work was reflected in the unusual length of the markup sessions, twenty six days in all. As the confrontation progressed, the tables began to turn against the Republican supporters of the administration's position.

At the time there were four Republican Senators sitting on the Subcommittee: Tower of Texas, Robert Packwood of Oregon, Edward Brooke of Massachusetts, and Robert Taft, Jr. of Ohio. A critical defection occurred when Senator Taft swung over to the Democratic position. He did so largely on the basis of the distributive issues that were at stake. In a statement in the Senate Report, Taft explained his reasons:

> The case for a formula bears weight in direct proportion to the extent of funding distortions and inequities which have occurred under the present systems, and its ability to rectify them. Unfortunately no formula which was presented to the Committee seemed to match my sense of relative community needs any better than the funding distribution under past programs. Apparently the other Committee members agreed. [204, p. 176]

Given that Brooke, a Massachusetts liberal, also sided with the Democratic majority (as he often had in urban legislation), Tower and Packwood alone were too weak to save the administration's case.

Consequently, the bill that the Subcommittee (and without significant additional comment the full Banking Committee) sent to the Senate floor was distinctly unfavorable to the administration's preferences.[17] It explicitly rejected what the Subcommittee called a "no strings" approach and insisted instead on an elaborate application and review process to guarantee federal oversight of the funds. Every two years an applicant would have to send HUD an application that included: a four year summary plan for meeting the community's development needs (includings its needs for low income housing), a description of proposed activities and expenditures, and a statement certifying: that local plans were consistent with areawide plans, that they allowed for adequate public hearings and citizen participation, and that they provided for the relocation of displaced persons. The Subcommittee also included a laundry list of restrictions governing how the entitlements could be used at the local level.

On the formula issue, the Senate Subcommittee not only rejected the administration's initiatives but abandoned as well their own counterproposal in order to return to the original position of the 1971 Sparkman bill. The distribution of funds was to be based on past experience alone. For the first two years of the program, entitlements were to be equal to a five-year average of the amount received under the folded-in categorical programs. In succeeding two year periods this base amount could be raised or lowered by 20%, according to the Secretary of HUD's judgment about the merit of the application.

This unanticipated reversal of the funding procedure was prompted by the Subcommittee's having taken its first close look at the projected spending outcomes of proposed block grant formulas.

Beginning in October, the Department of Housing and Urban Development started supplying the Subcommittee with distribution projections generated by its computers (the Seante having no such capacity of its own) [121]. After reviewing a half-dozen of these HUD-supplied projections, the Senators became disaffected with the formula approach and returned to the past experience mechanism that they had composmised away during the preceding Congress [113; 133, p. 41].

The Subcommittee's work was clearly a setback for the supporters of the administration. In his supplemental opinion in the Senate Report on the bill, Senator Tower singled out the lack of a formula as one of the chief defects of the bill. He complained that:

> There is no needs floor, no formula, no adequate common standard. All depends on grantsmanship and, over time, the Secretary's discretion. This we submit is substantially the system which we should be trying to replace with something better. [204, p. 169]

At the same time, those who opposed the Subcommittee's work realized they had little chance of salvaging the bill on the Senate floor. Accordingly, they reluctantly aquiesced to the passage of the bill and hoped that their cause would prevail at some later stage. Again, Senator Tower provided the best summary statement of opposition sentiment:

> Mr. President [of the Senate], while the committee struggled long and hard with the issue of trying to arrive at an equitable means of distributing community development funds, we did not, in my view, arrive at a successful solution to the problem. Since we were unable to resolve the issue successfully in committee, it does not seem fruitful to try to resolve it on the Senate floor. I can only hope that with the help of the other body, we shall find a better method of distributing community development funds before the legislation is finally sent to the President. [185, p. 5561]

Having abandoned the cause in the Senate, the administration pinned its hopes on the House. The administration hoped that it could work together with House Democrats and produce a compromise that would be backed by a strong supporting consensus. Then, given the divisions in the Senate ranks, the House version could be expected to prevail in a House and Senate conference [121, p. 554; 165, p. 302]. As a result, the atmosphere between the White House and the Congress thawed considerably, beginning in February, from one of confrontation to one of conciliation.

The cause of conciliation was further aided by the fallout from the looming impeachment crisis of the Nixon presidency. In the House, the expectation was that the coming impeachment hearings would absorb the body's full attention once they began. Thus, if any bill was to be produced, it would have to be completed by midsummer.[18] On the administration side, intensifying White House preoccupation with the impeachment problem took some of the restraints off Secretary Lynn's handling of the legislation. Given a freer hand, Lynn chose to be more flexible in seeking an accommodation with the Congress [121; 177, p. 10].

Because of Lynn's more flexible approach, the administration was able to salvage its formula preferences. The compromise bill that issued from the House Subcommittee's markup sessions included the three element formula that the administration had proposed in its Better Communities Act: population, poverty (weighted double but not regionally adjusted), and overcrowding.[19] It also contained the Better Communities Act's limited hold harmless protection (to be phased out by the sixth year of the program) and allowed urban counties to be entitlement recipients of CDBG funds.

In exchange, the application and review provisions of the markup bill were modeled primarily on the Barrett-Ashley bill: There was to be an annual application process which would be subject to a "front-end" review. Applications would have to identify community needs, outline a three-year schedule of activities, state estimated costs, include a housing assistance plan, and assure that civil rights and citizen participation provisions had been satisfied. The Secretary of HUD was to have sixty days to disapprove of these applications, an action that could be taken only on the grounds that the submitted applications were either "plainly inconsistent" with the known facts about community needs or that locally planned programs were "plainly inappropriate" to remedy the needs which had been identified. (A review of the bill's provisions appears in [193].)

In summary, the administration was to have its way on the inner layer issues while the House was to have its preferences on the outer layer issues.

Final Passage of the CDBG Program

The House Subcommittee compromises achieved the solid consensus that had been sought. They were unanimously endorsed by the Subcommittee membership when the bill was transmitted to the full Committee on April 10, 1974 [146; 177, pp. 9-10]. During full House Committee consideration, liberal Committee members attempted to blunt the bill's redistributive impacts on heavy users of categorical aid. Representative Perren Mitchell (D-MD) offered an amendment to triple the weighting of the poverty variable, but this was beaten back by the Subcommittee leadership in the interest of preserving the established consensus [146]. The full committee sent the bill to the House floor with a solid endorsement of 26 to 3 [177, p. 10].

The Housing and Community Development Act of 1974 was passed on the Senate floor while the House Subcommittee was still deliberating its version. After four days of debate, the Senate passed the bill on March 11 by a vote of 76 to 11 [185, pp. 5767ff, 6947ff, 5964ff, 6141ff, 6172ff]. Taking their cue from Senator Tower, Senate Republicans did not seek to amend the undesirable application and review or funding distribution clauses on the Senate floor. Instead, the amendments that were offered dealt with the housing subsidy and mortgage guarantee sections of the bill. (See [60] for a summary of these amendments.)

Floor passage of the House version of the bill was similarly uneventful as far as CDBG provisions were concerned. The bill was reported to the House floor on June 17, debated for one day (June 20), and passed by a vote of 351 to 25 [185, pp. 20213ff, 20315ff]. As in the Senate, the floor amendments offered had no impact on the community development provisions, keeping the House-administration consensus intact.

Following these actions, House and Senate conferees approached each other from opposing positions on the community development issue and on other areas covered by the omnibus bills. The House conferees, however, had the stronger position. This was particularly true on the community development issue since leading Senate Republicans had all along voiced their displeasure at the Senate Subcommittee's work while House conferees were united behind their bill.[20] Consequently, the administration's strategy of prevailing at the conference stage was successful. The House's version of the CDBG title survived the conference virtually unscathed.[21] The only significant concessions made to the Senate on the CDBG title were a stronger statement of the national community development objectives and the partial inclusion of Model Cities grants in the calculation of the hold harmless entitlements. Observers reported that the Senate was willing to trade its community development preferences away primarily because of its interest in preserving the Section 235 and 236 housing subsidy programs that the administration had wanted to scrap [58; 113].

After the conferees had reached final agreement, the finished bill was passed by the Senate on August 13 by a vote of 84 to 0 and passed by the House on August 15 by a vote of 377 to 21 [185, pp. 28159, 28385]. On August 22, 1974 it was signed into law as The Housing and Community Development Act of 1974 (PL93-383) by President Gerald R. Ford, who had been in office for less than two weeks.

Although they were forced to abandon their distributive preferences during the conference negotiations, the Senate Democrats did manage to insert a clause into the final legislation that would provide a basis for reopening the formula debate. Perhaps they sensed that they could recoup their losses at some later time when more favorable conditions might prevail. The clause read:

> Not later than March 31, 1977, the Secretary [of HUD] shall make a report to the Congress setting forth such recommenddations as he deems advisable, in furtherance of the purposes and policy of this title, for modifying or expanding the provisions of this section relating to the method of funding and the allocation of funds and the determination of the basic grant entitlement, and for the application of such provisions in the further distribution of funds under this title. In making this report, the Secretary shall conduct a study to determine how funds authorized under this title can be distributed in accordance with community development needs, objectives, and capacities, measured to the maximum extent feasible by objective standards. [196, p. 16]

In other words, the workings of the formula were to receive a Congressional review prior to the phasing out of hold harmless protection. Thus, the stage was set for a second round of block grant negotiations, a process that would eventually produce a second block grant formula.

PART TWO: ANALYSIS

At the end of Chapter Five, two explanations of the redistributive shifts that Formula A caused were tentatively advanced. One was that the redistribution was caused by senior Sunbelt Legislators who used their influence to redirect urban aid into patterns more favorable toward their region. The second was that funds were redistributed because Republican politicians were seeking to strengthen the electoral coalition of their party. The explanation most consistent with the facts is something quite similar to the latter. However, this discussion approaches the truth in inverse order so that the treatment of this partisan explanation comes at the end of this chapter. Before that, the regional process will be discounted as an explanation of the spending shifts, and before that, extended comments on the decline dimension of urban policy formation are given.

The Decline Process; The Urban Growth Coalition and Formula A

Given the theoretical conceptualizations that were developed in Chapter One and the findings that appeared in Chapter Five, one would not expect that the urban growth coalition was responsible for the spending shifts that occurred when Formula A was established. The urban growth coalition was conceptualized as a set of groups that would seek to concentrate CDBG entitlements on declining cities. Formula A did not accomplish such a concentration; instead, it redistributed funds toward growing cities. Therefore, it might seem reasonable to pass over the urban growth coalition at this point in the discussion.

However, theoretical expectations about the motives of the urban growth coalition are not a good substitute for a direct examination of the historical record, especially when the information is readily at hand. Furthermore, the positions that urban growth coalition members adopted on the proposals that were circulated form an important part of the overall history of the CDBG program. Because of this, their role in the history of Formula A will be discussed here.

During the 1971 House and Senate Subcommittee hearings, the sentiment that began to build within the urban growth coalition was one of opposition to the administration's CDBG proposals. The nub of this opposition was a dissatisfaction with the weak application and review provisions of the President's bill. In other words, the objections of the urban growth coalition centered on the outer layer issues of the nested block grant problem.[22]

Within that level of debate, the salient argument against weak application and review procedures was what can be called the "willingness and capacity" argument. This argument stated that an automatic formula would give large grants to cities that hadn't, in view of their past participation in the categorical programs, demonstrated the willingness and/or the capacity to use community development funds wisely, meaning to use them for the (generally liberal) purposes intended by the Congress. Some cities, it was claimed, had no effective commitment to redevelop blighted neighborhoods. Other cities, it was said, might have been well-intended but lacked the experience to do an effective job. Grants given to cities of either type, it was claimed, would be largely wasted. Therefore, it would be more efficient to target the funds on cities that had already demonstrated a capacity to manage effective urban development programs.

Speaking on behalf of the USCM-NLC, Joseph Alioto, mayor of San Francisco, led the way in using these arguments to oppose the President's plan:

> We thin[k] that an automatic formula is not a virtue as contended by the Secretary [Romney] yesterday insofar as these scarce community development funds are concerned. We think so -- and this is a rather strong feeling some of us have -- that any automatic distribution of this money by formula is going to result in the distribution of moneys to communities that, (a) don't want it, and (b) maybe don't need it. The requirement that a community make a showing to indicate the kind of commitment it has to community development, is a pretty good guarantee so far as the Congress is concerned, that the money is going to go where it is needed, and it is not going to be distributed by formula to places where it is neither needed nor wanted. That would be our first objection to the administration's proposal on special revenue sharing for community development. [210, p. 86]

Alioto's counterpart, Lee Alexander, the mayor of Syracuse who represented the USCM-NLC before the House, also played heavily on this point:

> I am afraid, Mr. Congressman, that the present system is superior to the proposal made by the President with his special revenue-sharing bill. We are convinced that the administration's formula would discriminate against those cities which are doing an effective job with urban renewal funds. [189, p. 535]

Robert Maffin, the executive director of NAHRO, reiterated the mayor's point in his objections to the administration bill:

> Under it, center cities and those above 50,000 population would not have to submit applications but would automatically receive money -- whether [or not] they had a plan to use it, or the capacity to spend it. [201, p. 123]

Of the Senate alternative, Maffin said:

> This grant entitlement procedure recognizes that communities with on-going development programs have the experience to plan and to operate a community development program and the capacity to absorb grant money in an efficient manner. [201, p. 123]

The NHC, AIP, and AIA also questioned the ability of some local governments to use the funds wisely, thereby giving additional support to the tack that was mapped out most vigorously by the USCM-NLC and NAHRO.[23]

All five groups stated major objections to the administration's bill. Instead, they lauded the Sparkman bill as the most preferable alternative, and they felt that the House bill would be an improvement over the President's plan. On the other side of the coin, only the conservative NAREB/NAR voiced a clear preference for the administration's plan.[24]

During the second round of community development hearings, those held by the 93rd Congress, member groups of the urban growth coalition continued to oppose the administration's initiatives. Instead, they endorsed the House and Senate counterproposals, which restated the compromises reached during the previous Congress. The pressures brought to bear by the President's impoundment of urban development funds did not succeed in splitting the alliance between urban growth coalition groups and Congressional liberals apart. If anything, the administration's high-handedness drew the two more closely together [153].

Clearly state endorsements for the House and Senate counterproposals over the President's BCA came from six urban growth coalition groups in 1973. These were the USCM-NLC, NAHRO, NAHB, NHC, AIA, and AIP.[25] NAREB/NAR was again the only organization that supported the President.

Its spokesmen included a brief statement of endorsement for the BCA in their testimony before the House Subcommittee but did not indicate any such support in their testimony before the Senate Subcommittee.

A conspicuous theme in the testimony of those who opposed the BCA in the 93rd Congress was that the integrity of the nation's urban policy objectives should be preserved. In other words they insisted that the legislation should continue the nation's commitment to the same kinds of urban programs that had been funded in the past. Along with this, opponents of the BCA also stressed the importance of linking housing programs to community development programs. These groups feared that both housing and community development programs of the type that were already in place would be cut back by local governments exercising the greater authority that the New Federalism would grant them. Effective application and review provisions, which were contained in both the House and Senate counter-proposals but abandoned in the administration's bill, were seen as the best insurance that this would not happen.

As in the 1971 hearings, the USCM-NLC and NAHRO led the way by stating the most forceful arguments. Besides advocating the preservation of federal urban objectives and the linkage between housing and urban development, these groups also spoke directly to the issue of the relative merits of the distributive schemes contained in the pending bills. By doing this, they addressed the inner layer issue more directly than they had in the past. They supported the retention of past experience as a formula element and opposed the move to limit hold harmless to five years of protection.

Speaking before the Senate Subcommittee on behalf of the USCM-NLC, Mayor Roman Gribbs of Detroit stated that:

> As anyone who has struggled with the primitive state of the art of our national data collection system knows, we are a very long way away in this country from accurate, objective, reliable social indicators. As a result, we would contend that the rough but nonetheless important minimum guarantee formula [the hold harmless provision] has at least as high a correlation with need in this area, as does the proposed Census Bureau formula.
>
> For these reasons, the minimum guarantee provisions should be maintained as a fixed feature of the program and the companion past performance measure should be retained as a fourth factor in the formula -- which is to say that we continue to support the Senate bill on this issue. [203, p. 453, see also p. 471]

NAHRO's Robert Maffin made similar points in describing his organization's chief concerns:

> <u>Sixth, the allocation and distribution of federal funds should be based on local need, capacity to perform, and previous commitment to the national objectives embodied in this program</u>. If a formula is used for the distribution of funds, it should take into account a community's past performance as reflected in its use of existing federal community development programs. Likewise, all communities -- regardless of size -- now participating in the major community development programs should not be penalized by reduced federal funding if a formula approach is adopted. They should be held-harmless at current levels until it is clearly demonstrated that their community development needs have been met. [203, p. 1254; see also 192, pp. 1273-1274]

The opposition of urban growth coalition members to the President's community development proposals during the 92nd and 93rd Congresses was consistent with their status as <u>clients</u> of ongoing urban development programs. The chief goal of those groups that became active on the CDBG issue was to protect their membership against cutbacks in those programs. This was particularly true of the USCM-NLC and NAHRO, whose members were the most intimately involved in administering those programs.

At one level, this goal was pursued through seeking programmatic protection -- protection for the continuing existence, at the local level, of urban development programs in the face of the perceived willingness of local governments to let these programs lapse in the absence of federal oversight. Hence there was an insistence on strong application and review provisions and a joining of debate on the issues of the outer layer. Additionally, urban growth coalition members sought to protect the existing geographic distribution of federal urban aid. They opposed redistributive schemes that would cut budgets in localities that had been active users of the existing programs. This goal was mainly pursued through the positions taken on the application and review issue, but it led some members to adopt explicit positions on the formula issue also. In the pursuit of their protective purposes, groups within the UGC came to form a bloc of opposition that would have to be overcome if redistribution were to succeed.

Two concluding observations can be offered from this examination of the key participants in the decline process. The first is that member groups of the urban growth coalition tended to act as clients of existing federal programs. The positions that they took in support of existing arrangements largely expressed this client relationship.

The second observation is that urban growth coalition members were not, by and large, advocates of Formula A.[26] As was expected on theoretical grounds, they did not encourage the establishment of a CDBG formula that would cause redistributive consequences along the decline dimension. In other words, the decline process did not play a role in promoting Formula A. If an explanation of Formula A is to be found, one must turn to an examination of the regional and partisan processes instead.

Region: Sunbelt Influence on Formula A

The quantitative results have shown that Formula A produced a redistribution of CDBG entitlements that was favorable to the Sunbelt. The notion that a regional process was influential in shaping CDBG policy might lead one to expect that Sunbelt Legislators were responsible for initiating the proposal that contained Formula A. Or, at a minimum, one might be led to expect that although Formula A was devised by other parties, it was heavily supported by Sunbelt Legislators, who were practicing the politics of regionalism. However, a review of the history of CDBG legislation causes one to reject such interpretations.

The most obvious reason for rejecting the first of these interpretations is that the initiatives that had the strongest redistributive consequences were executive initiatives rather than Congressional ones. In the 92nd Congress, the most clearly redistributive proposal put forward was the administration's special revenue sharing bill, while in the 93rd Congress, the administration's Better Communities Act carried the animus for redistribution.[27]

The administration's 1971 initiative was developed within the confines of a tight circle of White House and OMB staffers. There was none of the usual "touching bases" or "seeking input" with the Republican Congressional leadership before the public announcement of the finished proposal. In fact Representative William S. Widnall (R-NJ), the ranking minority member of the House Subcommittee, openly complained about feeling isolated from the administration's thinking at this point [103]. When Seantor John Tower (D-TX, and the ranking minority member of the Senate Subcommittee) introduced the President's bill into the Senate, he did so on a "by request" basis, invoking a Congressional nomenclature that allows a Legislator to introduce a bill but at the same time to dissociate himself from its contents [182, p. 11401]. By introducing the bill "by request," Tower was signaling that the bill was not of his making and that he did not necessarily endorse all of its detailed provisions.

The genesis of the Better Communities Act of 1973 repeated this pattern. It too was developed within administration circles, and, again, Senator Tower introduced it on a "by request" basis [184, p. 14665]. In introducing the bill, Tower said that he was "concerned" about the new plan for limiting hold harmless protection and noted that the idea "merits further consideration" by way of careful Subcommittee scrutiny [184, p. 14693]. These reservations made it clear that the bill was not of Congressional origin.

Since neither bill germinated within the Congress, it can not be plausibly held that redistributive proposals emanated from a faction of Sunbelt Legislators.

On the other hand, the least redistributive proposal to come before the Congress during those four years, the 1971 Senate counterproposal, was directly attributable to Senator John Sparkman of Alabama.[28] With its allotment scheme based solely on past experience, the Sparkman bill would obviously have perpetuated the Frostbelt favoritism of the past.[29] Thus, in the only case where the hand of a Sunbelt Legislator is discernable as a force in devising a block grant proposal, the result of his efforts was to minimize regional redistribution rather than to bring it about.

Aside from the fact that the redistributive proposals were not initiated by Sunbelt Legislators, the pattern of support given to the various bills once they had been drafted does not indicate that a politics of regionalism was at work. Regional identifications were not important determinants of support or opposition to the alternatives at hand. Instead, Sunbelt Legislators were quite divided over the issues at stake.

Senator Tower, after registering his initial stand-offishness about the administration's initiatives in both Congresses, shouldered the burden of his office as ranking minority member and became the administration's leading supporter in the Senate. Senator Sparkman, on the other hand, played a leading role in opposing redistribution. Besides authoring the Senate's 1971 counterproposal, he steered his Senate Subcommittee into rejecting any formula approach during its markup sessions of 1973-74. Representative Gonzalez took yet another position, rejecting both the administration's initiatives and the Congressional counterproposals. Casting one of the three votes against the 1974 House Committee report and one of the twenty five votes against the bill on the House floor, Gonzalez remained a die-hard supporter of the categorical system [185, p. 20315; 193, pp. 187-188].[30] The existing record does not contain any evidence that Representative Stephens (D-GA) took a strong stand either way on the distribution issue.

In summary, the regional process was not influential in the establishment of Formula A. That formula was not devised by Sunbelt Legislators. Thus, the regional interpretation suggested by the quantitative analysis has not been substantiated by a qualitative investigation.

Partisanship; The CDBG Program as a Republican Policy

In contrast to a regional interpretation, a partisan interpretation of the CDBG program can be supported by the qualitative evidence. The view advanced here is that partisan considerations played an important role in the decision to replace the categorical system with a set of block grants.

This interpretation rests heavily on the distinction between the outer layer issues of CDBG policy and the inner layer ones. The role of partisanship in resolving the outer layer issues was quite clear. Its role in resolving the inner layer issues -- the more direct issues of how entitlements should be distributed -- was somewhat less clear. It will be useful to discuss the former before the latter.

There are good reasons for concluding that the administration did see the block grant program, taken as a whole, as a means of changing the way that federal urban aid was distributed. In particular, the Nixon administration attempted, through its community development proposals, to break down a set of political linkages that had formed around the categorical system. These purposes can best be seen by examining the political climate from which the CDBG program emerged.

From the outset, the administration made it clear that it opposed the generous treatment that some cities had secured under the categorical system. Speaking during the 1971 Senate hearings, Secretary Romney said:

> I agree that a locality should continue to receive funds in amounts at least equal to its past level of grants, and this would be done under the administration bill with the hold-harmless standard. However, I don't believe that a maximum grant formula should be based solely on past levels of activity under standards that would perpetuate the most generous treatment to those who had been best treated in the past, while continuing to exclude others. The [Senate] bill's formula appears to me to be unfair to many communities whose urgent needs, under any objective standard, have outstripped their past ability to capture Federal grant funds. These communities should be entitled to receive funds in accordance with their needs and as a matter of right, as under the proposed administration formula. [189, p. 48]

While basing their case on fairness in response to needs, administration officials also recognized that this generous treatment to some cities was rooted in the political linkages between the federal government and its urban clients. Edward Banfield, the administration's leading advisor on urban affairs from the academic community, put it this way:

> Look at all the hocus pocus the Hud Department goes through now in disbursing aid, even thoug it is understood on all sides that certain cities will have to get certain proportions.
>
> I remember during the Johnson Administration when they found out that certain cities hadn't applied for a certain program; so Hud sent their own guys out to write the forms for them so they could get the amount of money that political reality dictated. [107, p. 731]

The administration's objections to the existing distribution system were based in important ways on its opposition to the political linkages between the Department of HUD and Democrat-controlled city governments. These were linkages that had been inherited from the previous administration. During the Great Society years, a cozy relationship grew up between the newly-founded Department of HUD and the big-city Democratic strongholds, which had been a vital part of Democratic electoral success since the New Deal. HUD money fed the mayors' abilities to carry out their urban development programs and thus show the local electorate that they were "doing something for the city." At the same time, mayoral support for HUD programs upheld the liberal urban policy strategy of the Democratic Party, and mayoral endorsements helped keep Democratic candidates in office. Bureaucrats and building interests were also hooked into these linkages. As the National Journal observed:

> Washington's political life feeds off the categorical grant-in-aid programs, and one of the dominant facts of life in the city is the great number of high-powered political circuits that connect members of Congress, bureaucrats, and interest groups. The power that drives each one of the circuits is the stake that all three groups have in federal spending programs. [14, p. 1927]

The spending inequities in model cities and urban renewal were visible signs of this mutually reinforcing set of federal-local political linkages. Grants were made available on the condition that they be used for generally liberal purposes, while cities where the political climate accepted such purposes were in a better position to secure the grants. But this was a system from which the Republican Party had little to gain -- except through its dissolution.

In the early 1970's important weaknesses appeared in these linkages. In part, the very proliferation of urban aid programs contributed to these weaknesses. Each new program brought with it a burden of red tape that tangled up local efforts and threatened to choke off innovative solutions. All across the country, mayors decried the red tape, the delays, and the distortions of local priorities that came along with the federal funds. Many came to agree with the description given by Wes Uhlman, the Democratic mayor of Seattle: "that the present system of aid is insane, there's just no other word for it" [102, p. 1398]. Disenchanted with the categoricals, mayors of all political persuasions were looking around for a new solution.

At the same time, the Republicans had shown that they could attract mayoral support. The mayors became enthusiastic supports of Nixon's general revenue sharing plan (at least before they realized that budgets would be cut in the wake of its passage) and applauded the administration accordingly [107]. If the administration could revamp the categorical system to respond to mayoral criticism it could neutralize the urban issue as an issue on which only the Democratic Party had something to offer. In short, the time appeared to be ripe for dismantling the urban/Democratic linkages that had been fed by the Great Society programs:

> The proposal [the administration's 1971 bill] thus posed a serious challenge to the historic link between urban politicians and the Democratic party by placing a Republican president squarely behind an idea with strong support among the nation's mayors. [165, p. 262]

To replace these linkages, a new coalition was expected to materialize. The Republican Party would reach out to local governments in more conservative cities -- cities that hadn't been heavy users of the categorical programs because of their lack of enthusiasm about the liberal purposes of those programs and because of the restrictions that had been designed to ensure that those purposes had been met. These would tend to be the growing cities of the Sunbelt, as the quantitative analysis of the hold harmless distribution has shown. Charles Orlebeke, HUD's man in charge of the President's proposals in 1971, was confident that such a coalition was within the administration's reach:

> When those not swinging with the federal government under the categorical setup realize what they will get through a shift to the revenue-sharing approach, then a real groundswell will develop. Just wait til we can start putting out booklets showing what each community will get under general and under each of the specials; then we think we'll see some real support generated.
>
> For example, John Sparkman wants to know what his Alabama communities are going to get; that's a perfectly valid reaction and we expect to meet it. We know that we are dealing with political realities down here and not political science. [107, p. 731]

Creating such a new urban constituency would fit precisely into the Southern Strategy on which Republican hopes for becoming the majority party rested [156]. If the administration could launch a solid appeal to the urban South while solidifying the Republican hold in the urban West, states throughout the Sunbelt could be counted as safe states for Republican candidates. Thus, the regional appeal of Formula A went hand in hand with its partisan purposes. It wasn't Sunbelt Legislators that redistributed funds to the Sunbelt through the well-worn politics of the pork-barrel but a Republican administration that did so by practicing a new Republican Southern strategy that reached out to create a new urban constituency.

As it turned out, the groundswell of pro-administration support that Orlebeke had predicted failed to materialize during the 92nd Congress. Far from being split over the issue, the mayoral organizations strongly opposed the administration's initiatives and gave solid endorsements to the House and Senate counterproposals instead. Nor would other organizations offer much support. In both the House hearings and the Senate hearings, Secretary Romney stood virtually alone among the witnesses as a supporter of the administration's plan.

The compromises that were reached by both the House and the Senate Subcommittees during the 92nd Congress further weakened the basis on which the administration hoped to appeal to a new urban constituency. Both compromises retained more application and review than the administration thought would be desirable. They also forced cities that wanted to get development funds into having to accept housing programs for the low and moderate income residents that could be expected to reside in the community. This clearly would not go down well with those conservative communities that hadn't been enthusiastic about the Great Society programs of the past.

These factors go far toward explaining the administration's failure to push hard for the urban bill during the Pattman stall. Several observers, including Representative Ashley, noted that the stall could have been defeated if the administration had thrown its support behind the compromise bill [109; 139]. Apparently the administration felt that it could get a better deal, a better basis for appealing to a new urban coalition, out of the 93rd Congress, given an impending Republican landslide in the 1972 elections.

In short, the theme of breaking apart Democratic political linkages and replacing them with Republican ones ran throughout the history of the CDBG program in the 92nd Congress. Partisanship, then, provides an essential part of the explanation of why the block grant program came into existence in the first place. The partisan process, acting in concert with a regional Republican strategy, was decisive in resolving the outer layer issue of whether an automatic formula should be established.

This conclusion serves to heighten one's curiosity about the role of partisanship in resolving the inner layer issue. Did the Nixon administration design its proposed formula with an eye toward the partisan effects that would be produced? Or was it simply a fortuitous circumstance that the redistributive impact of Formula A coincided with the partisan purposes that the administration had pursued on the outer layer issue? The documentary record casts doubt on the idea that Republican strategists carefully deisgned their original formula so that it would produce redistributive impacts.

At this point one runs up against an important limitation of the method that was used to produce this legislative history. Conclusive answers to these questions would depend on evidence about the knowledge and intentions of those who drew up the formula. Yet, as noted in Chapter One, documentation on the executive side of policymaking is relatively sparse.

Some statements of the administration's thinking with regard to the outer layer issue are available in the documentary record, and these have been used to construct the case presented above. However, the record does not contain any parallel statements that reveal the thinking that went into the design of the formula itself. Therefore, the case for doubting that the formula was designed to produce redistributive impacts rests on somewhat more indirect evidence.

As has been noted, the original administration formula was generally redistributive in character insofar as it shared three elements in common with Formula A -- population, poverty, and overcrowding. However, as the quantitative excursus of this chapter has shown, the formula's fourth element, housing deficiency, was out of character with the other formula elements. It could be plausibly held that poverty and overcrowding were chosen because of their redistributive impact, but the case would be much harder to make for housing deficiency.

Also, it was widely understood, at the time, that inadequate plumbing was defective as an indicator of the overall condition of housing units. The measure was easily criticized on this basis [189, pp. 467, 691].

Finally, one must remember that the formula proposal was drawn up rather quickly. It does not seem likely that there would have been enough time to conduct a careful analysis of the formula's redistributive effects between the mid-January decision to propose block grants and the late-March selection of a formula.

Taking all of these considerations together, it seems doubtful that the formula elements were carefully chosen on the basis of their redistributive impact.

As one turns to the record of CDBG policymaking during the 93rd Congress, the issue becomes one of whether there came to be a more explicit realization of the partisan purposes that could be achieved by the way that the formula was designed. Again, the evidence is somewhat indirect, but it supports the idea that there was such a growing awareness among administration policymakers.

In 1973 the administration set out to accomplish its community development objectives with renewed vigor. The provisions of the Better Communities Act indicated a willingness to fight for more than the administration had been able to achieve during the previous Congress. John Ehrlichman summed up the administration's inflexible mood in the following statement:

> The Administration line is: revenue sharing first, last and always, and we're just not going to talk about unsatisfactory alternatives. [92, p. 215]

Critics of the administration also took note of this inflexible posture. Richard E. Eckfield, a Washington lobbyist for several cities, complained that:

> It's the same old Watergate arrogance. Instead of building on the tremendous support for last year's Senate and House bills, the Administration went back to ground zero. [120, p. 797]

The administration's continuing desire to break apart the political linkages at work in the categorical system led to a number of changes in the new bill. Chief among these was the renewed insistence on minimal application and review requirements. But also, this desire led the administration to scrap both the indefinite hold harmless protection and the inclusion of past experience within the block grant formula. The removal of both of these vestiges of the categorical system produced a distinctly more redistributive plan than that embodied in the existing compromise.

At the same time, the administration still hoped that it could build a larger constituency for its community development initiatives. The most noticeable chance in this regard was the strengthening of relations between the administration and the counties.[31] Urban counties had been brought into the BCA on terms so generous that they were described as "almost too good to be true" [120, p. 808]. Officials for the National Association of Counties (NACO) were delighted that counties were finally recognized as a legitimate level of government. All along they had been saying: "We love the New Federalism, we only want to be a part of it" (NACO executive director Bernard Hillebrand as quoted in [16, p. 1936]).

Others thought that the counties were getting too much. John Gunther, executive director of the USCM said that:

> Some of those wealthy counties will have a hard time figuring out what to do with the money. [120, p. 803]

In a waggish comment, an aide to the mayor of San Jose said that the bill should have been named the Better Conties Act [120, p. 808].

The differences between the Better Communities Act and the compromise bill reached during the preceding Congress supply the first indication that the administration had come to recognize the redistributive potential that was at stake in the inner layer issues. Each change that was made in the earlier compromise would help the Republican Party. Limiting hold harmless was a step away from the existing distribution system, a step that the administration hadn't sought in 1971 initiatives. The insistence that past experience not be used as a formula element also enhanced the bill's redistributive potential. Finally, the inclusion of urban counties as entitlement funds toward suburban areas where the Nixonian "Silent Majority" was strong.

The second indication that the redistributive impact of inner layer provisions had come to be better appreciated is to be found in the nature of the tradeoffs that were made during the consideration of the bill. The administration lost its preferences on both the formula issue and the application and review issue during the Senate's markup sessions. During the House markup sessions, however, it was able to effect a compromise by trading off one preference in order to keep the other. At this point, the administration held fast to its inner layer preferences while making concessions on the outer layer provisions that it had originally emphasized in 1971. As a result, the final bill contained all of the formula provisions of the BCA, but provided for the "front end" review that had been outlined in the Barrett-Ashley bill. One can observe, then, a shift between the administration's initial emphasis on outer layer issues and its later emphasis on inner layer ones.

In summary, the partisan process played a fundamental role in the evolution of CDBG policy, but perhaps not quite the role that one might have expected. The partisan process had its greatest impact by providing a political raison d'être for creating a system of automatic, formula-based grants. The political benefits that the Republican Party stood to gain by breaking up the categorical system were a central factor in the party's desire to establish the CDBG program.

Given this fundamental role, one might expect that the partisan process was influential in shaping all of the important aspects of CDBG policy, but this was not the case. It is doubtful that the block grant formula was designed, from the outset, with a careful eye on producing redistributive effects. Instead, it appears that partisan purposes were brought to bear on the inner layer issues at a somewhat later stage, as policymakers gained a fuller appreciation of the redistributive potential at stake in any block grant formula. This brought the inner layer provisions of administration initiatives into closer conformity with the redistributive aims that the administration had held all along.

CHAPTER EIGHT

THE ESTABLISHMENT OF A SECOND BLOCK GRANT FORMULA

(1976 - 1977)

PART ONE: EVENTS

CDBG Reauthorization; Time Constraints, Preliminary Senate Hearings, and HUD Analysis

In marked contrast to the long and laborious process by which the first block grant formula was established, Formula B was established in less than a year. This quickening of the urban policy process was produced by the intersection between the reauthorization of the CDBG program and a newly adopted Congressional budget procedure. A most salient part of the story of the second CDBG formula turns on the timing constraints that this intersection created.

The original Housing and Community Development Act of 1974 carried an authorization for the first three years of what was intended to be a six-year program. A renewed spending authorization would have to be passed for fiscal years 1978 through 1980. Also, as noted in the previous chapter, the original act stipulated that HUD was to provide a comprehensive review of the program by March 31, 1977. It was envisioned that after receiving this review, the Congress would have several months to debate the future of the program before reauthorizing it for the coming fiscal year. Final legislation was expected in late summer, which would be in advance of the October 1 beginning of a new fiscal year.

Another 1974 bill, the 1974 Congressional Budget and Impoundment Control Act, derailed these calculations. Under this act, new deadlines for all Congressional actions that required budgetary outlays were established. By March 15, all committees would have to send their spending estimates for the coming fiscal year to the House and Senate Budget committees. By May 15 all hearings and markup sessions were to be completed and all bills containing authorizations were to be reported to the House and Senate floors.

This process made it very difficult for the newly-elected Carter administration to launch much in the way of new programs for fiscal 1978. Following a mid-January inauguration, the Carter people would have only two months to develop their entire budgetary package, lay it before the Congress, and secure an agreement on the total funding levels that would be needed. All of these steps would have to be completed before the March 15 deadline [147]. Carter's team would have to hit the ground running and running hard.

These time constraints created an environment for CDBG reauthorization that maximized the importance of an early consensus. With such tight timing, any of a number of the key participants (Legislators or interest groups) would be in a position to stall long enough to block the entire federal urban development effort. Controversial proposals were avoided; only plans that fit well into the known interests of the key participants could be floated with any reasonable chance of success. It was not, as in the Nixon years, a propitious time to "push for as much as you can get" within an atmosphere of conflict.

The end product would also have to be a <u>bipartisan</u> effort. The outgoing Ford administration would be announcing its fiscal 1978 budget proposals knowing that it would be out of office when the Congress acted on those proposals. The incoming Carter administration would not have time to do more than stamp a few of its own highest-priority items onto the Ford corpus. Lesser programs would have to be fit within the parameters established by the Ford budget [48; 174].

In the expectation that they would need a head start on the reauthorization process ahead, both the Ford administration and the Senate Banking Committee[1] began preliminary work on the block grant question in mid-1976. The administration, then preoccupied primarily with securing its reelection, sped up the pace of its monitoring effort [59]. This effort consisted chiefly of HUD's own internal analysis by its Office Policy Development and Research (culminating in the Bunce report [222]) and the analysis work that it had contracted out to the Brookings Institute [133]. There was also a less important study being undertaken by the GAO [180]. All three studies were slated for completion by the last months of 1976. HUD Secretary Carla Hills put together a block grant task force that was scheduled to complete its recommendations by the end of December [59].

Meanwhile, the Senate Banking Committee held its own oversight hearings on the administration of the CDBG program. These hearings took place between August 23 and August 26, 1976, and they will be referred to here as the 1976 Senate Hearings [205]. The hearings were something of a one-man show, with Senate Banking chairman William Proxmire (D-WI) being the only Senator present for most of the proceedings. Proxmire had taken over the committee chairmanship from Senator Sparkman, who had abdicated that office in order to chair the Senate Foreign Relations Committee. At the same time, Senator Tower had passed the ranking minority seat on to Edward Brooke (R-MA) in order to become the ranking minority member of the Senate Armed Services Committee. Neither Sparkman nor Tower would play nearly as influential a role in the 1977 legislation as they had played in the CDBG legislation between 1971 and 1974.

In keeping with Proxmire's well-known role as a budgetary watchdog, the hearings concentrated heavily on the outer-later issue of whether localities were spending their block grant funds for purposes that were consistent with the Congressional intent. This concern for the intra-city uses of the funds may be called the focusing issue since its main theme was the question of how strongly entitlement recipients had focused their community development programs on those census tracts where the average income levels were very low. At issue was whether there should be legislative requirements to tighten such focusing. This was to be the last time that the outer layer issue of the proper degree of federal oversight would play a leading role in block grant deliberations.

Although HUD's internal analyses of the program were far from complete at this time, some analyses from independent sources were available at the hearings, and these were given much attention. The studies then available were Victor Bach's "The New Federalism in Community Development" [4], the Southern Regional Growth Council's A Time for Accounting; The Housing and Community Development Act in the South [9], and NAHRO's first year report Year One Findings; Community Development Block Grants [134]. None of these analyzed nationwide distributive patterns; instead, all three attempted to assess how well local governments were internally matching funds to their neighborhoods of greatest need. The conclusions were critical of local performance to date after finding that an insufficient amount of the funds produced benefits in low and moderate income neighborhoods.

While focusing was the chief topic of the hearings, some crucial positions on the distributive impact of the new program were also registered by those who testified. Key members of the urban growth coalition picked up where they had left off in 1974 by opposing the impact of Formula A. The USCM, NLC (by now separate organizations), and NAHRO all warned that the cities which would be losing money as the hold harmless protection began to be phased out were those with the greatest needs [59; 205, pp. 200ff, 389ff, 402ff]. An NLC spokesman (a city councilman from Baltimore) provided a typical statement of this position:

> First, a number of communities, including my own city of Baltimore, face substantial reduction in program funds after the third year of community development. To many of us this seems a highly inappropriate national response to the most difficult urban problems before us. We do not feel it is sound philosophically or economically to tell most of the major central cities that they should address intensified problems -- often aggravated by, if not derived from, national policies -- with diminished national resources. A way must be found to deal with this issue. [205, p. 405]

Also, local officials began to sound the alarm as they looked ahead toward the coming fiscal year and saw that the phasing out of hold harmless would cause large cuts in local programs. This "phaseout" problem would become one of the persistent concerns of the reauthorization debate. A delegation of officials from Boston, one of the cities hit hardest by the hold harmless phaseout, brought before the Committee a set of projections that showed dire consequences of the hold harmless phaseouts for cities throughout the New England region [205, p. 237ff]. One can assume that similar messages were being informally communicated to Congress by other local officials as discontent with the impending phaseout percolated upward.

These warnings triggered a Congressional response. Both Senators Proxmire and Brooke announced openly that they would seek to change the distribution process during the coming reauthorization hearings [73; 205, pp. 197-198, 407].

The regional basis for their concern came out most clearly in a statement that Senator Brooke made before the Committee:

> What were my concerns about this program in 1974? First and foremost, I was concerned about the formula for allocation of community development funds at the time of passage of the 1974 act. And I become increasingly disturbed about the inequitable results flowing from that formula. The current formula shortchanges many of the neediest cities and towns, particularly the old cities of the Northeast and Midwest. In fact, it is only the "hold harmless" clause which has protected most of the older cities from severe reductions in vital funding. . . . If we are to deal with the problems of our older cities, I believe that the distribution formula must be modified to direct the scarce resources available to the areas of greatest need. [205, pp. 197-198]

Enunciated by both the chairman and the ranking minority member of the Senate Banking Committee, the Brooke-Proxmire position established a basic demand for regional adjustment that would have to be resolved during the reauthorization process. Given the time pressures at work, it is not surprising that the Ford administration sought to accommodate this demand rather than try to overrun it.

As the Senate hearings wound up, the 1976 presidential campaign was getting into full swing. The rhetoric of a presidential campaign usually sheds some clarifying light on the politics at stake in pending policy issues, but in 1976 neither the Republicans nor the Democrats tried to make a campaing issue out of the upcoming reauthorization of the CDBG program.

In their bid for support on urban issues, Ford campaigners preached the virtues of their anti-inflation policy and offered proposals for lowering down-payments and reducing early repayments for FHA-approved mortgages [57; 64; 129]. The Republican platform of 1976 made only a vague reference to the CDBG program [67].

Democratic campaigners tried to woo support by stressing the need for reinvigorating federal subsidies for housing construction and by promising to initiate a bold new program to spur economic development in the nation's cities [63; 64; 70; 71]. The latter eventually took shape as the Urban Development Action Grant (UDAG) program. The Democratic platform also contained only a very general statement about the CDBG program [66].

Meanwhile, HUD's analysis of the block grant program proceeded. Leaks and hints dropped along the way gave interested parties an idea of the options that were under active consideration.

It was clear from the outset that HUD was looking for a way to change the block grant formula [59]. Early reports indicated that such variables as age of housing stock, educational level, cost of living, tax effort, and families headed by single women were all analyzed as possible variables to be included in a revised formula [72]. As the analysis proceeded, attention narrowed on age of housing stock [62]. Exactly how this new element would be worked into the formula was unclear. The possible options appeared to be: adding it to the existing formula elements, replacing one of the existing formula elements with the new choice, or devising a supplemental formula that would distribute additional funds among cities facing a hold harmless phaseout [61; 62; 65].

Any revising of the block grant formula, however, posed a serious political dilemma. It was clear that any reauthorization bill that did not amend the existing formula would face tough sledding, especially in the Senate. But in order to provide additional funds for phaseout cities, money would have to be taken away from other recipients. Cities which had recently benefitted from Formula A were sure to resist giving up those benefits, and given the tight timing constraints on the reauthorization process, this could be fatal to any new proposal [61; 65].

As the administration sorted through thes issues, it relied heavily on the findings of the Nathan and the Bunce studies [133; 222]. Although these findings were reviewed in Chapter Three, some of them bear a repetition at this point because of the imprint that they left on the Ford administration's proposal.

Perhaps the single most influential finding of the Nathan study was that the phasedown of hold harmless would have its strongest impact on the Frostbelt region, particularly on the New England states [133, ch. 4, ch. 5]. It also made use of the Nathan-Adams index of central city hardship to demonstrate that these "phasedown cities" also tended to be the most distressed cities [133, ch. 6]. In searching for an alternative formula, the Nathan study tried out various combinations of the original three formula elements with age of housing stock [133, ch. 6]. The study recommended the adoption of a new formula containing population, poverty, and age of housing stock, the latter weighted double. Also, the study recommended that a dual formula process be established, following a precedent that had been set by the general revenue sharing program [133, ch. 6].[2]

The Bunce study showed that the hold harmless distribution was poorly matched to urban development need [222, ch. 5]. It also found that Formula A was responsive to only one of the five principal dimensions of need [222, ch. 5]. Like the Nathan study, the Bunce study evaluated alternative formulas that were formed by various combinations of age of housing stock with the three original formula elements [222, ch. 6]. No one particular alternative was endorsed as the best revision of the existing formula, but one of the alternatives that was studied, "Alternative 6," carried the weightings that were eventually used in the administration's proposal: (.20) population, (.30) poverty, and (.50) age of housing stock. Also, the Bunce study examined population decline as a condition reflective of need [222, ch. 8]. This led to the suggestion that population decline might be another formula element worth considering, although no such suggestion actually appeared in the Bunce report.[3]

Taken together, these studies had a fourfold impact: (1) The regional inequities that both local officials and some Legislators had been complaining about were decisively documented. (2) It became impossible to argue that the best way to counteract the phaseout problem was to extend hold harmless indefinitely since such a move had become " . . . difficult to justify in the face of study findings that funding on the basis of prior HUD program participation is both arbitrary and inequitable" [69, citing a HUD transition paper]. (3) Attention became focused on age of housing stock as a key component of any revised formula. (4) A dual formula process had been suggested.

These evaluation studies also pointed a way out of the political dilemma inherent in creating a new block grant formula by showing that a "something for everybody" compromise was possible. The Nathan study found that there would be an enormous increase in the size of the metropolitan discretionary fund, the amount that was available to distribute among smaller suburbs (those less than 50,000 in population) on the basis of HUD-approved applications [133, ch. 5]. As hold harmless was phased out, this fund would grow far beyond the size of the aggregate amount that small cities had received under the categorical system. Thus, it would be possible to fund a second block grant formula out of this pot. Through a new dual formula, declining Frostbelt cities could be protected against the phaseout without taking back the gains that growing Sunbelt cities had recently made. Smaller suburban communities would be the new losers, but only in the sense that their expected gains would not occur; they would not lose money in absolute terms.

The political effect of this was magic. There would be no "new class of losers" whose objections might stall the reauthorization process. Once this solution was perceived, the HUD team moved forward with confidence, and talk that the reauthorization might be snagged lessened considerably.[4]

Reauthorization Proposals and Congressional Deliberations Through the Markup Stage

The outgoing Ford administration announced its new block grant proposals in its fiscal year 1978 budget message of January 17, 1977 [48; 82; 167; 186, p. 1309ff]. Ford proposed a dual formula mechanism under which the second formula was to consist of the elements poverty, age of housing stock, and population decline (if positive). The weights to be used were to be .30, .50, and .20, respectively. The new money needed for the second formula was to come out of the metropolitan discretionary fund. In short, the Ford proposals were exactly like the CDBG plan that would later be enacted except for the later substitution of growth lag for population decline as an element of the second formula.

The incoming Carter urban policy group was ill-equipped to do much beyond making minor additions to these Ford proposals. The new secretary at HUD was Patricia Roberts Harris, who had not had any experience in the housing and urban affairs field. As such, her appointment was greeted with a chorus of disappointment by spokespersons for the established urban interest groups [68].

Aside from inexperience, the atmosphere at HUD was colored by a degree of haste. Harris was not selected for the HUD post until December 21, 1976, a date somewhat later than the original target date for assembling a new cabinet [230]. The new secretary, herself, fell behind schedule in filling HUD's top positions. Nominees for the top nine assistant and undersecretary positions were not sent to the White House until February 22, just two days before the administration's new urban proposals were unveiled before the House Subcommittee [56].

The House Housing Subcommittee had been scheduled to begin its hearings on block grant reauthorization on February 24. A written statement of the administration's urban proposals was supposed to have been submitted to the Subcommittee membership just prior to the opening of the hearings, but this deadline was not met. Thus, the hearings opened in an unusual fashion: no drafted bill was available at their outset, and the administration's proposals were first disclosed in the oral testimony of the Secretary of HUD [195, pp. 1-2].

Despite these problems, the Carter administration was able to make some changes in the Ford urban proposals. Chief among them was the proposal for an Urban Development Action Grant (UDAG) program. In keeping with Democratic campaign promises, UDAG was to provide grants to cities that were trying to put together local economic development packages. The idea was that UDAG grants would enable localities to take advantage of situations where public commitments could be decisive in enticing (or "leveraging") private investments for urban development.

On the block grant issue, the only change that the new administration made was to substitute growth lag for population decline as a formula element. Growth lag takes into account slow population growth, whereas population decline would have counted only an absolute decline in population. Thus, the new element would be responsive to relative as well as absolute population decline.[5]

Some of the arguments used to promote the administration's proposals shed some insight into the logic behind changing the block grant formula. That logic can best be described as one of saving the hold harmless protection without keeping the hold harmless language.

The political motivation for revising the formula had come all along from the desire to soften the blow of the hold harmless phaseout. Yet, a direct perpetuation of the existing hold harmless mechanism had become, as noted above, impossible to justify. The way out of this problem was to find some new formula elements that could be ostensibly defended as measures of need and that would also have the effect of preventing significant phasedown losses from occurring.

Such reasoning was openly announced as one of the reasons for the new growth lag element. In a statement submitted to the House Subcommittee, Secreatry Harris wrote:

> In a larger sense, a statistical and political virtue of the Growth Lag method is that it benefits more communities than does the original population decline method, and yet the revised method does better than population decline in reducing the number of severe hold

> harmless losers -- (those communities that would still lose more than 50% in comparison to their present hold harmless levels). [195, p. 168]

Similar reasoning was used to defend the new formula package as a whole. Figures accompanying the above statement pointed out that while 182 entitlement cities would have experienced a loss of funds under the existing formula, only 122 cities would experience such losses under the new dual formula. The number of cities losing 25% or more of their funds was to be reduced from 133 to 79 [195, p. 174].

What this reasoning signifies is that policy analysis does not take place in a vacuum. Despite the undeniable influence of policy evaluation studies on shaping the new formula, the formula was not changed simply because analysis had concluded that it should be.[6] Rather, the analysis process yielded suggestions that were useful because they fitted into ongoing political currents.

Hearings on the administration's proposals were held in the House between February 24 and March 9 [195]. There, the dual formula idea achieved the general endorsement that had been hoped for all along. The USCM's representative testified that:

> The Conference of Mayors' policy states that we desire an equitable formula and allocation system which adequately maintains and continues all existing entitlement cities at or above current program levels. It is our view that through a combination of higher levels of funding and a better system for allocating whatever funds are available among cities based on better measures of need, it is possible to obtain a politically acceptable and fair distribution of funds. As we understand it, the Department of Housing and Urban Development has made numerous computer runs using different factors and weighing those factors in a variety of ways. The resulting proposal, in our view, is a significant improvement over the formula in the law. [195, p. 227]

NAHRO's Robert Maffin agreed:

> We applaud the efforts by both the prior and new Administrations to develop a more rational allocation system. NAHRO supports the authorizations for community development activities proposed by the Adminstration for fiscal year 1978. While clearly recognizing that inequities will result from any formula allocation system, we also endorse in concept the allocation and funding recommendation recently unveiled by Secretary Harris. These proposals go a long way toward reversing many serious problems of the present system. NAHRO supports the dual formula concept as it recognizes the special needs of our older cities and mitigates the financial loss that many large cities will face with the phaseout of hold harmless. [195, p. 387]

Some (including both the USCM and NAHRO) had reservations that the new plan would not completely protect all cities against hold harmless phaseouts. On this basis they urged that such unprotected cities be given first crack at the new UDAG funds [195, pp. 202ff, 379ff]. But this was the limit of their discontent with the new proposal; there were no counterproposals launched (as in the past), nor were there any serious efforts to tinker with the dual formula system that had been laid on the table. Instead, the passage of the administration's initiative appeared to be a foregone conclusion.

At the close of the hearings, a bill embodying the administration's proposals was drafted. It was submitted as HR4703 on March 9 [186, p. 6857]. House markup sessions began shortly thereafter. The House Subcommittee took up the bill between April 19 and April 26 [194]. During both markup sessions, revised versions of the bill were drawn up. These bore the numbers HR6112 and HR6655, respectively.

During these markup sessions the first murmurings of opposition to the CDBG proposals surfaced. One area of discontent was the focusing issue. Representatives Gonzalez (D-TX) and Badillo (D-NY) offered an amendment to tighten up the focusing of funds on low income neighborhoods

[83]. Another source of discontent was that smaller, nonentitlement communities would have no guaranteed protection against the hold harmless phaseout (see the dissenting views of Representative Grassley, R-FL, in [194, p. 177ff]).

More relevant to the issues at stake here was the birth of a regional opposition to the bill. Some Sunbelt Representatives registered a reluctance to create a second formula that would principally benefit the Northeast. Their sentiments are best typified by two statements made by Representative Mark Hannaford (D-CA) in his dissenting views attached to the House Report:

> . . . the legislation rests on a premise that I cannot accept. The premise is that we should tax the people of the rest of the country to resolve the problems of neglect faced by the large and old cities of the Midwest and East. [194, p. 160]
>
> The new formula is heavily biased against the West. It is heavily biased against the South, and it is heavily biased against the suburbs. If one represents a district largely comprised of suburbs in the West, he is going to have a hard time explaining this legislation to his constituents. [194, p. 161]

Echoes of this candidly regional reaction to the bill can also be found in accompanying statements by Representatives Richard Kelley (R-FL) and John Rousselot (R-CA) [194, pp. 173ff, 175ff].

Objections to the bill on all three grounds (focusing, small cities, and region) were solidly beaten back by the House Subcommittee leadership. The bill that emerged from the markup sessions was virtually identical to the administration's CDBG proposals and it was endorsed by a full committee vote of 31 to 3 [194, p. 29; see also 186, p. 14098ff for the text of Title I of the bill as completed]. The three dissenting votes -- those by Hannaford (D-CA), Kelley (R-FL), and Grassley (R-IA) --

all came from the ranks of the most junior members of the committee.[7]

Apart from these few defections by very junior members, the leadership maintained the solid consensus that had formed around the bill. The statement of minority views on the bill saw fit to take note of the "overwhelming bipartisan support in the committee" that the President's initiatives enjoyed [194, p. 164].

Having emerged unscathed from the markup sessions, the administration's CDBG proposals were sent to the House floor with good prospects of passage.

As these deliberations were underway in the House, the Senate took the unusual step of splitting its consideration of the proposal into two hearing sessions. The first, held between March 2 and March 4, was aimed at reviewing the budgetary authorizations of the new plan so that the Committee could meet its March 15 budget-requests deadline. The second hearing session, scheduled for April 18 through April 22, was to review and reshape the legislative substance of the proposal.[8]

Contrary to what might be expected from this division of labor, the March authorization hearings were the only ones that gave any attention to the dual formula proposal, and that consideration was far less thorough than what had taken place on the House side. Very brief endorsements were given in testimony statements that were themselves rather short [207, pp. 3ff, 22ff, 75ff, 190ff]. Again, the endorsement was general, and the passage of the dual formula plan seemed a foregone conclusion at the hearing stage.

The Senate version of the CDBG reauthorization bill was submitted on April 6 [186, p. 10612]. Known as S1246, it was essentially a copy of the House bill as far as the new formula process was concerned (the text of S1246 appears in [208, p. 759ff]).

The Senate's later April hearings contained almost no reference to the dual formula. This tone was set by Secretary Harris, who made no reference to the new formula mechanism during her testimony [208, p. 114ff]. The only witnesses that did refer to the plan were Senator Charles Percy (R-IL), who endorsed it in passing, and a delegation of small city mayors accompanied by a representative of the Ad Hoc Committee for Adequate and Assured Community Development Program Funding [208, pp., 499ff, 163-326, especially p. 197ff]. The latter pleaded for a better resolution of the phaseout issue as it affected smaller communities.

Having completed its hearings, the Senate Committee held its markup sessions between May 4 and May 10 [206]. At this stage a really new wrinkle was injected into the debate, the suggestion of a third formula.[9] This would cause major headaches for the bill.

The third formula was called an "impaction" formula, its purpose was to reflect not just the total number of old housing units but their percentage relative to the total city housing stock. The third formula was similar to Formula B in that it contained poverty, growth lag, and age of housing stock (weighted .30, .30, and .50, respectively), but different in that the age of housing stock element was now to be multiplied by an adjustment factor that was to be computed as follows:

$$\text{adjustment factor} = \frac{\text{number of pre-1939 housing units in city X}}{\text{predicted age of housing in city X}}$$

where this new "predicted age" variable was:

$$\begin{array}{l}\text{predicted age}\\ \text{of housing in}\\ \text{city X}\end{array} = \begin{array}{l}\text{total number of}\\ \text{housing units in}\\ \text{city X}\end{array} \; \frac{\begin{array}{l}\text{number of pre-1939 housing}\\ \text{units in all entitlement}\\ \text{cities}\end{array}}{\begin{array}{l}\text{total number of housing}\\ \text{units in all entitlement}\\ \text{cities}\end{array}}$$

[206, pp. 40-41]

In other words, where "number of pre-1939 housing units in city X" had appeared in Formula B, it would not be multiplied by the term:

$$\left(\frac{\begin{array}{l}\text{number of pre-1939}\\ \text{housing units in}\\ \text{city X}\end{array}}{\begin{array}{l}\text{total number of}\\ \text{housing units in}\\ \text{city X}\end{array}}\right) \left(\frac{\begin{array}{l}\text{total number of housing}\\ \text{units in all entitlement}\\ \text{cities}\end{array}}{\begin{array}{l}\text{number of pre-1939 housing}\\ \text{units in all entitlement}\\ \text{cities}\end{array}}\right)$$

Since the fraction in the parentheses at the right is a constant, the magnitude of the adjustemnt would be based on the percentage of old housing stock in a city -- the fraction appearing in the parentheses at the right.

The effect of this new calculation would be to give more money to cities with greater concentrations of old housing. These would be the older cities of the Northeast that had been identified as the biggest losers under Formula A. A HUD analysis that appeared in August showed that out of 156 cities that would benefit from the third formula, 111 were located in seven Northeastern states: Connecticut, Illinois, Massachusetts, New Jersey, New York, Ohio, and Pennsylvania [86].

The idea of impaction had originally appeared in an unpublished block grant study carried out by the New Jersey State Department of Urban Affairs [25, pp. 25n; 89; 173]. Although the study was, and still is, obscure it found a proponent in New Jersey Senator Harrison Williams, who offered an amendment establishing this third formula during the markup proceedings. Senator Williams had not attended any of the sessions of either set of Senate hearings,[10] and his third formula proposal, appear to have been essentially parochial. New Jersey cities suffered heavily from the hold harmless phaseout and also contained heavy concentrations of old housing.[11]

This raised the question of where to get the funds to pay for the additional formula. In order to meet budgetary guidelines, the Senate had agreed that the total cost of the community development package would be the same as the level that the President had proposed and the House had approved. Senator Brooke (D-MA, and a supporter of the Williams amendment) proposed that the extra funds needed should be taken out of the new UDAG program [173]. Since the amount required was estimated at $275 million out of a $400 million program, this measure would have nearly gutted the program [27, p. 27].

The Senate gave, in general, much less support to the UDAG idea than it had received in the House. While analyzing the politics of UDAG is not the purpose of the present discussion, a small piece of the debate over this program should be noted in passing because it underscores a point made earlier about the political linkages that become attached to urban development programs.

Since UDAG's were to be granted on the basis of HUD-approved applications, the program could be expected to foster the same sort of political linkages that had grown up around the old categorical programs. A statement by Republican Senators Garn (R-UT), Lugar (R-IN), and Schmitt (R-NM) (and also endorsed by Senator Tower) indicated that there was an awareness of the potential resurgences of linkages of this kind and an opposition to them:

> We do not question the good intentions of the Secretary in recommending this discretionary program [UDAG] to assist in solving urban problems; however, her authorization request of $400 million annually constitutes a potential political grab bag. This would be true regardless of the political party controlling the White House. Political pressures will be substantial both from within the Administration and from innumerable special interest groups. [206, p. 87]

In the end, the Senate Banking Committee adopted both the Williams amendment and the Brooke amendment. It sent to the Senate floor a CDBG bill with a triple formula and a greatly weakened UDAG program.[12]

Floor Debates, Conference Committee Negoitations, and Final Passage

With the completion of the Senate's markup work, the May 15th deadline for submitting all authorization bills to the House and Senate floor had been met in both chambers. The effect of this was to relax somewhat the need for consensus that the budgetary time constraints had exerted. As a result, disputes over the reauthorization of CDBG could break out somewhat more openly, but most of the basic work of hammering out a bill had already been done. Also, there was an outside limit on the amount of time that the Congress could take on what remained of the reauthorization process since the CDBG program (and the accompanying FHA and Section 8 programs) would have to be renewed by the beginning of a new fiscal year on October 1.[13]

The House took up the reauthorization bill in floor debate between May 6 and May 11 [186, pp. 13887ff, 14098ff, 14351ff]. At that time, the regional debate that had first budded during the markup hearings grew to full bloom. Representatives Hannaford (D-CA) and Patterson (D-CA) offered an amendment to strike the new second formula from the bill [186, p. 14102].

The case for this amendment rested on explicitly regional grounds. Hannaford restated the position he had set forth in the House Report on the bill (see page 203). He was supported by floor speeches from Representatives Kelly (R-FL), Patterson (D-CA), Alexander (D-AR), and Ford (D-TN). All of these supporters gave explicitly regional grounds for their actions; a statement by Representative Kelly was typical of their views:

> . . . the situation clearly is this, that the second or additional formula exists only to give the preferred States and the preferred areas the same kind of preference that they have enjoyed from the outset of this program. The very purpose of this whole procedure is to continue the preference that the cities in the northeast and north central part of the United States have enjoyed from the inception of the program. [186, p. 14106; for the full debate on the Hannaford-Patterson amendment, see 186; pp. 14102-14114]

A vigorous opposition to the Hannaford-Patterson amendment was led by Representative Ashley, who called it the most important challenge that the reauthorization bill was likely to face. He, and the others who joined him in the defense of the new dual formula,[14] stressed that the new plan was supported by a clear consensus of the evaluation studies that had been performed, noted that the plan had received support from both a Republican and a Democratic administration, pointed out that Sunbelt cities would lose nothing since they could still pick entitlements based on Formula A, and called on his colleagues to rise above the narrowness of district interests.

More than anything else, the vote taken on the amendment revealed the regional character of this debate. Table 15 shows the vote broken down by region. Further subdivisions within each cell show the breakdown by party.

Table 15. Vote on the Hannaford-Patterson Amendment.

	Vote for striking Formula B	Vote against striking Formula B
Frostbelt	3 D 5 R 8	131 D 75 R 206
Sunbelt	101 D 40 R 141	42 D 13 R 55
	149 total for	261 total against

D = Democratic votes
R = Republican votes

Source: [186, p. 14114]

Of 149 votes for the amendment, 141 came from Sunbelt Representatives, while 206 of the 261 dissenting votes came from Frostbelt members. Frostbelt opinion was virtually unanimous against the amendment (206 to 8) while a somewhat greater proportion of Sunbelt Legislators "defected" from their regional interests (141 to 55). Party affiliation played no significant role in the vote; both Democrats and Republicans tended to vote their regional interests.[15]

In the end, the amendment failed in the face of united Frostbelt opposition. Having disposed of the Hannaford-Patterson amendment, the House approved the reauthorization bill as a whole by an overwhelming 369 to 20 [186, p. 14390].

The Senate floor took up the block grant reauthorization bill on June 6 and June 7 [186, pp. 17602ff, 17642ff, 17792ff, 17832ff; see also 27, pp. 26-30 for a review of the proceedings]. There were no attempts to amend the formula system during these sessions, this despite the Senate's third impaction formula which would appear to have invited the sort of regional backlash that had occurred on the House floor. Instead, the Senate's new three formula approach for block grants passed through the Senate without incident.[16] The final vote on the bill was 79 to 7, indicating an overwhelming endorsement [186, p. 17862]. It would be up to a House and Senate conference committee to settle the differences between a double and a triple formula approach.

The conferees began this work on June 28 but became deadlocked over the issue of the third impaction formula. This issue became the central focus of the conference deliberations, which lasted until September 26.

House conferees championed the dual formula proposal that the administration had originally offered along with full funding for the UDAG program. Under the leadership of their chairman, Representative Ashley, and with the support of ranking minority member Brown (R-MI), they adopted a hard line, refusing to accept several Senate-offered compromises that still included a third formula.

The administration clearly preferred the House's position. For the House to yield to the Senate would mean the gutting of the UDAG program, which had been the symbolic centerpiece of the Carter urban program ever since the campaign. Apparently, HUD officials began to lobby for the House version of the bill:

> In fact, Hud's lobbying itself became an issue in the often heated debate. Rumors were swirling around that the department, by linking cities' chances of getting action grants with the amount of money left in the UDAG pot, was improperly attempting to get local officials to put pressure on their senators. [78, p. 134]

As authors of the three-formula plan, Senators Williams and Brooke led the Senate conferees in insisting that the impaction formula be adopted at the expense of the UDAG program. Senate Banking Chairman Proxmire supported their position because he had been lukewarm about the UDAG concept all along [74]. UDAG's also found little support among the Senate's Republican conferees, who had recognized the political linkages inherent in the program. In addition to Brooke, Senator John Heinz (R-PA) was mentioned as a key supporter of the third formula [78].

As the deadlock developed, it took on a surprising bitterness. The <u>National Journal</u> called it "a brother against brother" situation and quoted a USCM lobbyist as saying:

> I have never seen a situation filled with more rancour. The angry, almost vituperative exchanges of views were incredible. [173, pp. 1226-1227]

Representative Ashley accused the Senate side of "plundering" the UDAG program [78, p. 134]. Seantor Jake Garn (R-UT) retorted that UDAG was a "400 million slush fund" [77, p. 352].

This bitter cleavage that developed over the impaction formula is not explainable in terms of any of the three institutional processes under examination here. In partisan terms it pitted Democrat Ashley and the Democratic Carter administration against Senate Democrats Williams and Proxmire. Republicans were also split, with House ranking minority member Brown squaring off against Senators Brooke and Heinz.

In regional terms it was a tempest within the Frostbelt camp. All of the leaders mentioned above were Frostbelters. This, in fact, was one of the things that puzzled observers since it was recognized on all sides that the new money available through the UDAG program would, in all likelihood, be distributed to the same Northeastern cities that stood to benefit from the impaction formula. The National Journal concluded that:

> The question now is how long it will take for three strong-willed men, Williams, Brooke, and Ashley, to realize that they are on the same side. [173, p. 1227]

Also, the fight split apart member groups of the urban growth coalition. The USCM and the NLC went on the record in favor of the House version of the bill, while NAHRO and the NAHB sided with the Senate [173].

In short, the three dimensions under scrutiny here are of little use in sorting out this particular phase of the program's evolution.

The deadlocked negotiations dragged on until the Congressional August recess and resumed again in September [77; 78, 84; 86; 87; 88; 90]. Sometime during the recess the basis for a resolution of the issue seems to have been made, but there is no public record of how this came about.

The conference report, which appeared on September 26, contained a clear victory for the House position. (For a text of the report see [81].) The original double formula was accepted and the UDAG program survived at its original $400 million budget. As a consolation to the Senate, the existence of impacted housing age was accepted as one of the primary criteria for selecting participants in the UDAG program [77].[17]

Once the conference work had ended, final passage of the community development bill was expected to proceed without incident. Instead, however, an unexpected, last minute opposition to the second formula surfaced in the Senate [186, p. 31885ff]. Senators Jessie Helms (R-NC), Strom Thurmond (R-SC), and John Tower (R-TX), with help from Senator Jake Garn (R-UT), rose to oppose Formula B on the grounds that it was a giveaway to the Northeast. Both the regionalism and the extreme conservatism of this opposition were captured in the remarks made at the time by Senator Helms:

> If New York is having problems, it is not North Carolina which has refused to punish criminals, allowed the labor unions inordinate control, permitted welfare to run wild, or imposed impossible tax burdens. I see no reason why the rest of the country should maintain a chronic bailout of the Northeast because the political leaders of that area refuse to put their houses in order. [186, p. 31891]

The opposition was successful in inducing 19 Senators to vote against the final passage of the bill [186, p. 31893]. These 19 Senators fell mainly into one of two camps. First, there was a bipartisan group of eleven conservative Southerners (particularly from the deep South plus Texas and Oklahoma). Second, there was a group of five Republican conservatives from Utah, Idaho, and Wyoming -- a group that centered around Utah's Jake Garn.

It is difficult to know what to make of this unexpected Sunbelt opposition. However, two observations are in order. First, regionally motivated opposition to Formula B had not emerged during the Senate Banking Committee's markup deliberations nor during the Senate floor debate on the bill in June. Those who engineered this last minute revolt had had plenty of time to register their discontent at earlier phases of the Congressional process. Second, coming as it did at the last minute, this opposition had no real chance of success. Senators with the long Congressional experience of Helms, Thurmond, and Tower surely must have known this. Given these factors, the best interpretation that can be placed on this action appears to be that it was an exercise in political theater -- a chance for the Senators involved to take a public stand against the bill without genuinely threatening the enactment of the second formula.

In the end, the community development bill passed the Senate by a vote of 55 to 19 on October 1 [186, p. 31893]. House passage occurred uneventfully by an overwhelming 384 to 26 on October 11 [186, p. 32139]. The following day, President Carter signed the Housing and Community Development Act of 1977 into law as PL 95-128 and the second block grant formula became law [186, p. 33911].

PART TWO: ANALYSIS

The tentative conclusions advanced at the end of Chapter Five have indicated that three processes might have been at work in the shaping of a new block grant policy. The regional favoritism of Formula B might have been caused by Senior Frostbelt Legislators seeking to steer benefits toward their region. The formula's favoritism toward declining cities might have been caused by the inflence of the urban growth coalition. Its favoritism toward Democratic cities might have been caused by Democratic policymakers who used the CDBG program to strengthen their party's electoral coalition. As in the preceding chapter, the purpose of this Analysis section will be to see if the workings of each of these three processes can be documented.

Before plunging into the analysis proper, however, it is convenient here to mention that the contrast between inner and outer layer issues will find little employment in the pages ahead. The compromises that four years of debate had reached on the outer layer issue remained in force during 1976 and 1977. There was some discontent registered against this compromise, especially by those three earliest evaluation studies that were reviewed during the 1976 Senate hearings [4, 9; 134], but for the most part the outer layer issue was not reopened. Thus, the inner layer iussue of how the funds should be distributed among cities stepped into its own as the focal point of debate.

Party; The Absence of Partisanship in the Making of Formula B

The most obvious contrast between the first round of block grant policymaking (that which led to the establishment of Formula A) and the second round (that which led to Formula B) falls along the partisan dimension. There was a striking absence, in the latter round, of the partisan politics that had played such a crucial role in the former.

Two factors caused this change. First, the time constraints that the new Congressional budget process had established created the necessity for a bipartisan reauthorization plan. This constraint affected both the Republican Ford administration and the Democratic Carter administration as each drew up its plans for reauthorizing the CDBG program. Second, the transition process between one administration and another meant that the Carter administration's policymakers could do little beyond grafting a few small changes onto the Ford initiative that they inherited. As a result, the CDBG reauthorization plan that emerged had been designed to be acceptable to both parties and carried with it the endorsements of both a Republican and a Democratic administration. In a word, the 1977 block grant bill was <u>bipartisan</u> in contrast to the deeply partisan character of previous initiatives.

In light of what has been said about the importance of the block grant program to the political coalition of the Republican Party, this raises a provocative question: Why did the Republican Ford administration propose formula changes that would benefit their Democratic opponents? Surely they were acting in response to the time constraints, but even given this, it seems paradoxical that the Ford administration should propose something so favorable to the Democrats. This would seem to call into question the validity of the partisan interpretation of Formula A that has been given in the preceding chapter.

While this does seem paradoxical when viewed from the perspective of what the Ford administration "gave away," it becomes understandable if one notices what the Ford administration was able to preserve through such a maneuver. As part of an outgoing administration that was suggesting a piece of legislation that would have to pass through a Democratic Congress under the aegis of a Democratic administration, the Ford urban policymakers were able to preserve Republican gains that were made under the original block grant program by proposing a compromise plan.

First of all, the dual formula system, while producing new gains for Democratic cities, would protect the gains that Republican cities had made because of Formula A. By placing a dual formula proposal on the table, the Ford administration forestalled the notion that the original formula should be replaced with something more responsive to the needs of older, declining cities, a conclusion that had been directly advanced in the Bunce study [222, ch. 6]. Second, and perhaps a more subtle interpretation, there seemed at the time to be a fair likelihood that a searching reexamination of the whole program would reopen the debate on the outer layer issues. Given that several studies had been highly critical on the focusing issue, such a reopening might well have resulted in the tightening of federal oversight over local spending decisions. This would have considerably lessened the appeal of the program among more conservative cities. By offering a compromise plan, the Ford administration avoided such a thorough-going reexamination and thereby minimized the risk that previous gains would be lost.

In sum then, the willingness of the Ford administration to propose a new distribution scheme that would benefit their Democratic opponents is sensible when weighed against the Republican gains that an outgoing administration was able to preserve by pursuing a bipartisan strategy.

In moving beyond the proposal development stage to the stage of Congressional deliberation, one finds that partisanship played a minimal role in the latter. In contrast to both the 92nd and 93rd Congresses, there were no counterproposals offered from the other side of the aisle. Nor did significant partisan cleavages over the acceptability of a dual formula system emerge in either the hearings or the markup sessions conducted by the House and Senate.[18]

This is not to say that the new distribution scheme was entirely noncontroversial. Disagreement over the wisdom of adding a second formula broke out in the House markup sessions [194, pp. 160ff, 173ff, 175ff] and carried on into the House floor debate [186, p. 14102ff]. In the Senate markup sessions, the original proposal was modified by the addition of a third impaction formula. But in both of these cases, the challenges that occurred were, as has been seen, regional rather than partisan in character.

In summary, the 1977 block grant proposals were a bipartisan product of both the Ford and the Carter administrations. Taking their cue from this bipartisanship in the executive branch, the Congress did not act on a partisan basis to contest the proposed scheme for distributing CDBG funds among entitlement cities. In sharp contrast to the 92nd and 93rd Congresses, then, the partisan process was not active during the block grant deliberations of the 95th Congress.

<u>Decline; The Urban Growth Coalition and Formula B</u>

Within the urban growth coalition there was a certain core of groups that were directly interested in the distribution issue. These groups were NAHRO, the USCM, and the NLC. (The latter two were, by this time, separate organizations.) These three groups testified before all three relevant hearing sessions -- the 1976 Senate Hearings, the 1977 Senate Authorization Hearings, and the 1977 House Hearings -- and they addressed the formula issue directly on each occasion. It will be recalled that these groups had also taken the most active part in opposing Formula A during the deliberations of the 92nd and 93rd Congresses.

In their 1976 and 1977 testimony, these groups picked up where they had left off by continuing to oppose the distributive consequences of the first block grant formula.[19] In the 1976 Senate Hearings (before specific reauthorization proposals had been made), they argued that the existing funding process was faulty because the hardest-pressed cities were those that were about to suffer the most from the impending phaseout of hold harmless protection. They called on the Congress to change the formula so as to increase the entitlements for those cities or, failing that, to extend the hold harmless protection indefinitely. Robert Maffin summarized the position shared by all three groups in the following words:

> In the short run, the hold harmless mechanisms has [sic] minimized the potential and obvious consequences associated with a reduction in funding for both our older center cities as well as either metropolitan and nonmetropolitan communities which took the initiative prior to community development and are in the process of addressing the pressing problems of blight. Any phase-out of the hold-harmless level at this time would be equivalent to giving up on these areas. We strongly believe that such protection must be continued at a minimum until such time as both a more accurate system of allocating resources in accordance with our most pressing national community development need is developed and all obligations from prior categorical programs have been met. [205, p. 220]

These concerns were satisfied when the new dual formula proposal was announced. During the House and Senate hearings of 1977, NAHRO, the USCM, and the NLC agreed that the proposed funding process would substantially protect declining cities from excessive cutbacks (195, pp. 379ff, 202ff, 280ff; 202, pp. 190ff, 75ff, 22ff]. On this basis, they dropped their demand that hold harmless protection should be extended indefinitely.

As the quotations appearing on pages 201 and 202 indicate, NAHRO "applauded" the dual formula proposal and the USCM found it to be a "significant improvement" over the existing system. In the end, all three core groups gave clear endorsements to the new funding mechanism contained in the reauthorization bill [195, pp. 227, 296, 380; 207, pp. 29-30, 75, 196].

The position taken by these three core groups gained varying degrees of support from the other urban growth coalition members. At both the 1977 House Hearings and the 1977 Senate Authorization Hearings, the NGC added its endorsement to the new dual formula plan [195, p. 918ff; 207, p. 3ff]. However, the aspect of the CDBG bill that mainly interested the governors was its insufficient (in their view) provision for state participation in the program, and it was criticized accordingly. More peripheral support of the core group position came from the NHC and the AIA during the House hearings [195, pp. 489ff, 2055ff]. Both organizations criticized the inequity of the existing formula, but they stopped short of giving outright endorsements of Secretary Harris's new proposals, which they had had little time to analyze.

Other organizations within the urban growth coalition did not address themselves to the formula issue during their testimony. The NAR, MBA, and NAHB confined their remarks to the mortgage and housing subsidy sections of the bills under consideration [195, pp. 1861ff, 2446ff, 2549ff; 207, pp. 98ff; see also 208, pp. 135ff, 638ff, 675ff].

Finally, there were no urban growth coalition groups that spoke out against the dual formula proposal.

The ideas of John Mollenkopf and Harvey Molotch were originally developed as descriptions of urban politics at the local level. In this study, an attempt has been made to transfer or generalize those ideas so that they can provide an explanation of urban policymaking at the national level. How successful has that transference been? The answer to this question appears to be mixed one.

Some of the facts indicate that such a transference can be successfully made.

First of all, it can be said that there does exist a collection of interest groups that regularly seek to influence Congressional deliberations on urban policy. As has been shown, this collection can be more or less precisely defined by observing which groups regularly appear before Congressional hearings on urban policy. And there are at least some signs of interorganizational cooperation among these groups. In other words, an urban growth coalition does exist.

In addition, this national-level coalition is composed of roughly the same types of interests that Mollenkopf cited as typical members of local pro-growth coalitions. It includes builders (the NAHB and NABM), realtors (NAREB/NAR), bankers (the MBA), planning and redevelopment bureaucrats (NAHRO and the AIP), and local politicians (the USCM and the NLC).

Most importantly, the policy positions that emanated from within this coalition did champion the needs of declining cities, as the decline process would predict. The three core groups -- the USCM, the NLC, and NAHRO -- consistently opposed the establishment of Formula A, favored the preservation of hold harmless protection, and favored the establishment of Formula B. The existence of a decline process is supported to the extent that there was, indeed, a set of interest groups that consistently exercised their influence in support of policy alternatives that would be favorable to declining cities.[20]

Other parts of the record, however, pose great difficulties to the assertion that the Mollenkopf-Molotch view can be transferred to the national level. The chief problem in this regard is that only a small subgroup of the urban growth coalition took an active stand on CDBG issues. The three core groups addressed CDBG as one of their top priorities, but the rest of the member groups showed much less interest in general-purpose urban development legislation. Their aloofness is quite inconsistent with the decline process as it has been postulated.

The desire to halt urban decline lies at the heart of the Mollenkopf argument. At the local level, opposition to decline provides the defining characteristic of pro-growth coalitions. Decline was the issue which drew groups together, and stopping decline was their primary political motivation. Any transference of this view to the national level would have to preserve this distinctive aspect of the model. Given the low degree of interest that most urban growth coalition members had in general-purpose urban development policy, this transference can not be made. The idea of a decline process operating at the national level must accordingly be rejected.

In the place of an overriding concern about decline, each member group within the urban growth coalition tended to address itself to those issues of the most immediate relevance for its membership. The MBA, for example, has been primarily interested in programs that guarantee mortgages and support the secondary mortgage market. The bulk of NAREB/NAR testimony has concentrated on mortgage guarantee programs and on federal regulations that affect real estate transactions. The NAHB has been chiefly concerned with measures to stimulate housing construction. In doing so, each organization has acted primarily as a client of ongoing federal programs, seeking to preserve its access to existing programs and to perpetuate those programs from which its membership draws benefits.

This suggests that a clientele model or a clientele process may provide a more appropriate explanation of the actions of these groups. Under such a view, the interest groups that receive direct benefits from federal programs would be expected to show the most interest in those programs and to seek to influence federal policy accordingly. The content of their influence would be expected to be twofold: they would seek to preserve ongoing programs in their existing form and to enhance their access to them.

In the particular case at hand, the core interest groups within the urban growth coalition sought to preserve as much of the categorical system as they could. In geographical terms, this meant protecting the entitlement levels for cities that were facing imminent phasedowns. Since declining cities stood to lose the most from the phasedowns, this meant support for proposals that would help declining cities.

It remains to be seen what the position of these core groups has become in more recent years. At present, both growing and declining cities have become accustomed to receiving CDBG entitlements. If the clientele explanation is correct, the three core groups could be expected to oppose future plans to cut entitlements among growing cities just as vigorously as they opposed entitlement cuts to declining cities in the past.

In sum, there has been only partial support for the view that a decline process has influenced CDBG policymaking. While some groups within the urban growth coalition did consistently support policy alternatives that would steer money toward declining cities, many groups remained aloof from CDBG issues. This lack of interest indicates that the decline process should be replaced by a client process as the explanation for the behavior of the urban growth coalition.

Regional Influences on Formula B

A look at the rosters of both the Senate Banking Committee and the House Housing Subcommittee reveals that Frostbelt Legislators were strongly represented in the key positions for urban policymaking during the 95th Congress (see Table 12). All four chairmanships and ranking minority member spots were filled by Frostbelters. In the Senate, William Proxmire (D-WI) was subcommittee chairman with Edward Brooke (R-MA) as ranking minority member; in the House it was chairman Thomas Ashley (D-OH) and ranking minority member Garry Brown (R-MI). Frostbelters also composed the greatest part of the senior membership on both Subcommittees. Four out of the six senior Senate Subcommittee members were Frostbelters while seven out of eight senior House Subcommittee members were Frostbelters. Finally, the majority of both Subcommittees was on the Frostbelt side. In the Senate, eight out of fifteen members came from the Frostbelt; in the House it was thirteen out of twenty-three.[12]

These facts indicate that there was a strong potential for Frostbelt Legislators to influence urban legislation during the 95th Congress. The critical question, however, is whether this potential was exercised: Did these Frostbelt legislators actually act on their regional interests? At what points can the action of the regional process be observed?

There appear to be three ways in which the actual exercise of regionalism can be observed in the legislative history of the CDBG reauthorization bill: First, it can be observed in the positions that some key Legislators adopted prior to the formulation of the reauthorization proposal. Second, it can be observed in the widespread support that the dual formula proposal enjoyed among Frostbelt legislators. And third, it can be observed in the challenges that were raised against the new proposal and in the modifications that it suffered as it would its way through the Congressional process.

It appears to be the case that a regionally-based opposition to the original block grant formula was building in the Congress before the 1977 reauthorization proposal was announced by the executive branch. In this regard, the positions taken by Senators Proxmire and Brooke during the 1976 Senate hearings were crucial. As noted in the "Events" section, both Senators announced that they would seek regional adjustments in the funding mechanism during the upcoming reauthorization process. Given that Proxmire and Brooke occupied gatekeeper positions for any urban legislation, it was clear that any reauthorization proposals that were sent to the Congress would face very tough sledding if they didn't contain a better deal for Northeastern cities.

Once the reauthorization proposal was unveiled, it enjoyed a wide support among senior Frostbelt Legislators. In the House, there were seven senior Frostbelt Legislators, and all seven of them agreed to cosponsor both the Subcommittee's reauthorization bill (HR6112) and the revised version of that bill that was sent to the House floor (HR6655) [186, pp. 10834, 12303]. Six of the seven voted in committee to recommend passage of the reauthorization bill on the House floor [194, p. 29]. The only exception was Representative St. Germain, who was absent from the voting.

In the Senate, there were four senior Frostbelters, Senators Proxmire (D-WI), Williams (D-NJ), McIntyre (D-NH), and Brooke (R-MA). As has been noted several times, Proxmire, Williams, and Brooke all played key roles in defending the interests of Frostbelt cities. The record does not indicate that Senator McIntyre (from nonurban New Hampshire) played any significant role in resolving the formula issue; he was active, however, in protecting the smaller communities of the Northeast against the encroachments of the Sasser amendment [186, pp. 17813, 17816, 17817].

In both the House and the Senate, then, there was a strong consensus of regional support for the executive's CDBG proposals. This contrasted distinctly with the absence of a regional consensus for the CDBG initiatives that were debated by the 92nd and 93rd Congresses.

Also, all of the modifications and challenges that the dual formula proposal encountered were motivated by a regionalist spirit.

The Senate's addition of a third impaction formula would have secured, as has been seen, additional benefits for Northeastern cities. Its chief advocates, Senators Williams and Brooke, appear to have been primarily motivated by the desire to represent parochial interests. This parallels the way in which the impaction formula came to light. It was invented by a state agency in New Jersey and brought into the Congressional discussion by one of the New Jersey's senators.

There was also a Sunbelt-favoring regionalism that stood as a counterpart to the stronger theme of Frostbelt regionalism. In the House, the floor fight over eliminating Formula B from the CDBG legislation was explicitly regional in character. Sunbelt cities stood most to gain by this amendment, and Sunbelt Legislators provided nearly all of the votes for it (see Table 15). Also, the last-minute Senate opposition to the second formula had a distinct regional tinge. This, however, was much less of a genuine threat to the reauthorization bill.

In fact, the politics of regionalism stands out so clearly that commentators have not been able to ignore it. Virtually all of the important accounts of the reauthorization process have built their discussions on the regionalist politics that were at work [27, p. 23ff; 173; and 174 for the most extended of existing accounts]. The history of Formula B would scarcely be understandable otherwise.

There is, then, ample evidence for concluding that the regional process was a central factor in the CDBG deliberations of the 95th Congress. Regional politics were at work in the positions that some legislators took prior to the announcement of a reauthorization proposal, the pattern of support that the proposal received, and the attempts that were made to alter that proposal.

This indicates a great difference between the set of negotiations that produced Formula B and the set that produced Formula A. While the politics of the region had been largely a dormant force during the 92nd and the 93rd Congresses, it played a central role during the 95th. A part of the reason for this change was the impact of the Nathan and Bunce studies [133; 222], both of which were released at the outset of the 95th Congress.

The Nathan study, in particular, placed a great deal of emphasis on its regional findings. Its findings and conclusions effectively communicated the message that Northeastern cities, and especially New

England cities, would be the biggest losers under Formula A. This could not fail to conflict with the common-knowledge view that urban distress had been the most severe in the Northeast. After the release of the Nathan study, it became impossible to overlook the regional consequences of the CDBG program.

This is not to say that the regionally-based response that arose was solely the product of certain pieces of policy analysis. Local reactions to the hold harmless phaseout had been percolating upward, and this must have produced at least an imperfect sense among federal policymakers of where the squeeze was being felt the most. The 1976 Senate hearings are important in this regard. The positions taken by Senators Proxmire and Brooke, both being explicitly regional objections to reauthorizing the CDBG formula in its existing form, were taken in advance of the release of the Nathan and Bunce studies. This indicates that the conclusions of Nathan and Bunce fitted into political currents that were already at work.

Also, Sunbelt critics of the dual formula pressed their case in spite of the findings. Clearly, there was a limit to how persuasive the analytical results could be when they ran afoul of regional interests.

The Nathan and Bunce studies triggered a regional response, but they did not create one. The roots of political regionalism went deeper than the studies themselves. The effect of policy analysis was to help awaken the politics of regionalism from its dormancy and bring it to the fore. In this way, policy analysis helped to make the regional process a dominant influence on the shaping of a second block grant formula.

In sum, the shaping of Formula B was greatly influenced by the politics of region. As such, it differed markedly from the negotiations that produced Formula A. The findings of the Nathan and Bunce studies had much to do with the awakening of this regional influence.

CHAPTER NINE

CONCLUSIONS AND IMPLICATIONS

Summary of Conclusions

Most of the existing work that has been done on the CDBG program has taken the form of policy evaluation studies. Only a few of these studies have offered a discussion of the history of the program, and those few have limited their discussions to a bland recitation of the events of public record. They have not attempted to identify any underlying or systemic forces that influence urban policymaking.

This study has taken the opposite course. While it does offer evaluations of CDBG spending patterns (sometimes along dimensions that have not been previously studied), it has attempted from the outset to describe some of the underlying processes that have influenced CDBG policymaking.

This search for underlying processes began at the theoretical level. Implications found in existing work have indicated that three processes might be at work in the making of urban development policy: the decline process, the regional process, and the partisan process.

The concept of a decline process was derived from the work of John Mollenkopf and Harvey Molotch. It posits that there is a national level counterpart to the pro-growth coalitions that have influenced urban politics at the social level. This national level counterpart is expected to be principally interested in reversing urban decline and is expected to influence federal policy toward that end.

The regional process is an extension of the well-known phenomenon of porkbarrel politics. It posits that Legislators have attempted to shape urban development programs so that regional patterns of benefits are produced. From theoretical reflections alone, it is not clear whether a Sunbelt-favoring process or a Frostbelt-favoring process (or indeed both) is to be expected. Consequently, the regional process may be thought of as being subdivided into two component parts.

The partisan process was theoretically articulated in the work of Frances Fox Piven and Richard A. Cloward. Their work indicated that a partisan process was an important factor in the evolution of the Great Society. This would lead one to expect that a partisan process might also be an important factor in the making of urban development policy. Again, it is possible to subdivide by separating the Democrat-favoring side of this process from the Republican-favoring one.

This study has attempted to substantiate the existence of each of these three processes by investigating the Community Development Block Grant Program. Both a quantitative and a qualitative investigation were undertaken. The quantitative investigation analyzed CDBG entitlement patterns along the three relevant dimensions of decline, region, and party. The qualitative investigation analyzed the legislative history of the CDBG program. It sought to find explanations for the spending shifts that the quantitative analysis had uncovered.

The quantitative analysis is contained in Chapter Five. It showed that there was a divergence between the spending effects of Formula A and those of Formula B. Formula A favored Sunbelt cities, growing cities, and relatively more Republican cities. This favoritism took the form of moderate redistributive effects. Formula B reversed this pattern. It favored Frostbelt cities, declining cities, and relatively more Democratic cities. The changes produced by Formula B were greater in magnitude than those that had been produced by Formula A.

From these results, a set of tentative conclusions could be drawn. Formula A could have been caused by a Sunbelt-favoring regional process or by a Republican-favoring partisan process. Formula B could have been produced by a Frostbelt-favoring regional process, a Democrat-favoring partisan process, or by the decline process. Additional substantiation for these tentative explanations was sought in the qualitative analysis of CDBG history.

There were two phases of CDBG policymaking: the first occurred during the 92nd and 93rd Congresses, and the second occurred during and shortly before the 95th Congress. It is convenient to refer to these as the first and second rounds of CDBG policymaking. The following paragraphs will summarize the conclusions that were reached about the first round before moving on to the second.

The regional explanation for the creation of Formula A was not supported by the documentary evidence; the formula does not appear to have been a product of a Sunbelt-favoring regional process. This conclusion was reached because the redistributive block grant proposals that were debated during the first round neither owed their origins to a coalition of Sunbelt Legislators nor enjoyed a detectable consensus of support among Sunbelt Legislators.

The assertion that partisan influences affected the first round of CDBG policymaking received much more support, but the partisan process was found to play a role that was somewhat different from that which may have been expected. Partisan purposes were important determinants of the resolution of issues at the outer layer. Republican policymakers wanted to strip away the network of political linkages that had grown up around the categorical programs. Thus, the fundamental reason for replacing the categorical system with a set of automatic, formula-based grants stemmed from partisan motivations.

It was much less clear that partisan factors determined the resolution of inner layer issues. Both the nature of the formula elements that were selected for inclusion in the administration's original CDBG proposal and the haste with which that proposal was developed cast considerable doubt on the idea that partisan factors had governed the design of Formula A from the beginning. Over time, however, there appeared to be a growing awareness that the way that the formula was constructed could produce a pattern of benefits that could be advantageous to the Republican Party. This was indicated by both the changes that were incorporated into the 1973 BCA proposal (as compared against the previous year's compromise) and by the tradeoffs that were made as the BCA wound its way through the 93rd Congress. In short, there are some indications that the partisan process eventually came to have some influence over inner layer issues.

The second round of block grant policymaking reauthorized the CDBG program for a second period of three years. During the reauthorization negotiations, a second formula was established.

Given that a Democratic administration held office at the time of reauthorization and that Formula B favored Democratic cities, it might be supposed that a partisan reaction to the first block grant formula had taken place -- that the resurgent Democrats had fashioned a block grant formula that was more responsive to the needs of their party. This, however, was not the case. Formula B was as much a product of the outgoing Ford administration as it was of the incoming Carter administration.

In a word, Formula B was a bipartisan formula. The exigencies of the time required bipartisan cooperation. The time constraints of the new Congressional budget process did not leave room for partisan wrangling, while the transition from one administration to another meant that the responsibility of reauthorizing the program would be shared. Because of this bipartisanship, any partisan explanation of the spending shifts that occurred had to be rejected.

In contrast, the regional explanation was well supported. The regional unfairness of the original formula was noticed and objected to before the reauthorization proposal was launched. The findings of the Nathan and the Bunce studies sharpened this regional awareness and brought the issue of regional inequities to the forefront. Accordingly, Frostbelt Legislators supported the new second formula <u>en bloc</u> and gave plainly regional arguments for their support. Some Frostbelt Senators went even further, seeking to establish a third formula on the basis of the same regional sentiment. Some Sunbelt Legislators also evoked regional justifications and tried, without success, to stop the second formula. This indicated that the politics of region had been aroused in both camps. In short, the regional process, which had been a dormant influence in the first round of policymaking, became a dominant influence on the second.

It had also been supposed that the decline process may have been responsible for the spending shifts that were created by Formula B. On investigation, it was found that to the extent that the urban growth

growth coalition opposed the establishment of Formula A, supported the extension of hold harmless protection, and supported the establishment of Formula B. Their position was consistently advocated in both the first and second rounds of policymaking. During the former, they were unsuccessful, but during the latter, they added their influence to the regional pressures that were also at work and, hence, came to prevail.

This does not mean that the existence of the decline process was substantiated by the historical evidence. Instead, the lack of interest that many urban growth coalition groups had in the CDBG legislation caused the rejection of the decline model and its replacement by a clientele model. Although the search to substantiate the implications of Mollenkopf and Molotch was not successful, the pursuit of that substantiation led to a better understanding of the policymaking role that certain key interest groups have played.

Theoretical Connections and a Variety of Implications

Up until this final section, this study has maintained a rather narrow focus. Some particular processes that effect urban policymaking have been discussed and the evidence that substantiates their existence has been marshaled. It is now appropriate to take a wider view of the subject and to discuss some of the implications of these three processes. These will not be ideas that have been directly demonstrated by the evidence that has been reviewed, but rather ideas that have been suggested by that evidence. They will be extensions of the conclusions, extensions that are informed by the work that has been done. In short, just as this research has drawn upon the implications found in other work, it leaves behind implications of its own.

These implications are of two sorts. Some reach upward toward the realm of more abstract theory while others extend downward toward the realm of practical politics. Regarding the first sort, an attempt will be made to specify the placement of the three processes within a more general conceptual framework. This will begin by considering the relationship between society and the built environment at its most abstract level. This analysis leads to the identification of a commonality that underlies all three processes. Following this, an effort to draw out some implications of a more deductive sort will be made. Some of these will be implications that clarify the theoretical status of certain ideas that exist in the literature; others will lead to expectations about the future course of urban development policy. At the end, the outlook for urban policymaking under the Reagan administration is discussed.

At the most general level of abstraction, one can conceive of a dialectic between a society and its built environment [47]. The built environment is clearly a product of a society, in many ways the most revealing artifact that the society produces. At the same time, the built environment is a set of material constraints that condition, in manifold ways, the activities and the features of the society.

As a society moves through time, it faces certain problems or limitations in its capacities to produce and distribute material goods -- problems and limitations that are often embedded in the built environment that has been inherited from the past. At any given moment in time, the society seeks to both resolve some of these problems and to pursue new opportunities by building new structures. The possibilities contained by these new structures will then condition the choices that future generations can make.

The processes that have been investigated here are a part of this overall dialectic because they are a part of the way in which our society decides how and where to build new structures. But the full connection between these specific processes and the wider dialectic is not yet clear. The connections between the two are further illuminated by making additional distinctions about the wider process.

One such distinction that should be made is that between private and public decisions to construct. In a capitalist society such as our own, the vast majority of decisions to construct are made privately. They are discrete choices made by individuals or individual firms on the basis of an expectation of profit. Each decision is reached on the basis of benefits to a particular individual or to a particular firm. This mass of discrete and independently made decisions aggregates into what can be thought of as a privately directed process of urban development. The complex rules by which this aggregate process works are the most important factors in the overall evolution of the urban structure. As such, they are the subject of the discipline of location economics.

Standing outside of this set of private actions is a smaller set of publicly made decisions to alter the built environment. These publicly made decisions are conceptually interesting because they represent conscious and deliberate decisions by the society as a whole to shape the trajectory of future urban development. To say that these conscious decisions are made "by society as a whole" should not be construed as meaning that all members of the society have some input into these decisions, but rather that they are reached on a basis that is wider than the interests of individual firms and that they are resolved by persons who conceive of themselves as acting for the society as a whole. It is obviously this public sphere of decisionmaking that has been discussed and clarified by this research.

Having made this distinction between the public and the private spheres of action, the question that next emerges is: What set of conditions call for a public response on urban development issues, thereby setting this public sphere of decisionmaking into motion? As has been indicated, private decisions to build are made on the basis of profitability. But profitability does not necessarily coincide with human needs. In a depressed neighborhood, there may be a human need for more low-income housing, but because the incomes of area residents do not translate into a sufficient market demand, new housing is not built privately and these needs go unfulfilled. In addition, there may be a need for infrastructural facilities whose beneficiaries (and the amount of benefit that each receives) are difficult to identify. Such cases have been described as public goods by economists. Needs of this latter type are more frequently encountered as society becomes more complex and interdependent. If the conditions are right, needs of either type can become translated into a government response; a public policy is established to provide that which private mechanisms have failed to provide.

It should be clearly understood that not all needs are met. The existence of a need does not automatically call forth a governmental response. Whether or not government responds to an urban development need depends on how well those who feel the need are able to influence government policymaking. At this point, considerations of access to the policymaking process and of the mechanisms by which that policymaking process works become crucial.

It is the question of how needs get translated into a policy response that lies at the heart of the work that has been done here. The regional, partisan, and clientele processes are all pathways by which the need for urban development can become translated into an urban policy response. (The same could be said of the decline process, had its existence been substantiated by the analysis.) These processes should be seen as alternative pathways for accomplishing the same end -- the provision of an urban development policy that addresses those needs that are felt. These processes are not an exhaustive list of such pathways. There may be other pathways that have not been brought to light by this research.

This concept of translating urban development needs into policy responses supplies an underlying unity. The three processes come together conceptually when they are seen as alternative mechanisms of accomplishing such a translation. Although each process has been discussed in isolation so that the analysis of each one could be pursued separately, it should be recognized that they share this commonality as mediators that stand between urban development needs and federal policy responses.

An important characteristic of this need for urban development should be examined at this point. The need for urban development is primarily a need that is felt locally. The externalities associated with urban physical decline have a rather short geographic reach. Hence, it is local elites (of the sort described by Mollenkopf) who are the most immediately concerned with finding the solution to local development problems.

Localities, however, often do not have sufficient resources of their own to solve these problems. Since World War II, they have increasingly turned toward the federal government for assistance. This sets up a crucial mismatch between the local character of the needs and the federal character of the desired response. A way must be found to bridge between local need and federal response. The three processes that have been described, then, mediate not only between need and response but also between local and federal.

It should be clear that these three processes are not mutually exclusive avenues for action. Local elites who feel the need for a federal response can choose to activate any of the three alternative mechanisms or some combination of them. This tactical choice would be conditioned by local judgments about where the most promising avenue for effective action might lie. Because of this, certain combinations of the alternative processes might be more active than others at any given time.

Having placed these three processes within a wider theoretical web, it is now appropriate to discuss some of the implications that flow from their existence. Some of these implications are theoretical since they reflect on the status of certain ideas that have been advanced in the literature. Other implications are of a more practical nature; they specify the context in which urban policy will be made in the near term future. The broader, theoretical implications will be discussed first.

The first set of implications center on neo-Marxian theories about the nature of the capitalist state. As set forth in the works of Claus Offe [150] and James O'Connor [149], the neo-Marxian view has established a distinction between two general categories of state activity. The first of these may be called accumulative activity. These include activities that the state undertakes in order to enhance the accumulative potential of the economy. Private accumulation is underpinned by the state's provision of investments in both the physical infrastructure and in human capital. Legitimation activity, the counterpart category, includes activities that insure the social peace. These include programs that are unproductive in and of themselves but which guarantee the stability of the system. From the vantage point of this distinction, urban development programs should be seen as essentially, though perhaps not exclusively, accumulative in character; they provide for an urban built environment that is more conducive to the expansion of productive activity. (Or they provide goods for public consumption thereby lowering the costs of labor power and hence raising the amount of surplus that is available.)

What remains unspecified in the work of this tradition is the way in which the need for accumulative action becomes translated into a state policy. In the case at hand, we do not have a specification of how it is that locally felt needs for urban development got translated into a general urban policy. Such a specification is provided by this research; thus, it fills in a gap that has been left vacant by existing discussions of how the state pursues accumulative purposes.

From the perspective of this neo-Marxian view, one might be led to expect that there exists a general consensus among capitalists on what the nation's general urban development policy should be. This is the sort of thinking that leads one to expect to find that there is an urban growth coalition that presses for a coherent program of urban development at the national level. Here, however, it has been shown that such has not been the case; there has not been a shared consensus among all urban growth coalition members on block grant legislation. In particular, there has been a failure of those coalition members who most directly represent the interests of capital to take a direct interest in block grant policy. Thus, those who approach the study of urban policymaking from the neo-Marxian perspective should recognize that such policy does not, at this time, reflect a generalized capitalist interest at the national level but reflects instead the translation of locally felt needs into a federal policy response.

Another set of implications that are raised by this study revolve around the work of Piven and Cloward. As noted in Chapter One, these analysts felt that the social services programs of the Great Society era were used to build up the strength of the Democratic Party. In other words, and using the same legitimation/accumulation distinction that was described above, partisan political alliances were built up through the way that legitimation programs were constructed. This study investigated a complementary issue of whether accumulative programs were also used for such partisan purposes.

It appears that they were. The categorical system for urban development aid, a system that also matured during the Great Society years, was fraught with political linkages that strengthened the Democratic Party. It was largely because these linkages existed that a Republican administration sought to replace these categorical programs.

More recent substantiation of the connection between party building and urban accumulation programs can be found in the UDAG program. Although UDAG was a program of a much lesser scale than CDBG, those who made urban policy were quite concerned that UDAG contained the potential for reestablishing such linkages.

These observations lead to the conclusion that the ideas of Piven and Cloward can be generalized to a conceptually distinct sphere of policymaking. The connection between party building and urban policy-making holds for accumulative policies as well as for the legitimation policies that the theory was originally devised to explain.

This research also has had implications for the study of interest group politics. There are two general approaches that can be taken to the formation of interest group coalitions. One is that interest groups band together because they want to promote some new policy proposal. They come to a shared recognition that benefits are to be had by adopting some new policy and band together in order to promote it. This can be called an "affirmative" model of coalition formation. The alternative view sees benefits that are already enjoyed under existing policies as the glue that holds interest group coalitions together. Interest groups become aware of the stakes that they have in a given policy through the act of receiving benefits from that policy. They band together with other groups in a shared effort to preserve benefits that they have become accustomed to. This can be called a "defensive" model of coalition formation.

It is not necessarily the case that only one of these views is correct. One model may describe the situation at work in some cases, while the other may give a better picture of other cases. If both views are used simultaneously, one can arrive at a perspective that attributes both the reaching out for new policies and the resistance to policy change in terms of interest group politics.

This research has shown that the defensive model provides the more accurate representation of how interest groups have influenced urban development politics in recent years. This is to say that the defensive model has been given additional substantiation here. The groups that spoke out on block grant issues were those whose clients were the most immediately involved as beneficiaries of ongoing programs. Also, the content of their input protected existing patterns of benefits. It was these qualities that led to the use of the term "clientele" when describing the process by which their input influenced urban policy-making. This is just another way of saying that the interest groups that were studied operated in a defensive mode.

This research also has implications of a more practical kind, implications for the likely direction of CDBG policymaking in the near term future. The best way to discuss these implications is to begin by noting the recent trends in the relative strengths of the three processes of client, region, and party. In recent years, the importance of some of these processes has grown while that of others has diminished.

One of the principal trends in urban policymaking during the 1970's was the reduction of the importance of particularistic, political linkages between the Department of HUD and individual cities. These had been a dominant force in the political makeup of the categorical system, but the categorical system was broken apart with the advent of a formula-based, block grant system. At present, there is much less play for the sort of grantsmanship that had infused earlier programs. Furthermore, federal policymakers continue to describe grantsmanship in pejorative terms as a situation toward which no one wants to return. Therefore, the era in which urban development grants could be used as direct rewards for the politically faithful appears to have come to an end.

Despite this, it remains critical for the Democratic Party to appeal to its traditional electoral base in the declining cities of the Northeast. Likewise, the Republican Party must appeal to voters in the South and West. But those appeals can no longer be based on the particularistic politics of the past. Instead, the appeal must be articulated on some broader, more general, and more ostensibly legitimate basis. The regional appeal is an obvious choice for basing such a broader appeal. One can expect future Democratic rhetoric to champion the cause of the Frostbelt while Republicans support the claims of the Sunbelt. Thus, the trend in regard to the partisan process appears to be one in which the more explicit partisan linkages of the past are greatly diminished while continuing partisan imperatives become expressed as and merged with the politics of region.

The declining importance of partisanship has been counterpoised against a growing strength of the regional process. During the first round of CDBG policymaking (1971-1974), regionalism played little role. Formula A was not generally endorsed by Sunbelt Legislators, and Frostbelt Legislators seemed to be unaware of its adverse regional consequences. This changed during the second round of policymaking. As the hold harmless phaseouts began to be felt and as they began to be felt on a regional basis, Frostbelt Legislators began to insert the politics of regionalism into the block grant debate. In response, a countervailing politics of regionalism arose among their Sunbelt counterparts, who also began to vigorously champion the cause of their region. In short, the regional process has grown from near dormancy to primary in the making of urban policy.

This change has been paralleled by the consciousness of regional disparities by the society at large. The mid-1970's was the time when these regional disparities first began to figure in the public debate over the nation's development future. The terms "Frostbelt" and "Sunbelt" were coined at this time.

At present, the regionally uneven effects of the current recession serve to keep this Sunbelt/Frostbelt distinction in the forefront of public debate. Thus, there is every reason to expect that the politics of regionalism will continue to shape not only block grant policy but also a variety of policies to deal with such related domestic issues of unemployment, housing, and the repair of the nation's infrastructure.

The clientele process has always been of lesser importance than the other two. The protests of core interest groups did not have the strength to prevent the establishment of Formula A during the first round of block grant policymaking. These groups prevailed during the second round only because their goals dovetailed with the goals of a more powerful current of regional politics that had been set in motion by Frostbelters.

The relative weakness of the clientele process derives largely from the fragmented attention that block grant issues have received within the urban growth coalition. Core groups have taken a strong and consistent stand on block grant issues, but these have not been able to engage the interest of some of their more powerful allies, such as the NAHB, NAREB/NAR, or the MBA, all of whom remained aloof to issues of general purpose urban development policy. The history that has been reviewed does not contain signs that any of these latter groups have moved any closer, in recent years, toward taking a greater interest in such issues. Because of this, the outlook appears to be one of continued fragmentation within the urban growth coalition and of a continuation of the concomitant weakness of the clientele process.

Furthermore, it is unclear whether some of the key urban growth coalition groups (USCM, NLC, and NAHRO) will be able to take as strong a stand on block grant issues as they have in the past. As will be discussed below, the impact of the current fiscal cutbacks is likely to be one which will make it more difficult for those groups to reach a consensus among their membership on the appraoch that should be taken toward block grant issues. If the cohesion within these key groups is weakened, it seems likely that the influence of the clientele process as a whole will be lowered even further.

In sum, the strength of the clientele process is at best likely to continue to play the minor role in CDBG policymaking that it has played in the past; at worst it can be expected to lose some of its direction, cohesion, and therefore some of its impact.

These trends about the relative strengths of the three processes will have to work themselves out in a fiscal environment that is substantially different than what has previously existed. The keynote of near term CDBG policymaking will be the effects of the fiscal restraint that the Reagan program of budget cutting has cast over all domestic programs. This contrasts sharply with the tendency toward "spreading effects" that has always characterized CDBG history.

In the past, it has been possible to alter the distributions of urban development funds only within the context of enlarging the total amount of aid. The benefits given to some recipients have been increased, but not at the expense of taking much away from existing recipients. President Nixon's original 1972 special revenue sharing proposal added a substantial sum of "new money" to the existing total of aid under the folded in categorical programs. Small cities, suburbs, urban counties, and eventually states were added to the pool of existing recipients. Meanwhile, hold harmless protection was extended toward those who had received funds in the past. When the distribution process was revised in 1977, the new formula was added to the existing one so that a dual formula was established. A better deal for Frostbelt cities was not achieved by taking away the recent gains that Sunbelt cities had made.

In short, the program has been characterized by a spreading effect -- the distribution system has been changed by granting more generous terms to some while enlarging the overall program budget. The Reagan administration, however, has established budget cutting as its top domestic priority. The political accommodations that made previous compromises work will no longer be possible. This new and more stringent fiscal environment will have some important impacts on the processes at work in urban development policymaking.

The first of these will be the creation of a tension within the partisan process as it operates within the Republican camp. Under Nixon, material rewards were held out to smaller cities, suburbs, urban counties, and so forth in order to build a new, Republican urban coalition. Under Reagan, the party's ideological cohesion has come to center around reducing the size of government spending. Only by delivering on this

Reaganite theme, can the party hope to keep its electoral appeal strong. Obviously, the two are incompatible, and an appeal can not be based on both grounds simultaneously. Within the party, then, there will have to be a submergence of the older basis for an urban appeal as the newer theme takes priority. This could create problems of keeping Republican mayors and Republican House members from urban districts in line with a party program to reduce CDBG spending. The result would be a weakened ability for Republicans to fashion an urban program on the basis of a partisan appeal.

The second impact of fiscal stringency is one that can be expected to lead to the creation of tensions within another of the processes, this time a tension within the clientele process. As noted, the USCM, NLC, and NAHRO have traditionally defended the entitlements of existing recipients. How these positions were reached within each group is not clear, since each has represented both members who have gained through existing arrangements and members who have been slighted by them. What is clear, however, is that by adopting an essentially defensive posture, these groups have not endorsed policies that would take funds away from any of their members. Now, such a posture no longer seems possible. If CDBG budgets are to be cut, someone must lose out. Thus, if these organizations are to endorse any of the CDBG proposals that are likely to be forthcoming, they will have to decide who is to lose, which is something that they haven't done in the past. Reaching such a decision is likely to produce significant tension in the internal politics of each group.

It is unclear how these groups will resolve the issue. At stake are the competing claims of the traditional beneficiaries, cities that have been protected in the past, and the claims of the newer urban clients, those who have now grown accustomed to the benefits that they have received under Formula A. A compromise to spread the cuts among all is likely to be most unpalatable, while the continuation of the program at its present budget is not likely to happen. Whatever the decision reached, it is likely that some of the membership will disagree with it, and this makes it less likely that the final decisions will achieve the degree of support that they have had in the past. The result is a weakening of the effectiveness of the clientele process.

Overall, then, the current atmosphere of fiscal restraint can be expected to have impacts that will add to the trends that have been at work over the past decade. These impacts will probably weaken the strength of the partisan process among Republicans, and they will also probably weaken the clientele process. This leaves the regional process as the most prominent near term influence on block grant policymaking.

If the politics of regionalism does become paramount, the coming debate can be expected to raise again the formula issue. Frostbelters will likely take the following position: Formula A was always defective, as was revealed by the evaluation studies of 1976 and 1977. The formula was kept only for political reasons to smooth the way for the passage of a better formula. But now that fiscal restraint is upon us, we can no longer afford such luxuries; we must do away with Formula A so that resources will be best concentrated on needs.

Sunbelters can be expected to counter that Formula B was only enacted in order to soften the blow of the hold harmless phaseout. This, in effect, perpetuated the benefits that some cities gained through the exercise of grantsmanship. Hence, it is Formula B and not Formula A that should go.

These arguments essentially return the debate back to what should have been the central questions all along: How should need be measured, and how should a formula that reflects need be constructed? And this brings us to the final implication of this research.

One powerful answer to these questions is that property value decline should be used as the criterion of need. The block grant program was constructed to supply aid for rebuilding the physical structure of cities. Where, then, should such activities be concentrated? Certainly, one logical answer is that they should be targeted on those cities where physical deterioration is the most severe. A strong case can be made for arguing that rates of property value decline are the most general and the most ubiquitous measure that we have of the overall physical deterioration of urban areas.

Given this, it would seem that one reasonable way to evaluate the CDBG program would be to see how well it matches funding levels to interurban rates of property value decline. Yet, property value decline has not previously been used as a criterion for evaluating CDBG formulas. This study recommends that future changes in the CDBG program should be based on the property value criterion.

NOTES

NOTES TO CHAPTER ONE

[1]A grammatically correct substitute for the use of "decline" as an adjective has proven difficult to find. Hence, the incorrect usages "decline process" and "decline dimension" will be employed throughout this work.

[2]"Legislators" is offered here and throughout the work as a gender-neutral term for "Congressmen." It is intended to signify members of both the Senate and House of Representatives.

[3]This theme was drawn from the works of Harvey [47] and O'Connor [149].

[4]It is unfortunate that Molotch used population increase as the indicator of growth in his work. A measure of property value growth would have been much better suited to the conception of growth that he developed, especially insofar as he began his analysis by arguing ". . . that any given parcel of land represents an interest and that any given locality is thus an aggregate of land-based interests" [118, p. 310]. It is clear from statements such as this that Molotch and Mollenkopf were both speaking of the same kind of growth, namely property value growth.

[5]Mollenkopf hints that such a result is to be expected.

> The pro-growth coalition took its most public role in cities where state action was most necessary to promote the large-scale urban changes which have occurred since World War II. These cities are primarily large, old, highly ethnic and blue collar with large, but worn capital investments that needed to be replaced rather than developed *de novo*. . . .
>
> By contrast, newer, fast-growing cities of the South and Southwest, and smaller cities generally, could undertake most of the needed investments on a purely private basis. No outmoded built environment (in both the social and the physical sense) needed to be dismantled. [117, p. 290]

[6]The useful designations "Formula A" and "Formula B" were first employed by DeLeon and LeGates [25].

[7] In the case of region, "correlated" is technically incorrect here. Per capita spending in Sunbelt cities will be compared with per capita spending in Frostbelt cities.

NOTES TO CHAPTER TWO

[1] Much of the presentation in this chapter follows the excellent discussion of the mechanics of Formula A that appears in Nathan et al., Chapter 3. In particular, the basic ideas used in constructing Figures 2 and 3 and the numerical examples of how the formulas worked were taken directly from that study. Discussions of the workings of Formula B can be found in Chapter 3 of Dommel et al. [27] and in DeLeon and LeGates [25].

[2] Actually, computing the hold harmless entitlements was somewhat more complicated than this for cities that had participated in the model cities program. Since model cities was expected to be a five-year program, model cities funding could only count toward hold harmless entitlements during the expected five-year lifetime of the original model cities grant. See HUD's Directory of Allocations [217, p. v] for further details on how this was calculated.

[3] Nathan et al. make a mistake in their calculations at this point; the figure should be $1,920.8 million. However, the discussion here will continue to use the incorrect figure in order to complete the discussion of the example that Nathan et al. have given here and below. The actual figures that HUD calculated for all of its budget categories in all six years of the program appears in [217, p. vii].

NOTES TO CHAPTER THREE

[1] A partial list of the lesser evaluation studies would include the following items from the bibliography: [4, 5; 7; 8; 9; 23; 35; 39; 40; 55; 99; 114; 115; 122; 134; 135; 137; 148; 159; 160; 169; 177; 178; 179; 180; 181; 219; 220; 221; 231].

[2] The Bunce study discussed the accuracy of using hold harmless entitlements as a measure of categorical experience [222, pp. 68-69]. The conclusion given was that this is a basically accurate technique, although it does understate the amount of categorical funding for a few cities.

[3] By "political effects" the authors meant the impact of the program on strengthening the powers of local government and on preserving citizen participation processes. They did not mean partisan political effects of the kind that are of interest in this study.

[4]Actually only 435 of the total of 515 entitlement cities were included in the data base since the researchers could not locate the appropriate data for some cities in the Census publications from which their figures were taken [222, p. 47].

[5]The choice of abandonment as the central feature of urban decline is not explained in the Bunce report. Certainly abandonment is a notable characteristic of neighborhoods in an extreme state of decline, but it would seem that declining property values would reflect the whole process of urban deterioration better than abandonment does.

[6]The choice of assigning weights to the factors was admittedly subjective in the final analysis, but it also took cognizance of the statistical importance of each factor as reflected in the variance explained by each [222, pp. 64-65].

[7]Note that these are projected outlays under Formula A.

[8]Nathan et al. made the reasonable assumption that urban counties would distribute their funds to the smaller suburban communities within their borders rather than to the larger cities, which could qualify for entitlements in their own right [133, pp. 90, 165, 182].

NOTES TO CHAPTER FOUR

[1]The population figures used here and throughout this subsection came from [215, Table A-4].

[2]This conclusion and the discussion which follows is based largely on a telephone conversation with Bill Kimberly, Deputy Director of the Clearinghouse on Election Administration at the Federal Elections Commission, which is the federal agency that collects both voter registration and election return records. Mr. Kimberly contended that these problems, while apparent to those who regularly work with the federal data files, have not yet been sufficiently appreciated by the academic community.

[3]Discussions of the enumeration process can be found in the introductions to each Census of Governments volume. The introduction to the 1967 volume provides the clearest explanation of the ideas discussed in this paragraph [209]. Note that the concepts and definitions employed in the 1967 discussion do not change for either the 1972 or the 1977 volumes [212; 214].

[4]Note that neither newly constructed properties nor properties values over $500,000 were included in these calculations. Since the assessments of new construction reflect the value of only partially completed buildings or of vacant lots, a comparison of assessments with the

sales prices of the completed buildings would not be meaningful. Properties valued greater than $500,000 were not counted because they represented infrequent and complex sales which would not be "compatable with both the objectives and the constraints" of the Census survey. See [212, p. 7] on both issues and for a general discussion of the construction of the ratio.

[5]The greatest discrepancies that occurred in making this comparison were figures for Little Rock, Arkansas (Census approximate market value = $1,708 million; computed estimated market value = $1,713 million), and Topeka, Kansas (Census approximate market value = $1,436 million; computed estimated market value = $1,430 million).

[6]In an effort to retrieve the missing data, the researcher contacted, both in writing and by telephone, the Taxation Branch, Governments Division of the Census Bureau. After looking into the problem, the Branch determined that the missing data could not be retrieved in a cost-effective, manner, given the Branch's other pending responsibilities. Therefore, the problems presented by this missing data were not resolvable.

[7]See [216, Table 11] for the information about consolidations that was used here.

[8]This computation was based on data appearing in Table 4 of [213].

[9]In the state of Pennsylvania, only real property is taxable; therefore, figures for taxable property value in that state did not include any personal property.

[10]"1971" was interpreted as meaning as of the end of the year and therefore as being consistent with "fiscal 1972" or "1971-1972." "1971 for 1972" indicated the value of assessments made in 1971 for the purpose of tax collection in 1972.

[11]For example, in the case of Grand Rapids, mentioned above, the rate of taxable property growth was:

$$\begin{aligned} r &= (1/4)(\ln 927{,}123 - \ln 798{,}057) \\ &= .03748 \end{aligned}$$

Note that the value of t was changed to reflect the correct length of the time interval.

[12]Data were taken from Table 3 of the 1971 through 1975 volumes of this series [211]. In some cities listed on Table 3, the local permit issuing agency (which served as the level of aggregation) was not

coterminous with the city's boundaries but also includes small amounts of adjacent unincorporated territory. Therefore, slight errors owing to non-coterminousness entered into the data.

NOTES TO CHAPTER FIVE

[1]This regional evening out paralleled an overall reduction in spending extremes between cities. The mean of the per capital hold harmless entitlements among all cities was $23.01 but the standard deviation was a rather large $19.75. The Formula A distribution had a greatly reduced standard deviation of $5.31 (and a mean of $19.55) showing a strong reduction of intercity disparities. Formula B later widened these gaps, having a standard deviation of $15.75 and a mean of $23.31.

[2]The concept of growth lag per capita may seem like a highly artificial construct for indeed it is one. The concrete phenomenon expressed by this variable is a city's ability to claim funds by virtue of its lagging growth expressed relative to the population size of the city.

[3]It is not clear whether all three of these processes were at work or whether only one or two of them was. The point is that, given the evidence at hand, it would not be reasonable to rule out the existence of any of these three processes.

NOTES TO CHAPTER SIX

[1]Note that the official titles of both the Subcommittees and the full Committees have changed slightly over the years. Their titles as of 1971 are given here.

[2]The bill mentioned here was the one that became the victim of the Pattman stall, as will be discussed in Chapter Seven.

[3]Quite aside from the issue of expertise, some of these organizations have also been able to wield influence through their contributions to political campaigns and their ability to stimulate groundswells of constituent mail.

[4]See [19] for an explanation of all of the details of the Congressional process.

[5]Excluded from this list is the Department of Housing and Urban Development, whose Secretary appeared as the lead-off witness at all six hearings.

[6]Very basic information about the AIA can be found in [34]. The AIA's legislative goals were contained in its testimony before legislative hearings [189, p. 660ff; 192, p. 1333ff; 195, p. 489ff; 201, p. 1196ff; 203, p. 1350ff]. The AIA also publishes Memo: The Newsletter of the American Institute of Architects, which describes organization positions. Its other publication, the AIA Journal, rarely comments on Washington affairs and was not useful for compiling this sketch.

[7]See [232] for an outline of this strategy.

[8]Basic information about the AIP can be found in [34]. For a well-stated history of the planning profession see [170]. For a discussion of the tension between traditional views and advocacy planning as guiding paradigms for the planning profession, see [226]. The testimony of AIP spokespersons can be found in: [189, p. 671ff; 192, p. 712ff; 201, p. 784ff; 203, p. 670ff].

[9]Though later scrapped because of its political infeasibility, this "opening up the suburbs" strategy had a wide currency in the early 1970's when its supporters included HUD Secretary George Romney as well as House Subcommittee liberals Thomas Ashley, William Moorhead, and Henry Reuss. The concept originally appeared in Anthony Downs's Opening Up the Suburbs [28], which became an influential book at the time.

[10]The best brief description of the MBA can be found in [165, pp. 207-208]. The MBA's publication, Mortgage Banker, is an excellent source for reviewing MBA positions since it keeps a close eye on both legislative and regulatory affairs of interest to mortgage bankers. The best articles here are the semianuual legislative outlook articles by MBA legislative council Lee Holmes and the monthly "Across My Desk" articles by MBA's executive vice president, Dr. Oliver H. Jones. MBA testimony can be found in: [189, p. 1074ff; 192, p. 699ff; 201, p. 947ff; 203, p. 739ff; 208, p. 638ff].

[11]As one of Washington's smaller lobbies, the NABM has attracted little attention, and extant information about it is sparse. Brief mentions are given in [92] and [138]. Also, brief official descriptions of NABM can be found in [34] and [20, p. 300]. NABM's testimony appears in [189, p. 853ff; 192, p. 989ff; 201, p. 840ff; 203, p. 834ff].

[12]Both Lilley [105] and Salamon [165, pp. 213-217] provide excellent descriptions of the NAHB. Organization positions are set forth in NAHB's newsletter, which was entitled Washington Journal - Scope until 1972 when it became Washington Scope, finally becoming The Builder in 1978. Hearing testimony by NAHB representatives can be found in: [189, p. 1239ff; 192, p. 855ff; 201, p. 1229ff; 203, p. 705ff; 208, p. 135ff].

[13]Excellent descriptions of NAHRO can be found in Lilley [106] and Salamon [165, pp. 227-229]. Since it keeps a close eye on Washington affairs, NAHRO's Journal of Housing is a good source of the official views of the organization. The publication contains biannual statements of NAHRO's policy platforms, a regular "Washington News" column, and frequent articles on policy proposals currently before the Congress. As usual, basic membership information can be found in [34]. NAHRO testimony appears in: [189, p. 965ff; 192, p. 1261ff; 195, p. 379ff; 201, pp. 103ff, 1036ff; 203, p. 1245ff].

[14]See [39; 40; 148; 229].

[15]Two brief, but good, descriptions of NAREB/NAR can be found in Salamon [165, pp. 218-221] and Cohen [17]. Graves [41] also contains some excellent information on the realtors' financial contributions. Pritchard [162] and Wassinger [227] describe NAREB/NAR from a realtor's point of view. Other than these articles, the realtors' publication Real Estate Today carries little coverage of Washington affairs. NAREB/NAR testimony appears in: [189, p. 1062ff; 192, p. 977ff; 201, p. 1003ff; 203, p. 1523ff; 208, p. 675ff].

[16]On the rehabilitation issue, NAREB/NAR's position has been directly opposed to that of the NAHB. The two have often fought bitterly on this point.

[17]Perhaps the best source of information about the NGC is Haider [43]. The National Journal has also given some excellent coverage of the NGC [21; 91; 174]. Testimony by NGC representatives appears in: [189, p. 396ff; 195, p. 918ff; 201, p. 1011ff; 203, p. 355ff].

[18]The NHC is the least documented of the organizations studied here. There are no extant articles describing its membership, purposes, or history. Very brief self-descriptions of the Conference can be found in [34] and [20]. A perusal of two NHC publications, its annual Housing Yearbook and its Membership Newsletter can be helpful in filling out some details of the organization's purposes. Since the activities of the NHC have been strongly identified with its long-time president Nathaniel S. Keith, some further light can be shed by inferring Keith's views, as set out in [97], to be representative of NHC positions. The testimony of NHC representatives appears in: [189, p. 1131ff; 192, p. 1131ff; 201, p. 762ff; 208, p. 760ff].

[19]The list appeared in [136, pp. 118-120]. More recent listings of NHC directors have not been published, and the NHC does not make similar information about its current directors available.

[20]The mayors' organizations are the best-documented of all the groups studied here. Farkas's Urban Lobbying [32] is an entire book devoted to the history of these organizations and substantial parts of

Haider's When Governments Come to Washington [43] are also devoted to the mayors. Excellent articles can also be found in the National Journal [100; 102; 172]. Of the two mayors' publications, Nation's Cities and Washington Analysis, the latter is far more useful. USCM-NLC testimony can be found in: [189, p. 500ff; 192, p. 369ff; 195, pp. 202ff, 280ff; 201, p. 73ff; 203, p. 449ff].

[21] Perhaps the NGC could be similarly regarded if growth politics can be considered to be a central preoccupation of politics at the state level.

[22] Note that during both the 92nd Congress and the 95th Congress, the Senate Subcommittee included all of the members of the full Senate Committee.

NOTES TO CHAPTER SEVEN

[1] Lower levels of government were also closer to pressures that would produce conservative budgetary priorities. On the accumulation side, cities or states could be played off against one another in the scramble to lure capital development through tax breaks, locally financed ancillary facilities, labor laws, and the like. At the same time, relatively more generous state or local outlays for social services could be attacked as encouraging an immigration of the poor.

[2] The bill is reprinted in [201, p. 141ff].

[3] The White House-OMB group had originally proposed a one-year hold harmless provision. Secretary Romney and the HUD staff recognized the political problems that this would cause for the bill and prevailed upon the White House to make the hold harmless protection permanent [107]. Even those who urged the latter, however, did not see the hold harmless provisions as creating permanent protection since it was felt that gradually rising budgets for the total program would eventually raise entitlement allotments above the hold harmless thresholds [201, p. 60].

[4] The bill is reprinted in [201, p. 518ff].

[5] The bill is reprinted in [189, p. 2ff].

[6] The final compromise can be found in [202].

[7] For the results of the House Subcommittee's work, see [191].

[8] Ashley's reasons for reaching this conclusion are most unclear, especially given the ambiguousness of the poverty adjustment clause. An

unadjusted poverty element would not have helped the declining, Northeastern cities toward which Ashley had typically been sympathetic. However, Ashley and his fellow Democrats were apparently satisfied that the adjusted poverty element would aid larger as opposed to smaller cities. (At the time, it was thought that any formula would lower grants to large cities because these had previously been in the best position to compete through the process of grantsmanship.) Whatever the case, the important observation at this point is that the House Subcommittee's first conscious look at projected distributive outcomes did not cause great alarm about the formula's redistributive potential along the dimensions of region, decline, and party.

[9] The debate appears in [183, pp. 6534-6612].

[10] Pattman's reasons for killing the 1972 housing bill remain obscure. One view is that petty jealousies inflamed by the Subcommittee's growing independence from the full Committee were at its roots [31; 109]. Another view is that the omnibus bill, which featured a number of new departures from the traditional politics of housing, contained several housing provisions that the builder and developer lobbies were not ready to accept [165, pp. 291-297]. Whatever the case, it has generally been agreed that the Pattman stall had nothing to do with objections to the community development title of the bill [120; 161]. Thus, although the killing of the bill provides a colorful illustration of the Congressional process gone awry, it sheds little light on the processes that produced the redistribution of community development funds.

[11] The hearings are contained in [190]. Accounts of the hearings can be found in: [31; 109; 165, pp. 291-297].

[12] The BCA is printed in [184, p. 2495ff; 192, p. 153ff]. McGuire [112] presents an analysis of its major provisions.

[13] The same theme was heavily stressed in President Nixon's State of the Union address on urban affairs [225].

[14] Labeling the subsidy approaches of the past as failures, the administration's housing proposals shifted the emphasis away from production subsidies to a system of housing assistance payments to low-income persons. Known generally as the Section 8 program, this system continues today to be the leading federal housing program for low-income persons. See [154] for details of the program.

[15] The text of the bill appears in [203, p. 2522ff] and [184, p. 14685ff].

[16] The text of the bill appears in [192, p. 2ff].

[17] See [204] for a detailed discussion of the bill.

[18]Most sources cited the impeachment crisis as an important factor behind the House's willingness to compromise at this point [9, p. 22; 121; 133, p. 44; 145, p. 109; 165, p. 305]. The ACIR, however, specifically discounted this view on the basis of reports from unnamed "insiders" who had followed the legislation carefully [177, p. 10]. Whatever the case, House Democrats had additional reasons for seeking a compromise with the administration. One was that the administration had threatened to veto any bill that wasn't a significant improvement over the Senate's work [60; 193, p. 201]. There were, after all, limits to the administration's willingness to be conciliatory. Also, House Democrats wanted to restore some of the production-oriented housing programs that the administration had scrapped. Although these had been temporarily extended by House Joint Resolution 719, their long-term survival was much in doubt. Here, the House Democrats secured at least partial successes inasmuch as the Subcommittee bill continued to keep these programs in existence -- at least on paper.

[19]Technically, the means for the Secretary of HUD to make regional adjustments for poverty were still left in the bill. Instead of being mandatory these adjustments were to be made "if feasible and appropriate and in the sole discretion of the Secretary" [185, p. 20266]. Since this authority has never been used, this change in language effectively put an end to the regional adjustment concept.

[20]Furthermore, the administration's veto threat also weakened the Senate's bargaining position.

[21]The conference report contains a detailed analysis of the compromises that were reached [196, p. 123ff]. For a summary of these see [58].

[22]Some exceptions to this can be found in sections of the testimony by USCM-NLC and NAHRO [see especially 189, pp. 501, 510, 519ff, 1007-1008]. Here, it was claimed that existing Census indicators of community development need were inadequate, that it was hard to empirically assess such a multifaceted concept as community development need, and that the suggested formula elements did not reflect local capacity to deal with the problem. The purpose of these remarks, however, was to lead to the conclusion that no "mechanistic" formula could be adequate. As such these statements fed into conclusions about the application and review issue rather than generating any debate on the merits of particular formulas or formula elements. Specifically, these remarks contained no anlysis of the distributive consequences of any formulas or formula elements.

[23]The testimony of representatives of the urban growth coalition can be found on the pages indicated by the following list:

Organization	1971 House Hearings [189]	1971 Senate Hearings [201]
AIA	660ff	1196ff and 1283ff
AIP	671ff	784ff
MBA	1074ff	947ff
NABM	853ff	841ff
NAHB	1239ff	1229ff
NAHRO	965ff	103ff and 1036 ff
NAREB/NAR	1062ff	1003ff
NGC	396ff	1011ff
NHC	1131ff	762ff
USCM-NLC	500ff	73ff

[24] The NGC gave a very brief statement which supported the administration's plan on very general philosophical grounds during its Senate testimony but ignored the bill while appearing before the House.

[25] The National Governors' Conference also rejected the administration's bill as a "retreat from the new regionalism" [203, p. 364], but they did not endorse either the House or the Senate counterproposals as more adequate approaches. The MBA and the NABM did not endorse, or speak on, either alternative. They confined their attention to aspects of the pending legislation other than CDBG provisions. Testimony by spokespersons representing urban growth coalition members in 1973 can be found on the pages indicated by the following list:

Organization	1973 House Hearings [192]	1973 Senate Hearings [203]
AIA	1333ff	1350ff
AIP	712ff	670ff
MBA	699ff	739ff
NABM	989ff	834ff
NAHB	855ff	705ff
NAHRO	1261ff	1245ff
NAREB/NAR	977ff	1523ff
NGC	*	355ff
NHC	369ff	499ff
USCM-NLC	1131ff	760ff

*The NGC did not appear before the House Subcommittee in 1973.

[26] One group, NAREB/NAR did support CDBG proposals that were redistributive in their consequences. However, NAREB/NAR's support was rather tepid. Although this support provides an exception to the concluding observation that is offered, it provides much too slender a basis for arguing that Formula A can be explained in terms of the decline process.

[27] The Administration's special revenue sharing bill is considered to be the most clearly redistributive bill that was placed before the 92nd Congress both because its formula was similar to Formula A and

because it had minimal application and review provisions. Given that the House counterproposal also had a formula similar to Formula A, it can alos be thought of as redistributive. This raises the question of whether the House's formula was developed by Sunbelt Legislators. Such was not the case. The community development title of the House's counterproposal was drawn up by one of the three House study panels mentioned on page 139 -- Panel III on Developing a Suitable Living Environment. Only one of that panel's five members, Representative Ben Blackburn (R-GA), was a Sunbelt Legislator and its leading spirits were Representatives Moorhead of Pennsylvania, Ashley of Ohio, and Reuss of Wisconsin -- all Frostbelters.

[28]This bill was drawn up by Senator Sparkman and the Senate Subcommittee staff under his control with generous input from both the USCM-NLC and NAHRO [165, p. 262; 189, p. 989].

[29]It can not be said that Sparkman's support of the existing distribution system occurred because Alabama benefitted from that system. Comparisons of the Hold Harmless and Formula A entitlements among the four large cities in Alabama show that three of them fared worse under Hold Harmless than under Formula A:

City	Hold Harmless (in $ thousands)	Formula A (in $ thousands)
Birmingham	5,040	8,855
Huntsville	4,065	2,185
Mobile	2,014	5,505
Montgomery	2,484	3,935

(Source: Figures are the same as those used in the quantitative analysis in Chapter Five.)

[30]It can not be said that Gonzalez's opposition to formula distribution was rooted in the fact that his San Antonio district was faring well under the categorical system. According to the figures used in Chapter Five, San Antonio would have received a hold harmless entitlement of $17,904 million compared to a Formula A entitlement of $20,947 million.

[31]Relationships were also strengthened with the states since the BCA for the first time gave state governments a role in passing funds between the federal government and the smaller, nonentitlement communities that applied for them.

NOTES TO CHAPTER EIGHT

[1]All of the CDBG actions that were taken by the Senate in 1976 and 1977 were undertaken by the full Senate Banking Committee rather than by its Housing Subcommittee. The difference was more titular than substantive, however, since all of the members of the full Committee were, at that time, also included as Subcommittee members. Because of this, the terms "Subcommittee" and "Committee" are used somewhat interchangeably in this chapter when reference to the Senate is made.

[2]The idea of a dual formula is specifically credited to Paul Dommel, a co-author of the Nathan report [25, p. 25n].

[3]The HUD staff appears to be responsible for grafting this suggestion onto the dual formula concept [25, p. 25n].

[4]See [85]. Also see [74] and [76] on the political appeal in retrospect.

[5]The definition of growth lag was given in Chapter Two. The growth lag concept was originally suggested to the Carter transition team by Paul Dommel, who had also launched the dual formula concept. See [25, p. 25n].

[6]This point is further highlighted by taking note of the fate of the criticisms that had emerged on the focusing issue. Here, the general conclusion of evaluation studies had been that additional federal requirements would be needed to concentrate spending on low-income neighborhoods [4; 9; 134]. This, of course, would unravel the compromise on outer layer issues that had been reached through four years of difficult negotiations. The time was not right for opening up this controversy again, so rather than responding to these criticisms in its CDBG proposal, the administration sought to rectify the situation through changes that could be made in HUD's administration of the block grant program. Thus, Robert Embry, HUD's new assistant secretary for community development, launched a campaign to tighten up HUD's administrative procedures in the spring [46; 75; 79].

[7]All three were beginning their second terms as Representatives. Hannaford and Kelly voted against the bill largely on regional grounds; Grassley voted against it out of concern over small cities. Representative Rousselot chose to abstain rather than vote against the bill.

[8]See [207] for the transcript of the former and [208] for the transcript of the latter.

[9]It was proposed that recipients could pick, from among the three formulas, the entitlement that was the greatest.

[10]See [207] and [208]. Attendance is noted at the opening of each day's proceedings.

[11]The following figures were taken from the data used in Chapter Five:

New Jersey cities	Hold Harmless entitlement (in $ thousands)	Formula A entitlement (in $ thousands)	Percentage of housing units built before 1939
Elizabeth	146	2,138	64.9%
Jersey City	6,485	5,541	78.9%
Newark	20,513	11,316	68.4%
Paterson	4,036	3,532	70.5%
Trenton	5,097	2,256	81.0%

[12]See [206, p. 40ff] for a review of the provisions of the bill that was sent to the Senate floor.

[13]In the end, the Congress ran slightly past this deadline, but they got around the difficulties by passing 30-day temporary extensions of the housing and mortgate guarantee authorities.

[14]Those who stood with Ashley in the floor debate were predominantly from Frostbelt states. They were Representatives Pattison (D-NY), Moorhead (D-PA), Boland (D-MA), Tsongas (D-MA), Fauntroy (D-DC), Lundine (D-NY), and Gephart (D-MO).

[15]This conclusion is shared by Stanfield; see [173].

[16]Though not affecting the proposed formula system, there were two amendments offered on the Senate floor that bear some mention here. The first of these was the Sasser amendment that would have revised the way that discretionary funds were to be allocated among smaller communities and was beaten back by a regional vote. Frostbelt Senators voted 37 to 0 against the amendment while Sunbelt Senators voted 43 to 6 for it [186, p. 17819]. The second amendment, the Bumpers amendment, was designed to slow down the pace of the hold harmless phaseout by guaranteeing that hold harmless allotments could not be reduced by more than 20% from year to year [186, p. 17819ff]. This amendment passed, but it passed by a voice vote, which makes it difficult to analyze the support that it received in regional terms. Figures circulated during the debate showed that the cities that were likely to benefit from the amendment were regionally diverse [186, p. 17821].

[17]Also, the Bumpers amendment (limiting the size of hold harmless phasedowns) was rejected.

[18]The same does not hold true for the UDAG issue. As has been noted, there were serious Republican objections to this Carter initiative in the Senate Report [206, pp. 79ff, 87ff].

[19]The testimony of these groups can be found on the pages indicated in the following chart:

	1976 Senate Hearings [205]	1977 Senate Authorization Hearings [207]	1977 House Hearings [195]
NAHRO	200ff	190ff	379ff
USCM	389ff	75ff	202ff
NLC	402ff	22ff	280ff

[20]How it is that these core groups, which drew on a nationwide membership, have come to represent the interests of declining cities at the expense of growing ones is an interesting question. Since answering it would require an analysis of the internal politics of these groups, it is, unfortunately, beyond the scope of the present project. It is raised as a line of investigation that others might want to pursue.

[21]The latter figure is somewhat conservative since it counts liberal Democrats Parren Mitchell of Baltimore, Maryland and Walter Fauntroy of the District of Columbia as Sunbelters.

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